JGC Annual Financial Results FY2022

JGC Holdings Corporation

KPMG AZSA LLC

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I) Consolidated Financial Statements

i) Consolidated Balance Sheet

March 31		Millions of yen 2022		Millions of yen 2023	Millions of U.S. dollars 2023
Assets					
Current assets					
Cash and deposits	*3	288,159	*3	332,951	2,493
Notes receivable, trade receivables, contract assets and other	*1,*3	141,222	*1,*3	141,846	1,062
Costs on construction contracts in progress		23,804		16,981	127
Merchandise and finished goods		6,659		7,760	58
Work in process		2,970		3,236	24
Raw materials and supplies		3,596	*3	4,520	34
Accounts receivable - other		64,423		25,710	193
Other		6,069		6,802	51
Allowance for doubtful accounts		(3,562)		(315)	(2)
Total current assets		533,343		539,493	4,040
Non-current assets					
Property, plant and equipment					
Buildings and structures	*3	74,181	*3	75,001	562
Machinery, vehicles, tools, furniture and fixtures	*3	71,133	*3	72,569	543
Land		18,617		18,639	140
Leased assets	*3	1,079	*3	2,690	20
Construction in progress		803		2,928	22
Other		4,795		—	—
Accumulated depreciation		(101,075)		(99,595)	(746)
Total property, plant and equipment		69,534		72,234	541
Intangible assets					
Software		7,228		10,650	80
Other		2,447		374	3
Total intangible assets		9,676		11,025	83
Investments and other assets					
Investment securities	*2,*3	55,837	*2	59,224	444
Long-term loans receivable		8,640		11,074	83
Retirement benefit asset		1,506		1,277	10
Deferred tax assets		13,557		15,483	116
Other	*2	16,002	*2	25,333	190
Allowance for doubtful accounts		(13,824)		(22,018)	(165)
Total investments and other assets		81,720		90,373	677
Total non-current assets		160,930		173,633	1,300
Total assets		694,274		713,127	5,341

March 31	Millions of yen 2022	Millions of yen 2023	Millions of U.S. dollars 2023
Liabilities			
Current liabilities			
Notes payable, accounts payable for construction contracts and other	63,258	90,005	674
Short-term borrowings	2,167	2,336	17
Current portion of bonds payable	30,000	10,000	75
Current portion of long-term borrowings	*3 8,660	*3 544	4
Income taxes payable	5,244	4,794	36
Contract liabilities	109,756	113,989	854
Provision for bonuses	6,880	12,509	94
Provision for bonuses for directors (and other officers)	274	299	2
Provision for loss on construction contracts	384	838	6
Provision for warranties for completed construction	1,074	958	7
Other	26,135	35,929	269
Total current liabilities	253,836	272,206	2,039
Non-current liabilities			
Bonds payable	20,000	10,000	75
Long-term borrowings	*3 11,496	*3 13,891	104
Retirement benefit liability	15,884	12,803	96
Provision for retirement benefits for directors (and other officers)	210	233	2
Deferred tax liabilities	1,089	1,438	11
Deferred tax liabilities for land revaluation	1,014	1,014	8
Other	3,080	3,557	27
Total non-current liabilities	52,775	42,939	322
Total liabilities	306,612	315,145	2,360
Net assets			
Shareholders' equity			
Share capital	23,672	23,733	178
Capital surplus	25,770	25,831	193
Retained earnings	342,198	369,066	2,764
Treasury shares	(6,740)	(26,741)	(200)
Total shareholders' equity	384,901	391,889	2,935
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	6,311	7,219	54
Deferred gains or losses on hedges	3,786	2,359	18
Revaluation reserve for land	(10,891)	(10,891)	(82)
Foreign currency translation adjustment	3,462	6,089	46
Remeasurements of defined benefit plans	(424)	677	5
Total accumulated other comprehensive income	2,244	5,454	41
Non-controlling interests	517	637	5
Total net assets	387,662	397,981	2,980
Total liabilities and net assets	694,274	713,127	5,341

ii) Consolidated Statement of Operations and Consolidated Statement of Comprehensive Income
Consolidated Statement of Operations

Year ended March 31	Millions of yen 2022		Millions of yen 2023		Millions of U.S. dollars 2023
Net sales	*1	428,401	*1	606,890	4,545
Cost of sales	*3,*4	383,029	*3,*4	540,164	4,045
Gross profit		45,372		66,725	500
Selling, general and administrative expenses	*2,*3	24,683	*2,*3	30,026	225
Operating profit		20,688		36,699	275
Non-operating income					
Interest income		1,060		7,364	55
Dividend income		2,103		2,119	16
Share of profit of entities accounted for using equity method		3,014		2,714	20
Foreign exchange gains		2,528		2,833	21
Other		1,124		226	2
Total non-operating income		9,831		15,259	114
Non-operating expenses					
Interest expenses		419		1,162	9
Other		72		235	2
Total non-operating expenses		491		1,397	10
Ordinary profit		30,028		50,560	379
Extraordinary income					
Gain on change in equity		—	*5	1,318	10
Gain on sale of investment securities		799		399	3
Gain on liquidation of subsidiaries and associates		179		—	—
Gain on sale of receivables		—	*6	2,079	16
Other		8		5	0
Total extraordinary income		987		3,802	28
Extraordinary losses					
Impairment losses		—	*7	2,525	19
Loss on valuation of investment securities		397		992	7
Loss on valuation of investments in capital of subsidiaries and associates		—		1,727	13
Loss on Ichthys LNG Project	*8	57,576		—	—
Other		301		307	2
Total extraordinary losses		58,275		5,552	42
Profit (loss) before income taxes		(27,260)		48,811	366
Income taxes - current		7,773		19,302	145
Income taxes - deferred		463		(538)	(4)
Total income taxes		8,236		18,763	141
Profit (loss)		(35,496)		30,047	225
Profit (loss) attributable to non-controlling interests		54		(618)	(5)
Profit (loss) attributable to owners of parent		(35,551)		30,665	230

Consolidated Statement of Comprehensive Income

Year ended March 31	Millions of yen 2022		Millions of yen 2023		Millions of U.S. dollars 2023
Profit (loss)		(35,496)		30,047	225
Other comprehensive income					
Valuation difference on available-for-sale securities		653		(177)	(1)
Deferred gains or losses on hedges		2,855		(2,979)	(22)
Foreign currency translation adjustment		3,220		1,387	10
Remeasurements of defined benefit plans		(4)		1,215	9
Share of other comprehensive income of entities accounted for using equity method		1,410		3,933	29
Total other comprehensive income	*1,*2	8,135	*1,*2	3,378	25
Comprehensive income		(27,360)		33,425	250
Comprehensive income attributable to					
Comprehensive income attributable to owners of parent		(27,415)		33,875	254
Comprehensive income attributable to non-controlling interests		54		(449)	(3)

iii) Consolidated Statement of Changes in Net Assets

Millions of yen

Year ended March 31, 2022	Shareholders' equity					Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	23,611	25,709	380,402	(6,739)	422,983	5,571	248	(10,891)	(358)	(432)	(5,862)	495	417,616
Cumulative effects of changes in accounting policies			312		312								312
Restated balance	23,611	25,709	380,714	(6,739)	423,295	5,571	248	(10,891)	(358)	(432)	(5,862)	495	417,928
Changes during period													
Issuance of new shares	61	61			122								122
Dividends of surplus			(3,029)		(3,029)								(3,029)
Loss attributable to owners of parent			(35,551)		(35,551)								(35,551)
Purchase of treasury shares				(0)	(0)								(0)
Change in scope of consolidation			64		64				(28)		(28)		36
Net changes in items other than shareholders' equity					－	740	3,537	－	3,849	8	8,135	21	8,157
Total changes during period	61	61	(38,515)	(0)	(38,394)	740	3,537	－	3,820	8	8,107	21	(30,265)
Balance at end of period	23,672	25,770	342,198	(6,740)	384,901	6,311	3,786	(10,891)	3,462	(424)	2,244	517	387,662

Millions of yen

Year ended March 31, 2023	Shareholders' equity					Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	23,672	25,770	342,198	(6,740)	384,901	6,311	3,786	(10,891)	3,462	(424)	2,244	517	387,662
Changes during period													
Issuance of new shares	60	60			120								120
Dividends of surplus			(3,788)		(3,788)								(3,788)
Profit attributable to owners of parent			30,665		30,665								30,665
Purchase of treasury shares				(20,000)	(20,000)								(20,000)
Change in scope of consolidation			(8)		(8)								(8)
Net changes in items other than shareholders' equity					－	907	(1,426)	－	2,627	1,101	3,210	120	3,330
Total changes during period	60	60	26,868	(20,000)	6,988	907	(1,426)	－	2,627	1,101	3,210	120	10,318
Balance at end of period	23,733	25,831	369,066	(26,741)	391,889	7,219	2,359	(10,891)	6,089	677	5,454	637	397,981

Millions of U.S. dollars

Year ended March 31, 2023	Shareholders' equity					Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	177	193	2,563	(50)	2,883	47	28	(82)	26	(3)	17	4	2,903
Changes during period													
Issuance of new shares	0	0			1								1
Dividends of surplus			(28)		(28)								(28)
Profit attributable to owners of parent			230		230								230
Purchase of treasury shares				(150)	(150)								(150)
Change in scope of consolidation			(0)		(0)								(0)
Net changes in items other than shareholders' equity					－	7	(11)	－	20	8	24	1	25
Total changes during period	0	0	201	(150)	52	7	(11)	－	20	8	24	1	77
Balance at end of period	178	193	2,764	(200)	2,935	54	18	(82)	46	5	41	5	2,980

iv) Consolidated Statement of Cash Flows

Year ended March 31	Millions of yen 2022	Millions of yen 2023	Millions of U.S. dollars 2023
Cash flows from operating activities			
Profit (loss) before income taxes	(27,260)	48,811	366
Depreciation	7,202	7,839	59
Impairment losses	—	2,525	19
Increase (decrease) in allowance for doubtful accounts	3,712	4,489	34
Interest and dividend income	(3,164)	(9,484)	(71)
Interest expenses	419	1,162	9
Foreign exchange losses (gains)	(4,419)	(11,761)	(88)
Share of loss (profit) of entities accounted for using equity method	(3,014)	(2,714)	(20)
Decrease (increase) in notes receivable, trade receivables, contract assets and other	3,326	898	7
Decrease (increase) in inventories	(3,742)	5,310	40
Increase (decrease) in notes and accounts payable - trade	19,072	26,594	199
Loss (gain) on sale of investment securities	(799)	(398)	(3)
Increase (decrease) in retirement benefit liability	353	(3,324)	(25)
Increase (decrease) in provision for loss on construction contracts	(3,251)	429	3
Loss (gain) on valuation of investment securities	397	992	7
Loss on valuation of investments in capital of subsidiaries and associates	—	1,727	13
Loss (gain) on change in equity	—	(1,318)	(10)
Increase (decrease) in contract liabilities	8,739	3,753	28
Decrease (increase) in accounts receivable - other	33,328	36,579	274
Increase (decrease) in accounts payable - other	(13,437)	7,177	54
Gain on sale of receivables	—	(2,079)	(16)
Other, net	(895)	6,820	51
Subtotal	16,567	124,029	929
Interest and dividends received	5,341	9,985	75
Interest paid	(419)	(932)	(7)
Proceeds from sale of receivables	—	2,079	16
Income taxes paid	(2,177)	(24,392)	(183)
Cash flows from operating activities	19,311	110,769	830
Cash flows from investing activities			
Purchase of property, plant and equipment	(5,467)	(6,565)	(49)
Proceeds from sale of property, plant and equipment	9	150	1
Purchase of investment securities	(2,435)	(2,629)	(20)
Proceeds from sale of investment securities	2,835	939	7
Purchase of intangible assets	(4,339)	(5,573)	(42)
Proceeds from sale of intangible assets	—	1,796	13
Proceeds from capital reduction of investments	1,064	733	5
Other, net	637	(322)	(2)
Cash flows from investing activities	(7,695)	(11,471)	(86)
Cash flows from financing activities			
Proceeds from long-term borrowings	1,617	2,324	17
Repayments of long-term borrowings	(370)	(9,197)	(69)
Redemption of bonds	—	(30,000)	(225)
Dividends paid	(3,031)	(3,789)	(28)
Dividends paid to non-controlling interests	(33)	(44)	(0)
Net increase (decrease) in short-term borrowings	1,819	56	0
Purchase of treasury shares	(0)	(20,000)	(150)
Other, net	(148)	(637)	(5)
Cash flows from financing activities	(148)	(61,288)	(459)
Effect of exchange rate change on cash and cash equivalents	7,968	6,592	49
Net increase (decrease) in cash and cash equivalents	19,436	44,602	334
Cash and cash equivalents at beginning of period	268,281	288,009	2,157
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	291	144	1
Cash and cash equivalents at end of period	*1 288,009	*1 332,755	2,492

Notes to Consolidated Financial Statements

(Basis of presentation)

The accompanying consolidated financial statements of JGC Holdings Corporation (“the Company”) and its consolidated subsidiaries (collectively, “the Group”) have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan 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 (“IFRS”).

The accounts of overseas consolidated subsidiaries are prepared in accordance with either IFRS or U.S. generally accepted accounting principles (“U.S. GAAP”), with adjustments for a limited number of certain items based on their materiality.

The accompanying consolidated financial statements are an English translation of an excerpt of the annual securities report prepared in Japanese under the Financial Instruments and Exchange Act of Japan except for the figures in U.S. dollars.

The figures in Japanese yen are rounded down to the nearest million, except for per share data. As a result, the total amounts in Japanese yen shown in the financial statements do not necessarily coincide with the sum of the individual figures.

The translation of the Japanese yen amounts into U.S. dollars, using the prevailing exchange rate at March 31, 2023 of ¥133.53 to U.S.$1, is included solely for the convenience of readers outside Japan. The convenience translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at this or any other rate of exchange.

(Material basis for the preparation of consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries and names of the principal consolidated subsidiaries

Number of consolidated subsidiaries: 25

The names of the principal consolidated subsidiaries are as follows:

Consolidated subsidiary	Location	Percentage of voting rights held by the Company as of March 31, 2023
JGC CORPORATION	Japan	100
JGC JAPAN CORPORATION	Japan	100
JGC PLANTECH AOMORI CO., LTD.	Japan	100 (100)
JGC Catalysts and Chemicals Ltd.	Japan	100
JAPAN FINE CERAMICS CO., LTD.	Japan	100
NIKKI BUSINESS SERVICES CO., LTD.	Japan	100
JAPAN NUS CO., LTD.	Japan	88
Kamome Mirai Fisheries Company	Japan	95 (95)
Organoid Farm Inc.	Japan	100 (100)
Brownreverse Inc.	Japan	100 (100)
JGC ASIA PACIFIC PTE. LTD.	Singapore	100
JGC PHILIPPINES, INC.	Philippines	100
JGC Gulf International Co. Ltd.	Saudi Arabia	100 (5)
JGC OCEANIA PTY LTD	Australia	100
JGC America, Inc.	U.S.A.	100
JGC Gulf Engineering Co. Ltd.	Saudi Arabia	75 (75)

PT. JGC INDONESIA	Indonesia	49 (14)
JGC (GULF COAST), LLC	U.S.A.	100 (100)
JGC Exploration Eagle Ford LLC	U.S.A.	100 (100)
JGC EXPLORATION CANADA LTD.	Canada	100
JGC Construction International Pte. Ltd.	Singapore	100 (100)
JGC ASIA PACIFIC (M) Sdn. Bhd.	Malaysia	100 (100)
Al Ashilah Desalination Company S.A.O.C.	Oman	75
JGC Vietnam Co., Ltd.	Vietnam	100 (62)
JGC INDIA EPC PRIVATE LIMITED	India	100 (100)

Note: The figures in parentheses ( ) presented under "Percentage of voting rights held by the Company as of March 31, 2023" indicate the percentage of indirect ownership.

Brownreverse Inc. and JGC INDIA EPC PRIVATE LIMITED have been included in the scope of consolidation in the consolidated fiscal year under review as they were newly established, and Kamome Mirai Fisheries Company and Organoid Farm Inc. have been included in the scope of consolidation in the consolidated fiscal year under review as their importance has increased.

(2) Names of the principal non-consolidated subsidiaries, etc.

JGC KOREA CORPORATION

(Reason for excluding the subsidiary from the scope of consolidation)

Because all non-consolidated subsidiaries are small companies, which do not have a significant impact on the consolidated financial statements in terms of the aggregated total assets, net sales, profit or loss (amount corresponding to the Company's equity) and retained earnings (amount corresponding to the Company's equity), etc.

2. Application of the equity method

(1) Number of companies accounted for using equity method and names of the principal companies accounted for using equity method

Non-consolidated subsidiaries: 0

Associates: 8

The names of associates accounted for using equity method are as follows:

Associates accounted for using equity method	Location	Percentage of voting rights held by the Company as of March 31, 2023
Nikki-Universal Co., Ltd.	Japan	50
Swing Corporation	Japan	33
Swing AM Corporation	Japan	- [100]
Swing Engineering Corporation	Japan	- [100]
A.R.C.H. WLL	Bahrain	30
Japan Sankofa Offshore Production Pte. Ltd.	Singapore	26

ASH SHARQIYAH OPERATION AND MAINTENANCE COMPANY LLC	Saudi Arabia	29
Japan NuScale Innovation, LLC	U.S.A.	29 (29)

Note: The figures in parentheses ( ) presented under "Percentage of voting rights held by the Company as of March 31, 2023" indicate the percentage of indirect ownership, while the figures in brackets [ ], which are stated for reference, refer to the percentage of ownership of persons with whom the Company has a close relationship or who have agreed to exercise the same voting rights as the Company.

(2) Names of the principal non-consolidated subsidiaries and associates not accounted for using equity method, etc.

Names of the principal non-consolidated subsidiaries not accounted for using equity method

JGC KOREA CORPORATION

Names of the principal associates not accounted for using equity method

MODS MANAGEMENT LIMITED

(Reason for not applying the equity method)

Because the non-consolidated subsidiaries and associates not accounted for using equity method do not have a significant impact on profit or loss (amount corresponding to the Company's equity) and retained earnings (amount corresponding to the Company's equity), etc. and are immaterial as a whole.

3. Fiscal year of consolidated subsidiaries

The fiscal closing date of consolidated subsidiaries JGC ASIA PACIFIC PTE. LTD., JGC PHILIPPINES, INC., JGC Gulf International Co. Ltd., JGC (GULF COAST), LLC, JGC Exploration Eagle Ford LLC, JGC EXPLORATION CANADA LTD., JGC America, Inc., JGC Gulf Engineering Co. Ltd., PT. JGC INDONESIA, JGC Construction International Pte. Ltd., JGC ASIA PACIFIC (M) Sdn. Bhd., and JGC Vietnam Co., Ltd. is December 31. In preparing the consolidated financial statements, the financial statements as of the same closing date are used. However, adjustments necessary for consolidation are made for significant transactions that occurred between January 1 and the consolidated fiscal year-end of March 31.

4. Accounting policies

(1) Valuation standards and methods for significant assets

(a) Securities

Available-for-sale securities:

Securities other than equity securities, etc. with no available market values

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

Equity securities, etc. with no available market values

Carried at cost based on the moving-average method.

Investments in investment limited partnerships and other similar partnerships (items that are deemed as securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act)

Stated at the net value of equity interests based on the most recent financial statements available according to the financial reporting date stipulated in the respective partnership agreements.

(b) Net receivables (and payables) arising from derivative transactions

Carried at fair value

(c) Inventories

Costs on construction contracts in progress

Carried at cost based on the specific identification method.

Other

Carried at cost based on the moving-average method (book value is written down based on a decline in profitability).

(2) Depreciation method of significant depreciable assets

(a) Property, plant and equipment (excluding leased assets)

Buildings for business use and structures acquired on or after April 1, 2016 are depreciated primarily using the straight-line method, while other property, plant and equipment are depreciated primarily using the declining-balance method.

Estimates of useful lives and residual values of assets are based on the same standard as stipulated in the Corporation Tax Act of Japan, except for certain consolidated subsidiaries whose estimate of useful lives of the assets, including water desalination plants, are based on economic useful lives.

(b) Intangible assets (excluding leased assets)

Straight-line method

However, software for internal use is amortized using the straight-line method over the estimated useful life within the Group (5 years).

(c) Leased assets

Leased assets related to finance lease transactions which do not transfer the ownership of the leased property to the lessee are depreciated using the straight-line method with the lease term as the useful life and a residual value of zero.

(d) Long-term prepaid expenses

Straight-line method

(3) Accounting standards for significant provisions and allowances

(a) Allowance for doubtful accounts

In order to provide for possible credit losses on notes receivable, trade receivables, contract assets and other as well as loans and other receivables, the Group records the estimated amount of non-recoverable receivables based on the historical loss rate for general receivables and individual collectability for specific doubtful receivables.

(b) Provision for bonuses

In order to provide for payments of bonuses to the employees, the Group records the estimated payable amount attributable to the consolidated fiscal year under review.

(c) Provision for bonuses for directors (and other officers)

In order to provide for payments of bonuses to directors and other officers, the Group records the estimated payable amount attributable to the consolidated fiscal year under review.

(d) Provision for loss on construction contracts

In order to provide for losses on construction contracts that have not been delivered as of the end of the consolidated fiscal year under review and for which losses are expected to be incurred and the amount of such losses can be reasonably estimated, the Group records a provision for losses expected to be incurred in the following consolidated fiscal year or later.

(e) Provision for warranties for completed construction

In order to provide for liability for defect warranty in connection with construction contracts recorded as net sales, the Group records an amount mainly based on certain calculation criteria in accordance with historical experience ratios.

(f) Provision for retirement benefits for directors (and other officers)

Some consolidated subsidiaries provide for the payment of retirement benefits to directors (and other officers) based on the amount payable at the end of the fiscal year in accordance with internal regulations.

(4) Accounting for retirement benefits

(a) Period attribution method for estimated retirement benefits

In calculating retirement benefit obligations, the method of attributing the estimated amount of retirement benefits to periods up to the end of the consolidated fiscal year under review is based on the benefit formula basis.

(b) Accounting for actuarial differences and past service costs

Actuarial differences are primarily recognized from the fiscal year following the year in which the differences are recognized based on the declining-balance method over a fixed period (12 years), which is no longer than the estimated average remaining service years of employees at the time of occurrence of the differences.

Past service costs are primarily recognized based on the straight-line method over a fixed period (12 years), which is no longer than the estimated average remaining service years of employees at the time of occurrence of the differences.

However, certain consolidated subsidiaries recognize all actuarial differences and past service costs as incurred.

(5) Standards for recognizing significant revenue and expense

The details of the main performance obligations in the major businesses related to revenue from contracts with customers and the timing at which the Group typically satisfies these performance obligations (when it typically recognizes revenue) are described below.

Regarding the receipt of transaction consideration in the major businesses, for construction contracts, the Group normally receives consideration of a transaction from customers generally in stages by measuring its progress toward complete satisfaction of that performance obligation in accordance with the terms of the respective construction contracts. For sales of goods, the Group normally receives consideration of a transaction from customers within one year after the performance obligations are satisfied. Both contracts do not include a significant financing component.

(a) Construction contracts

In total engineering business, the Group engages in EPC business mainly by making construction contracts to provide planning, engineering, procurement, construction, commissioning and related services for various types of equipment and facilities. For construction contracts, the Group determines that performance obligations are mainly satisfied over time, and it recognizes revenue over time in line with the satisfaction of performance obligations. The measurement of the progress toward satisfaction of performance obligations is based on the ratio of the construction costs incurred by the end of the reporting period to the estimated total construction costs (input method) as the construction costs are deemed to incur in proportion to the progress toward satisfaction of performance obligations. The Group recognizes revenue by the cost recovery method when it is not possible to reasonably estimate the progress toward satisfaction of performance obligations, but it is probable that the costs incurred will be recovered. The Group applies the alternative treatment determined in Paragraph 95 of “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021, hereinafter “Guidance on Revenue Recognition Accounting Standard”) for construction contracts for which the period from the transaction commencement date to the point in time at which performance obligations are expected to be fully satisfied is extremely short. For such contracts, the Group recognizes revenue at the point in time when performance obligations are fully satisfied. In addition, regarding variable consideration with customers, in the case that construction contracts include terms such as provisional payments that vary with the quantity or market price of a particular item or penalties based on delays in delivery, the Group includes the variable consideration in the expected construction revenue to the extent it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty related to the variable consideration is subsequently resolved.

(b) Sales of goods

In functional materials manufacturing business, the Group mainly manufactures and sells catalysts, fine chemicals and fine ceramics products. For the sale of these products, the Group applies the alternative treatment determined in Paragraph 98 of “Guidance on Revenue Recognition Accounting Standard” and recognizes revenue when they are shipped.

(6) Significant hedge accounting method

(a) Hedge accounting method

Hedge accounting for monetary receivables and payables and forecasted transactions denominated in foreign currencies are accounted for using the allocation method if they meet the criteria for the allocation method. Otherwise, they are accounted for using the deferral hedge accounting method.

Interest rate swap transactions that meet the criteria for exceptional treatment are accounted for by applying the exceptional treatment, while other interest rate swap transactions are accounted for using the deferral hedge accounting method.

(b) Hedging instruments and hedged items

The Group uses foreign exchange forward contracts and foreign currency deposits to hedge the risk of exchange rate fluctuations associated with monetary receivables and payables and forecasted transactions denominated in foreign currencies.

The Group also uses interest rate swaps to hedge the risk of interest rate fluctuations associated with borrowings, etc.

(c) Hedging policy

Companies that apply hedge accounting establish internal rules for derivative transactions and execute and manage transactions in accordance with such rules, transaction authority, and transaction limits. Hedged items are identified for each transaction whenever hedge accounting is applied.

(d) Assessment of hedge effectiveness

The Group generally evaluates the hedge effectiveness semi-annually by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the corresponding changes in the hedging instruments.

However, where the principal conditions underlying the hedging instruments and the hedged assets or liabilities or forecasted transactions are the same, the evaluation of hedge effectiveness is not performed.

(7) Cash and cash equivalents in the consolidated statement of cash flows

Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand, readily-available deposits, and short-term investments with a maturity of three months or less that are readily convertible into cash and exposed to insignificant risk of changes in value.

(8) Other significant matters for the preparation of consolidated financial statements

(a) Accounting for lease transactions

Finance lease transactions, which do not transfer ownerships of the leased property to the lessee, are accounted for as ordinary sales transactions.

(b) Standards for converting foreign currency denominated assets or liabilities into Japanese currency

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates prevailing on the fiscal closing date, with translation differences recognized as gains or losses. Assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen at the spot exchange rate prevailing on the fiscal closing date, while income and expenses are translated into Japanese yen at the average exchange rate during the period. Translation differences are included in foreign currency translation adjustment under net assets.

(c) Accounting principles and procedures adopted when the related accounting standards are not defined

i) Accounting treatment on construction contracts for which orders are received by forming joint ventures

For the Company and its domestic consolidated subsidiaries, the share of sales and costs of joint ventures is recorded in each account on the consolidated statement of operations and the share of net assets of joint ventures is recorded in the consolidated balance sheet. In the case of overseas consolidated subsidiaries, they are accounted for in accordance with IFRS or U.S. GAAP.

ii) Accounting treatment on repurchase of treasury shares through Fully Committed Share Repurchase (FCSR)
The Company's shares acquired through ToSTNeT-3 are recorded as "Treasury shares" under net assets in the consolidated balance sheet at the acquisition cost. The Company's shares acquired through this method are included in the treasury shares deduction in the calculation of the average number of shares during the period for the purpose of calculating earnings per share and diluted earnings per share.

(Significant accounting estimates)

1. Recognition of revenue on construction contracts

(1) Amount recorded in the consolidated financial statements for the consolidated fiscal year under review

The following is the amount of construction contracts revenue, which is recognized over time in line with the satisfaction of performance obligations. The amount includes constructions completed during each fiscal year.

(Millions of yen)

Year ended March 31, 2022	Year ended March 31, 2023
345,263	506,227

(2) Information on significant accounting estimates for the identified items

For construction contracts, the Group determines that performance obligations are mainly satisfied over time, and recognizes revenue over time in line with the satisfaction of performance obligations except for construction projects with extremely short duration. The measurement of the progress toward satisfaction of performance obligations is based on the ratio of the construction costs incurred by the end of the reporting period to the estimated total construction costs (input method) as the construction costs are deemed to incur in proportion to the progress toward satisfaction of performance obligations. The Group recognizes revenue by the cost recovery method when it is not possible to reasonably estimate the progress toward satisfaction of performance obligations, but it is probable that the costs incurred will be recovered. In addition, regarding variable consideration with customers, the Group includes the variable consideration in the expected construction revenue to the extent it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty related to the variable consideration is subsequently resolved.

The estimated total construction revenue and the estimated total construction costs are estimated in accordance with the information that management has determined to be the best at that time based on the expertise, experience and track record that the Group accumulated in the past EPC projects.

Risks in receiving orders and project execution, country risks, natural disasters, infectious diseases, insufficient construction workers, risks in rising wages and materials prices for equipment, fuel and raw materials and other risks may affect the estimation to pose a negative impact on the Group's consolidated financial performance.

2. Provision for loss on construction contracts

(1) Amount recorded in the consolidated financial statements for the consolidated fiscal year under review

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Provision for loss on construction contracts	384	838

(2) Information on significant accounting estimates for the identified items

In order to provide for losses on construction contracts that have not been delivered as of the end of the consolidated fiscal year under review and for which losses are expected to be incurred and the amount of such losses can be reasonably estimated, a provision is recorded for losses expected to be incurred in the following consolidated fiscal year or later.

Provision for loss on construction contracts are estimated in accordance with the information that management has determined to be the best at that time based on the expertise, experience and track record that the Group accumulated in the past EPC projects.

Risks in receiving orders and project execution, country risks, natural disasters, infectious diseases, insufficient construction workers, risks in rising wages and materials prices for equipment, fuel and raw materials and other risks may affect the estimation to pose a negative impact on the amount of provision for loss on construction contracts.

3. Deferred tax assets

(1) Amount recorded in the consolidated financial statements for the consolidated fiscal year under review

The recorded amount of deferred tax assets as of the end of the consolidated fiscal year under review is the same as the amount stated in 1. under "(Tax effect accounting)."

(2) Information on significant accounting estimates for the identified items

Deferred tax assets are recognized in accordance with the reasonably estimated future taxable income based on the future business plans and the usage schedule of the deductible temporary difference. As a result, valuation allowance is provided for deferred tax assets that are deemed not recoverable.

The addition or reduction of the costs not expected at the time of estimation may affect the estimated amount of the future taxable income. This may result in a negative impact on the amount of valuation allowance and deferred tax assets.

4. Allowance for doubtful accounts

(1) Amount recorded in the consolidated financial statements for the consolidated fiscal year under review

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Allowance for doubtful accounts	17,386	22,333

(2) Information on significant accounting estimates for the identified items

In order to provide for possible credit losses on notes receivable, trade receivables, contract assets and other as well as loans and other receivables, the Group records the estimated amount of non-recoverable receivables based on the historical loss rate for general receivables and individual collectability for specific doubtful receivables.

In cases in which the debtors' financial condition worsens, resulting in diminished capacity for repayment, additional allowance may be necessary or additional bad debt expenses may be incurred.

5. Retirement benefit liability, retirement benefit asset, and retirement benefit expenses

(1) Amount recorded in the consolidated financial statements for the consolidated fiscal year under review

The recorded amounts of retirement benefit liability and retirement benefit asset as of the end of the consolidated fiscal year under review and the amount of retirement benefit expenses related to the defined benefit plan in the consolidated fiscal year under review are the same as the amounts stated in 2. under "(Retirement benefit plan)."

(2) Information on significant accounting estimates for the identified items

The Company and some of its consolidated subsidiaries have a contract-type defined benefit corporate pension plan as a defined benefit plan. The Group calculates its retirement benefit asset and liability and retirement benefit expenses, based on certain assumptions used for actuarial calculations, including discount rate, long-term expected rate of return and expected rate of salary increase.

In principle, the discount rate is determined based on the rates of return of Japanese government bonds at the fiscal year-end, which corresponded the estimated term of the retirement benefit liability. The expected long-term rate of return on pension plan assets is determined based on the current and projected pension asset allocations and current and expected long-term rate of returns on various categories of plan assets. The expected rate of salary increase is determined based on the average salary for each age group of employees enrolled as of the base date of the fiscal recalculation.

The changes in these estimates and assumptions used for the actuarial calculations may affect the retirement benefit asset and liability and retirement benefit expenses in the future.

6. Impairment losses on non-current assets

(1) Amount recorded in the consolidated financial statements for the consolidated fiscal year under review

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Property, plant and equipment	69,534	72,234
Intangible assets	9,676	11,025
Impairment losses	–	2,525

(2) Information on significant accounting estimates for the identified items

For an asset or asset group where there is an indication of impairment, if the recoverable amount is less than the sum of the carrying amounts at the time of the impairment loss determination, the Group recognizes the difference between the sum of the carrying amounts at the time of the impairment loss determination and the recoverable amount as an impairment loss.

The recoverable amount is the higher of net realizable value or value in use. Net realizable value is calculated based on estimated sales price or appraisal value, while value in use is calculated based on management's best estimate and assumptions at the time based on its future business plans and future cash flows, as well as the Group's accumulated expertise, experience and track record.

Changes in these estimates and assumptions could have a significant impact on the Group's business results and the amount of recorded non-current assets.

(Changes in accounting policies)

(Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Group has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Implementation Guidance on Fair Value Measurement Standard") from the beginning of the year ended March 31, 2023. In accordance with the transitional treatment provided for in Paragraph 27-2 of the Implementation Guidance on Fair Value Measurement Standard, the Group will prospectively apply the new accounting policy prescribed by the Implementation Guidance on Fair Value Measurement Standard. This change has no impact on the consolidated financial statements.

(Accounting standards not yet applied, etc.)

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

(1) Overview

The above standards and guidance clarify the classification of income taxes to be recorded when other comprehensive income is taxed and the treatment of tax effects on sales of shares of subsidiaries and other securities when the group taxation regime is applied.

(2) Planned date of application

The standards and guidance will be effective from the beginning of the fiscal year ending March 31, 2024.

(3) Impact of the application of the accounting standards, etc.

The effect is under evaluation at the time of preparation of these consolidated financial statements.

(Additional information)

(Repurchase of treasury shares)

The Company has passed a resolution at the Board of Directors' meeting on February 10, 2023 establishing the matters related to a treasury share repurchase in accordance with Article 156 of the Companies Act, which will be applied mutatis mutandis pursuant to Article 165, Paragraph 3 of the same Act. The repurchase of treasury shares based on the resolution has been completed on February 13, 2023. When repurchasing treasury shares, the Company employed the Fully Committed Share Repurchase (FCSR) method (the “Method”).

1. Reason for treasury share acquisition

In accordance with the Group’s Medium-Term Management Plan “Building a Sustainable Planetary Infrastructure 2025 (BSP2025),” taking into consideration the business outlook, cash flow and other conditions, the Company intends to enhance returns to shareholders by repurchasing its own shares.

2. Reason for selecting the Method

The Company’s goal heading into this repurchase is to ensure that it can acquire ¥20,000 million worth of treasury shares, and the Company has concluded that the Method is the best path for satisfying this need.

Among the methods of acquiring treasury shares through market purchases, there are various schemes to acquire treasury shares through regular trading sessions, such as the Company placing individual orders, the use of discretionary account transactions by securities companies, and the use of trust companies. However, when the Company intends to acquire treasury shares at the size of the acquisition price, considering the Company’s trading volume in the stock market, it is assumed that these methods will require a certain period of time before the completion of the share repurchase.

Unlike the above method, when purchase orders are placed under ToSTNeT-3 via agency transactions, the transaction is completed in a day, but depending on the volume of sell orders placed by shareholders, it may not be possible to repurchase the desired amount of treasury shares.

Employing the Method allows the repurchase to be completed in a day. Furthermore, if the sell orders placed by shareholders fall below the anticipated monetary sum, in order to make up for the shortfall, a securities company would issue a sell order after borrowing the Company’s shares from the Company shareholders, thereby ensuring that the Company would be able to repurchase its treasury shares for the anticipated monetary sum.

3. Outline of the Method

On February 13, 2023, the Company executed a repurchase of its treasury shares through ToSTNet-3 at ¥1,657 per share (the “Benchmark price”) for 12,070,000 shares of treasury shares worth ¥19,999 million (the “Purchase”). To implement the Purchase, Nomura Securities Co., Ltd. (“Nomura Securities”) borrowed shares of the Company from the Company’s shareholders and placed a sell order.

Nomura Securities had indicated that following the Purchase, it would apply its own judgment and calculation to acquire the Company’s shares through channels both inside and outside the securities market in order to return the shares it borrowed. However, the Company has not entered into any agreement with Nomura Securities regarding Nomura Securities’ acquisition of the Company’s shares.

With respect to the shares to be acquired from Nomura Securities, the Company entered into a separate adjustment transaction with Nomura Capital Investment Co., Ltd. (the “Warrant Holder”), who was the acquiring party of the warrants that the Company issued pursuant to the Method (the “Warrant”). The Company’s actual per-share acquisition cost will be equal to the arithmetic average of the volume-weighted average price (VWAP) of the Company’s shares for each trading day over a set period after the Purchase. The period began on February 14, 2023 and ends on either the warrant exercise date or the day preceding the Company’s receipt of a notice stating that no warrant is exercised (the “Average share price”). Specifically, it has been agreed that this entails: 1) in the event that the Average share price exceeds the Benchmark price, an issuance of the Company’s shares to the Warrant Holder via Warrant exercise, where the number of such shares is calculated by deducting (a) the number of shares that would be acquired during the Purchase if shares of the Company were bought at the Average share price with the monetary sum equivalent to that of the shares acquired from Nomura Securities (the “Average number of shares acquired”), from (b) the number of shares acquired from Nomura Securities during the Purchase (the “Number of shares acquired”), or 2) in the event that the Average share price falls below the Benchmark price, an acquisition of the Company’s shares at no cost, where the number of such shares is calculated by deducting the Number of shares acquired from the Average number of shares acquired.

<Mechanism of the adjustment transaction>

1) When the Average share price is higher than the Benchmark price

If the Company's share price rises after the Purchase and the Average share price exceeds the Benchmark price, the numbers of shares resulting from the following formula will be delivered to the Warrant Holder.

Number of shares delivered = Number of shares acquired - Average number of shares acquired

Final number of shares acquired = Number of shares acquired - Number of shares delivered

= Number of shares acquired - (Number of shares acquired - Average number of shares acquired)

= Average number of shares acquired

= Planned acquisition price ÷Average share price

Number of shares acquired: Number of shares purchased from Nomura Securities through ToSTNeT-3

Average number of shares acquired: Number of shares to be acquired assuming that the Company's shares were acquired at the Average share price by the amount purchased from Nomura Securities through ToSTNeT-3

2) When the Average share price is lower than the Benchmark price

If the Company's share price declines and the Average share price falls below the Benchmark price after the Purchase, the number of shares resulting from the following formula will be acquired from the Warrant Holder without consideration.

Number of Additional Shares Acquired = Average number of shares acquired - Number of shares acquired

Final number of shares acquired = Number of shares acquired + Number of additional shares acquired

= Number of shares acquired + (Average number of shares acquired - Number of shares acquired)

= Average number of shares acquired

= Planned acquisition price ÷Average share price

As stated above, the final number of shares to be repurchased via ToSTNet-3 at the purchase price from Nomura Securities is the number of shares acquired if the Company's shares were repurchased at the average price (Average number of shares acquired).

In order to implement the above-mentioned adjustment to the number of acquired shares, the Company alloted a Warrant to the Warrant Holder at no cost. The Warrant will be exercised if the Average share price exceeds the Benchmark price, in which case the Warrant Holder will receive the Company's shares. The number of such shares will be equivalent to what the balance between the two prices would yield. If the Average share price is lower than the Benchmark price, the Warrant will not be exercised, and the Company will receive shares of its stock from the Warrant Holder at no cost. The number of such shares will be equivalent to what the balance between the two prices would yield. This adjustment will be executed during the Warrant's exercise period (from April 5, 2023 until September 6, 2023), and a separate disclosure will be made when the number of shares acquired has been finalized.

4. Details of the Method for the repurchase of the Company's treasury shares

(1) Class of shares: Ordinary shares of the Company

(2) Total number of shares repurchased: 12,070,000 shares

(4.77% of all shares outstanding (excluding treasury shares))

(3) Total monetary sum of the acquisition: ¥19,999,990,000

(4) Acquisition date: February 13, 2023

(5) Acquisition method: Purchase through the Tokyo Stock Exchange's off-auction share repurchase trading (ToSTNet-3)

* The total number of shares repurchased in (2) above may change due to adjustment transactions executed at a later date

using the Company's shares to ensure that the Company's acquisition value is equivalent to the average of its share price over a certain period. As such, total final number of shares repurchased including the adjustment transaction may fluctuate.

5. Warrants in the Method

As a result of the Purchase, terms have been decided for the 1st issuance of warrants via third-party allotment as resolved at the Board of Directors' meeting convened on February 10, 2023. Details are as follows:

(1) Outline of offering

1) Date of allotment	February 27, 2023
2) Total number of warrants	1
3) Payment amount	No payment of money shall be required in exchange for warrants.
4) Number of residual shares as a result of this issuance	Number of residual shares: 12,070,000 shares (maximum)
5) Amount of capital contribution upon exercise	¥1
6) Method of calculating the number of shares delivered upon exercise	Number of shares delivered = (i) Number of shares acquired – (ii) Average number of shares acquired *Odd-lot shares shall be rounded down, and if the number of shares constituting less than one unit is less than zero, the number of shares shall be zero. (i) The Number of shares acquired is 12,070,000 shares (ii) The Average number of shares acquired is calculated as follows (Amounts less than one share are rounded down) $\text{Average number of shares acquired} = \dfrac{\text{(iii) Repurchase amount}}{\text{Average share price}}$ (iii) Repurchase amount is ¥19,999,990,000
7) Method of offering or allotment (Scheduled allottee)	Third-party allotment to Nomura Capital Investment Co., Ltd.
8) Other	If the allottee does not exercise the Warrant, the Company plans to acquire a certain number of the Company's shares from the allottee without consideration, depending on the share price. For details, please refer to "(2) Characteristics of the Warrant" and "(3) Allottees, etc. 3) Other" in the following section.

(2) Characteristics of the Warrant

1) Composition of the Warrant, the number of shares to be delivered upon exercise, and the amount of contribution to be paid upon exercise

a. The Warrant consist of one issue in total and the number of warrants issued is one.
b. The number of shares delivered increases or decreases according to the level of the Average share price, and the number of shares delivered increases as the Average share price rises above the Benchmark price.
c. The amount of capital contribution to be paid upon exercise is one yen.

2) Exercisable period of the Warrant

The exercisable period of the Warrant is from April 5, 2023 to September 6, 2023.

3) Acquisition of the Warrant

The Warrant do not contain a clause that enables the Company to acquire the Warrant by its own decision.

4) Additional acquisition of the Company's shares when not exercised

If the allottee decides not to exercise the Warrant, it will notify the Company to that effect, and if the Average share price is lower than the Benchmark price, the Company will acquire from the allottee the number of Company shares corresponding to the difference without consideration.

(3) Allottees, etc.

1) Overview of allottees (As of March 31, 2023)

(a)	Trade name	Nomura Capital Investment Co., Ltd.
(b)	Address of the head office	2-2-2 Otemachi, Chiyoda-ku, Tokyo, Japan
(c)	Position and name of the representative	Tomohisa Murakami, President
(d)	Business description	Money lending business
(e)	Capital	¥500 million
(f)	Date of incorporation	November 4, 1999
(g)	Number of issued shares	280,000 shares
(h)	End date of the fiscal year	March 31
(i)	Number of employees	16 (non-consolidated)
(j)	Main clients	Investors and operating companies
(k)	Main financing bank	The Nomura Trust and Banking Co., Ltd.
(l)	Major shareholders and shareholding ratios	Nomura Holdings, Inc.,100%
(m)	Relationship, etc. with the Company	
	Capital relationship	Number of the Company's shares held by the allottee: 0 shares Number of shares of the allottee held by the Company: 0 shares
	Personal relationship	There is no personal relationship of note between the Company and the allottee. In addition, there are no noteworthy personal relationships between related parties and subsidiaries and associates of the Company and related parties and subsidiaries and associates of the allottee.
	Business relationship	There is no business relationship between the Company and the allottee.
	Related party status	The allottee is not a related party of the Company. In addition, the related parties and subsidiaries and associates of the allottee do not fall under the category of related parties of the Company.

2) Contract related to borrowing and lending of share certificates

There is no contract between the Company's shareholders and the allottee regarding the borrowing and lending of share certificates.

3) Other

The Company has agreed to the following details in the allotment agreement entered into with the allottee.

<Additional acquisition of the Company's shares in the event that the Warrant are not exercised>

If the allottee decides not to exercise the Warrant, the allottee shall notify the Company to that effect and the Company shall acquire from the allottee the number of the Company's shares calculated by deducting the Number of shares acquired from the Average number of shares acquired without consideration.

<Restrictions on transfer of warrants by the allottee>

If the allottee wishes to transfer the Warrant to a third party, a prior written approval of the Company shall be required. However, this shall not preclude the allottee from transferring the shares delivered upon exercise of the Warrant to a third party.

(Consolidated balance sheet)

*1 The amounts of receivables and contract assets arising from contracts with customers, which are included in notes receivable, trade receivables, contract assets and other, are as follows.

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Notes receivable	993	1,106
Trade receivables	49,228	57,109
Contract assets	90,613	83,180

*2 Amounts corresponding to non-consolidated subsidiaries and associates are as follows.

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Investment securities (equity securities)	30,785	36,401
(Of which, amount of investments in jointly controlled entities)	4,723	7,897
Other (investments in capital)	1,970	1,126

*3 Assets pledged as collateral

As of March 31, 2022

The following assets are pledged as collateral for the current portion of long-term borrowings (¥455 million), long-term borrowings (¥11,146 million), and debts of subsidiaries and associates (¥611 million).

	(Millions of yen)
Cash and deposits	806
Notes receivable, trade receivables, contract assets and other	348
Buildings and structures	11,614
Machinery, vehicles, tools, furniture and fixtures	8,583
Leased assets	97
Investment securities	1,900
Total	23,350

As of March 31, 2023

The following assets are pledged as collateral for the current portion of long-term borrowings (¥494 million) and long-term borrowings (¥11,808 million).

	(Millions of yen)
Cash and deposits	596
Notes receivable, trade receivables, contract assets and other	417
Raw materials and supplies	122
Buildings and structures	10,884
Machinery, vehicles, tools, furniture and fixtures	8,009
Leased assets	101
Total	20,132

4 Application of the Act on Revaluation of Land

The Company revaluated land for business use in accordance with the “Act on Revaluation of Land” (Act No. 34 promulgated on March 31, 1998) and the “Act on Partial Revision of the Act on Revaluation of Land” (revised on March 31, 2001). The tax effect portion of the valuation difference was recorded as “deferred tax liabilities for land revaluation” under liabilities, and the amount for which the tax effect portion was deducted was recorded as “revaluation reserve for land” under net assets.

The fair value is calculated by making reasonable adjustments (e.g., taking into account publicly announced prices in surrounding areas) to the assessed value of property tax as stipulated in Article 2, Item 3 of “Order for Enforcement of the Act on Revaluation of Land” (Cabinet Order No. 119 promulgated on March 31, 1998).

Date of revaluation: March 31, 2002

As the fair value of the revalued land exceeded the book value after revaluation as of the end of the previous consolidated fiscal year and the end of the consolidated fiscal year under review, the difference between the two amounts has not been stated.

5 Contingent liabilities

(a) The Group has guaranteed other companies’ loans and others from financial institutions as follows:

(Millions of yen)

As of March 31, 2022		As of March 31, 2023	
Sunrise Healthcare Service Co., Ltd.	319	Power Cogeneration Plant Company	374
Power Cogeneration Plant Company	352		(2,806 thousand USD)
	(2,876 thousand USD)	ASH SHARQIYAH OPERATION AND MAINTENANCE COMPANY LLC	188
ASH SHARQIYAH OPERATION AND MAINTENANCE COMPANY LLC	173		(1,414 thousand USD)
	(1,414 thousand USD)	1 other case	40
		(Of which, foreign currency guarantees)	(300 thousand USD)
Total	844	Total	603

The above guarantee obligations include joint guarantees with multiple guarantors, but the amount of the Group’s own guarantees is stated as the solvency of those joint guarantors is sufficient and their share of the guarantees is clearly stated.

(b) The Group has guaranteed employees’ housing loans and others from financial institutions as follows:

(Millions of yen)

As of March 31, 2022	As of March 31, 2023
3	0

6 The Group has concluded commitment line contracts with seven banks in order to efficiently procure working capital.

The unused balance and others related to loan commitments as of the end of the consolidated fiscal years are as follows:

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Total amount of loan commitments	30,000	30,000
Outstanding loans payable	–	–
Balance	30,000	30,000

(Consolidated statement of operations)

*1 Revenue from contracts with customers

The Group does not disaggregate revenues from contracts with customers and other sources of revenue.

The amount of revenue from contracts with customers is presented in “Notes to Consolidated Financial Statements (Revenue recognition), 1. Disaggregation of revenue from contracts with customers.”

*2 The main expense items and amounts of selling, general and administrative expenses are as follows:

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Salaries and allowances	4,999	5,896
Provision for bonuses	1,155	2,170
Provision for bonuses for directors (and other officers)	237	123
Retirement benefit expenses	258	322
Provision for retirement benefits for directors (and other officers)	39	42
Allowance for doubtful accounts	3,371	3,317
Research and development expenses	4,944	6,686
Other expenses	9,678	11,468

*3 Research and development expenses included in general and administrative expenses and cost of sales

(Millions of yen)

Year ended March 31, 2022	Year ended March 31, 2023
6,987	7,862

*4 Provision for loss on construction contracts included in cost of sales

(Millions of yen)

Year ended March 31, 2022	Year ended March 31, 2023
(3,251)	429

*5 Gain on change in equity

Year ended March 31, 2022

Not applicable.

Year ended March 31, 2023

This is due to the capital increase of Japan NuScale Innovation, LLC, an associate accounted for using equity method of the Company.

*6 Gain on sale of receivables

Year ended March 31, 2022

Not applicable.

Year ended March 31, 2023

Proceeds from the sale of accounts receivable - other.

*7 Impairment losses

The Group recorded impairment losses on the following asset groups:

Year ended March 31, 2022

Not applicable.

Year ended March 31, 2023

Usage	Location	Type	Impairment losses (Millions of yen)
Power generation and water desalination business	Oman	Property, plant and equipment, etc.	2,525

The assets for the power generation and water desalination business are grouped for each entity.

As a result of reassessment of the discount rate triggered by fluctuations in interest rates and other factors, the book values of assets for the power generation and water desalination business were reduced to their recoverable amounts, and such reduced amounts were recorded as impairment losses in the extraordinary losses.

The recoverable amounts of the related asset group are measured based on the value in use by discounting future cash flows at 8.86%.

*8 Loss on Ichthys LNG Project

Year ended March 31, 2022

This item represents the loss incurred in connection with the Ichthys LNG Project.

Year ended March 31, 2023

Not applicable.

(Consolidated statement of comprehensive income)

*1 Reclassification adjustments concerning other comprehensive income

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Valuation difference on available-for-sale securities:		
Amounts arising during the year	1,329	94
Reclassification adjustments	(387)	(350)
Total	941	(256)
Deferred gains or losses on hedges:		
Amounts arising during the year	5,465	(882)
Reclassification adjustments	(1,494)	(3,655)
Total	3,971	(4,537)
Foreign currency translation adjustment:		
Amounts arising during the year	3,220	1,339
Reclassification adjustments	–	47
Total	3,220	1,387
Remeasurements of defined benefit plans:		
Amounts arising during the year	(18)	1,713
Reclassification adjustments	68	87
Total	49	1,800
Share of other comprehensive income of entities accounted for using equity method:		
Amounts arising during the year	1,305	3,958
Reclassification adjustments	105	(24)
Total	1,410	3,933
Total before tax effect adjustments	9,593	2,327
Amount of tax effects	(1,457)	1,051
Total other comprehensive income	8,135	3,378

*2 Tax effects concerning other comprehensive income

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Valuation difference on available-for-sale securities:		
Before tax effect adjustments	941	(256)
Amount of tax effects	(288)	78
After tax effect adjustments	653	(177)
Deferred gains or losses on hedges:		
Before tax effect adjustments	3,971	(4,537)
Amount of tax effects	(1,115)	1,558
After tax effect adjustments	2,855	(2,979)
Foreign currency translation adjustment:		
Before tax effect adjustments	3,220	1,387
Amount of tax effects	–	–
After tax effect adjustments	3,220	1,387
Remeasurements of defined benefit plans:		
Before tax effect adjustments	49	1,800
Amount of tax effects	(53)	(585)
After tax effect adjustments	(4)	1,215
Share of other comprehensive income of entities accounted for using equity method:		
Before tax effect adjustments	1,410	3,933
Amount of tax effects	–	–
After tax effect adjustments	1,410	3,933
Total other comprehensive income		
Before tax effect adjustments	9,593	2,327
Amount of tax effects	(1,457)	1,051
After tax effect adjustments	8,135	3,378

(Consolidated statement of changes in net assets)

Year ended March 31, 2022

1. Class and total number of shares issued and treasury shares

(Thousands of shares)

	At the beginning of the year	Increase	Decrease	At the end of the year
Shares issued (Note 1)				
Common shares	259,214	121	–	259,336
Treasury shares (Note 2)				
Common shares	6,749	0	–	6,750

Notes: 1. The increase of 121 thousand shares in the number of common shares issued is due to the issuance of restricted shares.
2. The increase of 0 thousand shares in treasury shares of common shares is due to the purchase of odd-lot shares.

2. Dividends

(1) Dividends paid

(Resolution)	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual General Meeting of the Shareholders on June 29, 2021	Common shares	3,029	12.00	March 31, 2021	June 30, 2021

(2) Dividends whose record date is in the year ended March 31, 2022 but whose effective date is in the year ended March 31, 2023

(Resolution)	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Annual General Meeting of the Shareholders on June 29, 2022	Common shares	3,788	Retained earnings	15.00	March 31, 2022	June 30, 2022

Year ended March 31, 2023

1. Class and total number of shares issued and treasury shares

(Thousands of shares)

	At the beginning of the year	Increase	Decrease	At the end of the year
Shares issued (Note 1)				
Common shares	259,336	73	–	259,409
Treasury shares (Note 2)				
Common shares	6,750	12,070	–	18,820

Notes: 1. The increase of 73 thousand shares in the number of common shares issued is due to the issuance of restricted shares.
2. Of the increase of 12,070 thousand shares in treasury shares of common shares, 12,070 thousand shares are due to the repurchase of treasury shares based on a resolution of the Board of Directors and 0 thousand shares are due to the purchase of odd-lot shares.

2. Dividends

(1) Dividends paid

(Resolution)	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual General Meeting of the Shareholders on June 29, 2022	Common shares	3,788	15.00	March 31, 2022	June 30, 2022

(2) Dividends whose record date is in the year ended March 31, 2023 but whose effective date is in the year ending March 31, 2024

(Resolution)	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Annual General Meeting of the Shareholders on June 29, 2023	Common shares	9,142	Retained earnings	38.00	March 31, 2023	June 30, 2023

(Consolidated statement of cash flows)

*1 Reconciliation of cash and cash equivalents as of the year end and items in the consolidated balance sheet was as follows:

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Cash and deposits	288,159	332,951
Time deposits with maturities of more than three months	(150)	(196)
Cash and cash equivalents	288,009	332,755

(Lease transactions)

Operating lease transactions

(Lessors' accounting)

Future minimum lease payments under non-cancelable operating lease transactions

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Within one year	1,876	2,056
Over one year	35,225	36,430
Total	37,102	38,486

(Financial instruments)

1. Status of financial instruments

(1) Policies on financial instruments

The Group manages surplus capital using financial instruments that are short term and carry low risk, and procures funds through bank loans and issuance of bonds. The Group uses derivatives to mitigate the risks that are described below, and does not use derivatives for speculative transactions.

(2) Nature and risk of financial instruments

Notes receivable, trade receivables and other expose the Group to customer credit risk and risk of exchange rate fluctuations. Investment securities are mainly related to the business and capital alliance with client companies and expose the Group to the risk of fluctuations in market prices. Loans receivable are mainly related to subsidiaries and associates.

Most notes payable, accounts payable for construction contracts and other are due within one year. Some accounts payable associated with purchasing machines and construction contracts are denominated in foreign currencies, which expose the Group to the risks of exchange rate fluctuations. Bonds and bank loans are mainly used to finance operating transactions. Some bonds and bank loans have floating rates and therefore expose the Group to interest rate fluctuation risk.

The Group uses derivative transactions including foreign exchange forward contracts to hedge the risk of exchange rate fluctuations associated with receivables and payables denominated in foreign currencies, commodity swaps to hedge the risk of price fluctuations associated with commodities used in the EPC business and interest rate swaps to hedge the risk of interest rate fluctuations associated with borrowings. The information on the treatment of hedge accounting, etc. is stated in "(Material basis for the preparation of consolidated financial statements), 4. Accounting policies, (6) Significant hedge accounting method."

(3) Risk management system for financial instruments

(a) Credit risk management (counter-party risk)

The Group has established internal procedures for receivables under which the related divisions in each business are responsible for periodically monitoring the status of the major counter-parties. The department manages amounts and settlement dates by counter-party and works to quickly identify and mitigate payment risk that may result from situations including deterioration of the financial condition of counter-parties.

In using derivative transactions, the Group mitigates counter-party risk by conducting transactions with highly creditworthy financial institutions.

(b) Market risk management (risk of exchange rate, interest rate and commodity price fluctuations)

The Group monitors the balance of the contract amounts, etc. denominated in foreign currency by each currency and every month and utilizes foreign currency forward contracts and foreign currency deposits to hedge the risk of exchange rate fluctuations. The Group uses interest rate swaps to mitigate the risk of fluctuation in interest expenses associated with floating-rate debt and commodity swaps to mitigate the risk of price fluctuations associated with commodities used in the EPC business.

Regarding investment securities, the Group periodically examines the fair value and the financial condition of the issuing entities and revises its portfolio based on its relationships with issuing entities.

Derivative transactions are executed and managed by the Finance & Accounting Department in accordance with internal operating rules that stipulate operating standards, transaction authority, and other matters. The Department periodically provides administrative reports on the results to the financial director and treasurer.

(c) Management of liquidity risk associated with capital procurement (payment default risk)

The Group manages liquidity risk by having the responsible division create and update financing plans as appropriate based on reports from each division.

(4) Supplemental information on the fair value of financial instruments

Estimates of fair value of financial instruments are subject to fluctuation because they employ variable factors and assumptions. In addition, the contractual amounts of the derivative transactions discussed in “2. Fair values of financial instruments” are not an indicator of the market risk associated with derivative transactions.

2. Fair values of financial instruments

Carrying amounts on the consolidated balance sheet, fair values and their differences are as follows. Equity securities, etc. with no available market values are not included in the table below (please see Note 1).

As of March 31, 2022 (Millions of yen)

	Carrying amount	Fair value	Difference
(1) Securities and investment securities	18,628	18,628	–
(2) Long-term loans receivable (*2)	8,830		
Allowance for doubtful accounts (*3)	(8,628)		
	202	202	(0)
Total assets	18,830	18,830	(0)
(1) Bonds payable (*2)	50,000	49,940	(59)
(2) Long-term borrowings (*2)	20,156	20,156	–
Total liabilities	70,156	70,097	(59)
Derivative transactions (*4)	(184)	(184)	–

(*1) Notes on the following items have been omitted.

- Cash and deposits; notes receivable, trade receivables and other; short-term loans receivable; accounts receivable – other; notes payable, accounts payable for construction contracts and other; and short-term borrowings, which are settled within a short period of time and thus have a fair value approximating their book value.
- Investments in partnerships for which the net amount of their equity interest is recorded on the consolidated balance sheet. The amount of such investment on the consolidated balance sheets is ¥1,072 million.

(*2) Long-term loans receivable, bonds payable, and long-term borrowings include current portion of long-term loans receivable, current portion of bonds payable, and current portion of long-term borrowings.

(*3) Allowance for doubtful accounts recorded individually is deducted.

(*4) Receivables and payables incurred as a result of derivative transactions are presented on a net basis, and any item for which the total becomes a net liability is indicated in parentheses.

As of March 31, 2023 (Millions of yen)

	Carrying amount	Fair value	Difference
(1) Securities and investment securities	17,698	17,698	–
(2) Long-term loans receivable	11,074		
Allowance for doubtful accounts (*2)	(9,393)		
	1,680	1,674	(5)
Total assets	19,378	19,372	(5)
(1) Bonds payable (*3)	20,000	19,982	(17)
(2) Long-term borrowings (*3)	14,435	14,471	35
Total liabilities	34,435	34,453	18
Derivative transactions (*4)	(44)	(44)	–

(*1) Notes on the following items have been omitted.

- Cash and deposits; notes receivable, trade receivables and other; short-term loans receivable; accounts receivable – other; notes payable, accounts payable for construction contracts and other; and short-term borrowings, which are settled within a short period of time and thus have a fair value approximating their book value.

- Investments in partnerships for which the net amount of their equity interest is recorded on the consolidated balance sheet. The amount of such investment on the consolidated balance sheets is ¥1,931 million.

(*2) Allowance for doubtful accounts recorded individually is deducted.

(*3) Bonds payable and long-term borrowings include current portion of bonds payable and current portion of long-term borrowings.

(*4) Receivables and payables incurred as a result of derivative transactions are presented on a net basis, and any item for which the total becomes a net liability is indicated in parentheses.

Note 1: Carrying amounts on the consolidated balance sheet of equity securities, etc. with no available market values

(Millions of yen)

Classification	As of March 31, 2022	As of March 31, 2023
Equity securities of subsidiaries and associates	30,785	36,401
Unlisted equity securities	5,572	3,415
Subscription certificate	37	37
Investments in capital	2,587	1,754

Note 2: Redemption schedule of monetary receivables and securities with maturity dates after the balance sheet date

As of March 31, 2022 (Millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
Cash and deposits	288,159	–	–	–
Securities and investment securities	259	1,038	1,317	–
Notes receivable, trade receivables and other	50,608	–	–	–
Short-term loans receivable	3	–	–	–
Accounts receivable – other	64,423	–	–	–
Long-term loans receivable (*1, 2)	190	12	–	–
Total	403,645	1,050	1,317	–

(*1) Allowance for doubtful accounts recorded individually is deducted.

(*2) Includes current portion of long-term loans receivable.

As of March 31, 2023 (Millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
Cash and deposits	332,951	–	–	–
Securities and investment securities	259	1,039	1,059	–
Notes receivable, trade receivables and other	58,665	–	–	–
Accounts receivable – other	25,710	–	–	–
Long-term loans receivable (*1, 2)	–	920	–	–
Total	417,588	1,960	1,059	–

(*1) Allowance for doubtful accounts recorded individually is deducted.

(*2) The redemption schedule for certain long-term loans receivable has been omitted because there is no redemption date stipulated.

Note 3: Redemption schedule of monetary payables after the balance sheet date

As of March 31, 2022 (Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Short-term borrowings	2,167	–	–	–	–	–
Bonds payable (*1)	30,000	10,000	–	10,000	–	–
Long-term borrowings (*1)	8,660	452	496	512	543	9,491
Total	40,827	10,452	496	10,512	543	9,491

(*1) Includes current portion of bonds payable and current portion of long-term borrowings.

As of March 31, 2023 (Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Short-term borrowings	2,336	–	–	–	–	–
Bonds payable (*1)	10,000	–	10,000	–	–	–
Long-term borrowings (*1, 2)	544	568	601	621	667	9,796
Total	12,880	568	10,601	621	667	9,796

(*1) Includes current portion of bonds payable and current portion of long-term borrowings.
(*2) The repayment schedule for certain long-term borrowings has been omitted because there is no fixed repayment date.

3. Breakdown by level of fair value of financial instruments

Fair value of financial instruments is categorized into three levels as below on the basis of the observability and the materiality of the valuation inputs used in fair value measurements.

Level 1 fair value: Fair value measured by observable valuation inputs which are quoted prices in active market for identical assets or liabilities

Level 2 fair value: Fair value measured by observable valuation inputs other than those included within Level 1

Level 3 fair value: Fair value measured by unobservable valuation inputs

When more than one input that have a significant impact on fair value measurement are used and those inputs are categorized into different levels, the fair value is categorized into the lowest priority level for fair value measurement among the levels in which each of the inputs belongs to.

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

As of March 31, 2022

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity securities	16,012	–	–	16,012
Bonds	–	2,616	–	2,616
Total assets	16,012	2,616	–	18,628
Derivative transactions (*1)				
Currency-related transactions	–	398	–	398
Interest-related transactions	–	(582)	–	(582)
Total derivative transactions	–	(184)	–	(184)

(*1) Receivables and payables incurred as a result of derivative transactions are presented on a net basis, and any item for which the total becomes a net liability is indicated in parentheses.

As of March 31, 2023

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity securities	15,338	–	–	15,338
Bonds	–	2,359	–	2,359
Total assets	15,338	2,359	–	17,698
Derivative transactions (*1)				
Currency-related transactions	–	(599)	–	(599)
Interest-related transactions	–	555	–	555
Total derivative transactions	–	(44)	–	(44)

(*1) Receivables and payables incurred as a result of derivative transactions are presented on a net basis, and any item for which the total becomes a net liability is indicated in parentheses.

(2) Financial instruments other than financial instruments booked at fair value on consolidated balance sheet

As of March 31, 2022

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable (*1, 2)	–	202	–	202
Total assets	–	202	–	202
Bonds payable (*2)	–	49,940	–	49,940
Long-term borrowings (*2)	–	20,156	–	20,156
Total liabilities	–	70,097	–	70,097

(*1) Allowance for doubtful accounts recorded individually is deducted.

(*2) Long-term loans receivable, bonds payable, and long-term borrowings include current portion of long-term loans receivable, current portion of bonds payable, and current portion of long-term borrowings.

As of March 31, 2023

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable (*1)	–	1,674	–	1,674
Total assets	–	1,674	–	1,674
Bonds payable (*2)	–	19,982	–	19,982
Long-term borrowings (*2)	–	14,471	–	14,471
Total liabilities	–	34,453	–	34,453

(*1) Allowance for doubtful accounts recorded individually is deducted.

(*2) Bonds payable and long-term borrowings include current portion of bonds payable and current portion of long-term borrowings.

Note: Explanation of fair value measurement and valuation inputs used to measure fair value

Securities and investment securities

Listed equity securities are valued using quoted market prices. Since listed equity securities are traded in active markets, their fair value is classified as Level 1. Fair value of bonds receivable owned by the Group is measured at the present value of future cash flows discounted using market interest rates and is classified as Level 2.

Derivative transactions

Fair value of derivatives is measured mainly by using the discounted cash flow method based on observable inputs, such as interest rates and exchange rates, and is classified as Level 2.

Long-term loans receivable

The carrying amount is used as the fair value of floating-rate long-term loans receivable as the fair value approximates the carrying amount. This is because floating-rate long-term loans receivable reflect market interest rates in the short term and the creditworthiness of borrowers has not changed significantly since they assumed the long-term loans receivable. Fair value of fixed-rate long-term loans receivable is measured at the present value of total principal and interest discounted using assumed interest rates for equivalent new loans and is classified as Level 2.

Bonds payable

Fair value of bonds payable issued by the Group is measured at the present value of future cash flows discounted using market interest rates and is classified as Level 2.

Long-term borrowings

The carrying amount is used as the fair value of floating-rate long-term borrowings as the fair value approximates the carrying amount. This is because floating-rate long-term borrowings reflect market interest rates in the short term and the creditworthiness of the Company and some of its consolidated subsidiaries has not changed significantly since they assumed the long-term borrowings. Fair value of fixed-rate long-term borrowings is measured by the discounted cash flow method based on the total amount of principal and interest plus an interest rate that takes into account the remaining term of the debt and credit risk. Accordingly, fair value of long-term borrowings is classified as Level 2.

(Securities)

1. Available-for-sale securities

As of March 31, 2022 (Millions of yen)

Classification	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost			
Equity securities	16,012	7,874	8,138
Subtotal	16,012	7,874	8,138
Securities whose carrying amount does not exceed their acquisition cost			
Bonds	2,616	2,620	(3)
Subtotal	2,616	2,620	(3)
Total	18,628	10,494	8,134

Note: Investments in equity securities, etc. with no available market values, limited liability investment partnerships and other similar partnerships are not included in the above table of "available-for-sale securities." Their carrying amounts are shown in "(Financial instruments)."

As of March 31, 2023 (Millions of yen)

Classification	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost			
Equity securities	15,338	7,659	7,679
Subtotal	15,338	7,659	7,679
Securities whose carrying amount does not exceed their acquisition cost			
Bonds	2,359	2,360	(0)
Subtotal	2,359	2,360	(0)
Total	17,698	10,019	7,679

Note: Investments in equity securities, etc. with no available market values, limited liability investment partnerships and other similar partnerships are not included in the above table of "available-for-sale securities." Their carrying amounts are shown in "(Financial instruments)."

2. Available-for-sale securities sold

Year ended March 31, 2022 (Millions of yen)

Classification	Sales amount	Total gains on sales	Total losses on sales
Equity securities	906	799	0
Other	0	–	0
Total	906	799	0

Year ended March 31, 2023 (Millions of yen)

Classification	Sales amount	Total gains on sales	Total losses on sales
Equity securities	740	398	–
Other	0	0	0
Total	740	399	0

3. Securities for which impairment losses were recognized

For the previous consolidated fiscal year, impairment losses of ¥397 million (¥397 million for available-for-sale securities) were recognized on securities.

For the consolidated fiscal year under review, impairment losses of ¥2,720 million (¥68 million for available-for-sale securities, ¥923 million for equity securities of subsidiaries and associates, and ¥1,727 million for investments in capital of subsidiaries and associates) were recognized on securities.

In the case of impairment of equity securities, etc. with no available market values, the Group recognizes impairment losses when there is a deterioration in financial condition and the net asset value per share declines by 50% or more compared to the acquisition cost, but the Group determines the necessity of recognizing impairment losses by assessing the recoverability on a case-by-case basis.

(Derivative transactions)

1. Derivative transactions to which hedge accounting is not applied

(1) Currency-related transactions

As of March 31, 2022 (Millions of yen)

Classification	Type of derivatives	Contract amount, etc.	Contract amount, etc. due after one year	Fair value	Unrealized gain (loss)
Non-market transactions	Foreign exchange forward contracts				
	Sell				
	USD	3,137	–	32	32
	EUR	11,598	5,925	1,517	1,517
	CAD	2,804	–	64	64
	Buy				
	USD	2,801	–	(48)	(48)
	EUR	11,598	5,925	(1,517)	(1,517)
	CAD	2,804	–	(64)	(64)
Total		34,743	11,850	(16)	(16)

As of March 31, 2023 (Millions of yen)

Classification	Type of derivatives	Contract amount, etc.	Contract amount, etc. due after one year	Fair value	Unrealized gain (loss)
Non-market transactions	Foreign exchange forward contracts				
	Sell				
	USD	39,980	–	(18)	(18)
	EUR	5,925	4,538	601	601
	CNY	5,486	–	(41)	(41)
	Buy				
	USD	5,556	–	137	137
	EUR	6,641	4,538	(559)	(559)
	CNY	5,486	–	41	41
Total		69,076	9,076	160	160

(2) Commodity-related transactions

As of March 31, 2022 (Millions of yen)

Classification	Type of derivatives	Contract amount, etc.	Contract amount, etc. due after one year	Fair value	Unrealized gain (loss)
Non-market transactions	Commodity swaps				
	Sell				
	Petroleum-related products	393	74	(200)	(200)
	Buy				
	Petroleum-related products	393	74	200	200
Total		787	148	–	–

As of March 31, 2023 (Millions of yen)

Classification	Type of derivatives	Contract amount, etc.	Contract amount, etc. due after one year	Fair value	Unrealized gain (loss)
Non-market transactions	Commodity swaps				
	Sell				
	Petroleum-related products	171	–	28	28
	Buy				
	Petroleum-related products	171	–	(28)	(28)
Total		343	–	–	–

2. Derivative transactions to which hedge accounting is applied

(1) Currency-related transactions

As of March 31, 2022 (Millions of yen)

Hedge accounting method	Type of derivatives	Major hedged item	Contract amount, etc.	Contract amount, etc. due after one year	Fair value
Allocation method	Foreign exchange forward contracts				
	Sell				
	USD	Trade receivables, contract assets and other	12,553	6,569	399
	EUR	Trade receivables, contract assets and other	381	–	(13)
	SEK	Trade receivables, contract assets and other	628	–	24
	Buy				
	USD	Accounts payable for construction contracts	131	78	1
	EUR	Accounts payable for construction contracts	59	25	3
Total			13,754	6,673	414

As of March 31, 2023 (Millions of yen)

Hedge accounting method	Type of derivatives	Major hedged item	Contract amount, etc.	Contract amount, etc. due after one year	Fair value
Allocation method	Foreign exchange forward contracts				
	Sell				
	USD	Trade receivables, contract assets and other	19,455	–	(1,000)
	EUR	Trade receivables, contract assets and other	427	–	(39)
	Buy				
	USD	Accounts payable for construction contracts	51	–	5
	EUR	Accounts payable for construction contracts	5,040	–	274
Total			24,975	–	(760)

(2) Interest-related transactions

As of March 31, 2022 (Millions of yen)

Hedge accounting method	Type of derivatives	Major hedged item	Contract amount, etc.	Contract amount, etc. due after one year	Fair value
Deferral hedge accounting method	Interest rate swaps Receive floating and pay fixed	Long-term borrowings	28,474	27,494	(582)

As of March 31, 2023 (Millions of yen)

Hedge accounting method	Type of derivatives	Major hedged item	Contract amount, etc.	Contract amount, etc. due after one year	Fair value
Deferral hedge accounting method	Interest rate swaps Receive floating and pay fixed	Long-term borrowings	11,762	11,360	555

(Retirement benefit plan)

1. Description of retirement benefit plans adopted

The Company and some of its consolidated subsidiaries mainly have a contract-type defined benefit corporate pension plan and a lump-sum severance allowance plan, which are defined benefit plans, and a defined contribution corporate pension plan, which is a defined contribution plan.

2. Defined benefit plan

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

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Beginning balance of retirement benefit obligations	51,870	51,889
Service costs	2,168	2,032
Interest costs	245	285
Actuarial differences	(47)	(3,206)
Retirement benefits paid	(2,700)	(3,002)
Past service costs	71	(44)
Other	281	382
Ending balance of retirement benefit obligations	51,889	48,336

Note: Some consolidated subsidiaries adopt the simplified method to calculate retirement benefit obligations.

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

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Beginning balance of plan assets	37,404	37,511
Expected return on plan assets	553	603
Actuarial differences	224	(1,496)
Contributions paid by the employer	977	1,936
Retirement benefits paid	(1,711)	(1,889)
Other	62	144
Ending balance of plan assets	37,511	36,810

(3) Reconciliation between the ending balance of retirement benefit obligations and plan assets and retirement benefit liability (asset) recorded in the consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Funded retirement benefit obligations	37,674	36,551
Plan assets	(37,511)	(36,810)
	163	(259)
Unfunded retirement benefit obligations	14,214	11,785
Net retirement benefit liability (asset) recorded in the consolidated balance sheet	14,377	11,526
Retirement benefit liability	15,884	12,803
Retirement benefit asset	(1,506)	(1,277)
Net liability (asset) recorded in the consolidated balance sheet	14,377	11,526

(4) Components of retirement benefit costs

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Service costs (Note)	2,168	2,032
Interest costs	245	285
Expected return on plan assets	(553)	(603)
Amortization of actuarial differences	196	371
Amortization of past service costs	(219)	(266)
Total retirement benefit expenses related to defined benefit plans	1,838	1,819

Note: Retirement benefit expenses of consolidated subsidiaries adopting the simplified method are included in “Service costs.”

(5) Remeasurements of defined benefit plans reported under other comprehensive income

The components of remeasurements of defined benefit plans (before tax effects) reported under other comprehensive income are as follows:

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Past service costs	(291)	(219)
Actuarial differences	396	2,081
Others	(54)	(60)
Total	49	1,800

(6) Remeasurements of defined benefit plans reported under accumulated other comprehensive income

The components of remeasurements of defined benefit plans (before tax effects) reported under accumulated other comprehensive income are as follows:

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Past service costs that are yet to be recognized	1,257	1,037
Actuarial differences that are yet to be recognized	(1,651)	218
Total	(394)	1,255

(7) Plan assets

(a) Major components of plan assets

The percentage of each component of plan assets is as follows:

	As of March 31, 2022	As of March 31, 2023
Bonds	65%	56%
Equity securities	19	24
Cash and deposits	1	1
Other	15	19
Total	100	100

(b) Method of determining the long-term expected rate of return

Current and expected asset allocations and current and expected long-term returns on various categories of plan assets have been considered in determining the long-term expected rate of return on those plan assets.

(8) Assumptions used in actuarial calculations

Principal assumptions used in actuarial calculations

	As of March 31, 2022	As of March 31, 2023
Discount rate	Principally 0.25%	Principally 0.80%
Long-term expected rate of return	Principally 1.5%	Principally 1.5%
Expected rate of salary increase	Principally 4.4%	Principally 4.5%

3. Defined contribution pension plans

The amounts of required contribution to the defined contribution pension plans of the Company and some of its consolidated subsidiaries are ¥489 million and ¥580 million for the previous consolidated fiscal year and the consolidated fiscal year under review, respectively.

(Tax effect accounting)

1. Major components of deferred tax assets and liabilities

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
(1) Deferred tax assets		
Accounts payable for construction contracts	7,439	4,409
Loss on valuation of investment securities	6,440	19,408
Provision for loss on construction contracts	206	188
Retirement benefit liability	4,608	3,974
Tax loss carryforwards (Note 1)	16,731	21,720
Allowance for doubtful accounts	4,249	5,511
Provision for bonuses	2,098	3,792
Adjustment for percentage-of-completion method	1,746	4,953
Depreciation	1,488	483
Provision for warranties for completed construction	401	427
Loss on valuation of non-current assets	115	270
Deferred gains or losses on hedges	238	446
Accrued enterprise tax	229	385
Foreign tax credit carried forward	29	2,307
Other	1,459	2,474
Subtotal	47,483	70,755
Valuation allowance for tax loss carryforwards (Note 1)	(16,536)	(21,559)
Valuation allowance for deductible temporary differences	(11,991)	(29,846)
Total valuation allowance	(28,527)	(51,405)
Total deferred tax assets	18,955	19,349
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(2,661)	(2,581)
Retirement benefit asset	(276)	(264)
Deferred gains or losses on hedges	(2,205)	(769)
Reserve for advanced depreciation of non-current assets, etc.	(253)	(249)
Total deferred tax liabilities	(5,397)	(3,865)
Net deferred tax assets	13,557	15,483

Note 1: The breakdown of tax loss carryforwards and the corresponding deferred tax assets by expiry date are as follows:

As of March 31, 2022 (Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years	Total
Tax loss carryforwards (*1)	–	–	–	184	58	16,489	16,731
Valuation allowance	–	–	–	(184)	(58)	(16,294)	(16,536)
Deferred tax assets (*2)	–	–	–	–	–	194	194

(*1) The amount of tax loss carryforwards is an amount multiplied by the statutory tax rate.

(*2) The amount of tax loss carryforwards (amount measured using the statutory tax rate) of ¥16,731 million was mainly due to the recording of loss before income taxes at some overseas consolidated subsidiaries by the previous consolidated fiscal year. Regarding the deferred tax assets of ¥194 million for the tax loss carryforwards, a valuation allowance was not recognized for the portion deemed to be recoverable based on projected future taxable income.

As of March 31, 2023 (Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years	Total
Tax loss carryforwards (*3)	–	–	129	108	377	21,104	21,720
Valuation allowance	–	–	(129)	(108)	(377)	(20,943)	(21,559)
Deferred tax assets (*4)	–	–	–	–	–	160	160

(*3) The amount of tax loss carryforwards is an amount multiplied by the statutory tax rate.

(*4) The amount of tax loss carryforwards (amount measured using the effective statutory tax rate) of ¥21,720 million was mainly due to the recording of loss before income taxes at some overseas consolidated subsidiaries by the consolidated fiscal year under review. Regarding the deferred tax assets of ¥160 million for the tax loss carryforwards, a valuation allowance was not recognized for the portion deemed to be recoverable based on projected future taxable income.

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
(2) Deferred tax liabilities		
Undistributed earnings of overseas consolidated subsidiaries and overseas associates accounted for using equity method	905	1,093
Retirement benefit asset	160	200
Deferred gains or losses on hedges	–	128
Other	23	15
Total deferred tax liabilities	1,089	1,438

2. Reconciliation between the statutory tax rate and the actual effective tax rate reflected in the consolidated statement of operations

	As of March 31, 2022	As of March 31, 2023
Statutory tax rate	–	30.6%
(Reconciliations)		
Non-deductible expenses such as entertainment expenses	–	0.7
Non-taxable items such as dividend income	–	(0.2)
Tax credit for research and development expenses	–	(2.0)
Valuation allowance	–	4.7
Differences in tax bases of the enterprise tax	–	(2.7)
Excess of foreign corporate tax credit limit	–	4.7
Equity in earnings of associates, etc.	–	1.8
Other	–	0.8
Effective tax rate	–	38.4

Note: This information is not provided for the year ended March 31, 2022 as loss before income taxes was recorded.

3. Accounting for corporate and local income taxes or tax effect accounting related to these taxes

The Company and some of its consolidated subsidiaries in Japan have adopted the group tax sharing system from the consolidated fiscal year under review. In line with this, the Company and some of its consolidated subsidiaries in Japan shall follow the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021) for the accounting treatment and disclosure of corporate and local income taxes and tax effect accounting.

(Asset retirement obligations)

Asset retirement obligations have been omitted because they are not material to the operations of the corporate group.

(Revenue recognition)

1. Disaggregation of revenue from contracts with customers

Year ended March 31, 2022

(Millions of yen)

	Net sales		
	Japan	Overseas	Total
Total Engineering	105,741	272,253	377,995
Energy Transition			
Oil and Gas	24,122	86,149	110,272
LNG	123	166,149	166,272
Chemical	15,700	15,210	30,911
Clean Energy	35,331	989	36,321
Others	12,094	474	12,569
Total	87,372	268,974	356,346
Healthcare & Life Sciences	15,668	901	16,569
Industrial & Urban Infrastructure	2,499	2,348	4,848
Others	200	30	230
Functional Materials Manufacturing	27,402	16,847	44,250
Other (*1)	4,252	976	5,229
Revenue from contracts with customers	137,396	290,078	427,475
Revenue from other sources (*2)	29	896	925
Net sales to external customers	137,426	290,974	428,401

(*1) “Other” includes business activities related to consulting, management of real estate, and production and sale of oil and gas.

(*2) “Revenue from other sources” refers to lease revenue.

Year ended March 31, 2023

(Millions of yen)

	Net sales		
	Japan	Overseas	Total
Total Engineering	138,705	412,901	551,607
Energy Transition			
Oil and Gas	16,047	154,835	170,882
LNG	24	213,877	213,901
Chemical	28,834	22,725	51,559
Clean Energy	48,485	9,130	57,615
Others	13,067	2,912	15,980
Total	106,458	403,480	509,939
Healthcare & Life Sciences	30,249	4,279	34,528
Industrial & Urban Infrastructure	1,355	5,007	6,362
Others	643	132	776
Functional Materials Manufacturing	29,794	17,979	47,773
Other (*1)	4,579	473	5,053
Revenue from contracts with customers	173,079	431,354	604,433
Revenue from other sources (*2)	27	2,429	2,456
Net sales to external customers	173,106	433,783	606,890

(*1) "Other" includes business activities related to consulting, management of real estate, and production and sale of oil and gas.

(*2) "Revenue from other sources" refers to lease revenue.

2. Basic information to understand revenue from contracts with customers

Please see "(Material basis for the preparation of consolidated financial statements), 4. Accounting policies, (5) Standards for recognizing significant revenue and expense" for the basic information to understand revenue from contracts with customers.

3. Reconciliation of satisfaction of performance obligations within contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue arising from contracts with customers existing at the end of the consolidated fiscal year under review expected to be recognized in and after the following consolidated fiscal year

(1) The balance of contract assets and liabilities, etc.

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Receivables from contracts with customers (beginning balance)	45,615	50,222
Receivables from contracts with customers (ending balance)	50,222	58,215
Contract assets (beginning balance)	100,415	90,613
Contract assets (ending balance)	90,613	83,180
Contract liabilities (beginning balance)	98,939	109,756
Contract liabilities (ending balance)	109,756	113,989

Contract assets mainly relate to the right to consideration for construction contracts but not billed at the account closing date. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are mainly advance payments received under contracts with customers, which are transferred to revenue as the Group satisfies performance obligations based on such contracts.

Revenue recognized for the previous consolidated fiscal year that was included in the beginning balance of contract liabilities was ¥77,117 million. In addition, the change in contract assets is mainly due to revenue recognition (increase in contract assets) and transfer to trade receivables (decrease in contract assets) and the change in contract liabilities is mainly due to the receipt of advance payments (increase in contract liabilities) and revenue recognition (decrease in contract liabilities) in the previous consolidated fiscal year.

The amount of revenue recognized in the previous consolidated fiscal year for performance obligations satisfied (or partially satisfied) in previous periods is immaterial.

Revenue recognized for the consolidated fiscal year under review that was included in the beginning balance of contract liabilities was ¥100,523 million. In addition, the change in contract assets is mainly due to revenue recognition (increase in contract assets) and transfer to trade receivables (decrease in contract assets) and the change in contract liabilities is mainly due to the receipt of advance payments (increase in contract liabilities) and revenue recognition (decrease in contract liabilities) in the consolidated fiscal year under review.

The amount of revenue recognized in the consolidated fiscal year under review for performance obligations satisfied (or partially satisfied) in previous periods is immaterial.

(2) Transaction prices allocated to the remaining performance obligations

Transaction prices allocated to the remaining performance obligations are as follows:

As of March 31, 2022

(Millions of yen)

	Reportable segment			Other	Total
	Total Engineering	Functional Materials Manufacturing	Subtotal		
Remaining performance obligations	1,207,832	7,080	1,214,912	998	1,215,911

The transaction price allocated to the remaining performance obligations is expected to be recognized as revenue as follows:

・Total Engineering: within 5 years
・Functional Materials Manufacturing: within 1 year
・Other: within 1 year

As of March 31, 2023

(Millions of yen)

	Reportable segment			Other	Total
	Total Engineering	Functional Materials Manufacturing	Subtotal		
Remaining performance obligations	1,563,459	7,036	1,570,496	597	1,571,093

The transaction price allocated to the remaining performance obligations is expected to be recognized as revenue as follows:

・Total Engineering: within 5 years
・Functional Materials Manufacturing: within 1 year
・Other: within 1 year

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

Reportable segments of the Group are those components for which discrete financial information is available and regularly examined by Chief Executive Officer for making decisions on the allocation of resources and for assessing performance.

The Company and its domestic and overseas consolidated subsidiaries are mainly engaged in total engineering business and functional materials manufacturing business.

Accordingly, the Group consists of service and product segments based on the Company and each consolidated subsidiary, and consists of two reportable segments, “Total Engineering” and “Functional Materials Manufacturing.”

Major activities in “Total Engineering” are EPC business including planning, design, procurement, construction and commissioning services of machinery, facilities and plants for petroleum, petroleum refining, petrochemicals, gas, LNG, etc. Major activities in “Functional Materials Manufacturing” are manufacture and distribution of products in catalysts, nanoparticle technology, hygiene and safety, electronic materials and high-performance ceramics, and next-generation energy sectors.

2. Calculation methods for net sales, profit or loss, assets and other items by reportable segment

The accounting methods of the reportable segments follow the same policies adopted in the consolidated financial statements. Profits of reportable segments are based on operating profit. Inter-segment sales and transfers are based on prevailing market prices.

The group administrative expenses of the Company, which were previously allocated to individual reportable segments, are included in “Adjustment” as a corporate expense not allocated to individual reportable segments due to a change in the method of performance management from the consolidated fiscal year under review.

The segment information for the previous consolidated fiscal year is presented based on the calculation method adopted after the change.

3. Information on net sales, profit or loss, assets and other items by reportable segment

Year ended March 31, 2022 (Millions of yen)

	Reportable segment			Other	Total	Adjustment	Consolidated
	Total Engineering	Functional Materials Manufacturing	Subtotal				
Net sales:							
Sales to external customers	377,964	44,250	422,214	6,186	428,401	–	428,401
Inter-segment sales or transfers	52	1	54	1,866	1,921	(1,921)	–
Total	378,016	44,252	422,269	8,053	430,322	(1,921)	428,401
Segment profit	17,103	7,296	24,399	1,037	25,436	(4,748)	20,688
Segment assets	414,381	66,424	480,806	33,957	514,763	179,511	694,274
Others:							
Depreciation	1,583	2,859	4,442	430	4,873	2,329	7,202
Increase in property, plant and equipment and intangible assets	3,192	3,508	6,700	1,658	8,358	2,095	10,454

Notes: 1. “Other” includes business activities of consulting, management of real estate, water desalination, and production and sale of oil and gas.

2. “Adjustment” is as follows:

(1) Adjustment for segment profit of ¥(4,748) million represents elimination of inter-segment transactions of ¥93 million and corporate expenses unallocated to any reportable segment of ¥(4,841) million. Adjustment for depreciation of ¥2,329 million represents corporate expenses unallocated to any reportable segment. Corporate expenses are mainly the general and administrative expenses not attributable to any reportable segment and the group administrative expenses of the Company.

(2) Adjustment for segment assets of ¥179,511 million represents elimination of inter-segment transactions of ¥(3,262) million and corporate assets unallocated to any reportable segment of ¥182,773 million. Corporate assets are mainly cash and deposits, investment securities and non-current assets (buildings and land, etc.) of the Company.

(3) Adjustment for increase in property, plant and equipment and intangible assets of ¥2,095 million represents corporate assets unallocated to any reportable segment. Depreciation pertaining to the increase in property, plant and equipment and intangible assets is also included in the adjustment as a part of the corporate expenses unallocated to any reportable segment.

3. Segment profit is reconciled to operating profit on the consolidated statement of operations.

Year ended March 31, 2023 (Millions of yen)

	Reportable segment			Other	Total	Adjustment	Consolidated
	Total Engineering	Functional Materials Manufacturing	Subtotal				
Net sales:							
Sales to external customers	551,607	47,773	599,380	7,509	606,890	–	606,890
Inter-segment sales or transfers	26	18	44	2,871	2,916	(2,916)	–
Total	551,633	47,791	599,425	10,381	609,806	(2,916)	606,890
Segment profit	33,429	7,169	40,598	1,786	42,385	(5,686)	36,699
Segment assets	455,888	68,694	524,582	32,978	557,561	155,566	713,127
Others:							
Impairment losses	–	–	–	2,525	2,525	–	2,525
Depreciation	1,481	3,104	4,586	769	5,355	2,484	7,839
Increase in property, plant and equipment and intangible assets	6,454	5,134	11,589	124	11,714	2,770	14,484

Notes: 1. “Other” includes business activities of consulting, management of real estate, water desalination, and production and sale of oil and gas.

2. “Adjustment” is as follows:

(1) Adjustment for segment profit of ¥(5,686) million represents elimination of inter-segment transactions of ¥36 million and corporate expenses unallocated to any reportable segment of ¥(5,722) million. Adjustment for depreciation of ¥2,484 million represents corporate expenses unallocated to any reportable segment. Corporate expenses are mainly the general and administrative expenses not attributable to any reportable segment and the group administrative expenses of the Company.

(2) Adjustment for segment assets of ¥155,566 million represents elimination of inter-segment transactions of ¥(42,449) million and corporate assets unallocated to any reportable segment of ¥198,015 million. Corporate assets are mainly cash and deposits, investment securities and non-current assets (buildings and land, etc.) of the Company.

(3) Adjustment for increase in property, plant and equipment and intangible assets of ¥2,770 million represents corporate assets unallocated to any reportable segment. Depreciation pertaining to the increase in property, plant and equipment and intangible assets is also included in the adjustment as a part of the corporate expenses unallocated to any reportable segment.

3. Segment profit is reconciled to operating profit on the consolidated statement of operations.

[Related information]

Year ended March 31, 2022

1. Information by product and service

This information is omitted since the same information is disclosed in the above segment information.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	Southeast Asia	Middle East	Africa	North America	Other	Total
137,426	33,154	50,230	60,111	138,394	9,083	428,401

Note: Net sales are classified by country or region based on the customer’s location.

(2) Property, plant and equipment

(Millions of yen)

Japan	Middle East	Other	Total
47,070	20,429	2,034	69,534

3. Information by major customer

(Millions of yen)

Name of customer	Net sales	Related segment
LNG Canada	134,498	Total Engineering

Year ended March 31, 2023

1. Information by product and service

This information is omitted since the same information is disclosed in the above segment information.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	Southeast Asia	Middle East	Africa	North America	Other	Total
173,106	53,791	148,463	32,009	184,986	14,532	606,890

Note: Net sales are classified by country or region based on the customer’s location.

(2) Property, plant and equipment

(Millions of yen)

Japan	Middle East	Other	Total
49,230	19,267	3,736	72,234

3. Information by major customer

(Millions of yen)

Name of customer	Net sales	Related segment
LNG Canada	171,419	Total Engineering
South Refineries Company	93,603	Total Engineering

[Information about impairment losses on non-current assets by reportable segment]

Year ended March 31, 2022

Not applicable.

Year ended March 31, 2023

This information is omitted since the same information is stated in the above segment information.

[Information about amortization and unamortized balance of goodwill by reportable segment]

Not applicable.

[Information about gain on negative goodwill by reportable segment]

Not applicable.

[Information on related party transactions]

1. Transactions of the Company with related parties

Not applicable.

2. Transactions of consolidated subsidiaries of the Company with related parties

Not applicable.

(Per share information)

(Yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Net assets per share	1,532.72	1,651.54
Earnings (loss) per share	(140.77)	122.28
Diluted earnings per share	–	122.27

Notes: 1. Diluted earnings per share for the previous consolidated fiscal year is not provided since the Group posted a loss per share and there were no residual shares.

2. The basis for calculation of earnings (loss) per share and diluted earnings per share is as follows:

	Year ended March 31, 2022	Year ended March 31, 2023
Earnings (loss) per share		
Profit (loss) attributable to owners of parent (Millions of yen)	(35,551)	30,665
Amount not attributable to common shareholders (Millions of yen)	–	–
Profit (loss) attributable to owners of parent related to common shares (Millions of yen)	(35,551)	30,665
Average number of common shares during the period (Thousands of shares)	252,540	250,774
Diluted earnings per share		
Adjustment for profit attributable to owners of parent (Millions of yen)	–	–
Increase in the number of common shares (Thousands of shares)	–	20
(Of which, warrants)	–	(20)
Summary of residual shares not included in the calculation of diluted earnings per share due to the absence of dilutive effects	–	–

3. The Company's Board of Directors resolved at a meeting held on February 10, 2023 to repurchase its own shares, and the repurchase was completed on February 13, 2023. Fully Committed Share Repurchase (FCSR) is used to repurchase treasury shares, details of which are described in "Notes to Consolidated Financial Statements (Additional Information)." In addition, residual shares were generated as a result of Fully Committed Share Repurchase (FCSR), and diluted earnings per share was calculated based on the following calculations.
   Diluted earnings per share = Profit ÷ (Average number of shares during the period + Increase in the number of common shares)
4. The increase in the number of common shares in accordance with 3. above is calculated as follows
   Average number of shares acquired (rounded down to the nearest share) ＝ Repurchase amount (*1) ÷ Average share price (*2)
   Number of residual shares delivered (rounded down to the nearest unit) ＝ Number of shares acquired - Average number of shares acquired
   Increase in the number of common shares = Number of residual shares delivered × Period during which residual shares existed (*3) ÷ consolidated fiscal year under review
   (*1) Repurchase amount is ¥19,999,990,000.
   (*2) Arithmetic average of the volume-weighted average price (VWAP) of the Company's shares for each trading day from the business day following the day on which the Company acquired its own shares (February 14, 2023) to the end of the consolidated fiscal year under review (March 31, 2023)
   (*3) From the date of allotment of warrants (February 27, 2023) to the end of the consolidated fiscal year under review (March 31, 2023)

(Significant subsequent events)

Not applicable.

v) Consolidated supplemental schedules

[Schedule of bonds payable]

(Millions of yen)

Company	Series	Date of issuance	Beginning balance as of April 1, 2022	Ending balance as of March 31, 2023	Interest rate (%)	Collateral	Maturity
The Company	5th Series Unsecured Bonds (with limited inter-bond pari passu clause) (5-year bond)	October 13, 2017	30,000	–	0.200	None	October 13, 2022
The Company	6th Series Unsecured Bonds (with limited inter-bond pari passu clause) (3-year bond) (Note 1)	July 16, 2020	10,000	10,000 [10,000]	0.030	None	July 14, 2023
The Company	7th Series Unsecured Bonds (with limited inter-bond pari passu clause) (5-year bond)	July 16, 2020	10,000	10,000	0.230	None	July 16, 2025
Total	–	–	50,000	20,000 [10,000]	–	–	–

Notes: 1. The amounts in brackets shown under "Ending balance as of March 31, 2023" represent the amounts scheduled to be redeemed within one year.

2. The redemption schedule of bonds within five years after March 31, 2023 is as follows:

(Millions of yen)

Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
10,000	–	10,000	–	–

[Schedule of borrowings]

(Millions of yen)

Classification	Beginning balance as of April 1, 2022	Ending balance as of March 31, 2023	Average interest rate (%)	Maturity
Short-term borrowings	2,167	2,336	4.25	–
Current portion of long-term borrowings	8,660	544	5.27	–
Current portion of lease obligations	233	867	–	–
Long-term borrowings, less current portion	11,496	13,891	5.42	From May 31, 2032 to undetermined
Lease obligations, less current portion	305	2,011	–	–
Total	22,862	19,651	–	–

Notes: 1. The average interest rate represents the weighted-average rate applicable to the year-end balance.

2. The average interest rate on lease obligations is omitted since lease obligations are recorded in the consolidated balance sheet at the amount before deducting the amount equivalent to interest included in the total lease payments.

3. The following table shows the aggregate annual maturities of long-term borrowings and lease obligations (excluding the current portion and those with no fixed term) within five years after March 31, 2023.

(Millions of yen)

Classification	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
Long-term borrowings	568	601	621	667
Lease obligations	770	485	258	258

[Schedule of asset retirement obligations]

The schedule of asset retirement obligations is omitted because the amounts of asset retirement obligations at the beginning and the end of the consolidated fiscal year under review were 1% or less of the amounts of total liabilities and net assets at the beginning and the end of the consolidated fiscal year under review.

II) Other

(Quarterly financial information for the consolidated fiscal year under review)

(Millions of yen, unless otherwise indicated)

Cumulative period	First quarter	Second quarter	Third quarter	Full year
Net sales	118,190	267,209	416,618	606,890
Profit before income taxes	19,671	32,667	35,669	48,811
Profit attributable to owners of parent	12,519	20,738	22,551	30,665
Earnings per share (Yen)	49.57	82.10	89.27	122.28

Quarterly period	First quarter	Second quarter	Third quarter	Fourth quarter
Earnings per share (Yen)	49.57	32.54	7.17	32.90

KPMG

Independent auditor's report

To the Board of Directors of JGC Holdings Corporation:

Opinion

We have audited the accompanying consolidated financial statements of JGC Holdings Corporation and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2023 and 2022, the consolidated statements of operations, comprehensive income, changes in net assets and cash flows for the years then ended, and notes to consolidated financial statements, 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, 2023 and 2022, 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.

Reasonableness of the Group's estimate of total construction revenue and total construction costs related to construction contracts

The key audit matter	How the matter was addressed in our audit
As described in Note, "(Significant accounting estimates) 1. Recognition of revenue on construction contracts," to the consolidated financial statements, the Group recognizes revenue from construction contracts for performance obligations that are	The primary procedures we performed to assess that the Group's estimate of total construction revenue and total construction costs related to construction contracts was reasonable are set forth as follows. The following procedures include those performed by the component auditors of consolidated subsidiaries. We requested the

determined to be satisfied over time based on the progress towards complete satisfaction of performance obligations, except revenue from very short-term construction contracts or constructions for which the Group is not able to reasonably estimate the progress of completion of construction contracts. The revenue from construction contracts recognized based on the progress towards complete satisfaction of performance obligations, which included constructions completed in the fiscal year, amounted to ¥506,227 million for the current fiscal year, representing 83% of the total net sales in the consolidated financial statements. The progress towards complete satisfaction of performance obligations is estimated based on a percentage of costs incurred by the end of the reporting period against the expected total construction costs. The amount of the variable portion of consideration promised to a customer is included in the expected total construction revenue unless it is likely that the amount of consideration is significantly reduced. The construction contracts of the Group were mainly related to the EPC projects of each plant in the total engineering business. Total construction revenue and total construction costs were estimated based on the knowledge and experience acquired from the implementation of EPC projects in the past. However, adjustments to transaction prices for projects which took a long time from the signing of a contract to delivery of a plant may have been required due to revisions of work plans to respond to changes in construction environments which had not been expected in the initial plans or price fluctuations in equipment and materials, whereby the estimated total construction revenue and total construction costs may have significantly changed. Therefore, management's judgment had a significant effect on the estimated total construction revenue and total construction costs at the end of the reporting periods.	component auditors to perform certain audit procedures. Then we evaluated the report of the component auditors as to whether sufficient and appropriate audit evidence was obtained from the following procedures among others: **(1) Internal control testing** We tested the design and operating effectiveness of certain of the Group's internal controls relevant to the estimation of total construction revenue and total construction costs. In this assessment, we focused our testing on the controls over the following: ・initial estimate of total construction costs; and ・updates to the estimated total construction revenue and total construction costs. **(2) Assessment of the reasonableness of the estimate of total construction revenue and total construction costs** We selected construction contracts which could be significantly impacted by updates to the estimated total construction revenue and total construction costs. In addition, in order to assess the appropriateness of key assumptions, we: ・assessed whether total construction revenue is estimated only for the portion for which consideration may not be significantly reduced and whether all the activities required to complete construction contracts were identified and their estimated costs were included in the breakdown schedule of total construction costs by inspecting the construction contracts and other relevant documents; ・assessed the accuracy of the estimated total construction revenue and total construction costs by comparing the preliminary estimate of the total construction revenue and total construction costs with its fixed amount or revised estimates per item; ・inquired of personnel responsible for a project regarding the overview and progress of the construction and assessed whether the information in the schedule of the construction management was consistent with estimate of the progress towards complete satisfaction of performance obligations; ・inspected the relevant documents and inquired of personnel responsible for a project about any

We, therefore, determined that our assessment of the reasonableness of the Group's estimate of total construction revenue and total construction costs related to construction contracts for revenue recognized based on the progress towards complete satisfaction of performance obligations was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	changes in circumstances that occurred after the start of construction and their judgment on the updates of estimated total construction revenue and total construction costs, as well as assessed whether any impacts from the changes on the related work plans and construction schedule were reflected in the estimated total construction revenue and total construction costs in a timely and appropriate manner, if any; and • inquired of personnel responsible for a project about the total construction costs in light of price fluctuations in equipment and materials, and obtained information on main raw materials with their price forecasts published by external institutions to assess whether the assumptions used were consistent with such information.

Other Information

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

We do not perform any work on the other information as we determine such information does not exist.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board 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.

Audit & Supervisory Board members and the Audit & Supervisory Board 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 Audit & Supervisory Board members and the Audit & Supervisory Board 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 Audit & Supervisory Board members and the Audit & Supervisory Board 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 Audit & Supervisory Board members and the Audit & Supervisory Board, 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.

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

根本剛光

Takemitsu Nemoto

Designated Engagement Partner

Certified Public Accountant

永田 篤

Atsushi Nagata

Designated Engagement Partner

Certified Public Accountant

井上 喬

Takashi Inoue

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Yokohama Office, Japan

June 29, 2023