

SEIKITOKYU KOGYO CO., LTD.

*Non Consolidated Financial Statements
for the year ended March 31, 2021*

Independent Auditor's Report

May 21, 2021

The Board of Directors
SEIKITOKYU KOGYO CO., LTD.

Ernst & Young ShinNihon LLC
Tokyo, Japan



Takashi Nakamura
Designated Engagement Partner
Certified Public Accountant

Opinion

Pursuant to Article 436, Section 2, paragraph 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, and notes to the financial statements of SEIKITOKYU KOGYO CO., LTD. (the "Company") and applicable to the fiscal year from April 1, 2020 to March 31, 2021.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position and results of operations of the Company applicable to the fiscal year ended March 31, 2021, 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 Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

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

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

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

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

SEIKITOKYU KOGYO CO., LTD

Non Consolidated Balance Sheet
for the year ended March 31, 2021

Assets	Yen (millions) 2021	U.S. dollars (thousands) (Note 2) 2021	Liabilities and Net assets	Yen (millions) 2021	U.S. dollars (thousands) (Note 2) 2021
Current assets:			Current liabilities:		
Cash and deposits	¥ 12,629	\$ 114,069	Short-term loans payable	¥ 2,749	\$ 24,832
Trade receivables (Note 4)			Trade payables		
Notes receivables	1,212	10,947	Notes payables	6,189	55,905
Accounts receivables	32,427	292,904	Accounts payables	15,278	138,004
Total trade receivables	33,639	303,851	Total trade payables	21,467	193,909
Inventories			Income taxes payable	1,125	10,159
Cost on uncompleted construction contracts	2,283	20,621	Advances received on uncompleted construction contracts	1,759	15,888
Raw materials and supplies	377	3,405	Provision for warranties for completed construction	15	134
Total inventories	2,660	24,026	Provision for loss on construction contracts	7	68
Short-term loans receivable	351	3,168	Provision for bonuses	1,557	14,064
Other current assets	2,637	23,823	Other current liabilities	3,694	33,363
Total current assets	51,916	468,937	Total current liabilities	32,373	292,417
Non-current assets:			Non-current liabilities :		
Property, plant and equipment (Notes 3)	22,193	200,464	Long-term loans payable	5,000	45,163
Intangible assets	138	1,242	Provision for retirement benefits	2,076	18,749
Investments and long-term loans:			Other non-current liabilities	140	1,261
Investment securities			Total non-current liabilities	7,216	65,173
Subsidiaries and affiliates	1,826	16,493	Total liabilities	39,589	357,590
Other securities	247	2,227	Net assets:		
Deferred tax assets (Note 8):	821	7,419	Shareholders' equity (Note 5)		
Guarantee deposits and other investments	768	6,940	Share capital	2,000	18,065
Allowance for doubtful accounts	(86)	(778)	Capital surplus	520	4,696
Total investments and long-term loans	3,576	32,301	Retained earnings	35,740	322,821
Total non-current assets	25,907	234,007	Treasury stock - 67,641 shares	(41)	(367)
Total assets	¥ 77,823	\$ 702,944	Total shareholders' equity	38,219	345,215
			Unrealized gain on investment securities	15	139
			Total net assets	38,234	345,354
			Total liabilities and net assets	¥ 77,823	\$ 702,944

See accompanying notes to non consolidated financial statements.

SEIKITOKYU KOGYO CO., LTD

Non Consolidated Statement of Income for the year ended March 31, 2021

	Yen (millions)	U.S. dollars (thousands) (Note 2)
	2021	2021
Completed construction contracts:		
Net sales	¥ 68,765	\$ 621,123
Cost of sales	59,186	534,596
Gross profit	9,579	86,527
Finished goods:		
Net sales	15,935	143,936
Cost of sales	12,543	113,300
Gross profit	3,392	30,636
Total:		
Net sales	84,700	765,059
Cost of sales	71,729	647,896
Gross profit	12,971	117,163
Selling, general and administrative expenses:	4,982	45,005
Operating income	7,989	72,158
Other income (Note 6):		
Interest and dividends	7	66
Other	235	2,120
Subtotal	242	2,186
Other expenses (Note 7):		
Interest	13	116
Other	1,663	15,020
Subtotal	1,676	15,136
Profit before income taxes	6,555	59,208
Income taxes:		
Current	1,246	11,263
Deferred	524	4,732
Net profit	¥ 4,785	\$ 43,213

SEIKITOKYU KOGYO CO., LTD.

Non Consolidated Statement of Changes in Net Assets
for the year ended March 31, 2021

	Shareholders' equity (Notes 2 and 5)				Total shareholders' equity
	Share capital	Capital surplus	Retained earnings (Millions of yen)	Treasury stock	
Balance at April 1, 2020	¥ 2,000	¥ 511	¥ 32,849	¥ (72)	¥ 35,288
Changes during the year					
Dividend of surplus			(1,894)		(1,894)
Net income for the period			4,785		4,785
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		9		31	40
Net changes of items other than shareholders' equity					—
Total changes during period	—	9	2,891	31	2,931
Balance as of March 31, 2021	¥ 2,000	¥ 520	¥ 35,740	¥ (41)	¥ 38,219

	Accumulated other comprehensive Unrealized gain on investment securities	Total net assets
	(Millions of yen)	
Balance at April 1, 2020	¥ 1	¥ 35,289
Changes during the year		
Dividend of surplus		(1,894)
Net income for the period		4,785
Purchase of treasury stock		(0)
Disposal of treasury stock		40
Net changes of items other than shareholders' equity	14	14
Total changes during period	14	2,945
Balance as of March 31, 2021	¥ 15	¥ 38,234

SEIKITOKYU KOGYO CO., LTD.

Non Consolidated Statement of Changes in Net Assets for the year ended March 31, 2021

	Shareholders' equity (Notes 2 and 5)				Total shareholders' equity
	Share capital	Capital surplus	Retained earnings	Treasury stock	
	(Thousands of U.S. dollars)				
Balance at April 1, 2020	\$ 18,065	\$ 4,615	\$ 296,714	\$ (649)	\$ 318,745
Changes during the year					
Dividend of surplus			(17,106)		(17,106)
Net income for the period			43,213		43,213
Purchase of treasury stock				(4)	(4)
Disposal of treasury stock		81		286	367
Net changes of items other than shareholders' equity					—
Total changes during period	—	81	26,107	282	26,470
Balance as of March 31, 2021	\$ 18,065	\$ 4,696	\$ 322,821	\$ (367)	\$ 345,215

	Accumulated other comprehensive Unrealized gain on investment securities	Total net assets
	(Thousands of U.S. dollars)	
Balance at April 1, 2020	\$ 12	\$ 318,757
Changes during the year		
Dividend of surplus		(17,106)
Net income for the period		43,213
Purchase of treasury stock		(4)
Disposal of treasury stock		367
Net changes of items other than shareholders' equity	127	127
Total changes during period	127	26,597
Balance as of March 31, 2021	\$ 139	\$ 345,354

Notes to the Non Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(a) Basis of Presenting Non Consolidated Financial Statements

The accompanying non consolidated financial statements have been prepared from the accounts maintained by the SEIKITOKYU KOGYO CO., LTD. (the "Company") in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan and the Companies Act of Japan and in conformity with accounting principles generally accepted in Japan, which may differ in some material respects from accounting principles generally accepted and applied in countries and jurisdictions other than Japan.

Certain items presented in the Japanese non consolidated financial statements have been reclassified for presentation solely for the convenience of readers outside Japan.

In addition, the notes to the non consolidated financial statements include certain information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

(b) Method of Accounting for Construction Contracts

The Company recognizes revenue and cost by applying the percentage of completion method for the construction projects for which the percentage of completion can be reliably estimated at the end of the reporting period. To estimate the progress of such construction project, method to calculate the percentage of the cost incurred to the estimated total project cost (i.e. cost to cost method) is applied. For other construction projects, the completed-contract method is applied.

(c) Inventories

Inventories are stated at cost, cost being determined by the identified cost method for real estate for sale and cost on uncompleted construction contracts or by the moving average method for raw materials and supplies, and adjusted for any substantial permanent decline in value.

Each item of inventory is initially recorded at acquisition cost, and when net realizable value is less than the cost (i.e., profitability of inventory has declined), the amount of cost is reduced to net realizable value.

(d) Investments

Investments in subsidiaries and affiliates are carried at cost. The cost of subsidiaries and affiliates sold is computed based on the moving average method.

Other securities (securities which are neither trading, held-to-maturity securities nor investments in subsidiaries and affiliates) with market value are carried at the market value on the balance sheet date. The difference between the acquisition cost and the market value of other securities is recognized as unrealized gain on investment securities in the balance sheet, net of tax effect.

Non-marketable securities classified as other securities are carried at cost. The cost of other securities sold is computed based on the moving average method.

(e) Property, Plant and Equipment (Excluding leased assets)

The Company computes depreciation of Property, plant and equipment by the declining balance method, however, buildings (excluding structures attached to the buildings) and building facilities and structures acquired on or after April 1, 1998 are depreciated by the straight-line method. Rates for depreciation are based on the estimated useful lives of the assets according to their general class, type of construction, and use.

The estimated useful lives are principally as follows:

Buildings and structures	7 to 50 years
Machinery, equipment and vehicles	5 to 7 years

(f) Intangible Assets (Excluding leased assets)

Computer software for internal use is amortized by the straight-line method over the estimated useful lives (5 years).

(g) Leases

Depreciation of leased assets under finance leases that do not transfer ownership of the leased assets to the lessee is calculated by the straight-line method over the lease period with a residual value of zero.

(h) Income Taxes

Deferred tax assets have been recognized in the non consolidated financial statements for the year ended March 31, 2021 with respect to the differences between the financial reporting and tax bases of assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to be reversed. Valuation allowances are recognized for the deferred tax assets that are not considered to be recoverable.

(i) Allowance for Doubtful Accounts

General provision for doubtful accounts is recorded by applying a certain reserve percentage of the receivables based on the experience from past transactions. When considered necessary, specific reserves are recognized based on the assessment of individual receivables.

(j) Provision for Warranties for Completed Construction

Provision for warranties for completed construction is recorded at an estimated amount, based on the actual number of defects and related warranty costs stipulated in completed construction contracts.

(k) Provision for Loss on Construction Contracts

Provision for loss on construction contracts is recorded for estimated future losses related to the construction contracts in progress.

(l) Provision for Bonuses

Provision for bonuses is stated at an estimated amount of bonuses which the Company is obliged to pay to its employees.

(m) Provision for Retirement Benefits

Provision for retirement benefits for employees has been recorded mainly at an amount calculated based on the retirement benefit obligations and the fair values of the pension plan assets as of the balance sheet date, as adjusted for unrecognized actuarial gain or loss. The retirement benefit obligations are allocated to each period by the straight-line method over the estimated years of service of the eligible employees.

Prior service cost is amortized by the straight-line method over a period of 13 years, which is shorter than the average remaining years of service of the employees.

Actuarial gains and losses are amortized from the following year in which the gains or losses are recognized. Amortization is primarily calculated by the straight-line method over 10 years, which is shorter than the average remaining years of service of the employees.

(n) Consumption Taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(o) Consolidated Taxes

The Company apply Consolidated tax return filing system.

(p) Application of the Tax Effect Accounting for the Transition from the Consolidated tax return filing system to the Group Tax Sharing System

With regard to the transition to the Group Tax Sharing System established based on "Act for Partial Amendment of the Income Tax Act, etc." (Act No.8, 2020) and to the items reconsidered on the Non-Consolidated tax return filing system in accordance with this transition to the Group Tax Sharing System, the Company calculates the amounts of deferred tax assets and deferred tax liabilities based on the provisions of the Income Tax Act before the amendment, without applying the provisions of Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (Accounting Standards Board of Japan Guidance No. 28, February 16, 2018) pursuant to Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated tax return filing system to the Group Tax Sharing System" (Practical Issues Task Force No. 39, March 31, 2020).

(q) Accounting principles and procedures adopted when provisions of relevant accounting standards are unclear

With respect to construction projects and asphalt plants conducted by the Company as a joint venture with other companies, the Company accounts for them in proportion to its own share ratio.

(r) Changes in Presentation Method

Application of Accounting Standard for Disclosure of Accounting Estimates

"Accounting Standard for Disclosure of Accounting Estimates" (Accounting Standards Board of Japan No. 31, March 31, 2020) has been applied to the non consolidated financial statements for the current fiscal year end, and notes regarding significant accounting estimates are included in the non consolidated financial statements.

(s) Significant Accounting Estimates

Estimation of the total construction cost in applying the percentage of completion method

Revenue recognized by applying the percentage of completion method was ¥32,634 million (U.S.\$294,770 thousand) for the fiscal year ended March 31, 2021.

Calculation method:

Revenue recognized by applying the percentage of completion method is measured based on the progress of completion at the end of the fiscal year. The progress of completion is calculated based on the proportion of the cost incurred as of the end of the fiscal year to the estimated total cost of the project.

The total construction cost is accumulatively estimated based on objective prices such as standard unit price approved internally and quotation obtained from suppliers. Such estimations of total construction cost are reviewed as of the closing date, according to construction status, actual costs incurred or requests of specification changes received from customers.

Key assumptions:

Since each of the construction is highly individualized and basic specifications and work content are based on customer's instructions, it is necessary to sufficiently incorporate the characteristics of the construction in estimating total construction cost. In doing so, certain assumptions and judgments are required based on specialized knowledge of construction and construction experience such as unit price and quantity of materials and labor.

Impact on non consolidated financial statements for the next fiscal year:

Since construction work generally takes a long period of time, key assumptions may change due to fluctuation of unit price of materials and labor, changes of construction contract during construction and delay of construction due to bad weather, etc., which may affect non consolidated financial statements for the next fiscal year.

(t) Application of Accounting Standard for Disclosure of Accounting Policies, Accounting Changes and Error Corrections

"Accounting Standard for Disclosure of Accounting Policies, Accounting Changes and Error Corrections" (Accounting Standards Board of Japan No. 24, March 31, 2020) has been applied to the non consolidated financial statements and "Accounting principles and procedures adopted when provisions of relevant accounting standards are unclear" has been disclosed since the fiscal year ended March 31, 2021.

(u) Accounting estimates as to the impact of the Covid-19

It is difficult to accurately predict the future impact and period of convergence of the Covid-19. However, since construction business and manufacturing and sales business of pavement materials in Japan are performing steadily, the Company assumes that the future impact of the Covid-19 will be minor. On such basis the Company makes accounting estimates for total construction revenue and total construction cost based on the percentage of completion method, impairment of fixed assets and recoverability of deferred tax assets.

On the other hand, the Covid-19 expansion led to a continuing uncertainty in the business environment of the consolidated subsidiary in the Republic of the Union of Myanmar. Based on this situation, the Company assumes that the Covid-19 in the Republic of the Union of Myanmar will gradually recover from the fiscal year ending March 31, 2022 onwards, and also taking into account the situation of the coup in Myanmar, the consolidated subsidiary makes accounting estimates for valuation of shares of subsidiaries and associates. As a result, the Company recognized Loss on valuation of shares of subsidiaries and associates of ¥1,130 million (U.S.\$10,208 thousand).

2. Basis of Translation

The non consolidated financial statements as of and for the year ended March 31, 2021 presented herein are denominated in Japanese yen, and solely for the convenience of the readers, have been translated into U.S. dollars at the rate of ¥110.71 = U.S.\$1, the approximate rate of exchange in effect on March 31, 2021. This translation should not be construed as a representation that any of the yen amounts could be converted into U.S. dollar amounts at the above or any other rate.

3. Property, Plant and Equipment

Property, plant and equipment at March 31, 2021 were as follows:

	Yen (millions)	U.S. dollars (thousands)
	2021	2021
Buildings and structures	¥ 3,871	\$ 34,970
Machinery, equipment, vehicles, tools, furniture and fixtures	4,324	39,056
Land	13,752	124,216
Construction in progress	246	2,222
Total	¥22,193	\$200,464

4. Receivables Fully Offset Against Allowance for Doubtful Accounts

	Yen (millions)	U.S. dollars (thousands)
	2021	2021
Long-term trade receivables	¥481	\$4,343

5. Shareholders' Equity

In accordance with the Companies Act of Japan (the "Act"), the Company provides legal retained earnings, which is included in retained earnings. The Act requires that an amount equal to at least 10% of the amounts to be disbursed as distribution of earnings be appropriated to the legal retained earnings until the total of the legal retained earnings plus the legal capital surplus or either of them equals 25% of the share capital account.

The Act further provides that neither legal capital surplus nor the legal retained earnings is available for the payment of dividends, but either may be used to reduce or eliminate accumulated deficits by a resolution of the shareholders, or may be transferred to the share capital account by a resolution of the shareholders. The Act also provides that, if the total amount of legal capital surplus and the legal retained earnings exceeds 25% of the amount of share capital, the excess may be distributed to the shareholders, either as a return of capital or as dividends, subject to the approval of the shareholders.

6. Other Income

The composition of "Other income" for the year ended March 31, 2021 is as follows:

	Yen (millions)	U.S. dollars (thousands)
	2021	2021
Interest income	¥ 1	\$ 9
Dividend income	6	57
Rent income	28	252
Outsourcing service income	68	615
Insurance claim income	17	156
Gain on sales of non-current assets	87	785
Compensation income	5	41
Gain on sale of investment securities	0	0
Other	30	271
Total	¥ 242	\$ 2,186

7. Other Expenses

The composition of “Other expenses” for the year ended March 31, 2021 is as follows:

	Yen (millions)	U.S. dollars (thousands)
	2021	2021
Interest expenses	¥ 13	\$ 116
Guarantee commission	31	282
Loss on disaster	14	125
Composition expenses for syndicated loan	97	872
Loss on sales of non-current assets	44	394
Loss on retirement of non-current assets	24	217
Dismantling costs of non-current assets	155	1,400
Loss on valuation of shares of subsidiaries and associates	1,130	10,208
Provision of allowance for doubtful accounts for subsidiaries and associates	86	778
Loss on support to subsidiaries and associates	58	525
Loss on valuation of investment securities	0	0
Other	24	219
Total	¥1,676	\$15,136

8. Income Taxes

The tax effects of temporary differences which gave rise to significant portions of deferred tax assets and deferred tax liabilities as at March 31, 2021 are summarized as follows:

	Yen (millions)	U.S. dollars (thousands)
	2021	2021
Deferred tax assets:		
Allowance for doubtful accounts	¥ 173	\$ 1,568
Provision for retirement benefits	789	7,124
Loss on valuation of golf club membership	130	1,172
Impairment loss	678	6,127
Provision for bonuses	477	4,307
Loss on valuation of shares of subsidiaries and associates	419	3,789
Other	429	3,872
Gross deferred tax assets	3,095	27,959
Less: Valuation allowances	(2,260)	(20,417)
Total deferred tax assets	835	7,542
Deferred tax liabilities:		
Asset retirement obligations	14	123
Total deferred tax liabilities	14	123
Net deferred tax assets	¥821	\$7,419

9. Related Party Transactions

Transactions with related party, for the year ended March 31, 2021 are as follows:

(a) Name	Yen	U.S. dollars	
(b) Type	(millions)	(thousands)	
(c) Relationship			
(d) Percentage of equity ownership held by the Company	Description of transaction or balance	Amount	Amount
(a) TOKYU CONSTRUCTION CO., LTD.	Transactions: (Note 1)		
(b) Principal shareholder	Completed construction contracts-Net sales	¥1,265	\$11,428
(c) Interlocking directors and undertaking construction (Note 2)	Balances: (Note 1)		
(d) (22.2%) (directly)	Accounts receivable from: electronically recorded monetary claims-operating	134	1,207
	Completed construction contracts	133	1,204
	Advances received on uncompleted construction contracts	78	702
(a) SHINSEIKI KOGYO CO., LTD.	Transactions: (Note 1)		
(b) Subsidiaries	Finished goods-Net sales	820	7,402
(c) Interlocking directors and distributing paving materials (Note 3)	Balances: (Note 1)		
(d) 100% (directly)	Accounts receivable	791	7,144

Note 1: Consumption taxes are not included in the transaction amounts, however, balances are accounted for with consumption taxes.

Note 2: Construction services with related parties are carried out on an arm's-length basis consistent with third party transactions, presenting a quotation for each of constructions.

Note 3: Unit prices are determined taking market prices and total costs into account.

10. Monetary Receivables and Monetary Payables to Affiliated Companies

	Yen (millions)	U.S. dollars (thousands)
	2021	2021
Short-term monetary receivables	¥2,013	\$18,181
Long-term monetary receivables	323	2,913
Short-term monetary liabilities	3,303	29,830

11. Transactions with Affiliated Companies

	Yen (millions)	U.S. dollars (thousands)
	2021	2021
Operating transactions		
Net sales	¥2,746	\$24,803
Cost of sales	1,426	12,877
Non-operating transactions	62	564

12. Amounts per Share

Amounts per share as of and for the year ended March 31, 2021 are as follows:

As of March 31

	Yen	U.S. dollars
	2021	2021
Net assets	¥947.64	\$8.56

For the year ended March 31

	Yen	U.S. dollars
	2021	2021
Net Income	¥118.62	\$1.07

13. Concerning Significant Subsequent Events

At the Board of Directors on May 12, 2021, the Company resolved to acquire of Treasury shares based on the Companies Act Article 156 which is applied pursuant to the Companies Act Article 165, Paragraph 3.

Purpose of acquiring Treasury shares:

To expand shareholder returns and improve capital efficiency in consideration of improvement of operating results and financial position during the medium-term management plan (FY2018-2020)

Types of Shares to acquire:

Common stock

Total number of Shares to acquire:

3,500,000 shares (the maximum)

Total Acquisition cost of Shares:

¥2,500 million (U.S.\$22,582 thousand) (the maximum)

Acquisition period:

From May 13, 2021 to March 31, 2022

Acquisition method:

Purchase on the Tokyo Stock Exchange (Discretionary investment by securities company)

14. Other Notes

In December 2020, the Company executed a syndicate loan contract with The Bank of Mitsubishi UFJ, Ltd. serving as the arranger (of which, the balance of the term loan as of the end of fiscal year is ¥5,000 million (U.S.\$45,163 thousand)).

The following financial covenants are attached to the syndicate loan mentioned above;

- (a) The amount of net assets recorded on the balance sheet and consolidated balance sheet on the last day of each accounting period in and after the fiscal year ended March 31, 2021 must be maintained to at least 75% of the amount of net assets recorded on the balance sheet and consolidated balance sheet for the fiscal year immediately preceding said fiscal year or for the fiscal year ended March 31, 2020, whichever is the higher amount.
- (b) Ordinary losses must not be recorded in two consecutive periods on the statements of income or consolidated statements of income in and after the fiscal year ended March 31, 2020.
- (c) Net losses must not be recorded in two consecutive periods on the statements of income or consolidated statements of income in and after the fiscal year ended March 31, 2020.
- (d) The total coverage ratio for the consolidated balance sheets, consolidated statements of income, and consolidated cash flow statements in and after the fiscal year ended March 31, 2021 must be maintained at 15.0 or lower.

It is stipulated under the loan that, in the event of changes in accounting standards, all concerned parties shall consult on the abovementioned financial covenants to determine the impact of the said changes.

SEIKITOKYU KOGYO CO., LTD.

Related Supplementary Schedules for the year ended March 31, 2021

1. Details of Changes in Property, Plant and Equipment and Intangible assets

Changes in Property, plant and equipment at March 31, 2021 were as follows:

Type of Assets	Yen (millions)			Ending balance	U.S. dollars (thousands)
	Opening balance	Increase	Decrease		
Buildings and structures	¥ 3,467	¥ 836	¥ 14	¥ 8,997	\$ 81,274
Machinery, equipment and vehicles	3,412	1,739	58	17,403	157,197
Tools, furniture and fixtures	167	143	3	1,042	9,407
Land	13,604	203	55	13,752	124,216
Construction in Progress	1	246	1	246	2,222
Total	¥20,651	¥ 3,167	¥ 131	¥41,440	\$374,316

Type of Assets	Yen (millions)			Net book value	U.S. dollars (thousands)
	Acquisition cost	Accumulated depreciation	Depreciation		
Buildings and structures	¥ 8,997	¥ 5,126	¥ 418	¥ 3,871	\$ 34,970
Machinery, equipment and vehicles	17,403	13,306	996	4,097	37,006
Tools, furniture and fixtures	1,042	815	80	227	2,050
Land	13,752	—	—	13,752	124,216
Construction in progress	246	—	—	246	2,222
Total	¥41,440	¥19,247	¥1,494	¥22,193	\$200,464

Changes in Intangible assets at March 31, 2021 were as follows:

Type of Assets	Yen (millions)			Ending balance	U.S. dollars (thousands)
	Opening balance	Increase	Decrease		
Intangible assets	¥ 161	¥ 23	¥ 0	¥ 288	\$ 2,597
Total	¥ 161	¥ 23	¥ 0	¥ 288	\$ 2,597

Type of Assets	Yen (millions)			Net book value	U.S. dollars (thousands)
	Acquisition cost	Accumulated depreciation	Amortization		
Intangible assets	¥ 288	¥ 150	¥ 46	¥ 138	\$ 1,242
Total	¥ 288	¥ 150	¥ 46	¥ 138	\$ 1,242

(Note) 1. The amount for Buildings and structures in the current period increased mainly due to the equipment for asphalt plant at Sakura material plant: ¥409 million (U.S.\$3,698 thousand).

2. The amount for Machinery, equipment and vehicles in the current period increased mainly due to the equipment for asphalt plant at Sakura material plant: ¥892 million (U.S.\$8,061 thousand).
3. The amount for Land in the current period increased mainly due to acquisition the land at Yokohama material plant: ¥202 million (U.S.\$1,827 thousand).
4. The amount for Construction in Progress in the current period increased due to construction of offices of Ken-O Sales office.

2. Details of Allowances and Provisions

Allowances and Provisions at March 31, 2021 were as follows:

	Yen (millions)					U.S. dollars (thousands)
	Opening		Decrease		Ending	
	Balance	Increase	Amount used as intended	Other	balance	
Allowance for doubtful accounts	¥ 11	¥ 86	¥ 11	¥ —	¥ 86	\$ 778
Provision for warranties for completed construction	16	10	11	—	15	134
Provision for loss on construction contracts	44	7	44	—	7	68
Provision for bonuses	1,180	1,557	1,180	—	1,557	14,064
Provision for retirement benefit	2,431	503	858	—	2,076	18,749

3. Details of Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended March 31, 2021 were as follows:

	Yen (millions)	U.S. dollars (thousands)
	2021	2021
Selling, general and administrative expenses:		
Directors' compensation	¥ 229	\$ 2,072
Employees' salaries and allowances	2,276	20,559
Retirement benefit expenses	165	1,490
Legal welfare expenses	384	3,472
Welfare expenses	170	1,538
Repair and maintenance	23	208
Stationery expenses	171	1,542
Transportation expenses	303	2,736
Power utilities expenses	15	140
Research study expenses	225	2,029
Advertising expenses	41	374
Provision of allowance for doubtful accounts	4	41
Entertainment expenses	20	179
Contributions	2	13
Rents	222	2,001
Depreciation	185	1,668
Taxes and dues	368	3,322
Insurance expenses	29	266
Miscellaneous expenses	150	1,355
Total	¥4,982	\$45,005