

SEIKITOKYU KOGYO CO., LTD.

*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 444, paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets, and notes to the consolidated financial statements of SEIKITOKYU KOGYO CO., LTD. and its consolidated subsidiaries (the Group) applicable to the fiscal year from April 1, 2020 to March 31, 2021.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position and results of operations of the Group 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 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.

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

Management is responsible for the preparation and fair presentation of these 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 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 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. 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 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 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.
- 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 consolidated financial statements is not expressing 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 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 in accordance with accounting principles generally accepted in Japan.
- 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 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 consolidated 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 Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

SEIKITOKYU KOGYO CO., LTD

Consolidated Balance Sheet
for the year ended March 31, 2021

	Yen (millions)	U.S. dollars (thousands) (Note 2)		Yen (millions)	U.S. dollars (thousands) (Note 2)
<u>Assets</u>	<u>2021</u>	<u>2021</u>	<u>Liabilities and Net assets</u>	<u>2021</u>	<u>2021</u>
Current assets:			Current liabilities:		
Cash and deposits (Note 9)	¥ 14,035	\$ 126,773	Short-term loans payable (Notes 9)	¥ 8	\$ 69
Trade receivables (Notes 5 and 9)			Trade payables (Note 9)		
Notes receivables	1,533	13,843	Notes payables	6,267	56,610
Accounts receivables	32,618	294,626	Accounts payables	15,500	140,004
Total trade receivables	34,151	308,469	Total trade payables	21,767	196,614
Inventories			Income taxes payable	1,147	10,363
Cost on uncompleted construction contracts	2,566	23,173	Advances received on uncompleted construction contracts	2,071	18,704
Raw materials and supplies	386	3,491	Provision for warranties for completed construction	15	137
Total inventories	2,952	26,664	Provision for loss on construction contracts	7	68
Other current assets	2,684	24,240	Provision for bonuses	1,646	14,864
Total current assets	53,822	486,146	Other current liabilities	4,216	38,083
Non-current assets:			Total current liabilities	30,877	278,902
Property, plant and equipment (Notes 4)	23,655	213,668	Non-current liabilities:		
Intangible assets	263	2,378	Long-term loans payable (Notes 9)	5,000	45,163
Investments and long-term loans:			Net defined benefit liability	2,598	23,462
Investment securities			Other long-term liabilities	144	1,305
Other securities (Note 9)	289	2,608	Total non-current liabilities	7,742	69,930
Deferred tax assets	847	7,653	Total liabilities	38,619	348,832
Guarantee deposits and other investments	534	4,822	Net assets:		
Total investments and long-term loans	1,670	15,083	Shareholders' equity (Note 6):		
Total non-current assets	25,588	231,129	Share capital		
Total assets	¥ 79,410	\$ 717,275	Authorized - 150,000,000 shares	2,000	18,065
			Issued - 40,414,407 shares		
			Capital surplus	520	4,696
			Retained earnings	38,767	350,168
			Treasury stock - 67,641 shares	(40)	(367)
			Total shareholders' equity	41,247	372,562
			Accumulated other comprehensive income:		
			Unrealized gain on investment securities	21	192
			Foreign currency translation adjustment	(16)	(143)
			Remeasurements of defined benefit plans	(461)	(4,168)
			Total accumulated other comprehensive income	(456)	(4,119)
			Total net assets	40,791	368,443
			Total liabilities and net assets	¥ 79,410	\$ 717,275

See accompanying notes to consolidated financial statements.

SEIKITOKYU KOGYO CO., LTD

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	¥ 74,358	\$ 671,645
Cost of sales	63,491	573,489
Gross profit	10,867	98,156
Finished goods:		
Net sales	15,559	140,543
Cost of sales	12,335	111,419
Gross profit	3,224	29,124
Real estate business:		
Net sales	108	975
Cost of sales	88	796
Gross profit	20	179
Total:		
Net sales	90,025	813,163
Cost of sales	75,914	685,704
Gross profit	14,111	127,459
Selling, general and administrative expenses:	5,641	50,949
Operating income	8,470	76,510
Other income (Note 7) :		
Interest and dividends	9	78
Other	194	1,758
Subtotal	203	1,836
Other expenses (Note 8):		
Interest	12	112
Impairment loss (Note 11)	1,166	10,534
Other	395	3,568
Subtotal	1,573	14,214
Profit before income taxes	7,100	64,132
Income taxes		
Current	1,333	12,040
Deferred	587	5,300
Net income	5,180	46,792
Net profit attributable to owners of parent	¥ 5,180	\$ 46,792

SEIKITOKYU KOGYO CO., LTD.

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

	Shareholders' equity (Notes 2 and 6)					Total shareholders' equity
	Share capital	Capital surplus	Retained earnings (Millions of yen)	Treasury stock		
Balance at April 1, 2020	¥ 2,000	¥ 511	¥ 35,481	¥ (72)		¥ 37,920
Changes during the period						
Dividend of surplus			(1,894)			(1,894)
Net income attributable to owners of parent			5,180			5,180
Purchase of treasury stock				(0)		(0)
Disposal of treasury stock		9		32		41
Net changes of items other than shareholders' equity						—
Total changes during period	—	9	3,286	32		3,327
Balance as of March 31, 2021	¥ 2,000	¥ 520	¥ 38,767	¥ (40)		¥ 41,247

	Accumulated other comprehensive income				Total net assets
	Unrealized gain on investment securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans (Millions of yen)	Total accumulated other comprehensive income	
Balance at April 1, 2020	¥ (3)	¥ (16)	¥ (1,268)	¥ (1,287)	¥ 36,633
Changes during the period					
Dividend of surplus					(1,894)
Net income attributable to owners of parent					5,180
Purchase of treasury stock					(0)
Disposal of treasury stock					41
Net changes of items other than shareholders' equity	24	0	807	831	831
Total changes during period	24	0	807	831	4,158
Balance as of March 31, 2021	¥ 21	¥ (16)	¥ (461)	¥ (456)	¥ 40,791

SEIKITOKYU KOGYO CO., LTD.

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

	Shareholders' equity (Notes 2 and 6)				
	Share capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	(Thousands of U.S. dollars)				
Balance at April 1, 2020	\$ 18,065	\$ 4,615	\$ 320,482	\$ (649)	\$ 342,513
Changes during the period					
Dividend of surplus			(17,106)		(17,106)
Net income attributable to owners of parent			46,792		46,792
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	29,686	282	30,049
Balance as of March 31, 2021	\$ 18,065	\$ 4,696	\$ 350,168	\$ (367)	\$ 372,562

	Accumulated other comprehensive income				
	Unrealized gain on investment securities	Foreign currency translation adjustment	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Total net assets
	(Thousands of U.S. dollars)				
Balance at April 1, 2020	\$ (26)	\$ (146)	\$ (11,449)	\$ (11,621)	\$ 330,892
Changes during the period					
Dividend of surplus					(17,106)
Net income attributable to owners of parent					46,792
Purchase of treasury stock					(4)
Disposal of treasury stock					367
Net changes of items other than shareholders' equity	218	3	7,281	7,502	7,502
Total changes during period	218	3	7,281	7,502	37,551
Balance as of March 31, 2021	\$ 192	\$ (143)	\$ (4,168)	\$ (4,119)	\$ 368,443

Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(a) Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts maintained by SEKITOKYU KOGYO CO., LTD. (the “Company”) and its consolidated subsidiaries 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 consolidated financial statements have been reclassified for presentation solely for the convenience of readers outside Japan.

In addition, the notes to the 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) Consolidation Policies

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany accounts, intercompany transactions and unrealized profits have been eliminated in consolidation.

As of March 31, 2021, the number of consolidated subsidiaries was 12 and none of the subsidiaries and affiliates are accounted for by the equity method. Major consolidated subsidiaries are SHINSEIKI KOGYO CO., LTD., ST KENZAI CO., LTD., SEKITOKYU MYANMAR ROAD CO., LTD., and ST SERVICE CO., LTD.

Non-consolidated subsidiary is CHUGAI ENGINEERING CO., LTD. The non-consolidated subsidiary has been excluded from the scope of the consolidation as it is small in scale and the total amounts of the non-consolidated subsidiary’s assets, net sales, equity in net income/loss, and equity in retained earnings does not have material impact on the consolidated financial statements.

(c) Closing dates for consolidated subsidiaries

All the subsidiaries are consolidated using their financial statements as of their respective fiscal year end, which falls on March 31 as same as the consolidated fiscal year end.

(d) Method of Accounting for Construction Contracts

The Company and its consolidated subsidiaries recognize 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, a 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.

(e) Inventories

Inventories are stated at cost, cost being determined by the identified cost method for 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.

(f) Investments

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 consolidated 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.

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

The Company and its consolidated subsidiaries compute depreciation of Property, plant and equipment by the declining balance method, however, buildings (excluding structures attached to the buildings) 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	7~50 years
Machinery, vehicle, tools, furniture and fixtures	5~ 7 years

(h) Intangible Assets (Excluding leased assets)

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

(i) 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.

(j) Income Taxes

Deferred tax assets and liabilities have been recognized in the 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.

(k) 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.

(l) 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.

(m) 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.

(n) Provision for Bonuses

Provision for bonuses is stated at the estimated amount of bonuses which the Company and its consolidated subsidiaries are obliged to pay to their employees.

(o) Net defined benefit liability

Net defined benefit liability for employees has been recorded as the amount of retirement benefit obligations after deducting pension plan assets, calculated based on the estimated amounts of the balance sheet dates. The retirement benefit obligation for employees is attributed to each period by the straight-line method.

Prior service cost is amortized by the straight-line method over 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.

Unrecognized prior service costs and unrecognized actuarial gains and losses are recorded as remeasurements of defined benefit plans in accumulated other comprehensive income in net assets after consideration of tax effects.

(p) Consumption Taxes

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

(q) Consolidated Taxes

The Company and its consolidated subsidiaries apply Consolidated tax return filing system.

(r) 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 and certain subsidiaries calculate 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).

(s) 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.

(t) 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 consolidated financial statements for the current consolidated fiscal year end, and notes regarding significant accounting estimates are included in the consolidated financial statements.

(u) 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 ¥32,758 million (U.S.\$295,890 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 consolidated financial statements for the next consolidated 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 consolidated financial statements for the next consolidated fiscal year.

(v) 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 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.

(w) 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 impairment of fixed assets. As a result, the consolidated subsidiary, SEKITOKYU MYANMAR ROAD CO., LTD., recognized Impairment loss of ¥1,150 million (U.S.\$10,392 thousand) for the production equipment.

2. Basis of Translation

The 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. Dividends

1) Dividends paid

Resolution	Type of shares	Yen (millions)	U.S. dollars (thousands)	Source of dividends	Yen	U.S. dollars	Record date	Effective date
		Total dividends	Total dividends		Dividends per share	Dividends per share		
Annual general meeting of shareholders on June 23, 2020	Common stock	¥1,894	\$17,106	Retained earnings	¥47.00	\$0.42	March 31, 2020	June 24, 2020

2) Dividends with a record date in the year ended March 31, 2021 and an effective date in the year ending March 31, 2022:

Resolution	Type of shares	Yen (millions)	U.S. dollars (thousands)	Source of dividends	Yen	U.S. dollars	Record date	Effective date
		Total dividends	Total dividends		Dividends per share	Dividends per share		
Annual general meeting of shareholders on June 23, 2021	Common stock	¥1,735	\$15,671	Retained earnings	¥43.00	\$0.39	March 31, 2021	June 24, 2021

4. 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	¥ 3,958	\$ 35,747
Machinery, equipment, vehicles, tools, furniture and fixtures	5,124	46,284
Land	14,327	129,415
Construction in progress	246	2,222
Total	¥23,655	\$213,668

5. Receivables Fully Offset Against Allowance for Doubtful Accounts

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

6. 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.

7. 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	\$ 10
Dividend income	8	68
Rent income	25	230
Outsourcing service income	12	106
Insurance claim income	17	156
Gain on sales of non-current assets	90	814
Compensation income	5	41
Gain on sale of investment securities	0	0
Other	45	411
Total	¥203	\$1,836

8. 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	¥ 12	\$ 112
Guarantee commission	31	282
Composition expenses for syndicated loan	97	872
Loss on sales of non-current assets	45	403
Loss on retirement of non-current assets	24	217
Dismantling costs of non-current assets	155	1,400
Loss on valuation of investment securities	0	0
Impairment loss	1,166	10,534
Other	43	394
Total	¥1,573	\$14,214

9. Financial Instruments

Cash of the Company and its consolidated subsidiaries is managed through short-term deposits. Funds are provided mainly by borrowings from banks.

Customers' credit risk on trade receivables (notes and accounts) is mitigated through credit control.

The Company and its consolidated subsidiaries assess fair values of investment securities quarterly at market quotations.

Funds from short-term loans payable and long-term loans payable are used for operating funds and capital investment.

The following table presents the carrying amounts of financial instruments on the consolidated balance sheet and the fair value at March 31, 2021, and the difference thereof.

	Yen (millions)		
	Carrying amount	Fair value	Unrealized gain (loss)
Assets			
Cash and deposits:	¥14,035	¥14,035	¥ –
Trade receivables:			
Notes and accounts	34,151	34,151	–
Investment securities:	85	85	–
Total	¥48,271	¥48,271	¥ –

	U.S. dollars (thousands)		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and deposits:	\$126,773	\$126,773	\$ –
Trade receivables:			
Notes and accounts	308,469	308,469	–
Investment securities:	772	772	–
Total	\$436,014	\$436,014	\$ –

	Yen (millions)		
	Carrying amount	Fair value	Unrealized gain (loss)
Liabilities			
Trade payables:			
Notes and accounts	¥21,767	¥21,767	¥ –
Short-term Loans payable:	8	8	–
Long-term Loans payable:	5,000	5,000	–
Total	¥26,775	¥26,775	¥ –

	U.S. dollars (thousands)		
	Carrying amount	Fair value	Unrealized gain (loss)
Trade payables:			
Notes and accounts	\$196,614	\$196,614	\$ –
Short-term Loans payable:	69	69	–
Long-term Loans payable:	45,163	45,163	–
Total	\$241,846	\$241,846	\$ –

Note 1: Fair value calculation methods for financial instruments.

Assets

Cash and deposits:

Since cash and deposits are settled on a short-term basis, the carrying amounts approximate fair values. The carrying amounts are therefore indicated as fair values.

Trade Receivables (notes and accounts):

Since these assets are settled on a short-term basis, the carrying amounts approximate fair values. The carrying amounts are therefore indicated as fair values.

Investment securities:

The fair value of these assets is determined by the prices listed on stock exchange.

Liabilities

Trade payables (notes and accounts):

Since these liabilities are settled on a short-term basis, the carrying amounts approximate fair values. The carrying amounts are therefore indicated as fair values.

Short-term Loans payable:

Since these liabilities are settled on a short-term basis, the carrying amounts approximate fair values. The carrying amounts are therefore indicated as fair values.

Long-term Loans payable:

Fair values of long-term loans payable are based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new loans were entered into.

Note 2: Non-marketable securities (¥204 million (U.S.\$1,836 thousand) recorded on the consolidated balance sheet for the fiscal year ended March 31, 2021) are not included in "Investment securities" above, because these securities are without quotations and future cash flows cannot be estimated, which makes it extremely difficult to assess their fair values.

10. 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	¥1,010.99	\$9.13

For the year ended March 31

	Yen	U.S. dollars
	2021	2021
Net Income	¥128.45	\$1.16

11. Impairment Loss

The Company and certain consolidated subsidiaries recognized impairment loss for the Following assets or groups of assets.

Use	Classification	Location	Yen (millions)	U.S. Dollars (thousands)
Business assets	Tools, furniture and fixtures	Republic of the Union of Myanmar	¥1,150	\$10,392
	Construction in progress			
	Intangible assets			
	Investments and other assets			
Business assets	Buildings and structures	Fukuoka	16	142
	Land			
	Intangible assets			

The Company and consolidated subsidiaries group the assets by the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The Company and certain consolidated subsidiaries recognized impairment loss of ¥1,166 million (U.S.\$10,534 thousand) in other expenses due to a significant decline in profitability for assets or groups of assets for the current consolidated fiscal year. The carrying amounts of such assets were reduced to their recoverable amounts.

The breakdown is as follows: Buildings and structures: ¥0 million (U.S.\$0 thousand), Machinery, equipment, vehicles, tools, furniture and fixtures: ¥0 million (U.S.\$4 thousand), Land: ¥16 million (U.S.\$143 thousand), Construction in progress: ¥958 million (U.S.\$8,655 thousand), Intangible assets: ¥182 million (U.S.\$1,646 thousand), Investments and other assets: ¥10 million (U.S.\$86 thousand).

12. Subsequent Events

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

(a) Purpose of Acquisition of own 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)

(b) Types of Shares to acquire:

Common stock

(c) Total number of Shares to acquire:

3,500,000 shares (the maximum)

(d) Total Acquisition cost of Shares:

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

(e) Acquisition period:

From May 13, 2021 to March 31, 2022

(f) Acquisition method:

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

13. 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 sheet, consolidated statements of income, and consolidated cash flow statement 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.