

SEIKITOKYU KOGYO CO., LTD.

Non Consolidated Financial Statements for
the year ended March 31, 2018

This document has been translated from the original Japanese as a guide for non-Japanese readers. It may contain forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors, including changing economic conditions, legislative and regulatory developments, delay in new product and service launches, and pricing and product initiatives of competitors.

SEIKITOKYU KOGYO CO., LTD

Non Consolidated Balance Sheet
for the year ended March 31, 2018

<u>Assets</u>	Yen (millions)	U.S. dollars (thousands) (Note 2)	<u>Liabilities and Net assets</u>	Yen (millions)	U.S. dollars (thousands) (Note 2)
	2018	2018		2018	2018
Current assets:			Current liabilities:		
Cash and deposits	¥ 14,500	\$ 136,487	Short-term loans payable	¥ 2,498	\$ 23,516
Trade receivables:			Trade payables:		
Notes	2,155	20,280	Notes	10,539	99,204
Accounts	25,837	243,197	Accounts	13,993	131,714
Net trade receivables	27,992	263,477	Total trade payables	24,533	230,918
Deferred tax assets-current (Note 9)	952	8,961	Advances received on uncompleted construction contracts	3,987	37,528
Inventories:			Provision for warranties for completed construction	87	818
Cost on uncompleted construction contracts	4,220	39,724	Provision for loss on construction contracts	207	1,948
Raw materials and supplies	298	2,804	Provision for bonuses	998	9,393
Total inventories	4,518	42,528	Allowance for losses on Anti-Monopoly Act	3,037	28,582
Short-term loans receivable	11	105	Other current liabilities	2,216	20,854
Other current assets	2,364	22,251	Total current liabilities	37,562	353,559
Total current assets	50,337	473,808	Long-term loans payable	3,000	28,238
Property, plant and equipment (Notes 3 and 4)	19,322	181,874	Provision for retirement benefits	2,895	27,250
Intangible assets	179	1,684	Other liabilities	83	781
Deferred tax assets-non-current (Note9)	300	2,820	Total liabilities	43,540	409,828
Investments and long-term loans:			Net assets:		
Investment securities:			Shareholders' equity (Note 6)		
Subsidiaries and affiliates	307	2,885	Common stock	2,000	18,825
Other securities	255	2,404	Capital surplus	500	4,707
Long-term loans receivable	21	195	Retained earnings	25,081	236,079
Guarantee deposits and other investments	415	3,905	Treasury stock - 48,336 shares	(24)	(227)
Allowance for doubtful accounts (Note 5)	(14)	(134)	Total shareholders' equity	27,557	259,384
Total investments and long-term loans	983	9,255	Unrealized gain on investment securities	24	228
Total assets	¥ 71,121	\$ 669,440	Total net assets	27,581	259,612
			Total liabilities and net assets	¥ 71,121	\$ 669,440

See accompanying notes to non consolidated financial statements.

SEIKITOKYU KOGYO CO., LTD

Non Consolidated Statement of Income for the year ended March 31, 2018

	Yen (millions)	U.S. dollars (thousands) (Note2)
	<u>2018</u>	<u>2018</u>
Completed construction contracts:		
Net sales	¥ 62,111	\$ 584,626
Cost of sales	56,096	528,016
Gross profit	<u>6,014</u>	<u>56,610</u>
Finished goods:		
Net sales	15,660	147,400
Cost of sales	12,032	113,251
Gross profit	<u>3,628</u>	<u>34,149</u>
Total:		
Net sales	77,770	732,026
Cost of sales	68,128	641,267
Gross profit	<u>9,642</u>	<u>90,759</u>
Selling, general and administrative expenses:	<u>4,013</u>	<u>37,770</u>
Operating income	5,630	52,989
Other income (Note 7):		
Interest and dividends	7	64
Other	292	2,753
Subtotal	<u>299</u>	<u>2,817</u>
Other expenses (Note 8):		
Interest	53	500
Other	3,242	30,518
Subtotal	<u>3,295</u>	<u>31,018</u>
Income before income taxes	<u>2,633</u>	<u>24,788</u>
Income taxes:		
Current	657	6,183
Deferred	<u>(1)</u>	<u>(12)</u>
Net income	<u>¥ 1,978</u>	<u>\$ 18,617</u>

SEIKITOKYU KOGYO CO., LTD.

Non Consolidated Statement of Changes in Net Assets
for the year ended March 31, 2018

	Shareholders' equity (Notes 2,6)				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
	(Millions of yen)				
Balance at April 1, 2017	¥ 2,000	¥ 500	¥ 23,789	¥ (24)	¥ 26,265
Changes during the year					
Dividend of surplus			(686)		(686)
Net income for the period			1,978		1,978
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes during period	-	0	1,292	(0)	1,291
Balance as of March 31, 2018	¥ 2,000	¥ 500	¥ 25,081	¥ (24)	¥ 27,557
	Accumulated other comprehensive				
	Unrealized gain on investment securities				
	Total net assets				
	(Millions of yen)				
Balance at April 1, 2017	¥ 26	¥ 26,291			
Changes during the year					
Dividend of surplus		(686)			
Net income for the period		1,978			
Purchase of treasury stock		(0)			
Disposal of treasury stock		0			
Net changes of items other than shareholders' equity	(1)	(1)			
Total changes during period	(1)	1,290			
Balance as of March 31, 2018	¥ 24	¥ 27,581			

SEIKITOKYU KOGYO CO., LTD.

Non Consolidated Statement of Changes in Net Assets
for the year ended March 31, 2018

	Shareholders' equity (Notes 2,6)				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
	(Thousands of U.S. dollars)				
Balance at April 1, 2017	\$ 18,825	\$ 4,707	\$ 223,921	\$ (223)	\$ 247,230
Changes during the year					
Dividend of surplus			(6,459)		(6,459)
Net income for the period			18,617		18,617
Purchase of treasury stock				(4)	(4)
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes during period	-	0	12,158	(3)	12,154
Balance as of March 31, 2018	\$ 18,825	\$ 4,707	\$ 236,079	\$ (227)	\$ 259,384
	Accumulated other comprehensive				
	Unrealized gain on investment securities				
	Total net assets				
	(Thousands of U.S. dollars)				
Balance at April 1, 2017	\$ 242	\$ 247,472			
Changes during the year					
Dividend of surplus		(6,459)			
Net income for the period		18,617			
Purchase of treasury stock		(4)			
Disposal of treasury stock		0			
Net changes of items other than shareholders' equity	(14)	(14)			
Total changes during period	(14)	12,140			
Balance as of March 31, 2018	\$ 228	\$ 259,612			

Notes to 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.

Revenue recognized by applying the percentage of completion method was ¥17,559 million (U.S.\$165,276 thousand) for the year ended March 31, 2018.

(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, 2018 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 provided 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 provided 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 level 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) Allowance for losses on Anti-Monopoly Act

Allowance for losses on Anti-Monopoly Act is provided based on an estimated amount of payment for surcharges under the Anti-Monopoly Act.

(n) 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.

(o) Consumption Taxes

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

(p) Consolidated Taxes

Consolidated tax return filing system.

2. Basis of Translation

The non consolidated financial statements as of and for the year ended March 31, 2018 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 ¥106.24 = U.S.\$1, the approximate rate of exchange in effect on March 31, 2018. 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, 2018 were as follows:

	Yen (millions)	U.S. dollars (thousands)
	2018	2018
Buildings and structures	¥ 2,563	\$ 24,126
Machinery, equipment, vehicles, tools, furniture and fixtures	2,703	25,440
Land	13,989	131,670
Construction in progress	68	637
Total	¥ 19,322	\$ 181,874

4. Collateral Assets and Corresponding Liabilities

The following assets are provided as collateral for the borrowings at March 31, 2018:

	Yen (millions)	U.S. dollars (thousands)
	2018	2018
Buildings	¥ 464	\$ 4,363
Land	11,053	104,039
Total	¥11,517	\$108,402

Corresponding Liabilities at March 31, 2018

	Yen (millions)	U.S. dollars (thousands)
	2018	2018
Short-term loans payable	¥1,000	\$ 9,413
Long-term loans payable	3,000	28,238
Total	¥4,000	\$ 37,651

5. Receivables Fully Offset Against Allowance for Doubtful Accounts

	Yen (millions)	U.S. dollars (thousands)
	2018	2018
Long-term trade receivables	¥517	\$4,875

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 common stock 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 common stock 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 common stock, 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-Other" for the year ended March 31, 2018 is as follows:

	Yen (millions)	U.S. dollars (thousands)
	2018	2018
Interest income	¥ 0	\$ 4
Dividend income	6	60
Rent income	29	277
Fiduciary obligation fee	134	1,259
Compensation income	65	608
Subsidy income	45	424
Other	20	184
Total	¥ 299	\$ 2,817

8. Other Expenses

The composition of "Other expenses-Other" for the year ended March 31, 2018 is as follows:

	Yen (millions)	U.S. dollars (thousands)
	2018	2018
Interest expenses	¥ 28	\$264
Guarantee commission	25	236
Bill fluidizing commission	7	68
Loss on sales of non-current assets	4	41
Loss on retirement of non-current assets	20	193
Provision of allowance for losses on Anti-Monopoly Act	3,037	28,582
Impairment loss	144	1,355
Other	30	280
Total	¥3,295	\$31,018

9. 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, 2018 are summarized as follows:

	Yen (millions)	U.S. dollars (thousands)
	2018	2018
Deferred tax assets:		
Allowance for doubtful accounts	¥ 163	\$ 1,534
Provision for retirement benefits	1,040	9,785
Loss on valuation of golf club membership	130	1,222
Impairment loss	728	6,855
Provision for bonuses	306	2,876
Loss carried forward	3,086	29,050
Other	439	4,132
Gross deferred tax assets	5,892	55,454
Less: Valuation allowances	(4,636)	(43,632)
Total deferred tax assets	1,256	11,822
Deferred tax liabilities:		
Asset retirement obligations	4	42
Total deferred tax liabilities	4	42
Net deferred tax assets	¥ 1,252	\$ 11,781

10. Related Party Transactions

Transactions with related party, for the year ended March 31, 2018 are as follows:

(a) Name (b) Type (c) Relationship (d) Percentage of equity ownership held by the Company	Yen (millions)	U.S. dollars (thousands)	
	Description of transaction or balance	Amount	Amount
(a) TOKYU CONSTRUCTION CO., LTD	Transactions: (Note 1)		
(b) Principal shareholder	Completed construction	¥3,384	\$31,850
(c) Interlocking directors and undertaking construction (Note 2)	contracts-Net sales		
(d) (22.1%) (directly)	Balances: (Note 1)		
	Accounts receivable from: electronically recorded monetary claims-operating	1,137	10,704
	Completed construction contracts	373	3,513
	Advances received on uncompleted construction contracts	401	3,773
<hr/>			
(a) SHINSEIKI KOGYO CO., LTD.	Transactions: (Note 1)		
(b) Subsidiaries	Finished goods-Net sales	1,152	10,843
(c) Interlocking directors and distributing paving materials (Note 3)	Balances: (Note 1)		
(d) 100% (directly)	Accounts receivable	749	7,047

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.

11. Monetary Receivables and Monetary Payables to Affiliated Companies

	Yen (millions)	U.S. dollars (thousands)
	2018	2018
Short-term monetary receivables	¥2,719	\$25,593
Long-term monetary receivables	96	903
Short-term monetary liabilities	2,250	21,182

12. Transactions with Affiliated Companies

	Yen (millions)	U.S. dollars (thousands)
	2018	2018
Operating transactions		
Net sales	¥5,488	\$51,659
Cost of sales	1,095	10,309
Non-operating transactions	113	1,059

13. Amounts per Share

Amounts per share as of and for the year ended March 31, 2018 are as follows:

As of March 31

	Yen	U.S. dollars
	2018	2018
Net assets	¥683.28	\$6.43

For the year ended March 31

	Yen	U.S. dollars
	2018	2018
Net Income	¥49.00	\$0.46

14. Impairment Loss

The Company recognized impairment losses for the following assets or groups of assets.

Use	Classification	Location	Yen (millions)	U.S. dollars (thousands)
Business assets	Buildings and structures, machinery, equipment, tools and land	Hokkaido and others	¥ 144	\$1,355

The basis of grouping for the Company is on the smallest group of assets which generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The Company reduced the carrying amounts of business assets or groups of assets to their recoverable amounts considering significant deterioration of profitability and recognized the amounts of the reductions as impairment losses (¥144 million (U.S. \$1,355 thousand)) in other expenses for the year ended March 31, 2018.

Impairment losses totaling ¥144 million (\$1,355 thousand) are comprised of ¥29 million (\$274 thousand) of buildings and structures, ¥22 million (\$209 thousand) of machinery, ¥0 million (\$3 thousand) of equipment and tools, and ¥92million (\$869 thousand) of land.

The recoverable amount of each asset or each group of assets was measured by their net realizable value and their usage value. The discount rate of 2.14% was applied for discounting future cash flows in the calculation of their usage value.

15. Other Notes

In December 2016, the Company executed a syndicate loan contract with Tokyo Mitsubishi UFJ Bank serving as the arranger (of which, the term loan as of the end of fiscal year is ¥4,000 million (U.S.\$37,651 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 final day of each accounting period in and after the fiscal year ended March 31, 2017 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, 2016, 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, 2017.
- (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, 2017.
- (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, 2017 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, 2018

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

Changes in Property, plant and equipment at March 31, 2018 were as follows:

Type of Assets	Yen (millions)			Ending balance	U.S. dollars (thousands)
	Opening balance	Increase	Decrease		
Buildings and structures	¥ 2,084	¥ 718	¥36 (29)	¥ 7,624	\$ 71,763
Machinery, equipment and vehicles	2,296	1,065	43 (22)	15,217	143,231
Tools, furniture and fixtures	115	24	1 (0)	932	8,777
Land	14,033	48	92 (92)	13,989	131,670
Construction in Progress	110	68	110	68	637
Total	<u>¥18,637</u>	<u>¥1,922</u>	<u>¥282</u>	<u>¥37,830</u>	<u>\$356,078</u>

Type of Assets	Yen (millions)			Net book value	U.S. dollars (thousands)
	Acquisition cost	Accumulated depreciation	Depreciation		
Buildings and structures	¥ 7,624	¥ 5,061	¥202	¥ 2,563	\$ 24,126
Machinery, equipment and vehicles	15,217	12,618	719	2,599	24,461
Tools, furniture and fixtures	932	828	34	104	979
Land	13,989	—	—	13,989	131,670
Construction in progress	68	—	—	68	637
Total	<u>¥37,830</u>	<u>¥18,507</u>	<u>¥955</u>	<u>¥19,322</u>	<u>\$181,874</u>

Changes in Intangible assets at March 31, 2018 were as follows:

Type of Assets	Yen (millions)			Ending balance	U.S. dollars (thousands)
	Opening balance	Increase	Decrease		
Intangible assets	¥175	¥33	¥-	¥209	\$1,966
Total	¥175	¥33	¥-	¥209	\$1,966

Type of Assets	Yen (millions)			Net book value	U.S. dollars (thousands)
	Acquisition cost	Accumulated depreciation	Amortization		
Intangible assets	¥209	¥30	¥29	¥179	\$1,684
Total	¥209	¥30	¥29	¥179	\$1,684

(Note) 1. Figures in parentheses in the "Decrease" column represent the amount of impairment loss.

2. The amount for Machinery, equipment and vehicles in the current period increases mainly due to the equipment for asphalt plant at Yuzawa material plant: ¥347 million (U.S.\$3,262 thousand).

2. Details of Allowances and Provisions

Allowances and Provisions at March 31, 2018 were as follows:

Type of Assets	Yen (millions)				Ending balance	U.S. dollars (thousands)
	Opening		Decrease			
	Balance	Increase	Amount used as intended	Other		
Allowance for doubtful accounts	¥ 24	¥ 6	¥ 4	¥12	¥ 14	\$ 134
Provision for warranties for completed construction	68	82	26	37	87	818
Provision for loss on construction contracts	230	7	30	—	207	1,948
Provision for bonuses	1,133	998	1,133	—	998	9,393
Provision for retirement benefit	3,080	617	802	—	2,895	27,250
Allowance for losses on Anti-Monopoly Act	—	3,037	—	—	3,037	28,582

(Note) 1. "Decreases (Others): ¥11 million (U.S.\$109 thousand)" in Allowance for doubtful accounts is due to ¥3 million (U.S.\$28 thousand) added back via the reversal method and ¥9 million (U.S. \$81 thousand) added back due to collections.

2. A reversal due to the reduced compensation amount for warranties on completed construction has been included.

3. Details of Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended March 31, 2018 were as follows:

	Yen (millions)	U.S. dollars (thousands)
	2018	2018
Selling, general and administrative expenses:		
Directors' compensation	¥ 162	\$ 1,525
Employees' salaries and allowances	1,921	18,083
Retirement benefit expenses	206	1,939
Legal welfare expenses	331	3,117
Welfare expenses	116	1,096
Repair and maintenance	23	217
Stationery expenses	107	1,004
Transportation expenses	305	2,868
Construction utilities expenses	15	142
Research study expenses	141	1,328
Advertising expenses	46	430
Provision of allowance for doubtful accounts	△1	△11
Entertainment expenses	58	551
Contributions	1	9
Rents	100	941
Depreciation	44	417
Taxes and dues	327	3,081
Insurance expenses	16	148
Miscellaneous expenses	94	885
Total	¥4,013	\$37,770

Independent Auditor's Report

The Board of Directors
SEKITOKYU KOGYO CO., LTD.

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, the notes to the financial statements and the related supplementary schedules of SEKITOKYU KOGYO CO., LTD. (the "Company") applicable to the 15th fiscal year from April 1, 2017 through March 31, 2018.

Management's Responsibility for the Financial Statements and the Related Supplementary Schedules

Management is responsible for the preparation and fair presentation of these financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of SEKITOKYU KOGYO CO., LTD. applicable to the 69th fiscal year ended March 31, 2018 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

Ernst & Young Shinnihon LLC

May 22, 2018