

SEIKITOKYU KOGYO CO., LTD.

*Consolidated Financial Statements
for the year ended March 31, 2022*

Independent Auditor's Report

June 23, 2022

The Board of Directors
SEIKITOKYU KOGYO CO., LTD.

Ernst & Young ShinNihon LLC
Tokyo, Japan

中川 政人

Masato Nakagawa
Designated Engagement Partner
Certified Public Accountant

中村 崇

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, 2021 to March 31, 2022.

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, 2022, 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.

Other Information

The other information comprises the information included in a disclosure document that contains audited financial statements but does not include the financial statements and our auditor's report thereon.

We have concluded that the other information did not exist. Accordingly, we have not performed any work related to the other information.

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, 2022

Assets	Yen	U.S. dollars	Liabilities and Net assets	Yen	U.S. dollars
	(millions)	(thousands) (Note 2)		(millions)	(thousands) (Note 2)
	2022	2022		2022	2022
Current assets:			Current liabilities:		
Cash and deposits	¥ 12,814	\$ 104,701	Short-term loans payable (Note 5)	¥ 107	\$ 877
Trade receivables (Note 6)			Trade payables		
Notes receivables	2,436	19,900	Notes payables	5,729	46,810
Accounts receivables	32,507	265,602	Accounts payables	14,994	122,506
Total trade receivables	34,943	285,502	Total trade payables	20,723	169,316
Inventories			Income taxes payable	494	4,037
Cost on uncompleted construction contracts	459	3,751	Advances received on uncompleted construction contracts	1,921	15,697
Raw materials and supplies	402	3,280	Provision for warranties for completed construction	33	266
Total inventories	861	7,031	Provision for loss on construction contracts	5	41
Other current assets	2,872	23,463	Provision for bonuses	1,862	15,211
Total current assets	51,490	420,697	Other current liabilities	4,163	34,016
			Total current liabilities	29,308	239,461
Non-current assets:			Non-current liabilities:		
Property, plant and equipment (Notes 4 and 5)	24,852	203,058	Long-term loans payable (Notes 5 and 10)	6,900	56,377
Intangible assets	251	2,049	Net defined benefit liability	1,505	12,300
Investment and other assets			Other long-term liabilities	85	691
Investment securities			Total non-current liabilities	8,490	69,368
Other securities (Note 10)	291	2,378			
Deferred tax assets	948	7,743	Total liabilities	37,798	308,829
Guarantee deposits and other investments	464	3,796			
Total investments and long-term loans	1,703	13,917	Net assets:		
Total non-current assets	26,806	219,024	Shareholders' equity (Note 7):		
Total assets	¥ 78,296	\$ 639,721	Share capital		
			Authorized - 150,000,000 shares	2,000	16,341
			Issued - 40,414,407 shares		
			Capital surplus	521	4,257
			Retained earnings	40,248	328,854
			Treasury stock - 2,996,909 shares	(2,503)	(20,451)
			Total shareholders' equity	40,266	329,001
			Accumulated other comprehensive income:		
			Unrealized gain on investment securities	23	187
			Foreign currency translation adjustment	5	37
			Remeasurements of defined benefit plans	204	1,667
			Total accumulated other comprehensive income	232	1,891
			Total net assets	40,498	330,892
			Total liabilities and net assets	¥ 78,296	\$ 639,721

See accompanying notes to consolidated financial statements.

SEIKITOKYU KOGYO CO., LTD.

Consolidated Statement of Income for the year ended March 31, 2022

	Yen (millions)	U.S. dollars (thousands) (Note 2)
	<u>2022</u>	<u>2022</u>
Completed construction contracts:		
Net sales	¥ 69,700	\$ 569,491
Cost of sales	61,212	500,141
Gross profit	<u>8,488</u>	<u>69,350</u>
Finished goods:		
Net sales	15,327	125,230
Cost of sales	13,603	111,142
Gross profit	<u>1,724</u>	<u>14,088</u>
Real estate business:		
Net sales	106	866
Cost of sales	86	705
Gross profit	<u>20</u>	<u>161</u>
Total:		
Net sales	85,133	695,587
Cost of sales	74,901	611,988
Gross profit	<u>10,232</u>	<u>83,599</u>
Selling, general and administrative expenses:	<u>5,813</u>	<u>47,493</u>
Operating income	4,419	36,106
Other income (Note 8) :		
Interest and dividends	8	67
Other	168	1,369
Subtotal	<u>176</u>	<u>1,436</u>
Other expenses (Note 9):		
Interest	39	317
Impairment loss (Note 12)	57	464
Other	171	1,399
Subtotal	<u>267</u>	<u>2,180</u>
Profit before income taxes	<u>4,328</u>	<u>35,362</u>
Income taxes		
Current	1,124	9,183
Deferred	(101)	(823)
Net income	<u>3,305</u>	<u>27,002</u>
Net profit attributable to owners of parent	<u>¥ 3,305</u>	<u>\$ 27,002</u>

SEIKITOKYU KOGYO CO., LTD.

Consolidated Statement of Changes in Net Assets
for the year ended March 31, 2022

	Shareholders' equity (Notes 2 and 7)				Total shareholders' equity
	Share capital	Capital surplus	Retained earnings (Millions of yen)	Treasury stock	
Balance at April 1, 2021	¥ 2,000	¥ 520	¥ 38,767	¥ (40)	¥ 41,247
Cumulative effects of changes in accounting policies			(89)		(89)
Restated balance	2,000	520	38,678	(40)	41,158
Changes during the period					
Dividend of surplus			(1,735)		(1,735)
Net income attributable to owners of parent			3,305		3,305
Purchase of treasury stock				(2,501)	(2,501)
Disposal of treasury stock		1		38	39
Net changes of items other than shareholders' equity					
Total changes during period	—	1	1,570	(2,463)	(892)
Balance as of March 31, 2022	¥ 2,000	¥ 521	¥ 40,248	¥ (2,503)	¥ 40,266

	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, 2021	¥ 21	¥ (16)	¥ (461)	¥ (456)	¥ 40,791
Cumulative effects of changes in accounting policies					(89)
Restated balance	21	(16)	(461)	(456)	40,702
Changes during the period					
Dividend of surplus					(1,735)
Net income attributable to owners of parent					3,305
Purchase of treasury stock					(2,501)
Disposal of treasury stock					39
Net changes of items other than shareholders' equity	2	21	665	688	688
Total changes during period	2	21	665	688	(204)
Balance as of March 31, 2022	¥ 23	¥ 5	¥ 204	¥ 232	¥ 40,498

SEIKITOKYU KOGYO CO., LTD.

Consolidated Statement of Changes in Net Assets
for the year ended March 31, 2022

	Shareholders' equity (Notes 2 and 7)				Total shareholders' equity
	Share capital	Capital surplus	Retained earnings	Treasury stock	
	(Thousands of U.S. dollars)				
Balance at April 1, 2021	\$ 16,341	\$ 4,248	\$ 316,750	\$ (332)	\$ 337,007
Cumulative effects of changes in accounting policies			(723)		(723)
Restated balance	16,341	4,248	316,027	(332)	336,284
Changes during the period					
Dividend of surplus			(14,175)		(14,175)
Net income attributable to owners of parent			27,002		27,002
Purchase of treasury stock				(20,432)	(20,432)
Disposal of treasury stock		9		313	322
Net changes of items other than shareholders' equity					—
Total changes during period	—	9	12,827	(20,119)	(7,283)
Balance as of March 31, 2022	\$ 16,341	\$ 4,257	\$ 328,854	\$ (20,451)	\$ 329,001

	Accumulated other comprehensive income				Total net assets
	Unrealized gain on investment securities	Foreign currency translation adjustment	Retirement benefits liability adjustments	Total accumulated other comprehensive income	
	(Thousands of U.S. dollars)				
Balance at April 1, 2021	\$ 174	\$ (130)	\$ (3,770)	\$ (3,726)	\$ 333,281
Cumulative effects of changes in accounting policies					(723)
Restated balance	174	(130)	(3,770)	(3,726)	332,558
Changes during the period					
Dividend of surplus					(14,175)
Net income attributable to owners of parent					27,002
Purchase of treasury stock					(20,432)
Disposal of treasury stock					322
Net changes of items other than shareholders' equity	13	167	5,437	5,617	5,617
Total changes during period	13	167	5,437	5,617	(1,666)
Balance as of March 31, 2022	\$ 187	\$ 37	\$ 1,667	\$ 1,891	\$ 330,892

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, 2022, the number of consolidated subsidiaries was 11 and none of the subsidiaries and affiliates are accounted for by the equity method. Major consolidated subsidiaries are SHINSEIKI KOGYO 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 Significant revenues and expenses

The Company and its consolidated subsidiaries (the “Group”) have applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan No. 29, March 31, 2020) and the Implementation Guidance on Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan Guidance No. 30, March 31, 2020).

The Group's main businesses are construction business and manufacturing and sales business of pavement materials. The details of performance obligations in each business are as follows.

Construction business

The Group is engaged in paving, civil engineering, and other businesses related to construction work in general, and is obligated to perform construction work under construction contracts with its customers. Under such construction contracts, since the value of the property increases and the customer obtains control of the asset as the Group proceeds with the construction work, the performance obligation is satisfied over a certain period of time and is satisfied as the construction progresses over the contract period. Therefore, the measurement of the degree of completion of the satisfaction of performance obligations for construction work, etc. is based on the percentage of incurred costs up to the end of each reporting period to the estimate of total construction cost. For construction contracts for which the percentage-of-completion for satisfaction of performance obligations cannot be estimated reasonably, revenue is recognized on a cost recovery method only to the extent of contract costs incurred will be recoverable. The transaction price is determined by the payments from customers contract, and the payments from customers are received in stages at the time stipulated in the contract. The amount of payments from customers does not include any significant financing component. There are no significant variable consideration that could change the amount of the payments from customers.

Manufacturing and sales business of pavement materials

The Group manufactures and sells asphalt mixture and other construction materials and is obligated to deliver the goods under sales contracts with customers. The performance obligation is satisfied at the time the goods are delivered, and revenue is recognized at the time of delivery. The transaction price is determined by the contract with the customer and is received in accordance with the contract. The amount of payments from customers does not include any significant financing component. There is no significant variable consideration that could change the amount of the payments from customers.

(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, 2022 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) Consolidated Taxes

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

(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 Accounting Policies

Application of Accounting Standard for Revenue Recognition

“Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan No. 29, March 31, 2020) and other standards have been applied to the consolidated financial statements from the beginning of the current consolidated fiscal year, and the Company and its consolidated subsidiaries recognize revenue when the control of the promised goods or services is transferred to the customer in the amount expected to be received in exchange for those goods or services. As a result, the following changes in revenue recognition mainly occurred.

Revenue Recognition for Construction Contracts

The Company and its consolidated subsidiaries apply the provision of paragraph 84 of Accounting Standard for Revenue Recognition with regards to the transitional treatment. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the start of the fiscal year under review, was added to or subtracted from the opening balance of retained earnings of the fiscal year under review, and thus the new accounting policy was applied from such opening balance.

As a result of this change, for the fiscal year under review, net sales increased by ¥112 million (U.S.\$911 thousand) and cost of sales increased by ¥144 million (U.S.\$1,177 thousand). The impact on operating income, profit before income taxes and retained earnings at the beginning of the period was immaterial.

Application of Accounting Standard for Fair Value Measurement, etc.

“Accounting Standard for Fair Value Measurement” (Accounting Standards Board of Japan No. 30, July 4, 2019) and other standards have been applied to the consolidated financial statements from the beginning of the current consolidated fiscal year, and the Company and its consolidated subsidiaries have prospectively applied the new accounting policies by Accounting Standard for Fair Value Measurement, etc. in accordance with the transitional measures in paragraph 19 of Accounting Standard for Fair Value Measurement and paragraph 44-2 of Accounting Standard for Financial Instruments (Accounting Standards Board of Japan No. 10, July 4, 2019). There is no effect on the consolidated financial statements.

(s) Significant Accounting Estimates

Estimate of the total construction cost in revenue recognized when performance obligations are satisfied over a specified over time:

Revenue recognized when performance obligations are satisfied over a specified over time was ¥64,980 million (U.S.\$530,927 thousand) for the consolidated fiscal year ended March 31, 2022.

Calculation method:

Revenue recognized when performance obligations are satisfied over a specified over time is measured based on the progress of completion at the end of the consolidated fiscal year. The progress of completion is calculated based on the proportion of the cost incurred as of the end of the consolidated 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.

(t) 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 recognized when performance obligations are satisfied over a specified over time, impairment of fixed assets and recoverability of deferred tax assets.

2. Basis of Translation

The consolidated financial statements as of and for the year ended March 31, 2022 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 ¥122.39 = U.S.\$1, the approximate rate of exchange in effect on March 31, 2022. 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	U.S. dollars	Source of dividends	Yen	U.S. dollars	Record date	Effective date
		(millions)	(thousands)		Dividends per share	Dividends per share		
Annual general meeting of shareholders on June 23, 2021	Common stock	¥1,735	\$14,175	Retained earnings	¥43.00	\$0.35	March 31, 2021	June 24, 2021

2) Dividends with a record date in the year ended March 31, 2022 and an effective date in the year ending March 31, 2023:

Resolution	Type of shares	Yen	U.S. dollars	Source of dividends	Yen	U.S. dollars	Record date	Effective date
		(millions)	(thousands)		Dividends per share	Dividends per share		
Annual general meeting of shareholders on June 23, 2022	Common stock	¥1,123	\$9,172	Retained earnings	¥30.00	\$0.25	March 31, 2022	June 24, 2022

4. Property, Plant and Equipment

Property, plant and equipment at March 31, 2022 were as follows:

	Yen	U.S. dollars
	(millions)	(thousands)
	2022	2022
Buildings and structures	¥4,594	\$37,541
Machinery, equipment, vehicles, tools, furniture and fixtures	5,277	43,113
Land	14,217	116,162
Construction in progress	764	6,242
Total	¥24,852	\$203,058

5. Collateral Assets and Corresponding Liabilities

The following assets are provided as collateral for the borrowings at March 31, 2022:

	Yen (millions)	U.S. dollars (thousands)
	2022	2022
Land	¥492	\$4,017
Total	¥492	\$4,017

Corresponding Liabilities at March 31, 2022

	Yen (millions)	U.S. dollars (thousands)
	2022	2022
Short-term loans payable	¥100	\$817
Long-term loans payable	1,900	15,524
Total	¥2,000	\$16,341

6. Receivables Fully Offset Against Allowance for Doubtful Accounts

	Yen (millions)	U.S. dollars (thousands)
	2022	2022
Long-term trade receivables	¥487	\$3,978

7. 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.

8. Other Income

The composition of "Other income" for the year ended March 31, 2022 is as follows:

	Yen (millions)	U.S. dollars (thousands)
	2022	2022
Interest income	¥1	\$4
Dividend income	7	63
Rent income	19	157
Foreign exchange gains	17	140
Gain on sales of non-current assets	21	170
Compensation income	77	631
Reversal of provision for retirement benefits	1	4
Other	33	267
Total	¥176	\$1,436

9. Other Expenses

The composition of "Other expenses" for the year ended March 31, 2022 is as follows:

	Yen (millions)	U.S. dollars (thousands)
	2022	2022
Interest expenses	¥39	\$317
Guarantee commission	23	190
Commission for purchase of treasury shares	54	439
Loss on sales of non-current assets	28	225
Loss on retirement of non-current assets	10	84
Dismantling costs of non-current assets	30	245
Impairment loss	57	464
Loss on sale of shares of subsidiaries and associates	4	35
Other	22	181
Total	¥267	\$2,180

10. Financial Instruments

1) 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.

2) Fair value of financial instruments

The following table presents the carrying amounts of financial instruments on the consolidated balance sheet and the fair value at March 31, 2022, and the difference thereof.

Non-marketable securities (¥203 million (U.S.\$1,661 thousand) recorded on the consolidated balance sheet for the fiscal year ended March 31, 2022) are not included in "Investment securities" below. In addition, since cash and deposits, trade receivables, trade payables, and short-term loans payable are settled on a short-term basis, the carrying amounts approximate fair values. Therefore, notes have been omitted.

	Yen (millions)		
	Carrying amount	Fair value	Unrealized gain (loss)
Assets			
Investment securities:	¥88	¥88	¥-
Total	¥88	¥88	¥-

	U.S. dollars (thousands)		
	Carrying amount	Fair value	Unrealized gain (loss)
Investment securities:	\$717	\$717	\$-
Total	\$717	\$717	\$-

	Yen (millions)		
	Carrying amount	Fair value	Unrealized gain (loss)
Liabilities			
Long-term Loans payable:	¥7,000	¥7,000	¥-
Total	¥7,000	¥7,000	¥-

	U.S. dollars (thousands)		
	Carrying amount	Fair value	Unrealized gain (loss)
Long-term Loans payable:	\$57,194	\$57,194	\$-
Total	\$57,194	\$57,194	\$-

3) Breakdown of fair value of financial instruments by level

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to determine fair value.

Level 1 fair value: Fair value calculated based on (unadjusted) quoted prices in active markets for identical assets or liabilities

Level 2 fair value: fair value calculated using directly or indirectly observable inputs other than Level 1 inputs

Level 3 fair value: Fair value calculated using significant unobservable inputs.

When multiple inputs that have a significant effect on fair value are used, fair value is classified into the level with the lowest priority in the calculation of fair value among the levels to which those inputs belong.

Financial assets and liabilities with fair value at March 31, 2022 are as follows:

	Yen (millions)			
	Level1	Level2	Level3	Total
Investment securities				
Available-for-sale securities	¥88	¥ –	¥ –	¥88
Stocks:				

	U.S. dollars (thousands)			
	Level1	Level2	Level3	Total
Investment securities				
Available-for-sale securities	\$717	\$ –	\$ –	\$ 717
Stocks:				

Financial assets and liabilities not recognized with fair value at March 31, 2022 are as follows:

	Yen (millions)			
	Level1	Level2	Level3	Total
Long-term Loans payable:	¥ –	¥7,000	¥ –	¥7,000

	U.S. dollars (thousands)			
	Level1	Level2	Level3	Total
Long-term Loans payable:	\$ –	\$57,194	\$ –	\$57,194

(Note) Explanation of valuation techniques and inputs used in the calculation of fair value

Investment securities:

Fair value of equity securities is determined using prices quoted on exchanges and classified as Level 1 fair value because they are traded in an active market.

Long-term Loans payable:

Fair value is calculated by discounting the total amount of principal and interest by the interest rate that would be applicable to a similar new borrowing, and is classified as Level 2 fair value. The "Current portion of long-term loans payable ¥100 million (U.S.\$817 thousand)" included in "Short-term loans payable" under "Current liabilities" in the consolidated balance sheets is calculated as long-term loans payable.

11. Amounts Per Share

Amounts per share as of and for the year ended March 31, 2022 are as follows:

As of March 31

	Yen 2022	U.S. dollars 2022
Net assets	¥1,082.33	\$8.84

For the year ended March 31

	Yen 2022	U.S. dollars 2022
Net Income	¥84.81	\$0.69

12. 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	Buildings, structures, Machinery, equipment, tools, furniture, fixtures and land	Nara prefecture and other	¥57	\$464

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 ¥57 million (U.S.\$464 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: ¥6 million (U.S.\$47 thousand), Machinery, equipment, tools, furniture and fixtures: ¥0 million (U.S.\$1 thousand), Land: ¥51 million (U.S.\$416 thousand).

The recoverable amount of such assets or asset groups is measured based on sales value and value in use.

13. Subsequent Events

At the Board of Directors on April 27, 2022, the Company resolved to cancel its treasury stock based on the Companies Act Article 178.

(a) Purpose of Cancellation of treasury stock:

To expand shareholder returns and improve capital efficiency

(b) Types of Shares to cancel:

Common stock

(c) Total number of Shares to cancel:

2,000,000 shares (4.95% of outstanding share before cancellation)

(d) Scheduled date of cancellation:

June 30, 2022

Total number of shares outstanding after cancellation: 38,414,407 shares

Number of treasury stock after cancellation: 996,909 shares

14. Revenue Recognition

1) Breakdown of revenue

The breakdown of revenues by major goods and services and their relevance to the segments for the year ended March 31, 2022 are as follows:

	Yen (millions)			
	Construction business	Manufacturing and sales business of pavement materials	Others	Total
Asphalt pavement	¥53,811	¥ –	¥ –	¥53,811
Concrete pavement	640	–	–	640
Civil engineering works, etc.	15,249	–	–	15,249
Asphalt mixtures	–	9,917	–	9,917
Other products (Note 1)	–	5,410	–	5,410
Others	–	–	15	15
Revenue from contracts with customers	69,700	15,327	15	85,042
Revenue from other sources (Note 2)	–	–	91	91
Revenue from external customers	69,700	15,327	106	85,133

	U.S. dollars (thousands)			
	Construction business	Manufacturing and sales business of pavement materials	Others	Total
Asphalt pavement	\$439,664	\$ –	\$ –	\$439,664
Concrete pavement	5,232	–	–	5,232
Civil engineering works, etc.	124,595	–	–	124,595
Asphalt mixtures	–	81,026	–	81,026
Other products (Note 1)	–	44,204	–	44,204
Others	–	–	121	121
Revenue from contracts with customers	569,491	125,230	121	694,842
Revenue from other sources (Note 2)	–	–	745	745
Revenue from external customers	569,491	125,230	866	695,587

(Note 1) Other products represent revenues recognized from contracts for the sale of asphalt emulsion, crushed stone and other products.

(Note 2) Revenue from other sources is derived from rental income in accordance with Accounting Standards Board of Japan No. 13, "Accounting Standard for Lease Transactions".

2) Contract Balance

Receivables arising from contracts with customers, contract assets, and contract liabilities at the beginning and end of the period are as follows. In the consolidated balance sheets, receivables arising from contracts with customers and contract assets are included in accounts receivables, and contract liabilities are included in advances received on uncompleted construction contracts.

	Yen (millions)		U.S. dollars (thousands)	
	Beginning balance 1 April 2021	Ending balance 31 March 2022	Beginning balance 1 April 2021	Ending balance 31 March 2022
Receivables arising from contracts with customers	¥23,397	¥25,095	\$191,166	\$205,037
Contract assets	10,698	7,399	87,413	60,455
Contract liabilities	1,212	1,921	9,904	15,697

Contract assets relate to the Group's rights to payments from customers for work that has created an asset controlled by the customer at the end of the consolidated fiscal year but has not yet been invoiced. Contract assets are transferred to receivables when the right to payment becomes unconditional. Contract liabilities are those for which the Group has received payment from the customer for the Group's obligation to transfer goods or services to the customer or for which payment is due.

Revenue recognized during the current year amounted to ¥1,019million (U.S.\$8,330 thousand), which was included in the contract liability balance as of the beginning of the year. Revenue recognized during the current fiscal year from performance obligations satisfied in prior periods amounted to ¥1,255million (U.S.\$10,252 thousand).

Changes in contract assets in the current fiscal year were mainly due to revenue recognized in connection with the progress of construction (increase in contract assets) and transfers to accounts receivable (decrease in contract assets).

Changes in contract liabilities in the current fiscal year were mainly due to receipt of advance payments (increase in contract liabilities) and revenue recognition (decrease in contract liabilities).

3) Transaction price allocated to remaining performance obligations

The transaction prices allocated by the Company and its consolidated subsidiaries to unsatisfied performance obligations are as follows;

	Yen (millions)	U.S. dollars (thousands)	Explanation of expected timing of satisfaction
	2022	2022	
Construction	¥36,539	\$298,545	It is generally expected to be satisfied within FY 2023-2024
Total	¥36,539	\$298,545	

For performance obligations, related to the manufacturing and sales business of pavement materials for which the initially scheduled contract period is one year or less, the practical expedient method is applied and the performance obligations is not included in the information on remaining performance obligations.

15. 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.\$40,853 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.