SEIKITOKYU KOGYO CO., LTD.

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

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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 436, Section 2, paragraph 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the non consolidated balance sheet, the non consolidated statement of income, the non consolidated statement of changes in net assets, the notes to the non consolidated financial statements and the related supplementary schedules of SEIKITOKYU KOGYO CO., LTD. (the "Company") and applicable to the fiscal year from April 1, 2021 to March 31, 2022.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position and results of operations of the Company applicable to the fiscal year ended March 31, 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 Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company 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 financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

SEIKITOKYU KOGYO CO., LTD.

Non Consolidated Balance Sheet
for the year ended March 31, 2022

Assets	Yen (millions) 2022	U.S. dollars (thousands) (Note 2) 2022
Current assets:		
Cash and deposits	¥ 11,894	$ 97,183
Trade receivables (Note 5)		
Notes receivables	2,128	17,390
Accounts receivables	32,346	264,285
Total trade receivables	34,474	281,675
Inventories		
Cost on uncompleted construction contracts	43	349
Raw materials and supplies	398	3,249
Total inventories	441	3,598
Short-term loans receivable	258	2,107
Other current assets	2,729	22,300
Total current assets	49,796	406,863
Non-current assets:		
Property, plant and equipment (Notes 3 and 4)	23,313	190,485
Intangible assets	109	893
Investment and other assets		
Investment securities		
Subsidiaries and affiliates	1,826	14,919
Other securities	255	2,086
Deferred tax assets (Note 9)	884	7,220
Guarantee deposits and other investments	698	5,698
Allowance for doubtful accounts	(108)	(879)
Total investments and long-term loans	3,555	29,044
Total non-current assets	26,977	220,422
Total assets	¥ 76,773	$ 627,285

Liabilities and Net assets	Yen (millions) 2022	U.S. dollars (thousands) (Note 2) 2022
Current liabilities:		
Short-term loans payable (Note 4)	¥ 3,053	$ 24,947
Trade payables		
Notes payables	5,631	46,006
Accounts payables	14,612	119,389
Total trade payables	20,243	165,395
Income taxes payable	465	3,800
Advances received on uncompleted construction contracts	1,600	13,074
Provision for warranties for completed construction	33	266
Provision for loss on construction contracts	5	41
Provision for bonuses	1,773	14,486
Other current liabilities	3,916	31,999
Total current liabilities	31,088	254,008
Non-current liabilities :		
Long-term loans payable (Note 4)	6,900	56,377
Provision for retirement benefits	1,662	13,583
Other non-current liabilities	82	668
Total non-current liabilities	8,644	70,628
Total liabilities	39,732	324,636
Net assets:		
Shareholders' equity (Note 6)		
Share capital	2,000	16,341
Capital surplus	521	4,257
Retained earnings	36,999	302,307
Treasury stock - 2,996,909 shares	(2,503)	(20,451)
Total shareholders' equity	37,017	302,454
Unrealized gain on investment securities	24	195
Total net assets	37,041	302,649
Total liabilities and net assets	¥ 76,773	$ 627,285

See accompanying notes to non consolidated financial statements.

SEIKITOKYU KOGYO CO., LTD.

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

	Yen (millions) 2022	U.S. dollars (thousands) (Note 2) 2022
Completed construction contracts:		
Net sales	¥ 65,574	$ 535,776
Cost of sales	58,183	475,393
Gross profit	7,391	60,383
Finished goods:		
Net sales	15,595	127,422
Cost of sales	13,747	112,322
Gross profit	1,848	15,100
Total:		
Net sales	81,169	663,198
Cost of sales	71,930	587,715
Gross profit	9,239	75,483
Selling, general and administrative expenses:	5,149	42,069
Operating income	4,090	33,414
Other income (Note 7):		
Interest and dividends	8	64
Other	168	1,375
Subtotal	176	1,439
Other expenses (Note 8):		
Interest	39	322
Impairment loss (Note 15)	57	464
Other	188	1,531
Subtotal	284	2,317
Profit before income taxes	3,982	32,536
Income taxes:		
Current	962	7,857
Deferred	(63)	(512)
Net profit	¥ 3,083	$ 25,191

SEIKITOKYU KOGYO CO., LTD.

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

	Shareholders' equity (Notes 2 and 6)				
	Share capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
			(Millions of yen)		
Balance at April 1, 2021	¥ 2,000	¥ 520	¥ 35,740	¥ (41)	¥ 38,219
Cumulative effects of changes in accounting policies			(89)		(89)
Restated balance	2,000	520	35,651	(41)	38,130
Changes during the year					
Dividend of surplus			(1,735)		(1,735)
Net income for the period			3,083		3,083
Purchase of treasury stock				(2,500)	(2,500)
Disposal of treasury stock		1		38	39
Net changes of items other than shareholders' equity					—
Total changes during period	—	1	1,348	(2,462)	(1,113)
Balance as of March 31, 2022	¥ 2,000	¥ 521	¥ 36,999	¥ (2,503)	¥ 37,017

	Accumulated other comprehensive	
	Unrealized gain on investment securities	Total net assets
	(Millions of yen)	
Balance at April 1, 2021	¥ 15	¥ 38,234
Cumulative effects of changes in accounting policies		(89)
Restated balance	15	38,145
Changes during the year		
Dividend of surplus		(1,735)
Net income for the period		3,083
Purchase of treasury stock		(2,500)
Disposal of treasury stock		39
Net changes of items other than shareholders' equity	9	9
Total changes during period	9	(1,104)
Balance as of March 31, 2022	¥ 24	¥ 37,041

SEIKITOKYU KOGYO CO., LTD.

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

	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, 2021	$ 16,341	$ 4,248	$ 292,014	$ (332)	$ 312,271
Cumulative effects of changes in accounting policies			(723)		(723)
Restated balance	16,341	4,248	291,291	(332)	311,548
Changes during the year					
Dividend of surplus			(14,175)		(14,175)
Net income for the period			25,191		25,191
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	11,016	(20,119)	(9,094)
Balance as of March 31, 2022	$ 16,341	$ 4,257	$ 302,307	$ (20,451)	$ 302,454

	Accumulated other comprehensive	
	Unrealized gain on investment securities	Total net assets
	(Thousands of U.S. dollars)	
Balance at April 1, 2021	$ 126	$ 312,397
Cumulative effects of changes in accounting policies		(723)
Restated balance	126	311,674
Changes during the year		
Dividend of surplus		(14,175)
Net income for the period		25,191
Purchase of treasury stock		(20,432)
Disposal of treasury stock		322
Net changes of items other than shareholders' equity	69	69
Total changes during period	69	(9,025)
Balance as of March 31, 2022	$ 195	$ 302,649

Notes to the Non Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(a) Basis of Presenting Non Consolidated Financial Statements

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

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

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

(b) Method of Accounting for Significant revenues and expenses

The Company has 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 Company'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 Company 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 Company 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 construction 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 Company 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 are no significant variable consideration that could change the amount of the payments from customers.

(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, 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.

(i) Allowance for Doubtful Accounts

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

(j) Provision for Warranties for Completed Construction

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

(k) Provision for Loss on Construction Contracts

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

(l) Provision for Bonuses

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

(m) Provision for Retirement Benefits

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

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

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

(n) Consolidated Taxes

The Company applies Consolidated tax return filing system.

(o) 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.

(p) 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 financial statements from the beginning of the period, and the Company recognizes 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 applies 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 ¥123 million (U.S.$1,008 thousand) and cost of sales increased by ¥157 million (U.S.$1,280 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

"Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan No. 30, July 4, 2019) and other standards have been applied to the financial statements from the beginning of the current fiscal year, and the Company has 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 financial statements.

(q) 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 ¥63,237 million (U.S.$516,684 thousand) for the 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 fiscal year. The progress of completion is calculated based on the proportion of the cost incurred as of the end of the fiscal year to the estimated total cost of the project.

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

Key assumptions:

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

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

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

(r) 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 non 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. Property, Plant and Equipment

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

	Yen (millions)	U.S. dollars (thousands)
	2022	2022
Buildings and structures	¥4,513	$36,872
Machinery, equipment, vehicles, tools, furniture and fixtures	4,379	35,782
Land	13,658	111,598
Construction in progress	763	6,233
Total	¥23,313	$190,485

4. 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

5. Receivables Fully Offset Against Allowance for Doubtful Accounts

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

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, 2022 is as follows:

	Yen (millions)	U.S. dollars (thousands)
	2022	2022
Interest income	¥1	$11
Dividend income	7	53
Rent income	23	186
Foreign exchange gains	18	149
Gain on sale of shares of subsidiaries and associates	17	139
Gain on sales of non-current assets	8	67
Compensation income	77	631
Other	25	203
Total	¥176	$1,439

8. 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	$322
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
Provision of allowance for doubtful accounts for subsidiaries and associates	22	175
Impairment loss	57	464
Other	21	173
Total	¥284	$2,317

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, 2022 are summarized as follows:

	Yen (millions)	U.S. dollars (thousands)
	2022	2022
Deferred tax assets:		
Allowance for doubtful accounts	¥182	$1,487
Provision for retirement benefits	662	5,410
Loss on valuation of golf club membership	130	1,060
Impairment loss	656	5,355
Provision for bonuses	543	4,436
Loss on valuation of shares of subsidiaries and associates	358	2,928
Other	387	3,163
Gross deferred tax assets	2,918	23,839
Less: Valuation allowances	(2,025)	(16,543)
Total deferred tax assets	893	7,296
Deferred tax liabilities:		
Asset retirement obligations	9	76
Total deferred tax liabilities	9	76
Net deferred tax assets	¥884	$7,220

10. Related Party Transactions

Transactions with related party, for the year ended March 31, 2022 are as follows:

(a) Name (b) Type (c) Relationship (d) Percentage of equity ownership held by the Company	Description of transaction or balance	Yen (millions) Amount	U.S. dollars (thousands) Amount
(a) TOKYU CONSTRUCTION CO., LTD. (b) Principal shareholder (c) Interlocking directors, undertaking construction (Note 2) and ordering for building work (d) (23.9%) (directly)	Transactions: (Note 1)		
	Completed construction contracts-Net sales	¥1,388	$11,339
	Acquisition of fixed assets (Note 3)	677	5,533
	Balances: (Note 1)		
	Accounts receivable from: electronically recorded monetary claims-operating	137	1,122
	Completed construction contracts	432	3,531
	Advances received on uncompleted construction contracts	51	415
(a) SHINSEIKI KOGYO CO., LTD. (b) Subsidiaries (c) Interlocking directors and distributing paving materials (Note 4) (d) 100% (directly)	Transactions: (Note 1)		
	Finished goods-Net sales	884	7,226
	Balances: (Note 1)		
	Accounts receivable	916	7,486
(a) HODOU KOGYO CO., LTD. (b) Subsidiaries (c) Interlocking directors and fund borrowings (Note 5) (d) 100% (directly)	Transactions: (Note 1)		
	Fund borrowings	569	4,651
	Balances: (Note 1)		
	Short-term loans payable	800	6,536
	Interest expenses	0	1

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: Acquisition of fixed assets is decided to consideration and negotiation based on the offered price as with the general transaction conditions.

Note 4: Unit prices are determined taking market prices and total costs into account.

Note 5: Lending and borrowing of funds is related to CMS (cash management system) and collateral is not accepted. The transaction amount of fund lending and fund borrowing is the average balance during over the period. The interest rate is reasonably determined in consideration of the market interest rate.

11. Monetary Receivables and Monetary Payables to Affiliated Companies

	Yen (millions)	U.S. dollars (thousands)
	2022	2022
Short-term monetary receivables	¥2,131	$17,413
Long-term monetary receivables	320	2,611
Short-term monetary liabilities	3,383	27,638

12. Transactions with Affiliated Companies

	Yen (millions)	U.S. dollars (thousands)
	2022	2022
Operating transactions		
Net sales	¥2,894	$23,646
Cost of sales	1,342	10,964
Non–operating transactions	42	340

13. Amounts per Share

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

As of March 31

	Yen	U.S. dollars
	2022	2022
Net assets	¥989.94	$8.09

For the year ended March 31

	Yen	U.S. dollars
	2022	2022
Net Income	¥79.12	$0.65

14. 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

15. Impairment Loss

The Company 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 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 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 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.

16. 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 sheets, consolidated statements of income, and consolidated cash flow statements in and after the fiscal year ended March 31, 2021 must be maintained at 15.0 or lower.

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

SEIKITOKYU KOGYO CO., LTD.

Related Supplementary Schedules
for the year ended March 31, 2022

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

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

	Yen (millions)				U.S. dollars (thousands)
Type of Assets	Opening balance	Increase	Decrease	Ending balance	
Buildings and structures	¥ 3,871	¥ 1,038	¥ 49 (6)	¥ 9,636	$ 78,733
Machinery, equipment and vehicles	4,097	1,311	32 (0)	18,070	147,648
Tools, furniture and fixtures	227	59	1 (0)	1,087	8,880
Land	13,752	10	104 (51)	13,658	111,598
Construction in progress	246	763	246	763	6,233
Total	¥22,193	¥3,181	¥432 (57)	¥43,214	$353,092

	Yen (millions)				U.S. dollars (thousands)
Type of Assets	Acquisition cost	Accumulated depreciation	Depreciation	Net book value	
Buildings and structures	¥ 9,636	¥ 5,123	¥ 347	¥ 4,513	$ 36,872
Machinery, equipment and vehicles	18,070	13,884	1,190	4,186	34,207
Tools, furniture and fixtures	1,087	894	92	193	1,575
Land	13,658	—	—	13,658	111,598
Construction in progress	763	—	—	763	6,233
Total	¥43,214	¥19,901	¥1,629	¥23,313	$190,485

Changes in Intangible assets at March 31, 2022 were as follows:

	Yen (millions)				U.S. dollars (thousands)
Type of Assets	Opening balance	Increase	Decrease	Ending balance	
Intangible assets	¥ 138	¥ 23	¥ 4	¥ 306	$ 2,502
Total	¥ 138	¥ 23	¥ 4	¥ 306	$ 2,502

	Yen (millions)				U.S. dollars (thousands)
Type of Assets	Acquisition cost	Accumulated depreciation	Amortization	Net book value	
Intangible assets	¥ 306	¥ 197	¥ 52	¥ 109	$ 893
Total	¥ 306	¥ 197	¥ 52	¥ 109	$ 893

(Note) 1. The figures in parentheses are the amount of impairment loss for the current period.

2. The amount for Buildings and structures in the current period increased mainly due to the construction of offices of Ken-O Sales office: ¥624 million (U.S.$5,098 thousand).

3. The amount for Machinery, equipment and vehicles in the current period increased mainly due to the equipment for mobile asphalt plant at equipment center: ¥303 million (U.S.$2,476 thousand).

4. The amount for Construction in Progress in the current period increased mainly due to acquisition the new head office building: ¥677 million (U.S.$5,533 thousand).

2. Details of Allowances and Provisions

Allowances and Provisions at March 31, 2022 were as follows:

	Yen (millions)					U.S. dollars (thousands)
	Opening		Decrease		Ending	
	Balance	Increase	Amount used as intended	Other	balance	
Allowance for doubtful accounts	¥ 86	¥ 22	¥ —	¥ —	¥ 108	$ 879
Provision for warranties for completed construction	15	33	15	—	33	266
Provision for loss on construction contracts	7	5	7	—	5	41
Provision for bonuses	1,557	1,773	1,557	—	1,773	14,486
Provision for retirement benefit	2,076	420	834	—	1,662	13,583

3. Details of Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended March 31, 2022 were as follows:

	Yen (millions)	U.S. dollars (thousands)
	2022	2022
Selling, general and administrative expenses:		
Directors' compensation	¥ 248	$ 2,026
Employees' salaries and allowances	2,403	19,629
Retirement benefit expenses	136	1,113
Legal welfare expenses	408	3,336
Welfare expenses	205	1,678
Repair and maintenance	18	149
Stationery expenses	175	1,425
Transportation expenses	328	2,677
Power utilities expenses	17	136
Research study expenses	211	1,725
Advertising expenses	62	509
Provision of allowance for doubtful accounts	7	54
Entertainment expenses	29	238
Contributions	1	10
Rents	264	2,158
Depreciation	87	710
Taxes and dues	309	2,527
Insurance expenses	30	246
Miscellaneous expenses	211	1,723
Total	¥5,149	$42,069