

Independent Auditor's Report

June 21, 2024

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") applicable to the fiscal year from April 1, 2023 to March 31, 2024.

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, 2024, 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 does 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, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

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, 2024

	Yen (millions)	U.S. dollars (thousands) (Note 2)		Yen (millions)	U.S. dollars (thousands) (Note 2)
<u>Assets</u>	<u>2024</u>	<u>2024</u>	<u>Liabilities and Net assets</u>	<u>2024</u>	<u>2024</u>
Current assets:			Current liabilities:		
Cash and deposits	¥ 12,675	\$ 83,714	Short-term loans payable (Note 4)	¥ 3,060	\$ 20,210
Trade receivables			Trade payables		
Notes receivables	1,760	11,626	Notes payables	6,560	43,328
Accounts receivables	28,109	185,644	Accounts payables	14,513	95,855
Total trade receivables	29,869	197,270	Total trade payables	21,073	139,183
Inventories			Income taxes payable	845	5,580
Cost on uncompleted construction contracts	60	397	Advances received on uncompleted construction contracts	621	4,099
Raw materials and supplies	425	2,807	Provision for warranties for completed construction	18	121
Total inventories	485	3,204	Provision for loss on construction contracts	19	125
Short-term loans receivable	408	2,697	Provision for bonuses	1,651	10,904
Other current assets	2,480	16,375	Other current liabilities	3,653	24,128
Allowance for doubtful accounts	(431)	(2,846)	Total current liabilities	30,940	204,350
Total current assets	45,486	300,414			
Non-current assets:			Non-current liabilities :		
Property, plant and equipment (Notes 3 and 4)	25,263	166,851	Long-term loans payable (Note 4)	6,700	44,251
Intangible assets	134	888	Provision for retirement benefits	820	5,414
Investment and other assets			Other non-current liabilities	87	573
Subsidiaries and affiliates	1,783	11,774	Total non-current liabilities	7,607	50,238
Other securities	316	2,090			
Deferred tax assets (Note 9)	859	5,672	Total liabilities	38,547	254,588
Guarantee deposits and other investments (Note 5)	455	3,006			
Allowance for doubtful accounts	(126)	(831)	Net assets:		
Total investments and other assets	3,287	21,711	Shareholders' equity (Note 6)		
Total non-current assets	28,684	189,450	Share capital	2,000	13,209
			Capital surplus	512	3,383
			Retained earnings	33,816	223,338
			Treasury stock - 955,786 shares	(787)	(5,197)
			Total shareholders' equity	35,541	234,733
			Unrealized gain on investment securities	82	543
			Total net assets	35,623	235,276
			Total liabilities and net assets	¥ 74,170	\$ 489,864

Total assets

See accompanying notes to non consolidated financial statements.

SEIKITOKYU KOGYO CO., LTD.

Non Consolidated Statement of Income for the year ended March 31, 2024

	Yen (millions)	U.S. dollars (thousands) (Note 2)
	2024	2024
Completed construction contracts:		
Net sales	¥ 65,589	\$ 433,186
Cost of sales	58,702	387,702
Gross profit	6,887	45,484
Finished goods:		
Net sales	18,116	119,654
Cost of sales	16,017	105,787
Gross profit	2,099	13,867
Total:		
Net sales	83,705	552,840
Cost of sales	74,719	493,489
Gross profit	8,986	59,351
Selling, general and administrative expenses:	5,208	34,397
Operating income	3,778	24,954
Other income (Note 7):		
Interest and dividends	26	172
Other	376	2,483
Subtotal	402	2,655
Other expenses (Note 8):		
Interest	56	370
Impairment loss (Note 14)	300	1,983
Other	621	4,098
Subtotal	977	6,451
Profit before income taxes	3,203	21,158
Income taxes:		
Current	1,039	6,859
Deferred	77	512
Net profit	¥ 2,087	\$ 13,787

SEIKITOKYU KOGYO CO., LTD.

Non Consolidated Statement of Changes in Net Assets
for the year ended March 31, 2024

	Shareholders' equity (Notes 2 and 6)				
	Share capital	Capital surplus	Retained earnings (Millions of yen)	Treasury stock	Total shareholders' equity
Balance at April 1, 2023	¥ 2,000	¥ 500	¥ 34,463	¥ (804)	¥ 36,159
Changes during the year					
Dividend of surplus			(2,734)		(2,734)
Net income for the period			2,087		2,087
Purchase of treasury stock				(0)	0
Disposal of treasury stock		12		17	29
Net changes of items other than shareholders' equity					—
Total changes during period	—	12	(647)	17	(618)
Balance as of March 31, 2024	¥ 2,000	¥ 512	¥ 33,816	¥ (787)	¥ 35,541
	Accumulated other comprehensive				
	Unrealized gain on investment securities		Total net assets		
	(Millions of yen)				
Balance at April 1, 2023	¥ 32	¥ 36,191			
Changes during the year					
Dividend of surplus		(2,734)			
Net income for the period		2,087			
Purchase of treasury stock		0			
Disposal of treasury stock		29			
Net changes of items other than shareholders' equity	50	50			
Total changes during period	50	(568)			
Balance as of March 31, 2024	¥ 82	¥ 35,623			

SEIKITOKYU KOGYO CO., LTD.

Non Consolidated Statement of Changes in Net Assets for the year ended March 31, 2024

	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, 2023	\$ 13,209	\$ 3,303	\$ 227,611	\$ (5,308)	\$ 238,815
Changes during the year					
Dividend of surplus			(18,060)		(18,060)
Net income for the period			13,787		13,787
Purchase of treasury stock				(4)	(4)
Disposal of treasury stock		80		115	195
Net changes of items other than shareholders' equity					—
Total changes during period	—	80	(4,273)	111	(4,082)
Balance as of March 31, 2024	<u>\$ 13,209</u>	<u>\$ 3,383</u>	<u>\$ 223,338</u>	<u>\$ (5,197)</u>	<u>\$ 234,733</u>

	Accumulated other comprehensive	
	Unrealized gain on investment securities	Total net assets
	(Thousands of U.S. dollars)	
Balance at April 1, 2023	\$ 211	\$ 239,026
Changes during the year		
Dividend of surplus		(18,060)
Net income for the period		13,787
Purchase of treasury stock		(4)
Disposal of treasury stock		195
Net changes of items other than shareholders' equity	332	332
Total changes during period	332	(3,750)
Balance as of March 31, 2024	<u>\$ 543</u>	<u>\$ 235,276</u>

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 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 is 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 is 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 cost on uncompleted construction contracts or by the moving average method for raw materials and supplies. Cost of inventories for raw materials and supplies is written-down when their carrying amounts become unrecoverable.

(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 and liabilities have been recognized in the non consolidated financial statements for the year ended March 31, 2024 with respect to the differences between the financial reporting and tax bases of assets and liabilities, and were measured using the enacted tax rates 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 anticipated 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) 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.

(o) 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 ¥65,464 million (U.S.\$432,364 thousand) for the fiscal year ended March 31, 2024.

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.

Estimate of the impairment of fixed assets of Manufacturing and sales business of pavement materials:

Fixed assets of Manufacturing and sales business of pavement materials was ¥17,292 million (U.S.\$114,206 thousand) and impairment loss was ¥300 million (U.S.\$1,983 thousand) for fiscal year ended March 31, 2024.

Calculation method:

The Company determines the cash-generating units 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 is assessing the recognition of impairment losses for asphalt plants that have indications of impairment. An impairment loss is recognized when the undiscounted future cash flows from the relevant asset group are less than the carrying amounts. The carrying amounts of such assets are reduced to their recoverable amounts. The recoverable amount of such asset groups is measured based on fair value or value in use.

Key assumptions:

The key assumptions used in the calculation of undiscounted future cash flows are sales volumes, sales prices and raw material prices for each asphalt plant. Sales volumes, sales prices, and raw material prices are determined based on historical experience, trends in raw material prices and the extent to which raw material prices are passed through to product prices.

Impact on financial statements for the next fiscal year:

Key assumptions are subject to change based on trends in sales volumes, sales prices, raw material prices and other factors. If the recoverable amount decreases, an impairment loss may be recognized financial statements for the next fiscal year.

2. Basis of Translation

The non consolidated financial statements as of and for the year ended March 31, 2024 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 ¥151.41 = U.S.\$1, the approximate rate of exchange in effect on March 31, 2024. 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, 2024 are as follows:

	Yen (millions)	U.S. dollars (thousands)
	2024	2024
Buildings and structures	¥ 7,527	\$ 49,714
Machinery, equipment vehicles, tools, furniture and fixtures	3,445	22,753
Land	14,291	94,384
Total	¥25,263	\$166,851

4. Collateral Assets and Corresponding Liabilities

The following assets are provided as collateral for the borrowings at March 31, 2024:

	Yen (millions)	U.S. dollars (thousands)
	2024	2024
Buildings and structures	¥1,461	\$9,652
Land	492	3,247
Total	¥1,953	\$12,899

Corresponding Liabilities at March 31, 2024

	Yen (millions)	U.S. dollars (thousands)
	2024	2024
Short-term loans payable	¥ 100	\$ 660
Long-term loans payable	1,700	11,228
Total	¥1,800	\$11,888

5. Receivables Fully Offset Against Allowance for Doubtful Accounts

	Yen (millions)	U.S. dollars (thousands)
	2024	2024
Long-term trade receivables	¥466	\$3,079

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, 2024 is as follows:

	Yen (millions)	U.S. dollars (thousands)
	2024	2024
Interest income	¥ 18	\$ 121
Dividend income	8	51
Rent income	23	153
Foreign exchange gains	41	270
Gain on sales of non-current assets	5	32
Settlement income	120	792
Gain on reversal of liabilities	155	1,027
Other	32	209
Total	¥402	\$2,655

8. Other Expenses

The composition of "Other expenses" for the year ended March 31, 2024 is as follows:

	Yen (millions)	U.S. dollars (thousands)
	2024	2024
Interest expenses	¥ 56	\$ 370
Guarantee commission	18	119
Composition expenses for syndicated loan	22	142
Loss on sales of non-current assets	2	15
Loss on retirement of non-current assets	29	193
Loss on valuation of shares of subsidiaries and associates	44	285
Provision of allowance for doubtful accounts for subsidiaries and associates	454	3,000
Impairment loss	300	1,983
Other	52	344
Total	¥977	\$6,451

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, 2024 are summarized as follows:

	Yen (millions)	U.S. dollars (thousands)
	2024	2024
Deferred tax assets:		
Allowance for doubtful accounts	¥313	\$2,069
Provision for retirement benefits	414	2,732
Loss on valuation of golf club membership	130	857
Impairment loss	777	5,130
Provision for bonuses	505	3,338
Loss on valuation of shares of subsidiaries and associates	371	2,454
Book value adjustment of investment of shares of subsidiaries and associates	762	5,031
Other	566	3,739
Gross deferred tax assets	3,838	25,350
Less: Valuation allowances	(2,970)	(19,617)
Total deferred tax assets	868	5,733
Deferred tax liabilities:		
Asset retirement obligations	9	61
Total deferred tax liabilities	9	61
Net deferred tax assets	¥859	\$5,672

10. Related Party Transactions

Transactions with related party, for the year ended March 31, 2024 are as follows:

(a) Name	Yen	U.S. dollars	
(b) Type	(millions)	(thousands)	
(c) Relationship			
(d) Percentage of equity ownership held by the Company	Description of transaction or balance	Amount	Amount
(a) TOKYU CONSTRUCTION CO., LTD.	Transactions: (Note 1)		
(b) Principal shareholder	Completed construction contracts-Net sales	¥1,366	\$9,025
(c) Interlocking directors and undertaking construction (Note 2)	Balances: (Note 1)		
(d) (24.5%) (directly)	Accounts receivable from: electronically recorded monetary claims-operating	100	663
	Completed construction contracts	156	1,032
	Advances received on uncompleted construction contracts	0	3
(a) SHINSEIKI KOGYO CO., LTD.	Transactions: (Note 1)		
(b) Subsidiaries	Finished goods-Net sales	840	5,547
(c) Interlocking directors and distributing paving materials (Note 3)	Balances: (Note 1)		
(d) 100% (directly)	Accounts receivable	852	5,625
(a) STK PACIFIC CORPORATION	Transactions: (Note 1)		
(b) Subsidiaries	Fund lending	318	2,100
(c) Interlocking directors and fund lending (Note 4)	Interest received	18	120
(d) 100% (directly)	Reimbursement of expenses	24	160
	Balances: (Note 1,5)		
	Short-term loans receivable	363	2,400
	Advances paid	90	594

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.

Note 4: 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.

Note 5: For the receivables from STK PACIFIC CORPORATION, the Company set aside the allowance for doubtful accounts of ¥431 million (U.S.\$2,845 thousand) and recorded ¥431 million (U.S.\$2,845 thousand) as provision of allowance for doubtful accounts for subsidiaries and associates for the current fiscal year.

11. Monetary Receivables and Monetary Payables to Affiliated Companies

	Yen (millions)	U.S. dollars (thousands)
	2024	2024
Short-term monetary receivables	¥1,762	\$11,635
Long-term monetary receivables	86	566
Short-term monetary liabilities	3,223	21,283

12. Transactions with Affiliated Companies

	Yen (millions)	U.S. dollars (thousands)
	2024	2024
Operating transactions		
Net sales	¥2,788	\$18,411
Cost of sales	1,407	9,295
Non-operating transactions	531	3,505

13. Amounts per Share

Amounts per share as of and for the year ended March 31, 2024 are as follows:

As of March 31

	Yen	U.S. dollars
	2024	2024
Net assets	¥976.81	\$6.45

For the year ended March 31

	Yen	U.S. dollars
	2024	2024
Net Income	¥57.25	\$0.38

14. 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 and land	Kumamoto Prefecture	¥128	\$847
Business assets	Buildings, structures, machinery, equipment, tools, furniture and land	Gifu Prefecture	84	555
Business assets	Buildings, structures, machinery, equipment, tools, furniture and land	Hokkaido Prefecture	31	208
Business assets	Buildings, structures, machinery, equipment, vehicles, tools, furniture and fixture	Aichi Prefecture	29	191
Business assets	Buildings, structures, machinery, equipment, tools and furniture	Kanagawa Prefecture	28	182
Total	—	—	¥300	\$1,983

The Company determines the cash-generating units 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 ¥ 300 million (U.S.\$1,983 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: ¥91 million (U.S.\$603 thousand), Machinery, equipment, vehicles: ¥162 million (U.S.\$1,068 thousand), Tools, furniture and fixtures: ¥4 million (U.S.\$25 thousand), Land: ¥43 million (U.S.\$287 thousand).

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

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.\$33,023 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.

*Ordinary income or loss is calculated by subtracting extraordinary income or loss pursuant to Japanese GAAP from income before income taxes.

(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, 2024

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

Changes in Property, plant and equipment at March 31, 2024 are as follows:

Type of Assets	Yen (millions)			Ending balance	U.S. dollars (thousands)
	Opening balance	Increase	Decrease		
Buildings and structures	¥ 6,218	¥ 1,988	¥ 121 (91)	¥ 13,290	\$ 87,774
Machinery, equipment and vehicles	3,440	1,000	169 (162)	19,187	126,722
Tools, furniture and fixtures	240	39	5 (4)	1,137	7,512
Land	14,339	—	48 (43)	14,291	94,384
Construction in progress	879	—	879	—	—
Total	¥ 25,116	¥ 3,027	¥ 1,222 (300)	¥ 47,905	\$ 316,392

Type of Assets	Yen (millions)			Net book value	U.S. dollars (thousands)
	Acquisition cost	Accumulated depreciation	Depreciation		
Buildings and structures	¥ 13,290	¥ 5,763	¥ 558	¥ 7,527	\$ 49,714
Machinery, equipment and vehicles	19,187	15,942	1,026	3,245	21,433
Tools, furniture and fixtures	1,137	937	74	200	1,320
Land	14,291	—	—	14,291	94,384
Construction in progress	—	—	—	—	—
Total	¥ 47,905	¥ 22,642	¥ 1,658	¥ 25,263	\$ 166,851

Changes in Intangible assets at March 31, 2024 are as follows:

Type of Assets	Yen (millions)			Ending balance	U.S. dollars (thousands)
	Opening balance	Increase	Decrease		
Intangible assets	¥ 107	¥ 60	¥ —	¥ 400	\$ 2,642
Total	¥ 107	¥ 60	¥ —	¥ 400	\$ 2,642

Type of Assets	Yen (millions)			Net book value	U.S. dollars (thousands)
	Acquisition cost	Accumulated depreciation	Amortization		
Intangible assets	¥ 400	¥ 266	¥ 33	¥ 134	\$ 888
Total	¥ 400	¥ 266	¥ 33	¥ 134	\$ 888

- (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 equipment for asphalt plant at Myokenjima mixing plant : ¥1,276 million (U.S.\$8,430 thousand).
3. The amount for Machinery, equipment and vehicles in the current period increased mainly due to the equipment for asphalt plant at Myokenjima mixing plant: ¥391 million (U.S.\$2,579 thousand).
4. The amount for Construction in Progress in the current period decreased mainly due to the completion of the equipment for asphalt plant at Myokenjima mixing plant: ¥815 million (U.S.\$5,381 thousand).

2. Details of Allowances and Provisions

Allowances and Provisions at March 31, 2024 are as follows:

	Yen (millions)					U.S. dollars (thousands)
	Opening		Decrease		Ending	
	Balance	Increase	Amount used as intended	Other	balance	
Allowance for doubtful accounts	¥ 102	¥ 455	¥ —	¥ —	¥ 557	\$ 3,677
Provision for warranties for completed construction	40	14	8	28	18	121
Provision for loss on construction contracts	4	19	4	—	19	125
Provision for bonuses	1,563	1,651	1,563	—	1,651	10,904
Provision for retirement benefits	1,148	274	602	—	820	5,414

- (Note) Other decrease of Provision for warranties for completed construction is the amount of reversal due to decrease the estimated amount of warranties for completed constructions: ¥28 million (U.S.\$188 thousand).

3. Details of Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended March 31, 2024 are as follows:

	Yen (millions)	U.S. dollars (thousands)
	2024	2024
Selling, general and administrative expenses:		
Directors' compensation	¥ 181	\$ 1,198
Employees' salaries and allowances	2,346	15,492
Retirement benefit expenses	81	536
Legal welfare expenses	408	2,691
Welfare expenses	205	1,357
Repair and maintenance	28	187
Stationery expenses	228	1,509
Transportation expenses	405	2,676
Power utilities expenses	20	130
Research study expenses	247	1,633
Advertising expenses	54	354
Provision of allowance for doubtful accounts	3	20
Entertainment expenses	49	325
Contributions	3	18
Rents	183	1,206
Depreciation	183	1,206
Taxes and dues	346	2,287
Insurance expenses	32	209
Miscellaneous expenses	206	1,363
Total	¥ 5,208	\$ 34,397