KYOKUTO KOWA CORPORATION

Financial Statements for the Year Ended March 31, 2022, and Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu LLC
Hiroshima Business Tower
3-33 Hacchobori, Naka-ku
Hiroshima-shi, Hiroshima 730-0013
Japan

Tel: +81 (82) 222 7050
Fax: +81 (82) 222 7233
www.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
KYOKUTO KOWA CORPORATION:

Opinion

We have audited the financial statements of KYOKUTO KOWA CORPORATION (the "Company"), which comprise the balance sheet as of March 31, 2022, and the statement of income and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2022, and its financial performance for the year then ended in accordance with the Companies Act of Japan and applicable regulations and accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside 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 provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As explained in Note 1 to the financial statements, the information provided in the notes to the financial statements is limited to that required by the Companies Act of Japan and applicable regulations. Statements of comprehensive income and cash flows are not required as a part of the basic financial statements under the Companies Act of Japan and applicable regulations and, accordingly, are not presented herein. Our opinion is not modified in respect of this matter.

Other Information

Other information comprises the information included in the disclosure documents accompanying the audited financial statements, but does not include the financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

Responsibilities of Management and Audit & Supervisory Board Member for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Companies Act of Japan and applicable regulations and 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, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board member is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. 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. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of 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 whether the overall presentation and disclosures of the financial statements are in accordance with the Companies Act of Japan and applicable regulations and accounting principles generally accepted in Japan, as well as 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.

We communicate with Audit & Supervisory Board member 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.

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.

Deloitte Touche Tohmatsu LLC

July 26, 2022

KYOKUTO KOWA CORPORATION
Balance Sheet
Year Ended March 31, 2022

ASSETS	Millions of Yen 2022	Thousands of U.S. Dollars (Note 1) 2022
CURRENT ASSETS:		
Cash and cash equivalents	¥ 99	$ 809
Receivables:		
Trade notes (Note 5.b)	27	218
Electronically recorded monetary claims	182	1,488
Trade accounts	2,045	16,711
Contract assets	14,710	120,188
Parent company and affiliated companies (Note 12)	32	263
Other	3,959	32,350
Inventories (Note 5.a)	1,319	10,776
Prepaid expenses and other current assets	5	42
Total current assets	22,378	182,845
PROPERTY, PLANT AND EQUIPMENT:		
Land	926	7,567
Buildings and structures	2,768	22,619
Machinery and equipment	2,513	20,530
Tools, furniture and fixtures	1,112	9,085
Construction in progress	1	9
Total	7,319	59,810
Accumulated depreciation	(4,939)	(40,356)
Net property, plant and equipment	2,381	19,454
INVESTMENTS AND OTHER ASSETS:		
Investment securities (Note 10)	58	470
Deferred tax assets (Note 9)	160	1,305
Other assets (Note 12)	215	1,764
Allowance for doubtful accounts	(23)	(192)
Total investments and other assets	410	3,347
TOTAL	¥ 25,169	$ 205,646

LIABILITIES AND EQUITY	Millions of Yen 2022	Thousands of U.S. Dollars (Note 1) 2022
CURRENT LIABILITIES:		
Short-term borrowings from parent company	¥ 7,579	$ 61,921
Payables:		
Trade notes	367	2,995
Electronically recorded obligations	1,713	13,997
Trade accounts	3,828	31,280
Parent company and affiliated companies (Note 12)	476	3,890
Other	82	673
Income taxes payable	89	729
Advances received on uncompleted construction contracts	1,099	8,976
Allowance for losses on construction contracts	155	1,267
Provision for warranties for completed construction	20	167
Other current liabilities	1,735	14,171
Total current liabilities	17,143	140,066
LONG-TERM LIABILITIES:		
Other	99	811
Total long-term liabilities	99	811
Total liabilities	17,242	140,877
CONTINGENT LIABILITIES (Note 5.b)		
EQUITY (Notes 7, 8, and 13):		
Common stock	1,600	13,073
Capital surplus:		
Additional paid-in capital	1,695	13,849
Other capital surplus	812	6,639
Retained earnings:		
Legal reserve	118	962
Unappropriated	3,700	30,234
Unrealized gain on available-for-sale securities	2	12
Total equity	7,927	64,769
TOTAL	¥ 25,169	$ 205,646

See notes to financial statements.

KYOKUTO KOWA CORPORATION
Statement of Income
Year Ended March 31, 2022

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2022	2022
NET SALES (Note 6, 11, and 12)	¥ 28,197	$ 230,386
COST OF SALES (Note 12)	24,726	202,025
Gross profit	3,471	28,361
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 12)	1,784	14,580
Operating income	1,687	13,781
OTHER INCOME (EXPENSES) (Note 12):		
Interest and dividend income	2	17
Interest expense	(58)	(471)
Financing expenses	(9)	(74)
Other—net	35	284
Other income (expenses)—net	(30)	(244)
INCOME BEFORE INCOME TAXES	1,657	13,537
INCOME TAXES		
Current	519	4,244
Deferred	(15)	(129)
Total income taxes	504	4,115
NET INCOME	¥ 1,153	$ 9,422

	Yen	U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 7 and 13):		
Basic net income	¥ 132.85	$ 1.09
Cash dividends applicable to the year	50.00	0.41

See notes to financial statements.

KYOKUTO KOWA CORPORATION
Statement of Changes in Equity
Year Ended March 31, 2022

	Thousands	Millions of Yen						
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus: Additional Paid-in Capital	Capital Surplus: Other Capital Surplus	Retained Earnings: Legal Reserve	Retained Earnings: Unappropri -ated	Unrealized Gain on Available-for-Sale Securities	Total Equity
BALANCE, MARCH 31, 2021	8,680	¥ 1,600	¥ 1,695	¥ 812	¥ 118	¥ 2,924	¥ 6	¥7,155
Cumulative effects of changes in accounting policies						¥ 57		¥ 57
Restated balance		¥ 1,600	¥ 1,695	¥ 812	¥ 118	¥ 2,981	¥ 6	¥7,212
Net income						1,153		1,153
Cash dividends, ¥505 per share						(434)		(434)
Net change in the year							(4)	(4)
BALANCE, MARCH 31, 2022	8,680	¥ 1,600	¥ 1,695	¥ 812	¥ 118	¥ 3,700	¥ 2	¥ 7,927

	Thousands of U.S. Dollars (Note 1)						
	Common Stock	Capital Surplus: Additional Paid-in Capital	Capital Surplus: Other Capital Surplus	Retained Earnings: Legal Reserve	Retained Earnings: Unappropri -ated	Unrealized Gain on Available-for-Sale Securities	Total Equity
BALANCE, MARCH 31, 2021	$ 13,073	$ 13,849	$ 6,639	$ 962	$23,888	$ 51	$ 58,462
Cumulative effects of changes in accounting policies					$470		$470
Restated balance	$ 13,073	$ 13,849	$ 6,639	$ 962	$24,358	$ 51	$ 58,932
Net income					9,422		9,422
Cash dividends, $0.41 per share					(3,546)		(3,546)
Net change in the year						(39)	(39)
BALANCE, MARCH 31, 2022	$ 13,073	$ 13,849	$ 6,639	$ 962	$ 30,234	$ 12	$ 64,769

See notes to financial statements.

1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared from the accounts maintained by KYOKUTO KOWA CORPORATION (the "Company"), in accordance with the provisions set forth in the Companies Act of Japan and applicable regulations and in accordance with accounting principles generally accepted in Japan. The information provided in the notes to the financial statements is limited to that required by the Companies Act of Japan and applicable regulations. Statements of comprehensive income and cash flows are not required as a part of the basic financial statements under the Companies Act of Japan and applicable regulations and, accordingly, are not presented herein.

In preparing these financial statements, certain reclassifications and rearrangements have been made to the Company's financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts are included for the convenience of readers outside Japan and have been made at the rate of ¥122.39 to $1, the approximate rate of exchange at March 31, 2022. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Inventories***—Construction projects in progress, finished products, and work in process are stated at cost as determined by the specific identification method. Raw materials and supplies are stated at cost as determined by the moving-average method. The write-downs of inventories due to decreased profitability are reflected in the valuation of raw materials and supplies and the accompanying loss is recognized as cost of goods sold, in principle.

b. ***Property, Plant and Equipment***—Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is applied to buildings, excluding building fixtures, acquired on or after April 1, 1998. The range of useful lives is principally from 12 to 38 years for buildings and structures and from 3 to 9 years for machinery and equipment and tools, furniture and fixtures.

c. ***Long-Lived Assets***—The Company reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

d. ***Investment Securities***

Securities with market price

Stated at fair value based on the market price at the end of the fiscal year (valuation differences are excluded from income and reported as a separate component of net assets. The cost of securities sold is calculated using the moving-average method.) .

Securities without market price

Stated at cost using the moving-average method.

e. ***Allowance for Doubtful Accounts***—The allowance for doubtful accounts is provided for at an amount sufficient to cover possible losses on collection. It consists of the estimated uncollectible amount with respect to identified doubtful receivables and an amount calculated by applying the percentage of actual losses on collection experienced in the past to the remaining receivables.

f. ***Allowance for Losses on Construction Contracts***—To cover losses which have a high probability of occurring in the future upon work completion, an allowance for estimated losses is provided based on the amount of orders received and the estimated cost.

g. ***Provision for Warranties for Completed Construction*** —Provision for warranties for completed construction is provided for anticipated future costs within the warranty period arising from warranties on completed construction.

h. ***Standard for recording revenue***—The main performance obligations under contracts with customers in the main businesses and the usual points in time at which revenue is recognized are as follows:

Construction business

In the construction business, the Company offers critical services that integrate individual goods or services (inputs), into contracted construction projects (output), and these goods or services are judged to be a single performance obligation because individual goods and services stipulated in contracts with customers cannot be identified separately from other promises. Accordingly, the Company recognizes net sales over the construction period based on the degree of progress made in satisfying performance obligations measured at the end of the reporting period. In addition, the Company uses the input method (method that uses an amount according to the percentage of incurred costs to the total estimated costs at the end of the fiscal year) for estimating percentage of completion because it is possible to sum up the total construction costs and rationally estimate the percentage of the contract completed. However, if the total construction costs cannot be rationally measured, revenue equivalent to the amount of incurred costs expected to be recovered is recognized.

For contracts whose performance obligations are completed within a short period of time, revenue is recognized at a point in time, which is the day of the acceptance inspection.

Product sales business

In the product sales business, performance obligations consist of manufacturing and shipping products that meet customer specifications, and these are judged to be a single performance obligation because it is not possible to separately satisfy performance obligations for individual goods and services. The Company has an enforceable right to collect compensation for the portion of assets that cannot be used by other customers or for other purposes and whose performance obligations have been completed by the present time.

Therefore, net sales are recognized over the contract period based on the percentage of completion for performance obligations measured at the end of the reporting period. To estimate the percentage of completion, the output method (primarily recognize revenue based on the percentage of total goods and services that have been transferred) is used.

For contracts whose performance obligations are completed within a short period of time, revenue is recognized at a point in time, which is the delivery date.

i. ***Income Tax***—The provision for income taxes is computed based on the pretax income included in the statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

The Company's parent company files a tax return under the consolidated corporate tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries. The Company is included in the consolidated corporate tax system.

j. ***Application of consolidated taxation system***—The Company uses the consolidated taxation system.

Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

The Company will transition from the consolidated taxation system to the group tax sharing system starting from the following fiscal year. As for items regarding the transition to the group tax sharing system introduced in the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020) and items revised on non-consolidated taxation system in connection with the transition to the group tax sharing system, the Company has not applied the provisions of paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Guidance No. 28, February 16, 2018) as allowed by the provisions of paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ PITF No. 39, March 31, 2020). Accordingly, amounts of deferred tax assets and deferred tax liabilities are determined in accordance with the provisions of the tax law before revision.

Starting from the beginning of the following fiscal year, the Company plans to apply "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021), which stipulates accounting treatment and presentation of income tax, local income tax, and tax effect accounting when using the group tax sharing system.

k. ***Per Share Information***—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Cash dividends per share presented in the accompanying statement of income are dividends applicable to the fiscal year, including dividends accrued and paid after the end of the year.

3. SIGNIFICANT ACCOUNTING ESTIMATE

Revenue recognition in the construction business

(i) Amounts recorded in the financial statements for the fiscal year under review

For the fiscal year under review, completed construction recognized based on the input method (method that uses the percentage of completion for construction at the end of the fiscal year based on the percentage of construction costs incurred for construction carried out by the end of the fiscal year to the total construction costs) and cost recovery method (if total construction costs cannot be rationally measured, revenue is recognized based on the amount of incurred cost of sales that are expected to be recovered) totaled ¥23,514 million($192,126 thousand).

(ii) Information on details of significant accounting estimates for identified items

Method for calculating

The Company recognizes net sales from construction contracts over the construction period based on the percentage of completion for performance obligations measured at the end of the reporting period. Furthermore, the Company uses the input method to estimate the percentage of completion because it is possible to sum up total construction costs and rationally estimate the percentage of completion for the contract, but if total construction costs cannot be rationally measured, revenue is recognized based on the amount of incurred cost of sales that are expected to be recovered.

As these estimates involve uncertainties, they may result in changes to the Company's earnings.

(1) Unit of recognition

For construction contracts, the Company generally uses the customer contract as the unit of recognition.

(2) Percentage of completion

The Company uses the input method to estimate the percentage of completion because it is possible to sum up total construction costs and rationally estimate the percentage of the contract completed.

(3) Estimate of portion due to changes in construction contracts

For changes in construction contracts, even if there is no revised contract, etc., the amount of the change in the construction contract is estimated and construction revenue is recognized if it is deemed that agreement regarding the changes in the contract and the construction contract amount was effectively reached with the customer based on work instructions from the customer or meeting minutes.

Important assumption

The following assumptions are made for revenue recognition for the construction business.

(1) Percentage of completion

When applying the input method, it is assumed that incurred costs rationally reflect the percentage of completion at the end of the fiscal year because of its relationship with the total estimated construction costs.

(2) Estimate of portion due to changes in construction contracts

If there are changes to contracts as construction progresses because of changes unexpected in initial conditions, it is assumed that information related to changes in contracts is collected and that the total estimated construction costs and total construction revenue are timely revised.

Impact on non-consolidated financial statements for the following fiscal year

If it becomes necessary to revise the above assumptions and estimates for any of various reasons, including uncertain changes in contracts in the future, the changes may impact the amount of completed construction on the financial statements in the following fiscal year.

4. ACCOUNTING CHANGE

Application of Accounting Standard for Revenue Recognition, Etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

As a result, for construction projects under certain conditions, the Company has shifted to the "cost recovery method," a method whereby revenue is recognized at the amount expected to be recovered from the costs incurred in satisfying the performance obligation. In the product sales business, the Company previously recognized revenue at the completion of performance obligations for businesses that fall under the category of contract manufacturing, but has shifted to a principle of recognizing revenue as performance obligations are satisfied.

In accordance with the transitional treatment prescribed in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of applying the new accounting policy retrospectively prior to the beginning of the fiscal year under review is added to or deducted from the opening balance of retained earnings of the fiscal year under review, and the new accounting policy was applied from the opening balance of the fiscal year under review as a change in the accounting policy.

"Accounts receivable from completed construction contracts" under "current assets" on the balance sheet for the previous fiscal year is broken down into "accounts receivable from completed construction contracts" and "contract assets" starting in the fiscal year under review.

As a result, net sales and cost of sales increased by ¥61 million($505 thousand) and ¥113 million($926 thousand), respectively, and operating profit, ordinary profit, and profit before income taxes decreased by ¥51 million($420 thousand) each in the fiscal year under review. The balance of retained earnings at the beginning of the fiscal year under review increased by ¥57 million($470 thousand).

Application of Accounting Standard for Fair Value Measurement, etc.

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement, and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). This change has no impact on the financial statements for the fiscal year under review.

5. NOTES TO BALANCE SHEET

a. Inventories

Inventories at March 31, 2022, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Construction projects in progress	¥ 209	$ 1,706
Finished products	915	7,479
Work in process	107	878
Raw materials and supplies	87	712
Total	¥ 1,319	$ 10,776

b. Contingent liabilities

At March 31, 2022, the company had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Guarantees to loans from banks of the parent company	¥ 4,650	$ 37,993
Trade notes endorsed	57	468
Total	¥ 4,707	$ 38,461

6. NOTES TO STATEMENT OF INCOME

For the year ended March 31, 2022

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Amount of net sales that is revenue from contracts with customers	¥ 28,197	$ 230,386

7. NOTES TO STATEMENT OF CHANGES IN EQUITY

a. Type and number of outstanding shares

For the year ended March 31, 2022

Type of shares	Number of Shares Balance at Beginning of Year	Increase in Shares During the Year	Decrease in Shares During the Year	Balance at End of Year
Issued stock:				
Common stock	8,680,000	—	—	8,680,000

b. Dividends

(1) Dividends paid to shareholders
For the year ended March 31, 2022

Resolution Approved by	Type of Shares	Amount Millions of Yen	Thousands of U.S. Dollars	Amount per Share Yen	U.S. Dollars	Record Date	Effective Date
Annual General Meeting of Shareholders (June 18, 2021)	Common stock	¥217	$1,773	¥25.0	$0.20	March 31, 2021	June 22, 2021
Board of Directors (October 22, 2021)	Common stock	¥217	$1,773	¥25.0	$0.20	September 30, 2021	October 22, 2021

(2) Dividends with a record date during the fiscal year but an effective date subsequent to the fiscal year
For the year ended March 31, 2022

Resolution Approved by	Type of Shares	Amount Millions of Yen	Thousands of U.S. Dollars	Amount per Share Yen	U.S. Dollars	Record Date	Effective Date
Annual General Meeting of Shareholders (June 17, 2022)	Common stock	¥217	$1,773	¥25.0	$0.20	March 31, 2022	June 20, 2022

8. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the general meeting of shareholders.
For companies that meet certain criteria including (1) having a Board of Directors, (2) having

independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company does not meet all the above criteria.

Semi-annual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

9. INCOME TAXES

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2022, are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Deferred tax assets:		
Allowance for losses on construction contracts	¥ 47	$ 386
Share-based compensation expenses	47	387
Accrued enterprise tax	18	148
Retirement payments	30	247
Provision for warranties for completed construction	6	51
Impairment loss	11	88
Other	20	157
Subtotal	179	1,464
Valuation allowance	(19)	(154)
Total	160	1,310
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	(0)	(5)
Total	(0)	(5)
Net deferred tax assets	¥ 160	$ 1,305

10. FINANCIAL INSTRUMENTS

(1) Policy for financial instruments

The Company raises funds by borrowing from the parent company and banks. Also, the Company restricts temporary excess fund management to highly secure assets such as time deposits.

(2) Fair values of financial instruments

The carrying value, fair value, and difference between the two as of March 31, 2022, are as follows.
Cash and cash equivalents, Receivables, such as trade notes receivable, electronically recorded money claims and trade accounts receivables, Short-term borrowings from parent company, Payables such as trade notes payable, electronically recorded obligations, trade accounts payable, Income taxes payable and Advances received on uncompleted construction contracts have been omitted because they are cash or their carrying value approximates fair value as they are settled in a short time.

	Millions of Yen			Thousands of U.S. Dollars		
At March 31, 2022	Carrying Value	Fair Value	Difference	Carrying Value	Fair Value	Difference
Investment securities						
Investment securities	¥ 14	¥ 14	–	$ 111	$ 111	–

Note: Securities without market price are not included in "Investment securities." The carrying amount of the financial instrument is as follows.

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Non-listed stocks	¥ 44	$ 359

11. NOTES ON REVENUE RECOGNITION

Basic information for understanding revenue from contracts with customers

Basic information for understanding revenue is given in "2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES h. Standard for recording revenue."

12. RELATED PARTY DISCLOSURES

a. Parent company

Transactions with the parent company for the year ended March 31, 2022, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Fee for consulting and administrative services	¥ 125	$ 1,019
Allocated amount of consolidated corporation tax	390	3,188
Rental fees for land and office buildings	121	989
Interest income	58	471
Guarantees to parent company's liabilities	4,650	37,993

The balances due to or from the parent company at March 31, 2022, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Receivables	¥ 2	$ 15
Other assets	59	482
Payables	7,991	65,292

Business terms:

1. Fee for consulting and administrative services are determined through negotiations with the parent company based on the amounts suggested by the parent company.
2. Rental fees for land and office buildings are determined through negotiations with the parent company on an arm's-length basis.
3. The parent company uses a Cash Management System (CMS) for its subsidiaries to control the cash surplus and spend money efficiently at the group level. The interest rates on loans within the CMS are generally decided based on the current market interest rates available.
   As the loans within the group are made as needed, the amounts of the transactions are omitted from the table above.
4. The allocated amount of consolidated corporate tax is allocated based on the calculation of consolidated taxation by the parent company.

b. Affiliated companies

Transactions with affiliated companies for the year ended March 31, 2022, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Net sales	¥ 4	$ 30
Cost of sales	460	3,758
Selling, general and administrative expenses	25	207

The balances due from / to affiliated companies at March 31, 2022, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Receivables	¥ 30	$ 248
Payables	64	520

13. PER SHARE INFORMATION

	Yen	U.S. Dollars
	2022	2022
Per share amounts:		
Net assets	¥ 913.26	$ 7.46
Basic net income	132.85	1.09

Diluted net income per share is not presented since there are no dilutive shares of common stock issuable upon conversion of the convertible debt.