

Connect to the Future with Protection Technology

2024 Annual Report

NITTOC

NITTOC CONSTRUCTION CO., LTD.

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NITTOC
NITTOC CONSTRUCTION CO., LTD.

Connect to the Future with Protection Technology

MISSION

With efficient management and comprehensive technical capabilities in foundation work, we are the company that provides safe and secure society and contributes to countries.

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Editorial Policy

Since the fiscal year ended March 31, 2014, NITTOC CONSTRUCTION CO., LTD. has published an Annual Report in order to share information on its management policy, business strategy, and value creation over the medium- to long-term with its shareholders, investors, and other stakeholders.

• Period Covered by This Report

This report covers the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022). However, times before or after this period are mentioned as necessary.

• Scope of This Report

This report covers NITTOC CONSTRUCTION CO., LTD. and its consolidated subsidiaries (as of March 31, 2022).

• Notes on Future Outlook

Statements in this report that are not historical facts are future forecasts based on the Company's future outlook and plans. As the future forecasts include elements of risk and uncertainty, actual results and performances may differ from the forecasts provided in this report.

Consolidated Financial Statements, etc.

1. Consolidated Financial Statements

1) Consolidated Balance Sheets
March 31, 2023 and 2024

| | Millions of yen | | Thousands of U.S.Dollars(*) |
|---|-----------------|-----------|-----------------------------|
| | 2023 | 2024 | 2024 |
| Assets | | | |
| Current assets | | | |
| Cash and deposits | 19,457 | 19,644 | 129,743 |
| Notes receivable, accounts receivable from completed construction contracts and other | 18,395 | *6 17,992 | 118,831 |
| Electronically recorded monetary claims — operating | 3,462 | *6 2,979 | 19,678 |
| Merchandise and finished goods | 31 | 29 | 194 |
| Real estate for sale | 0 | 0 | 0 |
| Costs on construction contracts in progress | *4 284 | 235 | 1,557 |
| Raw materials and supplies | 355 | 698 | 4,616 |
| Other | 446 | *6 641 | 4,238 |
| Allowance for doubtful accounts | (2) | — | — |
| Total current assets | 42,431 | 42,222 | 278,862 |
| Non-current assets | | | |
| Property, plant and equipment | | | |
| Buildings and structures, net | *1 1,674 | *1 1,632 | 10,781 |
| Machinery, vehicles, tools, furniture and fixtures, net | *1 1,542 | *1 1,731 | 11,433 |
| Land | 2,578 | 2,578 | 17,027 |
| Construction in progress | 633 | 654 | 4,321 |
| Other, net | *3 2 | *3 2 | 13 |
| Total property, plant and equipment | 6,430 | 6,598 | 43,577 |
| Intangible assets | 578 | 557 | 3,683 |
| Investments and other assets | | | |
| Investment securities | 1,040 | 3,119 | 20,605 |
| Deferred tax assets | 1,978 | 1,555 | 10,270 |
| Other | 370 | 393 | 2,600 |
| Allowance for doubtful accounts | (21) | (21) | (144) |
| Total investments and other assets | 3,368 | 5,046 | 33,332 |
| Total non-current assets | 10,377 | 12,202 | 80,593 |
| Total assets | 52,809 | 54,425 | 359,456 |

*Refer to the note “Significant Items on Basis for Preparation of Consolidated Financial Statements.”

| | Millions of yen | | Thousands of U.S.Dollars(*) |
|--|-----------------|-----------|-----------------------------|
| | 2023 | 2024 | 2024 |
| Liabilities | | | |
| Current liabilities | | | |
| Notes payable, accounts payable for construction contracts and other | 11,539 | *6 12,133 | 80,133 |
| Income taxes payable | 1,149 | 658 | 4,348 |
| Advances received on construction contracts in progress | 423 | 980 | 6,474 |
| Provision for warranties for completed construction | 170 | 172 | 1,141 |
| Provision for loss on construction contracts | *4 28 | 248 | 1,641 |
| Provision for bonuses | 1,138 | 845 | 5,581 |
| Provision for bonuses for directors (and other officers) | 39 | 35 | 234 |
| Other | 2,070 | 1,349 | 8,911 |
| Total current liabilities | 16,559 | 16,422 | 108,466 |
| Non-current liabilities | | | |
| Retirement benefit liability | 4,023 | 3,866 | 25,535 |
| Other | 98 | 98 | 648 |
| Total non-current liabilities | 4,122 | 3,964 | 26,183 |
| Total liabilities | 20,681 | 20,387 | 134,649 |
| Net assets | | | |
| Shareholders’ equity | | | |
| Share capital | 6,052 | 6,064 | 40,053 |
| Capital surplus | 1,753 | 1,765 | 11,659 |
| Retained earnings | 23,918 | 25,024 | 165,274 |
| Treasury shares | (2) | (3) | (21) |
| Total shareholders’ equity | 31,722 | 32,850 | 216,966 |
| Accumulated other comprehensive income | | | |
| Valuation difference on available-for-sale securities | 138 | 709 | 4,688 |
| Foreign currency translation adjustment | 17 | 56 | 373 |
| Remeasurements of defined benefit plans | (29) | 241 | 1,591 |
| Total accumulated other comprehensive income | 126 | 1,007 | 6,653 |
| Non-controlling interests | 278 | 179 | 1,186 |
| Total net assets | 32,127 | 34,037 | 224,806 |
| Total liabilities and net assets | 52,809 | 54,425 | 359,456 |

*Refer to the note “Significant Items on Basis for Preparation of Consolidated Financial Statements.”

2. Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income
Fiscal Years Ended March 31, 2023 and 2024

| | Millions of yen | | Thousands of U.S.Dollars(*) |
|---|-----------------|-------------|-----------------------------|
| | 2023 | 2024 | 2024 |
| Net sales | | | |
| Net sales of completed construction contracts | 72,697 | 71,752 | 473,897 |
| Sales in other businesses | 221 | 127 | 845 |
| Total net sales | 72,918 | 71,880 | 474,742 |
| Cost of sales | | | |
| Cost of sales of completed construction contracts | *1 59,117 | *1 59,102 | 390,348 |
| Cost of sales in other businesses | 115 | 69 | 459 |
| Total cost of sales | 59,233 | 59,172 | 390,808 |
| Gross profit | | | |
| Gross profit on completed construction contracts | 13,579 | 12,650 | 83,548 |
| Gross profit - other business | 105 | 58 | 385 |
| Total gross profit | 13,685 | 12,708 | 83,933 |
| Selling, general and administrative expenses | *2,*3 8,233 | *2,*3 8,351 | 55,159 |
| Operating profit | 5,451 | 4,356 | 28,774 |
| Non-operating income | | | |
| Interest income | 6 | 10 | 69 |
| Dividend income | 12 | 66 | 438 |
| Patent income | 14 | 12 | 80 |
| Foreign exchange gains | 40 | 17 | 112 |
| Foreign exchange gains | – | 39 | 263 |
| Other | 23 | 11 | 72 |
| Total non-operating income | 97 | 157 | 1,037 |
| Non-operating expenses | | | |
| Interest expenses | 7 | 13 | 87 |
| Guarantee commission | 17 | 42 | 277 |
| Commission for syndicated loans | 55 | 11 | 72 |
| Settlement payments | – | 43 | 284 |
| Other | 6 | 6 | 45 |
| Total non-operating expenses | 86 | 116 | 767 |
| Ordinary profit | 5,462 | 4,397 | 29,043 |
| Extraordinary income | | | |
| Gain on sale of non-current assets | – | *4 8 | 57 |
| Gain on sale of investment securities | – | 99 | 654 |
| Total extraordinary income | – | 107 | 711 |
| Extraordinary losses | | | |
| Loss on Sale and retirement of non-current assets | *5 22 | *5 2 | 14 |
| Impairment losses | *6 4 | – | – |
| Total extraordinary losses | 27 | 2 | 14 |
| Profit before income taxes | 5,435 | 4,503 | 29,741 |
| Income taxes - current | 1,827 | 1,500 | 9,910 |
| Income taxes - deferred | (0) | 49 | 328 |
| Total income taxes | 1,826 | 1,550 | 10,239 |
| Profit | 3,608 | 2,952 | 19,501 |
| Profit (loss) attributable to non-controlling interests | 81 | (113) | (749) |
| Profit attributable to owners of parent | 3,526 | 3,066 | 20,250 |

*Refer to the note “Significant Items on Basis for Preparation of Consolidated Financial Statements.”

Consolidated Statements of Comprehensive Income
Fiscal Years Ended March 31, 2023 and 2024

| | Millions of yen | | Thousands of U.S.Dollars(*) |
|---|-----------------|--------|-----------------------------|
| | 2023 | 2024 | 2024 |
| Profit | 3,608 | 2,952 | 19,501 |
| Other comprehensive income | | | |
| Valuation difference on available-for-sale securities | 26 | 571 | 3,773 |
| Foreign currency translation adjustment | 22 | 59 | 391 |
| Remeasurements of defined benefit plans, net of tax | 29 | 264 | 1,748 |
| Total other comprehensive income | *1 78 | *1 895 | 5,913 |
| Comprehensive income | 3,686 | 3,848 | 25,415 |
| Comprehensive income attributable to | | | |
| Owners of parent | 3,597 | 3,946 | 26,066 |
| Non-controlling interests | 89 | (98) | (650) |

*Refer to the note “Significant Items on Basis for Preparation of Consolidated Financial Statements.”

3. Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 6,052 | 1,753 | 22,560 | (0) | 30,365 |
| Changes during period | | | | | |
| Dividends of surplus | | | (2,168) | | (2,168) |
| Profit attributable to owners of parent | | | 3,526 | | 3,526 |
| Purchase of treasury shares | | | | (1) | (1) |
| Net changes in items other than shareholders' equity | | | | | — |
| Total changes during period | — | — | 1,357 | (1) | 1,356 |
| Balance at end of period | 6,052 | 1,753 | 23,918 | (2) | 31,722 |

| | Accumulated other comprehensive income | | | | Non-controlling interests | Total net assets |
|--|---|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 112 | 3 | (58) | 56 | 188 | 30,610 |
| Changes during period | | | | | | |
| Dividends of surplus | | | | | | (2,168) |
| Profit attributable to owners of parent | | | | | | 3,526 |
| Purchase of treasury shares | | | | | | (1) |
| Net changes in items other than shareholders' equity | 26 | 14 | 29 | 70 | 89 | 159 |
| Total changes during period | 26 | 14 | 29 | 70 | 89 | 1,516 |
| Balance at end of period | 138 | 17 | (29) | 126 | 278 | 32,127 |

Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 6,052 | 1,753 | 23,918 | (2) | 31,722 |
| Changes during period | | | | | |
| Issuance of new shares | 12 | 12 | | | 24 |
| Dividends of surplus | | | (1,960) | | (1,960) |
| Profit attributable to owners of parent | | | 3,066 | | 3,066 |
| Purchase of treasury shares | | | | (0) | (0) |
| Net changes in items other than shareholders' equity | | | | | — |
| Total changes during period | 12 | 12 | 1,105 | (0) | 1,128 |
| Balance at end of period | 6,064 | 1,765 | 25,024 | (3) | 32,850 |

(Millions of yen)

| | Accumulated other comprehensive income | | | | Non-controlling interests | Total net assets |
|--|---|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 138 | 17 | (29) | 126 | 278 | 32,127 |
| Changes during period | | | | | | |
| Issuance of new shares | | | | | | 24 |
| Dividends of surplus | | | | | | (1,960) |
| Profit attributable to owners of parent | | | | | | 3,066 |
| Purchase of treasury shares | | | | | | (0) |
| Net changes in items other than shareholders' equity | 571 | 38 | 270 | 880 | (98) | 781 |
| Total changes during period | 571 | 38 | 270 | 880 | (98) | 1,910 |
| Balance at end of period | 709 | 56 | 241 | 1,007 | 179 | 34,037 |

Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 39,974 | 11,579 | 157,973 | (15) | 209,511 |
| Changes during period | | | | | |
| Issuance of new shares | 79 | 79 | | | 159 |
| Dividends of surplus | | | (12,949) | | (12,949) |
| Profit attributable to owners of parent | | | 20,250 | | 20,250 |
| Purchase of treasury shares | | | | (6) | (6) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | 79 | 79 | 7,301 | (6) | 7,454 |
| Balance at end of period | 40,053 | 11,659 | 165,274 | (21) | 216,966 |

| | Accumulated other comprehensive income | | | | Non-controlling interests | Total net assets |
|--|---|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 914 | 118 | (195) | 838 | 1,837 | 212,187 |
| Changes during period | | | | | | |
| Issuance of new shares | | | | | | 159 |
| Dividends of surplus | | | | | | (12,949) |
| Profit attributable to owners of parent | | | | | | 20,250 |
| Purchase of treasury shares | | | | | | (6) |
| Net changes in items other than shareholders' equity | 3,773 | 254 | 1,787 | 5,815 | (650) | 5164 |
| Total changes during period | 3,773 | 254 | 1,787 | 5,815 | (650) | 12,619 |
| Balance at end of period | 4,688 | 373 | 1,591 | 6,653 | 1,186 | 224,806 |

4. Consolidated Statements of Cash Flows

Fiscal Years Ended March 31, 2023 and 2024

| | Millions of yen | | Thousands of U.S.Dollars(*) |
|---|-----------------|---------|-----------------------------|
| | 2023 | 2024 | 2024 |
| Cash flows from operating activities | | | |
| Profit before income taxes | 5,435 | 4,503 | 29,741 |
| Depreciation | 583 | 781 | 5,158 |
| Increase (decrease) in allowance for doubtful accounts | (11) | (2) | (13) |
| Increase (decrease) in provision for warranties for completed construction | 144 | 2 | 18 |
| Increase (decrease) in provision for loss on construction contracts | (140) | 220 | 1,454 |
| Increase (decrease) in provision for bonuses | (11) | (293) | (1,935) |
| Increase (decrease) in provision for bonuses for directors (and other officers) | 6 | (4) | (28) |
| Increase (decrease) in retirement benefit liability | (143) | 231 | 1,528 |
| Loss (gain) on sale of property, plant and equipment | — | (8) | (57) |
| Loss (gain) on sale of businesses | — | (99) | (654) |
| Loss on retirement of non-current assets | 22 | 2 | 14 |
| Interest and dividend income | (19) | (76) | (507) |
| Interest expenses | 7 | 13 | 87 |
| Foreign exchange losses (gains) | (11) | (17) | (118) |
| Impairment losses | 4 | — | — |
| Decrease (increase) in trade receivables | (1,314) | 869 | 5,739 |
| Decrease (increase) in costs on construction contracts in progress | 17 | 48 | 321 |
| Decrease (increase) in other assets | 156 | (417) | (2,754) |
| Increase (decrease) in trade payables | (379) | 661 | 4,368 |
| Increase (decrease) in advances received on construction contracts in progress | (172) | 551 | 3,639 |
| Increase (decrease) in accrued consumption taxes | (45) | 118 | 785 |
| Increase (decrease) in other liabilities | (48) | (579) | (3,825) |
| Subtotal | 4,079 | 6,505 | 42,964 |
| Interest and dividends received | 19 | 76 | 507 |
| Interest paid | (7) | (13) | (87) |
| Income taxes paid | (1,432) | (2,147) | (14,180) |
| Net cash provided by (used in) operating activities | 2,659 | 4,421 | 29,204 |
| Cash flows from investing activities | | | |
| Purchase of investment securities | (585) | (1,256) | (8,296) |
| Purchase of property, plant and equipment | (1,130) | (976) | (6,448) |
| Proceeds from sale of property, plant and equipment | — | 0 | 1 |
| Purchase of intangible assets | (62) | (107) | (712) |
| Payments for retirement of non-current assets | (15) | — | — |
| Payments for asset retirement obligations | — | (1) | (7) |
| Payments of guarantee deposits | (6) | (44) | (292) |
| Proceeds from refund of guarantee deposits | 12 | 11 | 74 |
| Proceeds from sale of businesses | — | 99 | 654 |
| Other payments | (0) | (11) | (79) |
| Other proceeds | 0 | — | — |
| Net cash provided by (used in) investing activities | (1,788) | (2,287) | (15,106) |

| | Millions of yen | | Thousands of U.S.Dollars(*) |
|---|-----------------|-----------|-----------------------------|
| | 2023 | 2024 | 2024 |
| Cash flows from financing activities | | | |
| Repayments of lease liabilities | (5) | (5) | (39) |
| Purchase of treasury shares | (1) | (0) | (6) |
| Dividends paid | (2,165) | (1,958) | (12,935) |
| Net cash provided by (used in) financing activities | (2,171) | (1,965) | (12,981) |
| Effect of exchange rate change on cash and cash equivalents | 34 | 18 | 120 |
| Net increase (decrease) in cash and cash equivalents | (1,266) | 187 | 1,236 |
| Cash and cash equivalents at beginning of period | 20,723 | 19,457 | 128,506 |
| Cash and cash equivalents at end of period | *1 19,457 | *1 19,644 | 129,743 |

*Refer to the note “Significant Items on Basis for Preparation of Consolidated Financial Statements.”

Notes

(Basis of Presenting Consolidated Financial Statements)

The accompanying consolidated financial statements have been prepared from the accounts maintained by NITTOC CONSTRUCTION CO., LTD. (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and mainly operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥151.41 to US\$1.00, the approximate rate of exchange on March 31, 2024. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

(Significant Items on Basis for Preparation of Consolidated Financial Statements)

1. Scope of Consolidation

Number of consolidated subsidiaries: 6
Midori Industries Co., Ltd.
Shimane Earth Engineering Co., Ltd.
Yamaguchi Earth Engineering Co., Ltd.
Ehime Earth Engineering Co., Ltd.
Fukui Earth Engineering Co., Ltd.
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2. Application of the Equity Method

Not applicable.

3. Fiscal Years, etc. of Consolidated Subsidiaries

The year-end date of the fiscal year of the consolidated subsidiaries is March 31, which is the same as the consolidated balance sheet date.

4. Accounting Policies

(1) Valuation standard and valuation method for significant assets

- 1) Securities
 - Available-for-sale securities
Securities other than stocks, etc. without market quotations:
Valued at fair market value as of the consolidated fiscal year-end date (All changes in valuation difference are included directly in net assets.
Cost of securities sold is determined by the moving-average method).
 - Stocks, etc. without market quotations:
Valued at cost based on the moving-average method.
- 2) Inventories
 - Merchandise
Stated at cost using the first-in first-out method (The figures shown in the consolidated balance sheets have been calculated by writing down the book value based on the decline in profitability.)
 - Real estate for sale
Stated at cost using the specific identification method (The figures shown in the consolidated balance sheets have been calculated by writing down the book value based on the decline in profitability.)
 - Costs on construction contracts in progress
Stated at cost using the specific identification method
 - Raw materials and supplies
Stated at cost using the first-in first-out method (The figures shown in the consolidated balance sheets have been calculated by writing down the book value based on the decline in profitability.)

(2) Depreciation methods of major depreciable assets

- 1) Property, plant and equipment (excluding leased assets): The declining-balance method is applied.
However, the straight-line method is adopted for buildings acquired on or after April 1, 1998, as well as facilities attached to buildings, structures and machinery equipment acquired on or after April 1, 2016. The major useful lives are as follows.
Buildings and structures: 5-60 years
Machinery, vehicles, tools, furniture and fixtures: 2-17 years
- 2) Intangible assets (excluding leased assets): The straight-line method is applied.
Computer software for internal use is amortized by the straight-line method over the estimated internal useful life (five years).
- 3) Leased assets
The straight-line method, in which the lease period is utilized as the useful life assuming the residual value is zero, is applied for leased assets of finance lease transactions that do not transfer ownership.

(3) Recognition standards for significant reserves

- 1) Allowance for doubtful accounts
The allowance for doubtful accounts is recorded at an amount of estimated uncollectible receivables based on past bad debt experience for general receivables, and by individually considering the collectability for certain doubtful receivables including loans with potential default to prepare for possible loan losses including trade receivables and loans receivable.
- 2) Provision for warranties for completed construction
The provision for warranties for completed construction is recorded at an amount based on the estimated compensation amount regarding the completed construction contracts for the consolidated fiscal year under review as well as the estimated compensation amount for certain construction contracts to prepare for expenses for warranty against defects relative to completed construction works.
- 3) Provision for loss on construction contracts
The provision for loss on construction contracts is recorded at an estimated loss amount regarding construction works on hand at the end of the consolidated fiscal year under review for which loss is expected, and for which the amount can be reasonably estimated, to prepare for possible losses from construction contracts that the Group has received orders thereof.
- 4) Provision for bonuses
The provision for bonuses is recorded based on the estimated amount of bonuses to be paid to provide for the payment of bonuses to employees.
- 5) Provision for bonuses for directors (and other officers)
The provision for bonuses for directors (and other officers) is recorded based on the estimated amount of bonuses to be paid to provide for the payment of bonuses to the directors (and other officers).

(4) Accounting procedure for retirement benefits

- 1) Method of allocating the projected retirement benefits to periods
In calculating the projected benefit obligation, the benefit formula basis is used to allocate the projected retirement benefits to periods up to the end of the consolidated fiscal year under review.
- 2) Amortization method for actuarial gains/losses and prior service cost
Actuarial gains or losses are amortized for the pro-rata amount computed by the straight-line method over a certain period (10 years) within the average remaining service period of employees at the time of recognition, commencing from the consolidated fiscal year following the recognition.
The prior service cost is amortized by the straight-line method over a certain period (10 years) within the average remaining service period of employees at the time of recognition.
- 3) Adoption of the simplified method for small and medium-sized entities
For the calculation of retirement benefit liability and retirement benefit expenses, the domestic consolidated subsidiaries of the Company have adopted the simplified method, according to which the amount of payables for voluntary retirement of all employees at the end of the period is treated as projected benefit obligation.

(5) Translation of significant assets and liabilities denominated in foreign currencies into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates on the consolidated fiscal year-end date, and differences arising from such translation are charged to income.
The asset and liability accounts of the overseas subsidiaries are translated into Japanese yen at the spot exchange rates as of the consolidated fiscal year-end date. The revenue and expense accounts of the overseas subsidiaries are translated into Japanese yen based on the average exchange rate during the consolidated fiscal year under review, and differences arising from such translation are included in "Foreign currency translation adjustment" and "Non-controlling interests" as separate components of "Net assets."

(6) Recognition standards for significant revenues and expenses

In the construction business, the principal performance obligation of the Company and its consolidated subsidiaries is to perform and deliver construction work related to construction contracts with customers. For construction contracts, the Company and its consolidated subsidiaries deem that performance obligations are satisfied as the construction progresses, and adopt the method of recognizing revenue over a certain period of time depending on the satisfaction of performance obligations, as the control is transferred over a certain period of time.
For measuring the progress of completion toward satisfaction of performance obligations, it is calculated based on the proportion of the actual cost incurred against the estimated total cost of construction work at the end of each consolidated fiscal year (input method).
If a reasonable estimate of the progress of completion toward satisfaction of performance obligations cannot be made but the expenses incurred are expected to be recovered when satisfying the performance obligations, the cost recovery method is applied.
For construction projects whose terms are very short, alternative treatments are applied, and revenue is not recognized over a certain period of time but recognized when performance obligations are fully satisfied.

(7) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows comprise cash on hand, bank deposits available for withdrawal on demand and readily convertible short-term investments with maturities of three months or less, which are exposed to minor risk of fluctuation in value.

(8) Other significant items for the preparation of the consolidated financial statements

(Application of the group tax sharing system)
The Company and its domestic consolidated subsidiaries have applied the group tax sharing system.

(Significant Accounting Estimates)
Estimates of total construction revenue and total cost of construction work for a construction contract to be satisfied over a certain period of time
1. Amounts recorded in the consolidated financial statements for the consolidated fiscal year under review

| As of March 31 | Millions of yen | | Thousands of U.S. Dollars |
|---|-----------------|--------|---------------------------|
| | 2023 | 2024 | 2024 |
| Net sales from construction contracts to be satisfied over a certain period of time | 65,904 | 65,115 | 430,058 |

2. Calculation method of the amounts recorded in the consolidated financial statements for the consolidated fiscal year under review
For construction contracts, except for construction contracts whose terms are very short, revenues are recognized over a certain period of time according to the satisfaction of performance obligations. For measuring the progress of completion toward satisfaction of performance obligations, it is calculated based on the proportion of the actual cost incurred against the estimated total cost of construction work (input method). Net sales of completed construction contract are calculated based on such progress by multiplying total construction revenue.
Estimates of total construction revenue and total cost of construction work for a construction contract are based on the statement of working budget prepared for each construction.

3. Major assumptions used for the calculation of amounts recorded in the consolidated financial statements for the consolidated fiscal year under review
Major assumptions used for estimates of total construction revenue and total cost of construction work are possibilities of obtaining additional orders, construction material prices, quantities, and outsourcing expenses for proceeding with the construction project. For each assumption, estimates involve certain assumptions and determination by the construction site supervisors with construction expertise as well as experience in executing construction works.

4. The impact on the consolidated financial statements for the following consolidated fiscal year
Since construction works generally tend to span long periods of time, their major assumptions may be affected by situations such as change of construction conditions, design changes or reworks during the works, extension of the work period due to adverse weather, soaring material costs and outsourcing expenses, and involve uncertainties of estimates. Therefore, if such events necessitate the revision of estimates, they may have impact on the consolidated financial statements for the following consolidated fiscal year.
In the Group, construction work managers identify changes in situation after commencement of the construction on an appropriate and timely basis through interviews as well as inspections of construction-related documents including the statement of working budget, which are reflected in the calculation of revenues related to performance obligations that are satisfied over a certain period of time. Constructions believed to have potentially significant impact on the business performance are under intensive management involving executives both at branches and headquarters for precautionary purposes. Through these management initiatives, the Group makes an effort to reduce events with potential significant impact on the consolidated financial statements for the following consolidated fiscal year.

(Accounting Standards Issued but Not Yet Applied)
• "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022)
• "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022)
• "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022)

- 1) Outline
The ASBJ Statement No. 28 "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc. (the "ASBJ No. 28, etc.") were issued in February 2018, and the transfer of practical guidance for tax effect accounting from the Japanese Institute of Certified Public Accountants to the ASBJ was completed. In the course of consideration on the transfer, the following two points were decided to be further discussed after the issuance of the ASBJ No. 28, etc., and considerations were conducted and the results released.
• Classification of tax expenses (taxation on other comprehensive income)
• Tax effect related to sales of shares in subsidiaries, etc. (shares in subsidiaries or affiliated companies) in the case in which group tax sharing system is applied
- 2) Planned date of application
The Company will apply the ASBJ No. 28, etc. from the beginning of the fiscal year ending March 31, 2025.
- 3) Impact of application of the accounting standards, etc.
Assessment of the impact of application of the "Accounting Standard for Current Income Taxes," etc. on the consolidated financial statements is currently underway.

Consolidated Financial Statements

(Consolidated Balance Sheets)

*1 Accumulated depreciation of property, plant and equipment

| As of March 31 | | | |
|----------------|----------------|----------------|-------------------|
| | 2023 | 2024 | 2024 |
| | ¥6,788 million | ¥7,167 million | \$47,337 thousand |

2 Contingent liabilities

The Company guarantees the contractual obligations of the subsidiaries' construction contracts.

| As of March 31 | | | |
|---|--------------------------------------|--------------------------------------|------------------|
| | 2023 | 2024 | 2024 |
| Contractual obligations (PT. NITTOC CONSTRUCTION INDONESIA) | ¥110 million (IDR 12,421 million) | ¥375 million (IDR 39,129 million) | \$2,480 thousand |

*3 Tax purpose reduction entry

The amount of tax purpose reduction entry, which is subtracted from the acquisition prices of property, plant and equipment due to acceptance of a state subsidy, and the breakdown thereof were as follows:

| As of March 31 | | | |
|----------------|------------|------------|---------------|
| | 2023 | 2024 | 2024 |
| Other | ¥2 million | ¥2 million | \$13 thousand |

*4 Presentation of inventories and provision for loss on construction contracts

Fiscal year ended March 31, 2023 (As of March 31, 2023)

Both the costs on construction contracts in progress and the provision for loss on construction contracts, which are related to construction contracts that are expected to generate losses, are presented without offsetting each other.

Of the costs on construction contracts in progress relating to construction contracts that are expected to generate losses, the amount corresponding to the provision for loss on construction contracts is ¥1 million.(\$10thousand)

Fiscal year ended March 31, 2024 (As of March 31, 2024)

Not applicable.

5 Commitment line agreements

The Company has entered into commitment line agreements with our four banks to facilitate efficient fund procurement of working capital.

The unused balance of the borrowings relative to the commitment line agreements as of March 31 was as follows:

| As of March 31 | Millions of yen | | Thousands of U.S.Dollars |
|-------------------------------------|-----------------|-------|--------------------------|
| | 2023 | 2024 | 2024 |
| Total amount of the commitment line | 2,200 | 5,000 | 33,022 |
| Maximum overdraft amount | 445 | 480 | 3,170 |
| Balance of executed loans | – | – | – |
| Unused balance | 2,645 | 5,480 | 36,193 |

*6 Notes maturing at year-end are settled on the date of clearing or on the date of settlement. Since the last day of the consolidated fiscal year under review fell on a bank holiday, the following matured notes are included in the balance as at the end of the consolidated fiscal year under review.

| As of March 31 | Millions of yen | | Thousands of U.S.Dollars |
|---|-----------------|------|--------------------------|
| | 2023 | 2024 | 2024 |
| Notes receivable | – | 45 | 300 |
| Electronically recorded monetary claims - operating | – | 37 | 244 |
| Accounts receivable | – | 3 | 25 |
| Notes payable | – | 598 | 3,955 |

(Consolidated Statements of Income)

*1 Provision for loss on construction contracts included in the cost of sales of completed construction contracts

| Fiscal year ended March 31 | | | |
|----------------------------|-------------|--------------|------------------|
| | 2023 | 2024 | 2024 |
| | ¥28 million | ¥243 million | \$1,610 thousand |

*2 Major expense items of selling, general and administrative expenses and their amounts were as follows:

| Fiscal year ended March 31 | Millions of yen | | Thousands of U.S.Dollars |
|--|-----------------|-------|--------------------------|
| | 2023 | 2024 | 2024 |
| Provision for bonuses for directors (and other officers) | 39 | 35 | 234 |
| Employees' salaries and allowances | 3,301 | 3,347 | 22,111 |
| Provision for bonuses | 457 | 340 | 2,247 |
| Retirement benefit expenses | 245 | 253 | 1,671 |
| Provision of allowance for doubtful accounts | (11) | (2) | (13) |

*3 Research and development expenses included in general and administrative expenses

| Fiscal year ended March 31 | | | |
|----------------------------|--------------|--------------|------------------|
| | 2023 | 2024 | 2024 |
| | ¥387 million | ¥527 million | \$3,482 thousand |

*4 The breakdown of gain on sale of non-current assets was as follows:

| Fiscal year ended March 31 | Millions of yen | | Thousands of U.S.Dollars |
|--|-----------------|------|--------------------------|
| | 2023 | 2024 | 2024 |
| Machinery, vehicles, tools, furniture and fixtures | – | 8 | 57 |
| Total | – | 8 | 57 |

*5 The breakdown of loss on retirement of non-current assets was as follows:

| Fiscal year ended March 31 | Millions of yen | | Thousands of U.S.Dollars |
|--|-----------------|------|--------------------------|
| | 2023 | 2024 | 2024 |
| Buildings and structures | 22 | 0 | 0 |
| Machinery, vehicles, tools, furniture and fixtures | 0 | 2 | 14 |
| Total | 22 | 2 | 14 |

*6 Impairment losses

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

This information is omitted due to its immateriality.

Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

Not applicable.

(Consolidated Statements of Comprehensive Income)

*1 Amounts of reclassification and the tax-effect equivalent in relation to “Other comprehensive income”

| Fiscal year ended March 31 | Millions of yen | | Thousands of U.S.Dollars |
|---|-----------------|-------|--------------------------|
| | 2023 | 2024 | 2024 |
| Valuation difference on available-for-sale securities | | | |
| Accrued in the fiscal year | 37 | 823 | 5,438 |
| Amount of reclassification | – | – | – |
| Before tax-effect adjustment | 37 | 823 | 5,438 |
| Amount of tax-effect equivalent | (11) | (252) | (1,665) |
| Valuation difference on available-for-sale securities | 26 | 571 | 3,773 |
| Foreign currency translation adjustment | | | |
| Accrued in the fiscal year | 22 | 59 | 391 |
| Foreign currency translation adjustment | 22 | 59 | 391 |
| Remeasurements of defined benefit plans | | | |
| Accrued in the fiscal year | 0 | 407 | 2,693 |
| Amount of reclassification | 42 | (2) | (14) |
| Before tax-effect adjustment | 42 | 405 | 2,678 |
| Amount of tax-effect equivalent | (13) | (140) | (929) |
| Remeasurements of defined benefit plans, net of tax | 29 | 264 | 1,748 |
| Total other comprehensive income | 78 | 895 | 5,913 |

(Consolidated Statements of Changes in Net Assets)

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

1. Class and total number of issued shares and of treasury shares

| Fiscal year ended March 31, 2023 | Number of shares at the beginning | Increase in number of shares | Decrease in number of shares | Number of shares at the end |
|----------------------------------|-----------------------------------|------------------------------|------------------------------|-----------------------------|
| Issued shares | | | | |
| Common shares | 41,708,367 | – | – | 41,708,367 |
| Total | 41,708,367 | – | – | 41,708,367 |
| Treasury shares | | | | |
| Common shares | 1,321 | 1,496 | – | 2,817 |
| Total | 1,321 | 1,496 | – | 2,817 |

Note:The increase in number of treasury shares represents the increase from the purchase of less-than-oneunit shares.

2. Dividends

(1) Amount of dividends paid

| Resolution | Class of shares | Total dividends | Source of dividends | Dividend per share | Record date | Effective date |
|--|-----------------|-----------------|---------------------|--------------------|--------------------|-------------------|
| Annual Shareholders’ Meeting on June 24, 2022 | Common shares | ¥1,334 million | Retained earnings | ¥32.00 | March 31, 2022 | June 27, 2022 |
| Board of Directors meeting on November 4, 2022 | Common shares | ¥834 million | Retained earnings | ¥20.00 | September 30, 2022 | November 30, 2022 |

(2) Dividends for which the record date is during the consolidated fiscal year under review but for which the effective date is after the end of the consolidated fiscal year under review

| Resolution | Class of shares | Total dividends | Source of dividends | Dividend per share | Record date | Effective date |
|---|-----------------|-----------------|---------------------|--------------------|----------------|----------------|
| Annual Shareholders’ Meeting on June 23, 2023 | Common shares | ¥1,042 million | Retained earnings | ¥25.00 | March 31, 2023 | June 26, 2023 |

Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

1. Class and total number of issued shares and of treasury shares

| Fiscal year ended March 31,2024 | Number of shares at the beginning | Increase in number of shares | Decrease in number of shares | Number of shares at the end |
|---------------------------------|-----------------------------------|------------------------------|------------------------------|-----------------------------|
| Issued shares | | | | |
| Common shares | 41,708,367 | 23,584 | – | 41,731,951 |
| Total | 41,708,367 | 23,584 | – | 41,731,951 |
| Treasury shares | | | | |
| Common shares | 2,817 | 915 | – | 3,732 |
| Total | 2,817 | 915 | – | 3,732 |

Notes: The increase in number of issued shares represents the increase from the issuance of new shares as restricted share compensation.

The increase in number of treasury shares represents the increase from the purchase of less-than-oneunit shares.

2. Dividends

(1) Amount of dividends paid

| Resolution | Class of shares | Total dividends | Source of dividends | Dividend per share | Record date | Effective date |
|--|-----------------|-----------------------------------|---------------------|--------------------|--------------------|-------------------|
| Annual Shareholders’ Meeting on June 23, 2023 | Common shares | ¥1,042 million (\$6,886 thousand) | Retained earnings | ¥25.00 | March 31, 2023 | June 26, 2023 |
| Board of Directors meeting on November 9, 2023 | Common shares | ¥918 million (\$6,063 thousand) | Retained earnings | ¥22.00 | September 30, 2023 | November 30, 2023 |

(2) Dividends for which the record date is during the consolidated fiscal year under review but for which the effective date is after the end of the consolidated fiscal year under review

| Resolution | Class of shares | Total dividends | Source of dividends | Dividend per share | Record date | Effective date |
|---|-----------------|-----------------------------------|---------------------|--------------------|----------------|----------------|
| Annual Shareholders’ Meeting on June 21, 2024 | Common shares | ¥1,043 million (\$6,889 thousand) | Retained earnings | ¥25.00 | March 31, 2024 | June 24, 2024 |

(Consolidated Statements of Cash Flows)

*1 A reconciliation of the balance of cash and cash equivalents in the consolidated statements of cash flows to cash and deposits included in the consolidated balance sheets

| Fiscal year ended March 31 | Millions of yen | | Thousands of U.S.Dollars |
|----------------------------|-----------------|--------|--------------------------|
| | 2023 | 2024 | 2024 |
| Cash and deposits | 19,457 | 19,644 | 129,743 |
| Cash and cash equivalents | 19,457 | 19,644 | 129,743 |

(Lease Transactions)
(Lessee)
Finance lease transactions that do not transfer ownership
This information is omitted due to its immateriality.

(Financial Instruments)
Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
1. Status of Financial Instruments

(1) Policies on financial instruments
The Group holds a policy to procure working capital, which is necessary to pursue business purposes, in the form of borrowings from banks. The Group's fund management is limited to short-term deposits and highly safe financial assets pursuant to the Fund Management Rules. The Group utilizes derivatives within the limit of actual demand and not for speculative purposes. In the consolidated fiscal year under review, no derivative transactions were utilized.

(2) Description of financial instruments and related risks
Notes receivable, accounts receivable from completed construction contracts and other, and electronically recorded monetary claims - operating, which are trade receivables, are exposed to the credit risk of the respective counterparties. Investment securities are mainly stocks of listed companies, and are exposed to market price fluctuation risk.
Notes payable, accounts payable for construction contracts and other, which are trade payables, generally entail the concentrated due date for payments and are exposed to liquidity risk. Borrowings for working capital are exposed to market interest rate fluctuation risk and liquidity risk.

(3) Risk management system for financial instruments
1) Management of credit risk (default risk of the counterparties)
The Group regularly monitors notes receivable, accounts receivable from completed construction contracts and other, and electronically recorded monetary claims - operating regarding main counterparties at the relevant departments/sections in accordance with the Credit Exposure Management Rules and the Credit Management Manual. In addition to the management of credit balances by counterparty, the Group works to early grasp and reduce recovery concerns due to the aggravation of financial positions at the counterparties.

2) Management of market risk (market price fluctuation risk)
For investment securities, the Group basically manages the risk in accordance with the Fund Management Rules, and specifically sets investment limits and maximum holding limits, mainly for listed stocks and other securities. For invested financial instruments, the Group has clarified the management system and management standards, and regularly analyzes the market price fluctuation risk, the current market value of shares, and the financial positions of the issuers, and works to reduce risks.

3) Management of liquidity risk (the risk of non-repayment on the due date) relating to fund procurement
At the Group, the Accounting Department prepares and renews the cash-flow plan based on the reports from the respective departments/ sections. The department also manages liquidity risk with measures such as the maintenance of liquidity on hand and entering into commitment line agreements with our banks.

2. Market Values of Financial Instruments
The carrying value in the consolidated balance sheets, the market value and the difference thereof as of March 31, 2023, were as follows. Shares, etc. without market value are not included in the table below (Refer to Note). Notes on cash are omitted. Notes for deposits, notes receivable, accounts receivable from completed construction contracts and other and contract assets, electronically recorded monetary claims - operating, and notes payable, accounts payable for construction contracts and other are also omitted, as they are settled within a short term and their market values approximate the book values.

| (Millions of yen) | | | |
|--|---|--------------|------------|
| | Carrying value in the consolidated balance sheets | Market value | Difference |
| Investment securities Available-for-sale securities | 894 | 894 | – |
| Total assets | 894 | 894 | – |

Note: Shares, etc. without market value

| Classification | Carrying value in the consolidated balance sheets |
|-----------------|---|
| Unlisted stocks | ¥145 million |

The above securities are not included in “Available-for-sale securities.”

3. Breakdown, etc. of fair values of financial instruments
The Company has classified fair values of financial instruments into the following three levels according to the observability and materiality of inputs used for fair value measurement.
Level 1 Fair Values: Fair values measured by (unadjusted) quoted prices of the identical assets or liabilities in active markets
Level 2 Fair Values: Fair values measured by directly or indirectly observable inputs other than those classified in Level 1
Level 3 Fair Values: Fair values measured by material but unobservable inputs

In cases where multiple inputs with a material impact on fair value measurement are used, fair value is classified into the level to which the input with the lowest priority in fair value measurement belongs.

(1) Financial assets and financial liabilities carried at fair value in the consolidated balance sheet

| Classification | Fair Value | | | |
|---|------------|---------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total |
| Investment securities Available-for-sale securities Stocks | 894 | – | – | 894 |
| Total assets | 894 | – | – | 894 |

(2) Financial assets and financial liabilities not carried at fair value in the consolidated balance sheet Not applicable.

Note: Description of valuation techniques and inputs used in fair value measurement Investment securities
Listed stocks are valued using quoted market prices. As listed stocks are traded in active markets, their fair value is classified as Level 1.

Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

1. Status of Financial Instruments

(1) Policies on financial instruments

The Group holds a policy to procure working capital, which is necessary to pursue business purposes, in the form of borrowings from banks. The Group's fund management is limited to short-term deposits and highly safe financial assets pursuant to the Fund Management Rules. The Group utilizes derivatives within the limit of actual demand and not for speculative purposes. In the consolidated fiscal year under review, no derivative transactions were utilized.

(2) Description of financial instruments and related risks

Notes receivable, accounts receivable from completed construction contracts and other, and electronically recorded monetary claims - operating, which are trade receivables, are exposed to the credit risk of the respective counterparties. Investment securities are mainly stocks of listed companies, and are exposed to market price fluctuation risk. Notes payable, accounts payable for construction contracts and other, which are trade payables, generally entail the concentrated due date for payments and are exposed to liquidity risk. Borrowings for working capital are exposed to market interest rate fluctuation risk and liquidity risk.

(3) Risk management system for financial instruments

1) Management of credit risk (default risk of the counterparties)

The Group regularly monitors notes receivable, accounts receivable from completed construction contracts and other, and electronically recorded monetary claims - operating regarding main counterparties at the relevant departments/sections in accordance with the Credit Exposure Management Rules and the Credit Management Manual. In addition to the management of credit balances by counterparty, the Group works to early grasp and reduce recovery concerns due to the aggravation of financial positions at the counterparties.

2) Management of market risk (market price fluctuation risk)

For investment securities, the Group basically manages the risk in accordance with the Fund Management Rules, and specifically sets investment limits and maximum holding limits, mainly for listed stocks and other securities. For invested financial instruments, the Group has clarified the management system and management standards, and regularly analyzes the market price fluctuation risk, the current market value of shares, and the financial positions of the issuers, and works to reduce risks.

3) Management of liquidity risk (the risk of non-repayment on the due date) relating to fund procurement

At the Group, the Accounting Department prepares and renews the cash-flow plan based on the reports from the respective departments/sections. The department also manages liquidity risk with measures such as the maintenance of liquidity on hand and entering into commitment line agreements with our banks.

2. Market Values of Financial Instruments

The carrying value in the consolidated balance sheets, the market value and the difference thereof as of March 31, 2024, were as follows. Shares, etc. without market value are not included in the table below (Refer to Note). Notes on cash are omitted. Notes for deposits, notes receivable, accounts receivable from completed construction contracts and other and contract assets, electronically recorded monetary claims - operating, and notes payable, accounts payable for construction contracts and other are also omitted, as they are settled within a short term and their market values approximate the book values.

(Millions of yen)

| | Carrying value in the consolidated balance sheets | Market value | Difference |
|--|---|--------------|------------|
| Investment securities Available-for-sale securities | 2,974 | 2,974 | – |
| Total assets | 2,974 | 2,974 | – |

(Thousands of U.S.Dollars)

| | Carrying value in the consolidated balance sheets | Market value | Difference |
|--|---|--------------|------------|
| Investment securities Available-for-sale securities | 19,643 | 19,643 | – |
| Total assets | 19,643 | 19,643 | – |

Note: Shares, etc. without market value

| Classification | Carrying value in the consolidated balance sheets | |
|-----------------|---|----------------|
| Unlisted stocks | ¥145 million | \$962 thousand |

The above securities are not included in "Available-for-sale securities."

3. Breakdown, etc. of fair values of financial instruments

The Company has classified fair values of financial instruments into the following three levels according to the observability and materiality of inputs used for fair value measurement.

Level 1 Fair Values: Fair values measured by (unadjusted) quoted prices of the identical assets or liabilities in active markets

Level 2 Fair Values: Fair values measured by directly or indirectly observable inputs other than those classified in Level 1

Level 3 Fair Values: Fair values measured by material but unobservable inputs

In cases where multiple inputs with a material impact on fair value measurement are used, fair value is classified into the level to which the input with the lowest priority in fair value measurement belongs.

(1) Financial assets and financial liabilities carried at fair value in the consolidated balance sheet

(Millions of yen)

| Classification | Fair Value | | | |
|---|------------|---------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total |
| Investment securities Available-for-sale securities | | | | |
| Stocks | 2,974 | – | – | 2,974 |
| Total assets | 2,974 | – | – | 2,974 |

(2) Financial assets and financial liabilities not carried at fair value in the consolidated balance sheet Not applicable.

Note: Description of valuation techniques and inputs used in fair value measurement Investment securities

Listed stocks are valued using quoted market prices. As listed stocks are traded in active markets, their fair value is classified as Level 1.

(Securities)

Fiscal year ended March 31, 2023 (As of March 31, 2023)

1. Available-for-sale securities (As of March 31, 2023)

| (Millions of yen) | | | |
|--|---|------------------|------------|
| | Carrying value in the consolidated balance sheets | Acquisition cost | Difference |
| (1) Securities with carrying value in the consolidated balance sheets exceeding acquisition cost | | | |
| Shares | 775 | 565 | 209 |
| Other | – | – | – |
| Subtotal | 775 | 565 | 209 |
| (2) Securities with carrying value in the consolidated balance sheets not exceeding acquisition cost | | | |
| Shares | 119 | 128 | (9) |
| Other | – | – | – |
| Subtotal | 119 | 128 | (9) |
| Total | 894 | 694 | 199 |

Note: Shares, etc. without market value

| Classification | Carrying value in the consolidated balance sheets (Millions of yen) |
|---|---|
| Available-for-sale securities (unlisted stocks) | 145 |

2. Available-for-sale securities sold during the consolidated fiscal year under review (From April 1, 2022 to March 31, 2023)

Not applicable.

Fiscal year ended March 31, 2024 (As of March 31, 2024)

1. Available-for-sale securities (As of March 31, 2024)

| (Millions of yen) | | | |
|--|---|------------------|------------|
| | Carrying value in the consolidated balance sheets | Acquisition cost | Difference |
| (1) Securities with carrying value in the consolidated balance sheets exceeding acquisition cost | | | |
| Shares | 2,958 | 1,931 | 1,026 |
| Other | | | |
| Subtotal | 2,958 | 1,931 | 1,026 |
| (2) Securities with carrying value in the consolidated balance sheets not exceeding acquisition cost | | | |
| Shares | 16 | 19 | (3) |
| Other | | | |
| Subtotal | 16 | 19 | (3) |
| Total | 2,974 | 1,951 | 1,023 |

Note: Shares, etc. without market value

| Classification | Carrying value in the consolidated balance sheets | |
|---|---|---------------------------|
| | Millions of yen | Thousands of U.S. Dollers |
| Available-for-sale securities (unlisted stocks) | 145 | 962 |

| (Thousands of U.S.Dollars) | | | |
|--|---|------------------|------------|
| | Carrying value in the consolidated balance sheets | Acquisition cost | Difference |
| (1) Securities with carrying value in the consolidated balance sheets exceeding acquisition cost | | | |
| Shares | 19,536 | 12,757 | 6,779 |
| Other | | | |
| Subtotal | 19,536 | 12,757 | 6,779 |
| (2) Securities with carrying value in the consolidated balance sheets not exceeding acquisition cost | | | |
| Shares | | | |
| Other | 106 | 128 | (21) |
| Subtotal | 106 | 128 | (21) |
| Total | 19,643 | 12,886 | 6,757 |

2. Available-for-sale securities sold during the consolidated fiscal year under review (From April 1, 2023 to March 31, 2024)

Not applicable.

(Retirement Benefits)

1. Outline of adopted employee retirement benefit plans

The Company and its domestic consolidated subsidiaries have adopted unfunded retirement benefit plans to provide for retirement benefits for their employees. Half of the retirement benefit plans are defined benefit plans and the remaining portion are defined contribution plans.

The defined benefit plans are lump-sum severance payment plans to provide retirement benefits by means of a point scheme based on service period. In the defined contribution plans, the contribution is clearly sectionalized by individual and the pension benefit amount is determined based on the total of the contributions and the return on plan assets thereof.

In addition to the above, the Company and its domestic consolidated subsidiaries are affiliated with the multiemployer plans of the Japan SOGO Employees' Pension Fund. As the rational computation of plan assets cannot be ensured for the multiemployer pension plans, accounting is processed in a similar manner as that for the defined contribution plans.

At the consolidated subsidiaries in Japan, retirement benefit liability and retirement benefit expenses are calculated by the simplified method. They are included in the following relevant items because of their immateriality in the consolidated financial statements.

2. Defined benefit plans

(1) Reconciliation of the beginning/ending balance of projected benefit obligations

| Fiscal year ended March 31 | Millions of yen | | Thousands of U.S.Dollars |
|--|-----------------|-------|--------------------------|
| | 2023 | 2024 | 2024 |
| Beginning balance of projected benefit obligations | 4,209 | 4,023 | 26,574 |
| Service cost | 228 | 265 | 1,751 |
| Interest cost | 24 | 40 | 265 |
| Accrued amount of actuarial differences | – | (282) | (1,868) |
| Accrued amount of prior service cost | – | (124) | (824) |
| Retirement benefits paid | (437) | (54) | (362) |
| Ending balance of projected benefit obligations | 4,023 | 3,866 | 25,535 |

(2) Reconciliation of the beginning/ending balance of plan assets

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Not applicable.

Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Not applicable.

(3) Reconciliation of the ending balance of projected benefit obligations and plan assets, and the retirement benefit liability and the net defined benefit asset in the consolidated balance sheets

| As of March 31 | Millions of yen | | Thousands of U.S.Dollars |
|--|-----------------|-------|--------------------------|
| | 2023 | 2024 | 2024 |
| Projected benefit obligations under unfunded plans | 4,023 | 3,866 | 25,535 |
| Net carrying value in the consolidated balance sheets of relevant liabilities and assets | 4,023 | 3,866 | 25,535 |
| Retirement benefit liability | 4,023 | 3,866 | 25,535 |
| Net carrying value in the consolidated balance sheets of relevant liabilities and assets | 4,023 | 3,866 | 25,535 |

(4) Retirement benefit expenses and the breakdown of the amounts thereof

| Fiscal year ended March 31 | Millions of yen | | Thousands of U.S.Dollars |
|---|-----------------|------|--------------------------|
| | 2023 | 2024 | 2024 |
| Service cost | 228 | 265 | 1,751 |
| Interest cost | 24 | 40 | 265 |
| Amortization of actuarial differences | 48 | 8 | 56 |
| Amortization of prior service cost | (6) | (10) | (71) |
| Retirement benefit expenses relative to the defined benefit plans | 294 | 303 | 2,002 |

(5) Remeasurements of defined benefit plans

The breakdown of items (before deducting tax-effect amounts) reported under remeasurements of defined benefit plans is as follows:

| Fiscal year ended March 31 | Millions of yen | | Thousands of U.S.Dollars |
|----------------------------|-----------------|------|--------------------------|
| | 2023 | 2024 | 2024 |
| Prior service cost | (6) | 114 | 753 |
| Actuarial differences | 48 | 291 | 1,925 |
| Total | 42 | 405 | 2,678 |

(6) Remeasurements of defined benefit plans (accumulated)

The breakdown of items (before deducting tax-effect amounts) reported under remeasurements of defined benefit plans (accumulated) is as follows:

| As of March 31 | Millions of yen | | Thousands of U.S.Dollars |
|------------------------------------|-----------------|-------|--------------------------|
| | 2023 | 2024 | 2024 |
| Unrecognized prior service cost | 30 | (144) | (956) |
| Unrecognized actuarial differences | (71) | (220) | (1,454) |
| Total | (40) | (365) | (2,411) |

(7) Matters regarding plan assets

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Not applicable.

Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Not applicable.

(8) Matters regarding the basis for actuarial calculations

Major basis for actuarial calculations (presented in weighted average figures)

| As of March 31 | 2023 | 2024 |
|----------------|-------|-------|
| Discount rate | 0.92% | 1.36% |

3. Defined contribution plans

The amount to be contributed by the Company and its consolidated subsidiaries under the defined contribution plans was ¥142 million for the fiscal year ended March 31, 2023, and ¥140 million (\$927 thousand) for the fiscal year ended March 31, 2024.

4. Multiemployer plans

The amount to be contributed under the multiemployer plans of the Japan SOGO Employees' Pension Fund, of which the accounting is processed in the same manner as that for the defined contribution plans, was ¥156 million for the fiscal year ended March 31, 2023, and ¥158 million (\$1,049 thousand) for the fiscal year ended March 31, 2024.

(1) Most recent plan assets reserved under the multiemployer plans

| As of March 31 | Millions of yen | | Thousands of U.S.Dollars |
|--|-----------------|--------|--------------------------|
| | 2023 | 2024 | 2024 |
| Plan assets | 22,048 | 22,422 | 148,091 |
| Total of the actuarial liability based on the pension financing calculation and the minimum liability reserves | 17,838 | 18,115 | 119,645 |
| Net amount | 4,210 | 4,307 | 28,446 |

(2) Ratio of the Group's contribution to the multiemployer plans relative to the contributions to the overall retirement benefit plans

Fiscal year ended March 31, 2023: 15.94% (From April 1, 2022 to March 31, 2023)

Fiscal year ended March 31, 2024: 13.98% (From April 1, 2023 to March 31, 2024)

(3) Supplementary explanation

The major factor of the net amount in Item (1) above was the general reserve (¥3,383 million for the fiscal year ended March 31, 2023, and ¥3,385 million (\$22,362 thousand) for the fiscal year ended March 31, 2024).

The ratios in Item (2) above do not agree with the Group's actual ratios of contributions.

(Tax-Effect Accounting)

1. Breakdown of significant components that caused deferred tax assets and liabilities

| As of March 31 | Millions of yen | | Thousands of U.S.Dollars |
|---|-----------------|-------|--------------------------|
| | 2023 | 2024 | 2024 |
| Deferred tax assets | | | |
| Real estate for sale | 4 | 4 | 30 |
| Accrued retirement payments | 103 | 2 | 13 |
| Accrued enterprise tax | 63 | 54 | 357 |
| Provision for bonuses | 349 | 259 | 1,712 |
| Allowance for doubtful accounts | 7 | 6 | 44 |
| Provision for warranties for completed construction | 52 | 52 | 349 |
| Provision for loss on construction contracts | 8 | 76 | 502 |
| Non-current assets (Impairment losses) | 63 | 61 | 403 |
| Defined contribution pension benefits payable | 3 | 3 | 23 |
| Retirement benefit liability | 1,233 | 1,184 | 7,825 |
| Unrealized gains | 28 | 17 | 112 |
| Asset retirement obligation | 22 | 24 | 161 |
| Other | 163 | 275 | 1,816 |
| Subtotal of deferred tax assets | 2,103 | 2021 | 13,354 |
| Valuation allowance | (63) | (153) | (1,014) |
| Total of deferred tax assets | 2,039 | 1,868 | 12,340 |
| Deferred tax liabilities | | | |
| Valuation difference on available-for-sale securities | 61 | 313 | 2,069 |
| Total of deferred tax liabilities | 61 | 313 | 2,069 |
| Net deferred tax assets | 1,978 | 1,555 | 10,270 |

2. The breakdown of items causing the difference between the effective statutory tax rate and the effective income tax rate after the adoption of tax-effect accounting

| Fiscal year ended March 31 | 2023 | 2024 |
|---|-------|-------|
| | (%) | (%) |
| Effective statutory tax rate | 30.6 | 30.6 |
| (Reconciliation) | | |
| Non-deductible expenses such as entertainment expenses | 0.6 | 0.9 |
| Per capita inhabitant tax | 2.5 | 3.6 |
| Exclusion from revenues such as dividend income | (0.0) | (0.1) |
| Changes in valuation allowance | 0.0 | 2.2 |
| Effect of higher or lower tax rates in foreign subsidiaries | (1.3) | – |
| Tax exemption under the tax measure to promote wage increases | – | (3.1) |
| Other | 1.3 | 0.3 |
| Effective income tax rate after the adoption of tax-effect accounting | 33.6 | 34.4 |

3. Accounting Treatments of Corporate and Local Income Taxes or Their Tax Effect Accounting
The Company and some of its domestic consolidated subsidiaries have applied the group tax sharing system. In addition, the Company and some of its domestic consolidated subsidiaries have accounted for and disclosed corporate and local income taxes and their tax effect accounting in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, August 12, 2021).

(Asset Retirement Obligation)
End of fiscal year ended March 31, 2023 (As of March 31, 2023)
This information is omitted due to its immateriality.

End of fiscal year ended March 31, 2024 (As of March 31, 2024)
This information is omitted due to its immateriality.

(Revenue Recognition)
1. Disaggregation of revenue from contracts with customers
The Group classifies sources of its revenues based on the type of services provided to customers into foundation work, civil engineering, geological consulting and other.
Foundation work: Ground work for constructing dam, etc., ground improvement, slope protection and repair
Civil engineering: General civil engineering, various shield constructions, etc.
Geological consulting: Geological research, survey, etc.
Other: Other than the above

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

| | Construction business (Millions of yen) | Other businesses (Millions of yen) | Total (Millions of yen) |
|---------------------------------------|--|---------------------------------------|----------------------------|
| Foundation work | 69,608 | – | 69,608 |
| Civil engineering | 2,100 | – | 2,100 |
| Geological consulting | 496 | – | 496 |
| Other | 491 | 175 | 667 |
| Revenue from contracts with customers | 72,697 | 175 | 72,872 |
| Other revenue | – | 45 | 45 |
| Net sales to outside customers | 72,697 | 221 | 72,918 |

Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

| | Construction business (Millions of yen) | Other businesses (Millions of yen) | Total (Millions of yen) |
|---------------------------------------|--|---------------------------------------|----------------------------|
| Foundation work | 68,512 | – | 68,512 |
| Civil engineering | 2,209 | – | 2,209 |
| Geological consulting | 488 | – | 488 |
| Other | 542 | 114 | 657 |
| Revenue from contracts with customers | 71,752 | 114 | 71,867 |
| Other revenue | – | 12 | 12 |
| Net sales to outside customers | 71,752 | 127 | 71,880 |

| | Construction business (Thousands of U.S. Dollars) | Other businesses (Thousands of U.S. Dollars) | Total (Thousands of U.S. Dollars) |
|---------------------------------------|---|--|---|
| Foundation work | 452,495 | – | 452,495 |
| Civil engineering | 14,590 | – | 14,590 |
| Geological consulting | 3,224 | – | 3,224 |
| Other | 3,585 | 759 | 4,345 |
| Revenue from contracts with customers | 473,897 | 759 | 474,656 |
| Other revenue | – | 85 | 85 |
| Net sales to outside customers | 473,897 | 845 | 474,742 |

2. Basic information for understanding revenue from contracts with customers
Basic information for understanding revenue is as stated in “Significant Items on Basis for Preparation of Consolidated Financial Statements, 4. Accounting Policies, (6) Recognition standards for significant revenues and expenses.”

3. Reconciliation of satisfaction of performance obligations within contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue arising from existing contracts with customers at the end of the consolidated fiscal year under review expected to be recognized in and after the following consolidated fiscal year

(1) Contract asset and contract liability balances

| | (Millions of yen) | |
|---|---|---|
| | Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31,2023) | Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31,2024) |
| Receivables arising from contracts with customers (beginning balance) | | |
| Notes receivable | 1,917 | 1,808 |
| Accounts receivable from completed construction contracts | 11,249 | 12,033 |
| Accounts receivable | 16 | 23 |
| Electronically recorded monetary claims - operating | 2,563 | 3,462 |
| Receivables arising from contracts with customers (ending balance) | | |
| Notes receivable | 1,808 | 1,303 |
| Accounts receivable from completed construction contracts | 12,033 | 12,435 |
| Accounts receivable | 23 | 10 |
| Electronically recorded monetary claims - operating | 3,462 | 2,979 |
| Contract assets (beginning balance) | 4,750 | 4,530 |
| Contract assets (ending balance) | 4,530 | 4,242 |
| Contract liabilities (beginning balance) | 593 | 423 |
| Contract liabilities (ending balance) | 423 | 980 |

Notes:
1. Contract assets are primarily rights to customers for revenues recognized based on the measurement of progress of completion in uncompleted construction contracts and are included in “notes receivable, accounts receivable from completed construction contracts and other” under current assets in the consolidated balance sheets. The rights are reclassified to receivables when they are invoiced to customers and the rights of the Company and its consolidated subsidiaries become unconditional.
2. Contract liabilities are mainly advances received from customers on construction contracts and are included in “advances received on construction contracts in progress” under current liabilities in the consolidated balance sheets. The performance obligations are satisfied in accordance with the progress of construction and the contract liabilities are reclassified to revenue. Almost all of the contract liability balance as of the beginning of the consolidated fiscal year under review was recognized as revenue in the consolidated fiscal year under review.

(Thousands of U.S. Dollars)

| | Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024) |
|---|--|
| Receivables arising from contracts with customers (beginning balance) | |
| Notes receivable | 11,942 |
| Accounts receivable from completed construction contracts | 79,478 |
| Accounts receivable | 155 |
| Electronically recorded monetary claims - operating | 22,868 |
| Receivables arising from contracts with customers (ending balance) | |
| Notes receivable | 8,606 |
| Accounts receivable from completed construction contracts | 82,130 |
| Accounts receivable | 71 |
| Electronically recorded monetary claims - operating | 19,678 |
| Contract assets (beginning balance) | 29,919 |
| Contract assets (ending balance) | 28,023 |
| Contract liabilities (beginning balance) | 2,799 |
| Contract liabilities (ending balance) | 6,474 |

(2) Transaction price allocated to the remaining performance obligations

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

The total amount of transaction allocated to the remaining performance obligations as of the end of the consolidated fiscal year under review was ¥46,602 million, and the Company expects to recognize revenue for these remaining performance obligations between one or two years upon satisfaction of such obligations.

Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

The total amount of transaction allocated to the remaining performance obligations as of the end of the consolidated fiscal year under review was ¥48,582 million (\$320,868 thousand), and the Company expects to recognize revenue for these remaining performance obligations between one or two years upon satisfaction of such obligations.

(Segment Information, etc.)

[Segment Information]

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

The reportable segments of the Group are the components of the Company and its consolidated subsidiaries, for which separate financial information is available, and which are subject to regular reviews and evaluation by the Board of Directors in deciding the allocation of management resources and in assessing business performance.

The Group's operations consist of the construction business as well as several other business activities such as sales of merchandise and materials, and insurance agency. As these businesses are insignificant in terms of information for disclosure and the sole reportable segment of the Group is the "Construction business," segment information for these businesses is omitted.

Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

The reportable segments of the Group are the components of the Company and its consolidated subsidiaries, for which separate financial information is available, and which are subject to regular reviews and evaluation by the Board of Directors in deciding the allocation of management resources and in assessing business performance.

The Group's operations consist of the construction business as well as several other business activities such as sales of merchandise and materials. As these businesses are insignificant in terms of information for disclosure and the sole reportable segment of the Group is the "Construction business," segment information for these businesses is omitted.

[Related Information]

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

1. Information by product and service

This information is omitted as net sales to outside customers in the classification of sole product/service exceed 90% of the net sales on the consolidated statements of income.

2. Information by geographic region

(1) Net sales

This information is omitted as net sales to outside customers in Japan exceed 90% of the net sales on the consolidated statements of income.

(2) Property, plant and equipment

This information is omitted as the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheets.

3. Information by major customer

This information is omitted as there are no specific outside customers to whom net sales account for 10% or more of the net sales on the consolidated statements of income.

Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

1. Information by product and service

This information is omitted as net sales to outside customers in the classification of sole product/service exceed 90% of the net sales on the consolidated statements of income.

2. Information by geographic region

(1) Net sales

This information is omitted as net sales to outside customers in Japan exceed 90% of the net sales on the consolidated statements of income.

(2) Property, plant and equipment

This information is omitted as the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheets.

3. Information by major customer

This information is omitted as there are no specific outside customers to whom net sales account for 10% or more of the net sales on the consolidated statements of income.

[Information on Impairment Losses of Non-Current Assets by Reportable Segment]

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

The information is omitted as the reportable segment is solely the construction business.

Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

The information is omitted as the reportable segment is solely the construction business.

[Information on Amortized Amount and Unamortized Balance of Goodwill by Reportable Segment]

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

Not applicable.

Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

Not applicable.

[Information on Gain on Bargain Purchase by Reportable Segment]

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

Not applicable.

Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

Not applicable.

[Related Party Information]

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

(1) Parent company information

AN Holdings Corp. (unlisted)

AN Holdings is a wholly-owned subsidiary of ASO CORPORATION (unlisted).

(2) Condensed financial information of significant affiliated companies

Not applicable.

Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

(1) Parent company information

AN Holdings Corp. (unlisted)

AN Holdings is a wholly-owned subsidiary of ASO CORPORATION (unlisted).

(2) Condensed financial information of significant affiliated companies

Not applicable.

(Per-Share Information)

| Fiscal year ended March 31 | 2023 | 2024 | |
|----------------------------|---|---|--------|
| Net assets per share | ¥763.67 | ¥811.40 | \$5.36 |
| Basic earnings per share | ¥84.56 | ¥73.49 | \$0.49 |
| Diluted earnings per share | Diluted earnings per share is not disclosed as no potential shares exist. | Diluted earnings per share is not disclosed as no potential shares exist. | |

Note: The basis for calculation of “Basic earnings per share” is as follows:

| Fiscal year ended March 31 | Millions of yen | | Thousands of U.S.Dollars |
|--|-----------------|--------|--------------------------|
| | 2023 | 2024 | 2024 |
| Basic earnings per share | | | |
| Profit attributable to owners of parent | 3,526 | 3,066 | 20,250 |
| Amounts not attributable to common shareholders | – | – | – |
| Profit attributable to owners of parent regarding common shares | 3,526 | 3,066 | 20,250 |
| Average number of common shares during the fiscal year (Thousands of shares) | 41,706 | 41,721 | |

(Significant Subsequent Events)

Not applicable.

5) [Consolidated Supplementary Statements]

[Schedule of Bonds Payable]

Not applicable.

[Schedule of Borrowings]

Not applicable.

[Schedule of Asset Retirement Obligation]

This information is omitted due to its immateriality.

(2) [Other]

Quarterly data for the fiscal year ended March 31, 2024

| Cumulative periods | Three months (From April 1, 2023 to June 30, 2023) | Six months (From April 1, 2023 to September 30, 2023) | Nine months (From April 1, 2023 to December 31, 2023) | Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024) |
|---|--|---|---|--|
| Net sales (Millions of yen) | 16,120 | 34,977 | 54,874 | 71,880 |
| Profit before income taxes (Millions of yen) | 325 | 1,729 | 3,727 | 4,503 |
| Profit attributable to owners of parent (Millions of yen) | 176 | 1,100 | 2,444 | 3,066 |
| Basic earnings per share (Yen) | 4.23 | 26.37 | 58.59 | 73.49 |

| Cumulative periods | Three months (From April 1, 2023 to June 30, 2023) | Six months (From April 1, 2023 to September 30, 2023) | Nine months (From April 1, 2023 to December 31, 2023) | Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024) |
|---|--|---|---|--|
| Net sales (Thousands of U.S. Dollars) | 106,467 | 231,008 | 362,426 | 474,742 |
| Profit before income taxes (Thousands of U.S. Dollars) | 2,150 | 11,421 | 24,619 | 29,741 |
| Profit attributable to owners of parent (Thousands of U.S. Dollars) | 1,165 | 7,265 | 16,144 | 20,250 |
| Basic earnings per share (Dollars) | 0.028 | 0.17 | 0.39 | 0.49 |

| Accounting periods | First quarter (From April 1, 2023 to June 30, 2023) | Second quarter (From July 1, 2023 to September 30, 2023) | Third quarter (From October 1, 2023 to December 31, 2023) | Fourth quarter (From January 1, 2024 to March 31, 2024) |
|--|---|--|---|---|
| Quarterly basic earnings per share (Yen) | 4.23 | 22.14 | 32.22 | 14.90 |
| Quarterly basic earnings per share (Dollars) | 0.03 | 0.15 | 0.21 | 0.10 |



Independent Auditor's Report

The Board of Directors
NITTOC CONSTRUCTION CO., LTD.

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of NITTOC CONSTRUCTION CO., LTD. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2024, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

| Estimates of total construction revenue and total cost of construction work for a construction contract to be satisfied over a certain period of time | |
|---|---|
| Description of Key Audit Matter | Auditor's Response |
| As described in "Estimates of total construction revenue and total cost of construction work for a construction contract to be satisfied over a certain period of time" under (Significant Accounting Estimates) in | We mainly performed the following procedures to evaluate the estimates of total construction revenue and total cost of construction used in the application of the method of recognizing revenue as |



Notes to Consolidated Financial Statements, NITTOC CONSTRUCTION CO., LTD. (the "Company") and its consolidated subsidiaries (collectively, the "Group") record revenues related to performance obligations that are satisfied over a certain period of time in their construction business, which is a major line of business, in accordance with progress calculated based on the ratio of the costs actually incurred to the total cost of construction.

Of consolidated net sales of completed construction contracts of ¥71,752 million for the fiscal year ended March 31, 2024, the Group recorded net sales of completed construction contracts of ¥65,115 under the method of recognizing revenue as performance obligations are satisfied over a certain period of time, accounting for 90.7% of consolidated net sales of completed construction contracts. (The Company recorded net sales of completed construction contracts of ¥63,709 million under the method of recognizing revenue as performance obligations are satisfied over a certain period of time.)

In applying the method of recognizing revenue as performance obligations are satisfied over a certain period of time, net sales of completed construction contracts are determined by multiplying total construction revenue by progress towards satisfaction of performance obligations, which is based on total cost of construction and corresponds to costs actually incurred up until the end of the fiscal year. Accordingly, it is necessary to reasonably estimate total construction revenue and total cost of construction, which are an assumption underlying the measurement of progress towards satisfaction of a performance obligation.

In addition to construction contracts undertaken by the Company being individual in nature, it is difficult to fully ascertain construction conditions in advance and in many projects changes are made to construction details, including construction

performance obligations are satisfied over a certain period of time.

(1) Evaluation of internal controls

We evaluated the design and operation of the following internal controls of the Company relating to estimates of total construction revenue and total cost of construction.

- We evaluated controls to ensure reliability by requiring that the estimated portion of total construction revenue is calculated by accumulating information from materials such as construction instructions and quotations, and that the necessary approval for such calculations is obtained.
- We evaluated controls to ensure a system for revising estimates of total construction revenue in a timely manner in accordance with factors such as the status of discussions with ordering parties, and that revisions are made in a timely and appropriate manner.
- We evaluated controls to ensure reliability by requiring that the statement of working budget, which serves as the basis for estimates of total cost of construction, is prepared by persons in charge of construction work who have specialized knowledge, and that the necessary approval for the statement of working budget is obtained from the construction department and other relevant departments that perform functions such as construction management, progress management, and logistics support.
- We evaluated controls to ensure a system for revising estimates of total cost of construction in a timely manner in accordance with factors such as the status of construction and the amounts of costs actually incurred, or changes in specifications instructed by customers, and that revisions are made in a timely and appropriate manner.

(2) Evaluation of estimates of total construction revenue and total cost of construction

methods and construction periods due to certain facts coming to light after the commencement of construction and conditions at construction sites. Therefore, estimates of total construction revenue and total cost of construction involve certain assumptions, judgments and uncertainties. Furthermore, uncertainty regarding estimates of total construction revenue and total cost of construction increased further due to changes in the market environment, such as recently rising costs including material and subcontracting costs.

Based on the above, we have determined that estimates of total construction revenue and total cost of construction as it relates to application of the method of recognizing revenue as performance obligations are satisfied over a certain period of time are of particular significance for the fiscal year ended March 31, 2024 and, accordingly, that this is a key audit matter.

We identified construction contracts in which there was either material or qualitative uncertainty over the estimate of total construction revenue and total cost of construction in light of factors such as construction contract amount, profit (loss) on construction, construction details, and the status of construction, and performed the following procedures.

- We compared the estimated portion of total construction revenue for which no contract has been concluded to basis materials such as construction instructions and quotations submitted to ordering parties after making inquiries of persons such as division managers regarding the details and basis for such amounts and inspecting minutes of discussions with ordering parties.
- With regard to estimates of total cost of construction, we made inquiries of the persons responsible for construction cost management as to whether the estimates need to be revised. We also inspected the "Business Implementation Reports" submitted monthly to the head office by each branch office and department, and examined whether the estimates need to be revised in light of the status of construction work and amounts of expenses incurred.
- We reconciled estimates of total cost of construction to the latest statement of working budget on which calculations of such estimates are based, and examined whether the details of estimated costs were consistent with construction deliverables and whether the estimated costs were calculated by aggregating amounts by type of work.
- We compared the most recent estimates of total cost of construction for each quarter with the corresponding estimates of total cost of construction for the preceding quarter and evaluated whether the details of material quarter-to-quarter changes were reflected in such estimates in a timely manner by making inquiries of on-site

construction managers regarding these changes and reconciling these changes to materials prepared by on-site construction personnel related to revisions to the estimates.

- We inspected estimated costs for each type of work in the statement of working budget, and reconciled material estimated costs to materials, such as quotations, from which costs are accumulated to serve as the basis for such estimated costs. Additionally, we compared the costs actually incurred relative to the estimated costs for each type of work, and assessed whether or not actual costs have exceeded estimated costs.
- We performed on-site observations for particularly material construction projects to consider if the status of construction is consistent with construction progress that we heard about in advance from construction departments or on-site construction managers, as well as with work schedules and details of estimates of total cost of construction.
- We evaluated the accuracy of estimates of working budgets by comparing preliminary profit (loss) on construction estimates to the subsequent outcomes.

Other Information

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

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

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

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

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



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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note "Basis of Presenting Consolidated Financial Statements." to the consolidated financial statements.

Fee-related Information

The fees for the audits of the financial statements of NITTOC CONSTRUCTION CO., LTD. and its subsidiaries provided by us and other EY member firms are 48 million yen for the year ended March 31, 2024, and there are no fees for other services for the year ended March 31, 2024.



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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 27, 2024

柳井 浩一
Koichi Yanai
Designated Engagement Partner
Certified Public Accountant

海上 大介
Daisuke Unagami
Designated Engagement Partner
Certified Public Accountant

Corporate Overview and Major Construction Methods (as of March 31, 2024)

| | | |
|--|---|---|
| Trade Name | NITTOC CONSTRUCTION CO., LTD. | |
| Headquarters | 4F, 5F and 6F, Daiwa Higashi-Nihonbashi Bldg., 3-10-6, Higashi-Nihonbashi, Chuo-ku, Tokyo 103-0004, Japan | |
| Established on | December 17, 1947 | |
| Capital | Total number of issued shares: 41,753,765 (as of July 19, 2024) Paid-in capital: ¥6,076 million Tokyo Stock Exchange: Tokyo Stock Exchange Prime | |
| Number of Employees (Consolidated) | Construction business:1,091 persons Other business: 6 persons Total: 1,097 persons Note: The annual average number of temporary employees is 313. | |
| Description of Business | Comprehensive construction business · Civil engineering and foundation · Environmental and geological consulting | |
| License | Specified Construction Business—License No. 211, issued by the Minister of Land, Infrastructure, Transport and Tourism (Date of approval: October 25, 2021) | |
| Business Lines | Civil engineering works, Slope protection works, Landslide protection works, Revegetation works, Ground improvement works, Grouting, Piling, Sewage maintenance and renovation, Construction consulting and other | |
| Sales Offices | Asahikawa / Hakodate / Doto / Aomori / Morioka / Sanriku / Akita / Yamagata / Fukushima / Gunma / Utsunomiya / Mito / Chiba / Saitama / Yokohama / Nagano / Sado / Joetsu / Kanazawa / Fukui / Toyama / Gifu / Mie / Shizuoka / Keiji / Kobe / Nawa / Takamatsu / Matsuyama / Kochi / Tottori / Matsue / Okayama / Yamaguchi / Nagasaki / Saga / Oita / Kumamoto / Miyazaki / Kagoshima / Okinawa | |
| Subsidiaries | Midori Industries Co.,Ltd 3-10-6, Higashi-Nihonbashi,Chuo-ku, Tokyo 103-0004 Japan Shimane Earth Engineering Co.,Ltd 310-1, Tsuda-cho, Matsue-Shi, Shimane 690-0055 Japan Yamaguchi Earth Engineering Co.,Ltd 2-3-13, Hirano,Yamaguchi-Shi,Yamaguchi 753-0015 Japan Ehime Earth Engineering Co., Ltd. 2-6-12 Amayama ,Matsuyama-shi, Ehime 790-0951 Japan Fukui Earth Engineering Co., Ltd. 24-21-2 Ebata-cho, Fukui-shi, Fukui 918-8016 Japan PT. NITTOC CONSTRUCTION INDONESIA GENERALI TOWER GRAN RUBINA BUSINESS PARK 16th Floor Unit G Jl. HR Rasuna Said, Kuningan Jakarta 12940, Indonesia | |
| Staffing (Qualification Holders) (Persons) | Number of employees Professional Engineer Registered 1st Class Civil Engineer Registered 2nd Class Civil Engineer Registered 1st and 2nd Class Architect Registered Surveyor and Assistant-Surveyor | Total 1,097 55 650 752 8 324 |