

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

1. Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements of THE NIPPON ROAD CO., LTD. (the “Company”) and its consolidated subsidiaries (hereinafter referred to collectively as the “Companies”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau in Japan have been reclassified for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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For the years ended March 31, 2024 and 2023

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

At March 31, 2024, the consolidated financial statements included the accounts of the Company and its 43 (44 at March 31, 2023) subsidiaries (40 domestic subsidiaries and 3 overseas subsidiaries).

During the year ended March 31, 2024, one subsidiary was excluded from consolidation due to merger with another company on April 1, 2023. All assets and liabilities of consolidated subsidiaries were revalued to fair market value as of the date of establishment of control. Any difference between the cost of an investment in a subsidiary and the amount of underlying equity in the net assets of the subsidiary, if any at the date of establishment of control, were expensed when incurred, as any such difference was insignificant. All significant intercompany accounts and transactions have been eliminated in consolidation.

The unconsolidated subsidiaries and affiliates did not have a material effect on the consolidated financial statements of the Companies and therefore they were excluded from consolidation. They were not accounted for using the equity method for the reason described above.

Overseas consolidated subsidiaries adopted accounting principles generally accepted in their respective countries and no adjustments were made to their financial statements in consolidation, as allowed under accounting principles and practices generally accepted in Japan. In addition, the financial statements of three overseas subsidiaries (Nippon Road (M) Sdn. Bhd., Thai Nippon Road Co., Ltd. and Thai Nippon Holding Ltd.) were prepared on a calendar-year basis. Significant transactions that occurred between January 1 and March 31 were reflected in the accompanying consolidated financial statements.

(2) Valuation of Securities

Securities held by the Companies are classified into two categories:

a) Held-to-maturity debt securities that the Companies intend to hold to maturity are stated at cost after accounting for any premium or discount on acquisition, which is amortized over the period to maturity.

Non-marketable equity securities other than stocks etc. are stated at fair value. Net unrealized gains and losses, net of the related tax effect, on these securities are reported as a separate component of "Shareholders' Equity", and the cost of sales is determined by the moving average method.

Non-marketable stocks etc. are stated at cost, cost being determined by the moving average method.

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(3) Inventory Valuation

Inventories are classified into three categories:

- a) Merchandise and b) the cost of uncompleted construction contracts, are valued at cost as determined by the job order costing method. (The balance sheet amounts of the inventories are calculated at the reduced book values reflecting potential decline in profitability.)
- c) Raw materials are valued at cost as determined by the moving average method. (The balance sheet amounts of the inventories are calculated at the reduced book values reflecting potential decline in profitability.)

(4) Tangible Fixed Assets

Tangible fixed assets of the Company and its domestic subsidiaries, excluding leased assets, are principally depreciated using the declining-balance method over the estimated useful lives of the assets. However, the straight-line method has been applied to buildings, excluding building fixtures, acquired after April 1, 1998, and building fixtures and structures acquired after April 1, 2016, over the estimated useful lives of the assets.

Leased assets are depreciated using the straight-line method over the lease term.

Tangible fixed assets of overseas subsidiaries are principally depreciated using the straight-line method over the estimated useful lives of the assets.

Normal repairs and maintenance, including minor renewals and improvements, are charged to expense as incurred.

Estimated useful lives range from 2 to 50 years for buildings and structures, and from 2 to 20 years for machinery, equipment, and leased assets.

(5) Intangible Assets

Amortization of intangible assets and long-term prepaid expenses included in "Other investments" are computed using the straight-line method, over the estimated useful lives.

Software for internal use is amortized over the expected useful life of the software (5 years) on a straight-line basis.

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(6) Reserves and Allowances

(i) Allowance for doubtful accounts

The Company and its domestic subsidiaries provide an allowance for doubtful accounts based on a historical default ratio, in addition to the amount of potential losses from uncollectible receivables based on management's estimate.

The foreign consolidated subsidiaries provide for potential losses from uncollectible receivables based on management's estimate.

(ii) Warranty provision for completed construction contracts

A warranty reserve for completed construction contracts is provided to cover expenses for defects claimed concerning completed work of liability for non-conformity of the contract at an estimated amount, based on the actual level of defects and the related warranty costs specified in the completed construction contracts.

(iii) Provision for loss on construction contracts

The Company provides a reasonable estimated amount for future loss on construction contracts outstanding at the year-end.

(iv) Accrued bonus to directors and statutory auditors

To prepare for payment of bonuses to directors and statutory auditors, a reserve for bonus is provided based on the estimated amount of bonus to be paid.

(7) Method for Accounting for Retirement Benefits

(i) Method of attributing expected retirement benefits to periods

When calculating retirement benefit obligations, the benefit formula method was used for attributing expected retirement benefits for the periods through March 31, 2024.

(ii) Method of expenses for actuarial differences and prior service costs

Unrecognized prior service costs are amortized on a straight-line basis over 12 years from the year in which they occur.

Unrecognized actuarial differences are amortized on a straight-line basis over 12 years from the next year in which they occur.

(8) Translation of Foreign Currency

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rate prevailing at the balance sheet date. Resulting gains and losses are included in net income or loss for the period.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

Assets and liabilities of the foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rate prevailing at the balance sheet date, except for shareholder's equity which is translated into Japanese yen at the historical rate. Profit and loss accounts for the year are translated into Japanese yen using the average exchange rate prevailing for the year. Differences in yen amounts arising from the use of different rates are presented as "foreign currency translation adjustments" in the shareholders' equity.

(9) Revenue Recognition

(i) Standard of revenue recognition for construction business

In the construction business, the Company is primarily engaged as a contractor for all construction work such as paving, civil engineering, building and others, and the Company is obliged to undertake construction work based on the contract with customers such as government entities, common consumers and private companies.

Revenue is recognized based on the percentage of progress of the construction work as the performance obligations are satisfied over time in accordance with the contract with the customer, and the asset (work in progress) is generated or its value is increased as the performance obligations are satisfied with control of such asset held by the customer. The input method is applied to measure the progress over time based on the percentage of incurred cost up to the end to the fiscal year compared with the estimated total cost for each contract.

If progress toward satisfaction of a performance obligation cannot be reasonably estimated, revenue is recognized on a cost recovery basis.

(ii) Standard of revenue recognition for manufacture and sales business

In the manufacture and sales business, the Company manufactures asphalt mixture material which is mainly used for paving construction and sales to customers (Paving contractors). Products are sold in accordance with product sales contract. For the sale of these goods and products, revenue is recognized at the point in time when the respective goods and products are delivered to the customer as it is deemed obligation of the Company is fulfilled when control of such products is transferred to the customer as the time of delivery.

(iii) Revenue from finance lease transactions

Lease fees are recognized in sales and cost of sales at time of receipt.

(10) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits capable of being withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuations in value.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

(11) Accounting for Consumption Tax

Consumption tax is imposed at the flat rate of 10% on all domestic consumption of goods and services (with certain exemptions). The accounting treatment of the consumption tax is based on the tax exclusion method.

The consumption tax withheld upon sale and consumption tax paid by the Companies on their purchases of goods and services are not included in the amounts of respective revenue and cost or expense items in the accompanying consolidated statements of income. The consumption tax withheld and consumption tax paid is recorded as assets or liabilities and the net balance is included in "Accounts payable - other" in the consolidated balance sheets.

(12) Income Taxes

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitant taxes and enterprise taxes.

The Company and its subsidiaries adopt deferred tax accounting in accordance with the amended regulations for the preparation of consolidated financial statements. Deferred income taxes are determined using the asset and liability approach, whereby deferred tax assets and liabilities are recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the consolidated financial statements.

(13) Appropriation of Retained Earnings

Until the year ended March 31, 2006, under the Japanese Commercial Code and the Articles of Incorporation of the Company, the appropriation of retained earnings proposed by the Board of Directors was subject to approval by the shareholders at a meeting, which must be held within three months of the end of each fiscal year. The appropriations of retained earnings reflected in the accompanying consolidated financial statements included the results of such appropriations applicable to the immediately preceding fiscal year as approved at the shareholders' meeting and effected during the relevant year. Dividends were paid to shareholders on the shareholders' register as of the end of each fiscal year. As was customary practice in Japan, the payment of bonuses to directors and corporate auditors was made out of retained earnings through an appropriation, instead of being charged to expenses for the fiscal year.

The Japanese Commercial Code provided that interim cash dividends may be paid as a part of the annual dividend upon approval by the Board of Directors. The Company did not pay such interim dividends to its shareholders.

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Effective from May 1, 2007, under the Japanese Corporate Law, such cash dividends are able to be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

(14) Legal Reserves

Under the Japanese Corporate Law, the entire amount of the issue price of shares is required to be accounted for as common stock, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital.

The Japanese Corporate Law requires that an amount equal to at least 10% of cash dividends and other cash appropriations are appropriated and set aside as legal reserve until the total amount of legal reserve and additional paid-in capital equals 25% of common stock. The legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors. If the total amount of the legal reserve and additional paid-in capital remains equal to or exceeds 25% of common stock, the legal reserve and additional paid-in capital are available for dividends by resolution of the shareholders' meeting. In the accompanying financial statements, the legal reserve is included in retained earnings and additional paid-in capital is included in capital surplus.

The maximum amount the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Japanese Corporate Law.

(15) Other significant accounting policies in the preparation of consolidated financial statements

Accounting principles and procedures adopted when the related accounting standards, etc., are unclear.

The accounting method for joint ventures in construction business and material sales business is mainly based on the accounting method for recognizing assets, liabilities, income and expenses in proportion to the investment of the members.

3. United States Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥151.40=U.S. \$1, the approximate rate of exchange prevailing at March 31, 2024 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rates.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

4. Significant Accounting Estimates, Changes in Accounting Policies, Accounting Standards Issued but not yet Effective and Additional Information

(Significant Accounting Estimates)

Estimate of the total construction revenue and the total construction costs in applying the method of satisfying performance obligations and recognizing revenue over time

(1)The amounts recorded in the consolidated financial statements for the current fiscal year

March 31	Millions of yen		Thousands of U.S. dollars (Note 3)
	2024	2023	2024
Revenues from construction based on the method to recognize revenue by satisfying performance obligations over a certain period of time.....	¥116,056	¥110,822	\$766,550
..... The amount recorded for the works in progress as at the end of current fiscal year out of the figure stated in above.....	¥35,752	¥34,603	\$236,143

(2)Information about the content of significant accounting estimate relating to the items recognized

①Calculation method

For contracts in which performance obligations are satisfied over a certain period of time, revenue is recognized based on the percentage of progress of the construction work. The input method is applied to measure the progress over time based on the percentage of incurred cost up to the end to the fiscal year compared with the estimated total cost for each contract.

②Major Assumptions

The Company estimates the total construction costs based on the execution budget which is formulated based on the work program, construction period, material used and quantity assumed according to the client's specification and standard.

The Company estimates the total construction revenue based on the estimate of the construction costs taking into account of the process of negotiation with the client.

③Impact on the consolidated financial statements for the following fiscal year

The review of the total construction revenue and the total construction costs caused by the fluctuation of major assumptions due to various factors during the construction period such as fluctuations in material prices, changes in construction method or scope, negotiation on changes to the contract amount and unexpected events such as natural disaster etc. may affect the revenue from construction contracts in the following fiscal year.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

(Accounting Standards Issued but not yet Effective)

The Accounting Standards Board of Japan issued the following revised accounting standards and revised implementation guidance:

"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)

(i) Overview

The revised standards and revised implementation guidance provide for the classification of income taxes when taxes are imposed on other comprehensive income and for the treatment of tax effects related to the sale of shares of subsidiaries when the corporate group tax system is applied.

(ii) Scheduled date of adoption

The Company expects to adopt the accounting standards and related implementation guidance from the beginning of the fiscal year ending March 31, 2025.

(iii) Impact of the adoption of accounting standard and implementation guidance

The Company is currently evaluating the effect of the adoption of the accounting standards and related implementation guidance on its consolidated financial statements.

"Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules" (ASBJ PITF No. 46, March 22, 2024)

(i) Overview

At the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS), the global minimum tax was agreed by each participating country in the framework in October 2021.

In response to the agreement, the treatment of the Income Inclusion Rule (IIR), one of the internationally agreed global minimum tax rules, was settled in the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 3 of 2023) enacted on March 28, 2023, in Japan. The IIR is applicable to fiscal years beginning on or after April 1, 2024.

The global minimum tax is a new tax system that aims to impose a minimum 15% corporate income tax on the profits by country of multinational groups of companies, etc. that meet certain requirements, and a new tax system in which there is a difference between the company that generates the net income (profit) that is the source of the tax and the company that is obligated to pay the tax.

"The Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules" presents the treatment of accounting and disclosure of income taxes and local income taxes under the global minimum tax system.

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(ii) Scheduled date of adoption

The Company expects to adopt the accounting standards and related implementation guidance from the beginning of the fiscal year ending March 31, 2025.

(iii) Impact of the adoption of accounting standard and implementation guidance

The Company is currently evaluating the effect of the adoption of the accounting standards and related implementation guidance on its consolidated financial statements.

Notes to the Consolidated Financial Statements

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5. Notes to the Consolidated Balance Sheets

- (1) Receivables from contracts with customers and contract assets accounted under notes receivable, accounts receivable from completed construction contracts and other

March 31	Millions of yen		Thousands of U.S. dollars (Note 3)
	2024	2023	2024
Receivables from contracts with customers.....	¥28,837	¥26,781	\$190,471
Contract assets.....	¥17,866	¥20,423	\$118,005

- (2) Investments of the Company in equity securities issued by unconsolidated subsidiaries and affiliates

March 31	Millions of yen		Thousands of U.S. dollars (Note 3)
	2024	2023	2024
Investment securities (corporate stock)	¥73	¥73	\$480

- (3) Pledged Assets

For the loans payable of the business company of the PFI business that we finance, the Company provided collateral.

The assets pledged as collateral are as follows:

March 31	Millions of yen		Thousands of U.S. dollars (Note 3)
	2024	2023	2024
Short-term Loans			
(Current Assets “Other”)	¥27	¥27	\$179
Investment securities	4	4	23
Long-term Loans			
(Investments and Other Assets “Other”)	7	34	45
	¥38	¥65	\$248

The business securities deposits pledged as collateral under the Building Lots and Buildings

Transaction Business Act Laws are as follows:

March 31	Millions of yen		Thousands of U.S. dollars (Note 3)
	2024	2023	2024
Long Term Guarantee Deposit (Investment and Other Assets “Other”)	¥10	¥40	\$66

Notes to the Consolidated Financial Statements

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The following assets are pledged as collateral for performance obligations under construction contracts.

March 31	Millions of yen		Thousands of U.S. dollars (Note 3)
	2024	2023	2024
Fixed Deposit (Cash Deposit)	¥15	¥15	\$102

(4) Commitments

The Company had a total of ¥4,300 million (\$28,402 thousand) of overdraft contracts and credit lines from two banks to facilitate the availability of efficient funds as of March 31, 2024 and 2023, respectively. The unutilized portion was ¥4,300 million (\$28,402 thousand) as of March 31, 2024 and 2023, respectively.

(5) Contract liabilities accounted under advances received on uncompleted construction contracts

March 31	Millions of yen		Thousands of U.S. dollars (Note 3)
	2024	2023	2024
Contract liabilities	¥1,347	¥1,489	\$8,900

(6) Notes due at the fiscal year end

The accounting treatment for the settlement of notes is at the date of clearance. As March 31, 2024 was a holiday for financial institutions, the following matured notes due at the fiscal year end are included in the balances as of March 31, 2024 and these were settled on the next business day.

March 31	Millions of yen		Thousands of U.S. dollars (Note 3)
	2024	2023	2024
Notes receivable.....	¥127	-	\$838
Electronically recorded monetary claims.....	¥133	-	\$879
Notes payable.....	¥300	-	\$1,984

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

6. Notes to the Consolidated Statements of Income

(1) Revenue from Contracts with Customers

“Net Sales” includes revenue recognized from contracts with customers and other sources. The amount of revenue recognized from contracts with customers is disclosed in Note 15. Revenue Recognition (1).

(2) Revenue from construction contracts by satisfying performance obligations over a certain period of time

	Millions of yen		Thousands of U.S. dollars (Note 3)
For the year ended March 31	2024	2023	2024
	¥116,056	¥110,822	\$766,550

(3) Provision for loss on construction contracts included in cost of sales for completed construction contracts

	Millions of yen		Thousands of U.S. dollars (Note 3)
For the year ended March 31	2024	2023	2024
	¥13	¥145	\$85

(4) The major components of “Selling, General and Administrative Expenses”

	Millions of yen		Thousands of U.S. dollars (Note 3)
For the year ended March 31	2024	2023	2024
Employees’ salaries and allowances	¥4,434	¥4,382	\$29,286
Net periodic pension expense	117	113	772
Accrued bonus to directors	82	64	540
Provision of allowance for doubtful accounts ...	9	5	58

(5) Research and Development Expenses

Research and development expenses, which were included in general and administrative expenses, amounted to ¥676 million (\$4,465 thousand) for the year ended March 31, 2024 and ¥546 million for the year ended March 31, 2023.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

(6) Components of gain on sale of tangible fixed assets

	Millions of yen		Thousands of U.S. dollars (Note 3)
For the year ended March 31	2024	2023	2024
Machinery and equipment	-	¥12	-
Land.....	¥649	-	\$4,288
Others.....	11	0	73
	¥660	¥13	\$4,361

(7) Components of loss on disposal of tangible fixed assets

	Millions of yen		Thousands of U.S. dollars (Note 3)
For the year ended March 31	2024	2023	2024
Buildings.....	¥263	¥37	\$1,738
Structures.....	8	-	55
Machinery and equipment	20	10	128
Leasehold right.....	-	11	-
Others	4	4	29
	¥295	¥62	\$1,950

(8) Impairment loss on tangible fixed assets

For the year ended March 31, 2024, the Companies recognized an impairment loss for the following group of assets:

Location	Use	Category	Millions of yen	Thousand of U.S. dollars (Note 3)
Tokyo Metropolis	Assets used for business	Land and other	¥479	\$3,165
Hokkaido	Assets used for business	Land and other	11	69
Tokyo Metropolis	Assets used for business	Lease investment assets	13	87
Total			¥503	\$3,321

The Companies assessed impairment for each group of assets, which were grouped on the basis of managerial accounting, branch and segment, and for idle assets, individually.

As a result of a worsening operating profitability, the Companies reduced the book value of the above assets to the recoverable value for assets used for business. The total impairment loss was ¥503 million (\$3,320 thousand) under extraordinary losses.

The recoverable value was measured by its fair value less costs of disposal. The fair value of land was based on valuation of property tax or appraisal value of the land less estimated disposal costs.

For the year ended March 31, 2023, the Companies recognized an impairment loss for the following group of assets:

Notes have been omitted due to immateriality

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7. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2024 and 2023.

For the year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 3)
	2024	2023	2024
Valuation difference on available-for-sale securities:			
Amount recognized in the period	¥284	¥253	\$1,878
Amount of recycling	0	(2,792)	0
Before income tax effect adjustment	284	(2,539)	1,878
Amount of income tax effect..	(87)	777	(577)
Valuation difference on available-for-sale securities.....	197	(1,762)	1,301
Foreign currency translation adjustments:			
Amount recognized in the period.... ..	29	116	194
Retirement benefits liability adjustments:			
Amount arising during the year.....	646	(505)	4,268
Reclassification adjustments for gains and losses included in net income.....	35	40	232
Amount before tax effect..	681	(465)	4,500
Tax effect	(209)	142	(1,378)
Retirement benefits liability adjustments.....	473	(322)	3,122
Total other comprehensive income	¥699	¥(1,968)	\$4,617

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8. Notes to the Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2024

(1) Type and number of outstanding shares

Type of shares	Thousands of shares			Balance at March 31, 2024
	Balance at March 31, 2023	Increase in shares during the year	Decrease in shares during the year	
Issued stock:				
Common stock				
(note 1,2)	8,789	35,157	-	43,946
Treasury stock:				
Common stock				
(note 1,3)	0	2	-	3

Notes

1. The Company implemented a five-for-one common stock split, effective October 1, 2023.
2. The number of shares of issued stock increased by 35,157 shares due to the stock split.
3. The number of shares of treasury stock increased by 2 thousand shares due to the stock split and 0 thousand shares due to purchases of shares less than one trading unit.

(2) Dividends

(i) Dividends paid to shareholders

Resolution	Type of shares	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)	Source	Amount per share (Yen)	Amount per share (U.S. dollars)	Shareholders' cut-off date	Effective date
Board of directors (May 11, 2023)	Common stock	¥2,461	\$16,254	Retained earnings	¥280	\$1.85	March 31, 2023	June 2, 2023

(ii) Dividends with a shareholders' cut-off date during the current fiscal year but an effective date subsequent to the current fiscal year

Resolution	Type of shares	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)	Source	Amount per share (Yen)	Amount per share (U.S. dollars)	Shareholders' cut-off date	Effective date
Board of directors (May 13, 2024)	Common stock	¥2,637	\$17,415	Retained earnings	¥60	\$0.40	March 31, 2024	June 3, 2024

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For the year ended March 31, 2023

(1) Type and number of outstanding shares

Type of shares	Thousands of shares			
	Balance at March 31, 2022	Increase in shares during the year	Decrease in shares during the year	Balance at March 31, 2023
Issued stock:				
Common stock				
(note 1)	8,789	-	-	8,789
Treasury stock:				
Common stock				
(note 1)	-	0	-	0

Notes

- The number of shares of treasury stock increased by 0 thousand due to purchases of shares less than one trading unit.

(2) Dividends

(i) Dividends paid to shareholders

Resolution	Type of shares	Amount (Millions of yen)	Source	Amount per share (Yen)	Shareholders' cut-off date	Effective date
Board of directors (May 12, 2022)	Common stock	¥1,846	Retained earnings	¥210	March 31, 2022	June 3, 2022

(ii) Dividends with a shareholders' cut-off date during the current fiscal year but an effective date subsequent to the current fiscal year

Resolution	Type of shares	Amount (Millions of yen)	Source	Amount per share (Yen)	Shareholders' cut-off date	Effective date
Board of directors (May 11, 2023)	Common stock	¥2,461	Retained earnings	¥280	March 31, 2023	June 2, 2023

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9. Notes to the Consolidated Statements of Cash Flows

Cash and Cash Equivalents at March 31, 2024 and 2023 consisted of:

March 31	Millions of yen		Thousands of U.S. dollars (Note 3)
	2024	2023	2024
Cash and deposits	¥33,602	¥38,159	\$221,940
Fixed deposits with a deposit term of more than 3 months.....	(16)	(30)	(104)
Cash and cash equivalents	¥33,586	¥38,129	\$221,836

10. Leases

Information regarding finance leases as lessor for the years ended March 31, 2024 and 2023 was as follows:

(1) Details of lease investment assets

Current assets

March 31	Millions of yen		Thousands of U.S. dollars (Note 3)
	2024	2023	2024
Lease receivables	¥7,527	¥7,861	\$49,713
Estimated salvage value	1,109	1,075	7,326
Receipt interest equivalent value	(568)	(603)	(3,751)
Lease investment assets	¥8,068	¥8,333	\$53,288

(2) The collection schedule after the balance sheet date of lease receivables and lease investment assets was as follows:

Lease receivables (Current assets)

March 31	Millions of yen		Thousands of U.S. dollars (Note 3)
	2024	2023	2024
Due within one year.....	¥-	¥-	\$-
Due after one to two years	-	-	-
Due after two to three years	-	-	-
Due after three to four years	-	-	-
Due after four to five years	-	-	-
Due after five years	-	-	-

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Lease investment assets (Current assets)

	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31	2024	2023	2024
Due within one year	¥2,625	¥2,670	\$17,336
Due after one to two years	2,023	2,124	13,365
Due after two to three years	1,431	1,523	9,452
Due after three to four years	884	945	5,842
Due after four to five years	387	427	2,557
Due after five years	176	171	1,162

Information regarding operating lease transactions for the years ended March 31, 2024 and 2023 was as follows:

Future minimum lease payments on noncancellable leases

	Millions of yen		Thousands of U.S. dollars (Note 3)
March 31	2024	2023	2024
Due within one year	¥884	¥866	\$5,842
Due over one year	740	718	4,890
	¥1,624	¥1,584	¥10,732

11. Financial Instruments

(1) Status of Financial Instruments

(i) Policy regarding financial instruments

The Companies limit the scope of their cash and fund management activities to short-term deposits, and have a policy of relying principally on bank borrowings.

(ii) Type of financial instruments and related risk

In the course of their business activities, the Companies are exposed to credit risk arising from notes receivable, accounts receivable from construction contracts, electronically recorded monetary claims and other that are outstanding from their customers.

The Companies are exposed to market price risk because investment securities are mainly stocks of other companies with which the Companies have business relationship.

In the course of their business activities, the Companies notes payable, accounts payable for construction contracts, electrically recorded obligations and others are mostly payable within 3 months.

The Companies have loans payable up to 5 years from the date of the closing of accounts.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

(iii) System for management of financial instruments

a. Credit risk management (the risk that counterparties may default on their obligations to the Companies)

The Companies have prepared an official policy for managing credit exposures. The Companies establish a payment term and credit limit for each customer in every branch and every business office. Credit risk management section of head office monitors the outstanding balances of customers on a regular basis and changes collection terms or credit limits in case based on the financial performance of each customer. These procedures are also performed by the consolidated subsidiaries to reduce credit risk.

b. Liquidity risk management (the risk that the Companies may not be able to meet their payment obligations on the scheduled date)

The Companies plan capital requirements based on reviewing each branch's section report and manage liquidity risk by maintaining fluidity of their capital. These procedures are also performed by the consolidated subsidiaries to manage liquidity risk. When a group company faces shortage of operating funds, the Companies use group financing.

(iv) Supplementary explanation of the estimated fair value of financial instruments and related matters

Since factors that may result in fluctuations in value are taken into account in estimating the price of financial instruments, it may fluctuate when different assumptions are used.

(2) Estimated Fair Value and Other Matters Related to Financial Instruments

Carrying value on the consolidated balance sheet as of March 31, 2024 and 2023 unrealized gains (losses) are shown in the following table.

For the year ended March 31, 2024

	Millions of yen			Thousands of U.S. dollars (Note 3)		
	Book value	Fair market value	Difference	Book value	Fair market value	Difference
Investment securities(*2)....	905	905	-	5,979	5,979	-
Total assets	¥905	¥905	¥ -	\$5,979	\$5,979	\$ -
Long-term loans payable(*3).....	9,70	9,61		64,069	63,490	(578)
	0	2	(88)			
Total liabilities	¥9,700	¥9,612	¥(88)	\$64,069	\$63,490	\$(578)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

For the year ended March 31, 2023

	Millions of yen		
	Book value	Fair market value	Difference
Investment securities(*2)....	613	613	-
Total assets	¥613	¥613	¥ -
Long-term loans payable(*3).....	6,700	6,679	(21)
Total liabilities	¥6,700	¥6,679	¥(21)

Note

(*1) “Cash” is omitted. “Bank deposit,” “Trade notes and accounts receivable,” “Electronically recorded monetary claim,” “Trade notes and accounts payable,” “Electronically recorded obligations,” and “Accounts payable” are omitted because these are cash items and their fair values approximate their carrying values due to their short maturities.

(*2) Below items were not included in “(5) Investment securities”, because they were not publicly traded, and obtaining an estimated fair value is deemed to be extremely difficult.

Items	Book value Millions of yen		Thousands of U.S. dollars (Note 3)
	2024	2023	2024
Unlisted shares	¥719	¥713	\$4,751

(*3) Current portion of long-term loans payable were included in Long-term loans payable

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

Note)1. Redemption schedule after the balance sheet date for monetary claims and securities with maturity dates

	Millions of yen							
	March 31, 2024				March 31, 2023			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	¥33,522	¥ -	¥ -	¥ -	¥38,099	¥ -	¥ -	¥ -
Notes receivable, accounts receivable from completed construction contracts and other	56,613	-	-	-	57,573	-	-	-
Electronically recorded monetary claims	6,100	-	-	-	4,752	-	-	-
Total assets	¥96,235	¥ -	¥ -	¥ -	¥100,424	¥ -	¥ -	¥ -

Thousands of U.S. dollars (Note 3)				
March 31, 2024				
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	\$221,411	\$ -	\$ -	\$ -
Notes receivable, accounts receivable from completed construction contracts and other	373,934	-	-	-
Electronically recorded monetary claims	40,292	-	-	-
Total assets	\$635,637	\$ -	\$ -	\$ -

Note)2. Repayment schedule after the balance sheet date for long-term loans and short-term loans.

Millions of yen		
	March 31, 2024	March 31, 2023
	Long-term loans	Long-term loans
Due within one year	¥1,000	¥100
Due after one to two years	100	1,000
Due after two to three years	5,600	100
Due after three to four years	3,000	5,500
Due after four to five years	-	-
Due after five years	-	-

Thousands of U.S. dollars (Note 3)	
March 31, 2024	
Long-term loans	
Due within one year	\$6,605
Due after one to two years	661
Due after two to three years	36,988
Due after three to four years	19,815
Due after four to five years	-
Due after five years	-

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

(3) Breakdown by fair value level of financial instruments

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

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

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

Level 3: Fair value calculated using unobservable inputs

When several inputs that have significant impact on fair value measurement are used and those inputs are categorized into different levels, the fair value is categorized into the lowest hierarchy level for fair value measurement among those in which each of the inputs belongs.

(i) Financial instruments with fair value as carrying value

For the year ended March 31, 2024

	Fair value							
	Millions of yen				Thousands of U.S. dollars (Note 3)			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investment securities								
Other securities								
Stocks	¥905	-	-	¥905	\$5,979	-	-	\$5,979
Total assets	¥905	-	-	¥905	\$5,979	-	-	\$5,979

For the year ended March 31, 2023

	Fair value			
	Millions of yen			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stocks	¥613	-	-	¥613
Total assets	¥613	-	-	¥613

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

(ii) Financial instruments other than those with fair value as carrying value

For the year ended March 31, 2024

	Fair value							
	Millions of yen				Thousands of U.S. dollars (Note 3)			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Long-term loans payable.....	-	¥9,612	-	¥9,612	-	\$63,490	-	\$63,490
Total liabilities	-	¥9,612	-	¥9,612	-	\$63,490	-	\$63,490

For the year ended March 31, 2023

	Fair value			
	Millions of yen			
	Level 1	Level 2	Level 3	Total
Long-term loans payable.....	-	¥6,679	-	¥6,679
Total liabilities	-	¥6,679	-	¥6,679

Notes: Description of valuation techniques and inputs used in calculating fair value

Investment securities

The fair value of listed shares is estimated using quoted prices and classified as Level 1, because they are traded in active markets.

Long-term loans payable

The fair value of these borrowings is estimated using the discounted present value method based on the interest rate that would be applicable to similar new borrowings, and is classified as Level 2.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

12. Investment Securities

Investment securities as of March 31, 2024 and 2023 were as follows:

(1) Held-to-maturity debt securities with market quotations are not applicable for the year ended March 31, 2024.

(2) Marketable securities

	Millions of yen					
	2024			2023		
	Acquisition cost	Fair market value	Difference	Acquisition cost	Fair market value	Difference
Marketable securities with unrealized gains						
Equity securities	¥268	¥905	¥637	¥260	¥613	¥353
Debt securities:						
Convertible bonds ...	-	-	-	-	-	-
Others	-	-	-	-	-	-
Sub total	¥268	¥905	¥637	¥260	¥613	¥353
Marketable securities with unrealized losses						
Equity securities	-	-	-	-	-	-
Debt securities:						
Convertible bonds ...	-	-	-	-	-	-
Others	-	-	-	-	-	-
Sub total	-	-	-	-	-	-
Total	¥268	¥905	¥637	¥260	¥613	¥353

	Thousands of U.S. dollars (Note 3)		
	2024		
	Acquisition cost	Fair market value	Difference
Marketable securities with unrealized gains			
Equity securities	\$1,769	\$5,979	\$4,210
Debt securities:			
Convertible bonds ...	-	-	-
Others	-	-	-
Sub total	\$1,769	\$5,979	\$4,210
Marketable securities with unrealized losses			
Equity securities	-	-	-
Debt securities:			
Convertible bonds ...	-	-	-
Others	-	-	-
Sub total	-	-	-
Total	\$1,769	\$5,979	\$4,210

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

Non-marketable securities book value ¥647 million (\$4,271 thousand) were not included in “Marketable securities” at March 31, 2024, because it is not practicable to estimate the fair value because of a lack of market prices and difficulty in estimating fair value without incurring excessive cost.

(3) Marketable securities sold for the years ended March 31, 2024 and 2023.

Millions of yen						
	2024			2023		
	Proceeds from sales	Total gain	Total loss	Proceeds from sales	Total gain	Total loss
Equity securities	¥4	¥3	¥-	¥4,980	¥2,792	¥-
Debt securities:						
Convertible bonds ...	-	-	-	-	-	-
Others	-	-	-	-	-	-
Total	¥4	¥3	¥-	¥4,980	¥2,792	¥-

Thousands of U.S. dollars (Note 3)			
	2024		
	Proceeds from sales	Total gain	Total loss
Equity securities	\$26	\$18	\$-
Debt securities:			
Convertible bonds ...	-	-	-
Others	-	-	-
Total	\$26	\$18	\$-

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

13. Retirement Benefits

(1) Summary of a retirement benefit scheme

The Company and its domestic consolidated subsidiaries operate funded and unfunded defined retirement benefit plans covering substantially all employees. On October 1, 2008, the Company and its domestic consolidated subsidiaries have transferred from the qualified pension plan to the defined benefit pension plan.

All defined retirement benefit pension plan provide a lump sum or pension based on salaries and terms. The lump sum payment plans provide a lump sum based on salaries, years of service and rank as retirement benefit.

There are 38 domestic consolidated subsidiaries that participate in another type of retirement benefit plan, which is operated by two independent pension plans.

(2) Defined benefit plan

- 1) The changes in the retirement benefit obligation during the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2024	2023	2024
Balance at the beginning of the year.....	¥9,877	¥9,949	\$65,235
Service costs	471	464	3,109
Interest costs	107	108	709
Actuarial gain or loss	(56)	125	(370)
Payment of retirement benefits	(1,047)	(769)	(6,914)
Balance at the end of the year.....	¥9,352	¥9,877	\$61,769

Note) Domestic consolidated subsidiaries calculate the projected benefit obligation by the simplified method permitted under the Japanese accounting standard.

- 2) The changes in plan assets during the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2024	2023	2024
Balance at the beginning of the year.....	¥8,936	¥9,426	\$59,020
Expected return on plan assets	223	236	1,476
Actuarial gain or loss	590	(380)	3,898
Contributions by the Company	374	390	2,470
Payment of retirement benefits	(1,022)	(736)	(6,754)
Balance at the end of the year	¥9,101	¥8,936	\$60,110

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

- 3) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2024 and 2023 for the Company's and consolidated subsidiaries' defined benefit plans:

March 31	Millions of yen		Thousands of U.S. dollars (Note 3)
	2024	2023	2024
Funded retirement benefit obligations	¥9,221	¥9,758	\$60,900
Plan assets at fair value.....	(9,101)	(8,936)	(60,110)
	120	822	790
Unfunded retirement benefit obligations	132	119	870
Net liability in the consolidated balance sheet.....	251	941	1,659
Liability for retirement benefits.....	251	941	1,659
Net defined benefit liability in the consolidated balance sheet	¥251	¥941	\$1,659

- 4) The components of retirement benefit expense for the years ended March 31, 2024 and 2023 are as follows:

March 31	Millions of yen		Thousands of U.S. dollars (Note 3)
	2024	2023	2024
Service costs	¥471	¥464	\$3,109
Interest costs	107	108	709
Expected return on plan assets	(223)	(236)	(1,475)
Amortization of actuarial gain (loss).....	35	41	231
Retirement benefit expense	¥390	¥377	\$2,574

Note) Domestic consolidated subsidiaries calculate the projected benefit obligation by the simplified method permitted under the Japanese accounting standard.

- 5) The components of retirement benefits liability adjustments included in other comprehensive income (before the tax effect) for the years ended March 31, 2024 and 2023 are as follows;

March 31	Millions of yen		Thousands of U.S. dollars (Note 3)
	2024	2023	2024
Actuarial gain and loss	¥(681)	¥464	\$(4,499)

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

- 6) The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before the tax effect) as of March 31, 2024 and 2023 are as follows;

March 31	Millions of yen		Thousands of U.S. dollars (Note 3)
	2024	2023	2024
Unrecognized actuarial differences	¥(461)	¥220	\$(3,048)

7) Plan assets

i) The breakdown of plan assets

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2024 and 2023 are as follows:

March 31	2024	2023
Bonds	46%	51%
Stocks	30	27
General accounts.....	12	12
Cash and deposits.....	6	3
Others	6	7
Total	100	100

ii) Estimation method of the long-term expected rate of return

The expected long-term return rate on plan assets is determined based on the current and expected future distribution of plan assets and the current and expected future long-term return rate on various assets of which plan assets are composed.

- 8) The assumptions used in the actuarial computation (weighted average);

March 31	2024	2023
Discount rate	1.1%	1.1%
Long-term expected rate of return.....	2.5	2.5
Expected rates of salary increase	6.4	6.4

(3) Defined contribution plans

Annual contributions to the defined contribution plans for the years ended March 31, 2024 and 2023 are as follows;

March 31	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
	¥107	¥106	\$709

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

14. Accounting for Income Taxes

(1) Significant components of deferred tax assets and liabilities

At March 31, 2024 and 2023, significant components of deferred tax assets and liabilities were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2024	2023	2024
Deferred tax assets:			
Accrued expenses	¥620	¥622	\$4,100
Impairment loss on fixed assets	547	532	3,611
Net defined benefit liability.....	111	317	734
Reserve for corporate tax.....	150	143	989
Others	247	227	1,632
Sub total of deferred tax assets	1,675	1,841	11,066
Less valuation allowance	(559)	(568)	(3,695)
Total of deferred tax assets	1,116	1,273	7,371
Deferred tax liabilities			
Accelerated depreciation of fixed assets	(310)	(320)	(2,050)
Valuation difference on available-for-sale securities	(195)	(108)	(1,290)
Others	(32)	(22)	(211)
Total of deferred tax liabilities	(537)	(450)	(3,551)
Net deferred tax assets (liabilities).....	¥578	¥824	\$3,820

For the years ended March 31, 2024 and 2023, the reconciliation of the statutory tax rate to the effective income tax rate was as follows:

For the year ended March 31	2024	2023
Statutory tax rate	30.62%	30.62%
Adjustments		
Permanent non-deductible differences such as entertainment expenses etc.	0.94	0.79
Inhabitant tax per capita	1.48	1.37
Valuation allowance for deferred tax assets	(0.24)	(0.20)
Difference of effective tax rate for consolidated subsidiaries.....	2.15	1.42
Others	0.18	(0.14)
Effective income tax rate	35.13	33.86

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

(Change in Presentation of the Accounting for Income Taxes)

“Difference of effective tax rate for consolidated subsidiaries”, which was included in “Others” of Current Assets in the fiscal year ended March 31, 2023 is presented individually from the fiscal year ended March 31, 2024 due to an increase in materiality. In line with this change in presentation, the Notes to the Consolidated Financial Statements for the fiscal year ended March 31, 2023 have been reclassified. As a result of the reclassification, 1.28% presented as “Others” has been reclassified as “Difference of effective tax rate for consolidated subsidiaries” of 1.42% and “Others” of 0.14%.

15. Revenue Recognition

(1) Disaggregation of revenue from contracts with customers

For the year ended March 31, 2024

For the year ended March 31, 2024	Millions of yen					Total
	Reporting Segment			Other (Note1)		
	Construction	Material sales	Leasing business		Total	
Type of works						
Paving work.....	¥87,732	-	-	¥87,732	-	¥87,732
Civil engineering work.....	43,462	-	-	43,462	-	43,462
Building work.....	385	-	-	385	-	385
Others.....	-	¥21,984	¥695	¥22,679	¥1,189	¥23,868
Revenue from contracts with customers.....	¥131,579	¥21,984	¥695	¥154,258	¥1,189	¥155,447
Other revenue.....	-	-	¥5,072	¥5,072	-	¥5,072
Sales to external customers.....	¥131,579	¥21,984	¥5,767	¥159,330	¥1,189	¥160,519

For the year ended March 31, 2024	Thousands of U.S. dollars (Note 3)					Other (Note1)	Consolidated total
	Reporting Segment						
	Construction	Material sales	Leasing business	Total			
Type of works							
Paving work.....	\$579,471	-	-	\$579,471	-	\$579,471	
Civil engineering work.....	287,068	-	-	287,068	-	287,068	
Building work.....	2,540	-	-	2,540	-	2,540	
Others.....	-	\$145,208	\$4,587	\$149,795	\$7,857	\$157,652	
Revenue from contracts with customers.....	\$869,079	\$145,208	\$4,587	\$1,018,874	\$7,857	\$1,026,731	
Other revenue.....	-	-	\$33,502	\$33,502	-	\$33,502	
Sales to external customers.....	\$869,079	\$145,208	\$38,089	\$1,052,376	\$7,857	\$1,060,233	

Note) 1. "Others" includes the real estate, development and sales of the software, sales of the apparatus for office work, insurance agency, and administration of sports facilities.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

For the year ended March 31, 2023

For the year ended March 31, 2023	Millions of yen					Total
	Reporting Segment			Total	Other (Note1)	
	Construction	Material sales	Leasing business			
Type of works						
Paving work.....	¥87,350	-	-	¥87,350	-	¥87,350
Civil engineering work.....	38,714	-	-	38,714	-	38,714
Building work.....	679	-	-	679	-	679
Others.....	-	¥22,077	¥407	¥22,484	¥1,183	¥23,667
Revenue from contracts with customers.....	¥126,743	¥22,077	¥407	¥149,227	¥1,183	¥150,410
Other revenue.....	-	-	¥4,943	¥4,943	-	¥4,943
Sales to external customers.....	¥126,743	¥22,077	¥5,350	¥154,170	¥1,183	¥155,353

Note) 1. "Others" includes the real estate, development and sales of the software, sales of the apparatus for office work, insurance agency, and administration of sports facilities.

(2) Basic information for understanding revenue from contracts with customers is noted under 2.Summary of Significant Accounting Policies (9).

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

(3) Information to understand amount of revenue for the year ended March 31, 2024

(i) Balances of receivables, contract assets and contract liabilities

March 31	Millions of yen		Thousands of U.S. dollars (Note 3)
	2024	2023	2024
Receivables arising from contracts with customers (balance at the beginning of the year).....	¥26,781	¥36,026	\$176,889
Receivables arising from contracts with customers (balance at the end of the year).....	28,837	26,781	190,471
Contract assets (balance at the beginning of the year).....	20,423	17,796	134,892
Contract assets (balance at the end of the year).....	17,866	20,423	118,003
Contract liabilities (balance at the beginning of the year)..	1,489	1,832	9,838
Contract liabilities (balance at the end of the year).....	1,347	1,489	8,900

The revenue recognized during the fiscal year that was included in the balance of contract liabilities at the beginning of the year was ¥1,444 million (\$9,535 thousand) for the year ended March 31, 2024, and ¥1,799 million for the year ended March 31, 2023.

There is no significant change in the balance of contract assets and contract liabilities in the year ended March 31, 2024 and 2023.

Since the payment terms of each construction contract is different, there is no clear relationship between the timing of satisfaction of performance obligations and the timing of payment.

(ii) The amount of revenue recognized in the fiscal year from performance obligations that were satisfied (or partially satisfied) in prior years was ¥519 million (\$3,428 thousand) for the year ended March 31, 2024, and ¥1,045 million for the year ended March 31, 2023.

(iii) Transaction price allocated to remaining performance obligations

Total amount of transaction price allocated to remaining performance obligations was ¥78,729 million (\$520,010 thousand) for the year ended March 31, 2024, and ¥66,644 million for the year ended March 31, 2023, and will be recognized as revenue approximately within one year.

In addition, although the transaction price allocated to the remaining performance obligations of the Company is the unrecorded revenue at the end of the term of construction contracts for paving work, civil engineering work, building work, and other construction work in general, contracts with an initially expected contract period of 3 months or less are not included in the notes.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

16. Segment Information

(1) Outline of Reporting Segments

The Company has defined its reporting segments to be units composing the Company, for which financial information can be separately obtained. The Company's Board of Directors periodically monitors these business segments in order to determine the allocation of management resources and evaluate business results.

The Companies draw up a comprehensive strategy about construction work and a product and service by each management section of the Companies and the main consolidated subsidiary, and develop operations.

Accordingly, the Companies have categorized its operations by products and services that based on each management section of the Companies and the main consolidated subsidiary. The Reporting Segments are Construction, Material sales and Leasing business.

The Construction segment manufactures pavement and engages in engineering, building and business about the overall other construction. The Material sales segment manufactures asphalt and engages in the overall other production and sales business for pavement and materials. The Leasing business segment engages in the leasing business of vehicles and apparatuses for office work.

(2) Calculation Method of Sales, Income (Loss), Assets, Liabilities and Other Items by Reporting Segments

The accounting methods used in the accounting for reporting segments are basically the same as the "Summary of Significant Accounting Policies". Please note that the income (loss) figures of the reporting segments are operating income-based figures.

Inter-segment sales and transfers are based on market prices.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

(2) Sales, Income (Loss), Assets, Liabilities and Other Items by Reporting Segments

For the year ended March 31, 2024	Millions of yen					Consolidated total
	Construction	Material sales	Leasing business	Other	Adjustment	
Sales						
Sales to external customers ...	¥131,579	¥21,984	¥5,767	¥1,189	¥ -	¥160,519
Inter-segment sales	4	10,253	1,036	92	(11,385)	-
Total	131,583	32,237	6,803	1,281	(11,385)	160,519
Segment income	¥9,051	¥2,444	¥529	¥292	¥(4,482)	¥7,833
Depreciation	¥1,169	¥1,487	¥466	¥31	¥474	¥3,628
Increase of tangible fixed assets and intangible assets	¥3,929	¥1,721	¥447	¥23	¥605	¥6,725

For the year ended March 31, 2023	Millions of yen					Consolidated total
	Construction	Material sales	Leasing business	Other	Adjustment	
Sales						
Sales to external customers ...	¥126,743	¥22,077	¥5,350	¥1,183	¥ -	¥155,353
Inter-segment sales	5	9,840	1,054	109	(11,008)	-
Total	126,748	31,917	6,404	1,292	(11,008)	155,353
Segment income	¥7,358	¥1,232	¥524	¥288	¥(3,705)	¥5,697
Depreciation	¥1,143	¥1,664	¥450	¥32	¥162	¥3,451
Increase of tangible fixed assets and intangible assets	¥764	¥834	¥399	¥18	¥2,242	¥4,257

For the year ended March 31, 2024	Thousands of U.S. dollars (Note 3)					Consolidated total
	Construction	Material sales	Leasing business	Other	Adjustment	
Sales						
Sales to external customers ...	\$869,078	\$145,208	\$38,090	\$7,856	\$ -	\$1,060,232
Inter-segment sales	26	67,721	6,845	605	(75,197)	-
Total	869,104	212,929	44,935	8,461	(75,197)	1,060,232
Segment income	\$59,781	\$16,142	\$3,497	\$1,928	\$(29,605)	\$51,743
Depreciation	\$7,723	\$9,824	\$3,075	\$208	\$3,131	\$23,961
Increase of tangible fixed assets and intangible assets	\$25,952	\$11,370	\$2,950	\$154	\$3,996	\$44,422

Note) 1. "Others" includes the real estate, development and sales of the software, sales of the apparatus for office work, insurance agency, and administration of sports facilities.

2. "Adjustment" is as follows:

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

Segment income	Millions of yen		Thousands of U.S. dollars (Note 3)
	2024	2023	2024
Elimination of inter segment transactions	¥9	¥10	\$59
Corporate expense (*).....	¥(4,491)	¥(3,716)	\$(29,665)
Total	¥(4,482)	¥(3,706)	\$(29,606)

*Corporate expenses mainly comprise headquarters' general and administrative expenses that are not allocable to any reporting segment.

* Depreciation and Increase of tangible fixed assets and intangible assets adjustment of the "Other" category are not allocable to any reporting segment, and represent expenses of the Companies' headquarter reporting.

3. Segment profit is reconciled with operating income on the consolidated financial statements.

4. The amounts of business segment assets have not been presented because they were not allocated to business segments

Related information

(a) Information about products and services

Information about products and services is omitted as the Company classifies such segments in the same way as it does its reporting segments.

(b) Information about geographic areas

(i) Operating revenues

Information about geographic areas is omitted as operating revenues attributable to the third-party customers in Japan exceed 90% of the operating revenues reported in the Consolidated Statements of Income.

(ii) Tangible fixed assets

Information about geographic areas is omitted as Tangible fixed assets located in Japan exceed 90% of the Tangible fixed assets reported in the Consolidated Balance Sheets.

(c) Information about major customers

For the year ended March 31, 2024

Name of company	Sales		Related Segments
	Millions of yen	Thousands of U.S. dollars (Note 3)	
Shimizu Corporation	¥18,504	\$122,212	Construction , Material sales

For the year ended March 31, 2023

Name of company	Sales	
	Millions of yen	Related Segments
Shimizu Corporation	¥15,712	Construction , Material sales

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

Information on Impairment Loss on Tangible Fixed Assets by reporting segment

For the year ended March 31, 2024

March 31, 2024	Millions of yen					Total
	Construction	Material sales	Leasing business	Other	Adjustment	
Impairment loss	¥ 489	¥ -	¥ 13	¥ -	¥ -	¥502

For the year ended March 31, 2023

Notes have been omitted due to immateriality

Information on Amortization on Goodwill and Unamortized Balance by reporting segment

None

Information on Gain on Negative Goodwill by reporting segment

None

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

17. Related Party Transactions

(1) Related Party Transactions

The material transactions of the Company with related companies and individuals, excluding transactions with consolidated subsidiaries which were eliminated in the consolidated financial statements and other than those disclosed elsewhere in these financial statements, for the years ended March 31, 2024 and 2023 were as follows:

For the year ended March 31, 2024

Name of parent company	Paid-in capital	Principal Business	Equity ownership percentage by the company	Transaction		Resulting accounting balance			
				Description of the company's transactions	Millions of yen	Thousands of U.S. dollars (Note 3)	Account	Millions of yen	Thousands of U.S. dollars (Note 3)
Shimizu Corporation	¥74,365 million	Construction & Development	50.18%	Construction contracts	¥18,408	\$121,582	Accounts receivable from completed construction contracts	¥5,034	\$33,249
				Material sales	¥34	\$225	Electronically recorded monetary claims	¥2,143	\$14,153
				Construction order	¥3,572	\$23,590	Advances received on uncompleted construction contracts	¥576	\$3,804
							Accounts receivable -trade	¥8	\$54
							Accounts receivable -other	¥5	\$30
							Long Term Guarantee Deposit	¥139	\$917

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

For the year ended March 31, 2023

Name of parent company	Paid-in capital	Principal Business	Equity ownership percentage by the company	Transaction		Resulting accounting balance	
				Description of the company's transactions	Millions of yen	Account	Millions of yen
Shimizu Corporation	¥74,365 million	Construction & Development	50.28%	Construction contracts	¥14,577	Accounts receivable from completed construction contracts	¥4,934
				Material sales	¥40	Electronically recorded monetary claims	¥1,930
				Construction order	¥1,197	Advances received on uncompleted construction contracts	¥571
						Accounts receivable -trade	¥9
						Accounts receivable -other	¥11

Note) 1. Of the above amounts, the resulting accounting balance includes consumption tax, etc.

2. The terms and conditions of transactions with the parent company and policy for determining the terms and conditions of transactions, etc.

(i) Matters to be considered so as not to harm the interests of the Company when conducting such transactions

The terms and conditions of transactions with the parent company for subcontracting orders, receiving orders, and sales of materials are determined in the same manner as general terms and conditions of transactions after negotiations for each transaction, taking into account market prices, total costs, etc.

(ii) The Company's board of directors' judgement and the reason as to whether the transaction will harm the interests of the Company and the reasons therefor;

With regard to important transactions with the parent company, a special committee composed of independent outside officers deliberates and examines the above-mentioned points to be noted and from the viewpoint of protecting the interests of minority shareholders, and after advising and recommending to the Board of Directors, and the Company's board of directors has determined that the above transaction will not harm the interests of the Company, as the Company makes the final decision based on internal standards and independently of the parent company.

In addition, the Company regularly reports to the Special Committee on matters related to such transactions, and such Committee regularly monitors the Company's interests to ensure that they are not harmful to the interests of the Company.

(iii) Opinions when the judgment of the Board of Directors is different from the opinions of outside directors

None

(iv) Agreements, etc. with the parent company concerning important financial and business policies

In accordance with the "Regulations Concerning Consultation with and Reporting to the Parent Company" and the "Standards for Prior Consultation with and Reporting to the Parent Company" established by the Company, The

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

Company discusses or reports on matters to be discussed or reported in advance.

(3) Notes to the parent company or significant affiliated companies

(i) Information on parent company

For the year ended March 31, 2024

Shimizu Corporation (Listed at Tokyo Stock Exchange)

For the year ended March 31, 2023

Shimizu Corporation (Listed at Tokyo Stock Exchange)

(ii) Summary financial information of significant affiliated companies

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

18. Per Share Data

Per Share	Yen		U.S. dollars (Note 3)
	2024	2023	2024
Net assets	¥2,276.83	¥2,201.95	\$15.04
Profit attributable to owners of parent :			
Basic	¥115.00	¥129.80	\$0.76
Diluted	-	-	-
Cash dividends			
Common shares	¥60.00	¥280.00	\$0.40

Note) 1. Diluted per share amounts are not shown because there were no shares with dilutive effect.

2. The Company implemented a five-for-one common stock split, effective October 1, 2023. Quarterly net assets per share is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year

Calculation bases for net assets per share as of March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2024	2023	2024
Net assets	¥100,214	¥96,909	\$661,916
Deduction amount	¥163	¥146	\$1,074
(Non-controlling interests)	¥(163)	¥(146)	\$(1,074)
Net assets available to common stockholders	¥100,051	¥96,763	\$660,842
Common stock outstanding except for treasury stock (in thousands of shares)	43,943	43,944	

Calculation bases for profit per share for the years ended March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2024	2023	2024
Profit attributable to owners of parent	¥5,054	¥5,704	\$33,380
Profit not available to common stockholders	-	-	-
(Net income appropriated as bonuses to directors)	-	-	-
Profit attributable to owners of parent available to common stockholders	¥5,054	¥5,704	\$33,380
Average common stock outstanding (in thousands of shares).	43,944	43,945	

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

19. Short-term Loans Payable and Long-term Loans Payable

March 31	Millions of yen		Thousands of U.S. dollars (Note 3)	Average interest rate (%)	Repayment period
	2024	2023	2024		
Short-term loans payable ...	¥-	¥-	\$-	-	-
Current portion of long-term loans payable	1,000	100	6,605	0.34	-
Long-term loans payable (excluding current portion) ...	8,700	6,600	57,464	0.64	2025~ 2028
Total	¥9,700	¥6,700	\$64,069		

Annual maturities of long-term loans payable are as follows:

March 31, 2024	Millions of yen	Thousands of U.S. dollars (Note 3)
Due after one to two years	¥100	\$661
Due after two to three years	5,600	36,988
Due after three to four years	3,000	19,815
Due after four to five years	-	-
	¥8,700	\$57,464

20. Asset Retirement Obligations

In accordance with Article 92, Paragraph 2 of “Regulation for Consolidated Financial Statements” the amount of asset retirement obligations as at April 1, 2023 and March 31, 2024 has not been presented because it represented less than 1% of total liabilities and net assets on the consolidated balance sheets.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2024 and 2023

21. Quarterly Information (Unaudited)

	Millions of yen			
	The first quarter Apr. 1 – Jun. 30, 2023	The second quarter Apr. 1 – Sep. 30, 2023	The third quarter Apr. 1 – Dec. 31, 2023	The fourth quarter Apr. 1, 2023 – Mar. 31, 2024
Net Sales	¥35,297	¥74,296	¥118,330	¥160,519
Profit / (loss) before income taxes.....	¥1,037	¥2,415	¥5,576	¥7,817
Profit / (loss) attributable to owners of parent	¥621	¥1,484	¥3,585	¥5,054
Profit / (loss) attributable to owners of parent of per share (Yen)	¥14.13	¥33.76	¥81.57	¥115.00

	Thousands of U.S. dollars (Note 3)			
	The first quarter Apr. 1 – Jun. 30, 2023	The second quarter Apr. 1 – Sep. 30, 2023	The third quarter Apr. 1 – Dec. 31, 2023	The fourth quarter Apr. 1, 2023 – Mar. 31, 2024
Net Sales	\$233,136	\$490,724	\$781,571	\$1,060,232
Profit / (loss) before income taxes.....	\$6,847	\$15,951	\$36,833	\$51,629
Profit / (loss) attributable to owners of parent	\$4,100	\$9,800	\$23,677	\$33,380
Profit / (loss) attributable to owners of parent of per share (U.S. dollars)	\$0.09	\$0.22	\$0.54	\$0.76