



Consolidated Financial Statements

From April 1, 2023
To March 31, 2024

RAITO KOGYO Co.,Ltd.

4-2-35, Kudankita, Chiyoda-ku, Tokyo

1. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	29,605	30,933
Notes receivable, accounts receivable from completed construction contracts and other	*4 43,749	*1, *4 37,928
Electronically recorded monetary claims - operating Securities	5,543	*1 3,454
	1,000	3,999
Costs on construction contracts in progress	*8 1,366	*8 1,501
Merchandise and finished goods	25	16
Raw materials and supplies	597	834
Accounts receivable - other	112	741
Other	2,218	2,114
Allowance for doubtful accounts	(34)	(41)
Total current assets	84,183	81,483
Non-current assets		
Property, plant and equipment		
Buildings and structures	13,411	14,409
Accumulated depreciation	(6,095)	(6,578)
Buildings and structures, net	7,316	7,831
Machinery, vehicles, tools, furniture and fixtures	*3 28,955	*3 31,415
Accumulated depreciation	(23,518)	(25,555)
Machinery, vehicles, tools, furniture and fixtures, net	5,437	5,859
Land	*5 11,361	*5 11,361
Leased assets	158	158
Accumulated depreciation	(55)	(77)
Leased assets, net	103	80
Construction in progress	428	599
Total property, plant and equipment	24,647	25,732
Intangible assets		
Goodwill	447	426
Other	255	306
Total intangible assets	703	732
Investments and other assets		
Investment securities	*2 7,152	*2 8,788
Long-term prepaid expenses	84	57
Distressed receivables	6	6
Investment property	382	280
Deferred tax assets	1,448	751
Retirement benefit asset	1,637	2,928
Other	3,048	4,051
Allowance for doubtful accounts	(369)	(364)
Total investments and other assets	13,391	16,499
Total non-current assets	38,741	42,964
Total assets	122,925	124,447

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	12,047	*1 10,524
Electronically recorded obligations - operating	8,527	7,868
Short-term borrowings	1,532	1,438
Income taxes payable	2,393	1,883
Advances received on construction contracts in progress	1,102	1,799
Provision for warranties for completed construction	299	109
Provision for loss on construction contracts	11	205
Accrued expenses	2,961	3,023
Other	7,228	*3 5,356
Total current liabilities	36,105	32,209
Non-current liabilities		
Long-term borrowings	*3 181	*3 62
Long-term accounts payable - other	144	68
Lease liabilities	*3 115	53
Deferred tax liabilities	2	7
Deferred tax liabilities for land revaluation	769	769
Provision for share awards for directors	108	111
Other	60	69
Total non-current liabilities	1,382	1,143
Total liabilities	37,487	33,352
Net assets		
Shareholders' equity		
Share capital	6,119	6,119
Capital surplus	6,447	6,447
Retained earnings	75,792	78,867
Treasury shares	(5,010)	(4,951)
Total shareholders' equity	83,349	86,483
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	866	1,804
Revaluation reserve for land	(1,120)	(1,120)
Foreign currency translation adjustment	1,512	2,217
Remeasurements of defined benefit plans	(103)	805
Total accumulated other comprehensive income	1,154	3,706
Non-controlling interests	933	905
Total net assets	85,437	91,094
Total liabilities and net assets	122,925	124,447

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net sales		
Net sales from completed construction contracts	*1 114,636	*1 117,019
Net sales from sideline businesses	338	305
Total net sales	114,974	117,324
Cost of sales		
Cost of sales of completed construction contracts	*2 90,828	*2 93,880
Cost of sales of sideline businesses	229	223
Total cost of sales	91,057	94,104
Gross profit		
Gross profit on completed construction contracts	23,807	23,138
Gross profit on sideline businesses	109	81
Total gross profit	23,916	23,220
Selling, general and administrative expenses	*3, *4 11,131	*3, *4 11,974
Operating profit	12,785	11,245
Non-operating income		
Interest income	25	108
Dividend income	267	145
Royalty income	13	15
Insurance claim income	124	141
Rental income from non-current assets	307	339
Foreign exchange gains	98	130
Share of profit of entities accounted for using equity method	3	–
Other	205	198
Total non-operating income	1,045	1,079
Non-operating expenses		
Interest expenses	50	122
Loss on sale of notes receivable - trade	2	6
Commission expenses	24	12
Guarantee commission	63	64
Rental costs	277	315
Share of loss of entities accounted for using equity method	–	55
Other	101	140
Total non-operating expenses	520	716
Ordinary profit	13,310	11,609
Extraordinary income		
Gain on sale of non-current assets	*5 41	*5 15
Gain on sale of investment securities	0	41
Gain on step acquisitions	229	–
Total extraordinary income	270	56

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Extraordinary losses		
Settlement payments	3	–
Loss on sale and retirement of non-current assets	*6 134	*6 4
Extra retirement payments	2	–
Loss on valuation of investment securities	74	–
Total extraordinary losses	214	4
Profit before income taxes	13,366	11,661
Income taxes - current	4,142	3,640
Income taxes - deferred	(186)	(90)
Total income taxes	3,955	3,550
Profit	9,410	8,111
Loss attributable to non-controlling interests	(78)	(69)
Profit attributable to owners of parent	9,489	8,181

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit	9,410	8,111
Other comprehensive income		
Valuation difference on available-for-sale securities	341	937
Foreign currency translation adjustment	(38)	481
Remeasurements of defined benefit plans, net of tax	(468)	909
Share of other comprehensive income of entities accounted for using equity method	234	264
Total other comprehensive income	*1, *2 69	*1, *2 2,592
Comprehensive income	9,480	10,703
Comprehensive income attributable to:		
Owners of parent	9,432	10,732
Non-controlling interests	47	(28)

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,119	6,358	70,588	(3,411)	79,654
Changes during period					
Dividends of surplus			(2,746)		(2,746)
Profit attributable to owners of parent			9,489		9,489
Purchase of treasury shares				(3,150)	(3,150)
Cancellation of treasury shares			(1,538)	1,538	–
Delivery of Treasury Shares through the Stock Benefit Trust				13	13
Change in ownership interest of parent due to transactions with non-controlling interests		89			89
Net changes in items other than shareholders' equity					
Total changes during period	–	89	5,203	(1,598)	3,694
Balance at end of period	6,119	6,447	75,792	(5,010)	83,349

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	525	(1,120)	1,316	364	1,085	77	80,817
Changes during period							
Dividends of surplus							(2,746)
Profit attributable to owners of parent							9,489
Purchase of treasury shares							(3,150)
Cancellation of treasury shares							–
Delivery of Treasury Shares through the Stock Benefit Trust							13
Change in ownership interest of parent due to transactions with non-controlling interests							89
Net changes in items other than shareholders' equity	341	–	196	(468)	69	856	925
Total changes during period	341	–	196	(468)	69	856	4,620
Balance at end of period	866	(1,120)	1,512	(103)	1,154	933	85,437

Fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,119	6,447	75,792	(5,010)	83,349
Changes during period					
Dividends of surplus			(3,001)		(3,001)
Profit attributable to owners of parent			8,181		8,181
Purchase of treasury shares				(2,059)	(2,059)
Cancellation of treasury shares			(2,104)	2,104	-
Delivery of Treasury Shares through the Stock Benefit Trust				14	14
Net changes in items other than shareholders' equity					
Total changes during period	-	-	3,075	58	3,134
Balance at end of period	6,119	6,447	78,867	(4,951)	86,483

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	866	(1,120)	1,512	(103)	1,154	933	85,437
Changes during period							
Dividends of surplus							(3,001)
Profit attributable to owners of parent							8,181
Purchase of treasury shares							(2,059)
Cancellation of treasury shares							-
Delivery of Treasury Shares through the Stock Benefit Trust							14
Net changes in items other than shareholders' equity	937	-	704	909	2,551	(28)	2,522
Total changes during period	937	-	704	909	2,551	(28)	5,656
Balance at end of period	1,804	(1,120)	2,217	805	3,706	905	91,094

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	13,366	11,661
Depreciation	2,441	2,843
Amortization of goodwill	–	47
Loss (gain) on sale and retirement of non-current assets	93	(11)
Share of loss (profit) of entities accounted for using equity method	(3)	55
Increase (decrease) in allowance for doubtful accounts	(0)	2
Increase (decrease) in provision for warranties for completed construction	126	(189)
Increase (decrease) in provision for loss on construction contracts	10	194
Decrease (increase) in retirement benefit asset	647	(380)
Increase (decrease) in provision for share awards for directors	1	2
Interest and dividend income	(293)	(253)
Interest expenses	50	122
Loss on sale of notes receivable - trade	2	6
Loss (gain) on sale of investment securities	(0)	(41)
Loss (gain) on valuation of investment securities	74	–
Loss (gain) on step acquisitions	(229)	–
Decrease (increase) in trade receivables	(8,881)	7,975
Decrease (increase) in costs on construction contracts in progress	869	(107)
Decrease (increase) in inventories	83	(213)
Increase (decrease) in trade payables	393	(2,299)
Increase (decrease) in advances received on construction contracts in progress	(1,092)	694
Other, net	1,326	(1,347)
Subtotal	8,987	18,760
Interest and dividends received	293	250
Interest paid	(50)	(122)
Payments for sale of notes receivable - trade	(2)	(6)
Income taxes paid	(4,465)	(4,295)
Net cash provided by (used in) operating activities	4,761	14,586

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from investing activities		
Proceeds from redemption of securities	1,000	1,000
Purchase of property, plant and equipment	(2,951)	(3,994)
Proceeds from sale of property, plant and equipment	102	16
Purchase of intangible assets	(82)	(114)
Purchase of investment securities	(50)	(230)
Proceeds from sale of investment securities	50	66
Purchase of shares of subsidiaries and associates	(223)	–
Collection of loans receivable from subsidiaries and associates	4	4
Purchase of investment property	(76)	(14)
Proceeds from sale of investment property	2,830	117
Purchase of insurance funds	(481)	(1,417)
Proceeds from maturity of insurance funds	392	301
Other, net	(28)	11
Net cash provided by (used in) investing activities	487	(4,252)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	135	(135)
Repayments of long-term borrowings	–	(67)
Purchase of treasury shares	(3,150)	(2,059)
Repayments of finance lease liabilities	(10)	(69)
Dividends paid	(2,739)	(2,997)
Net cash provided by (used in) financing activities	(5,765)	(5,329)
Effect of exchange rate change on cash and cash equivalents	98	323
Net increase (decrease) in cash and cash equivalents	(417)	5,328
Cash and cash equivalents at beginning of period	30,022	29,605
Cash and cash equivalents at end of period	* 29,605	* 34,933

Notes to the Consolidated Financial Statements

(Significant accounting policies for preparation of consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries 14

RAITO, INC.

Fecon Underground Construction Joint Stock Company

Onoryo Co., Ltd.

AURA CE Co., Ltd.

Michinoku Realize Co., Ltd.

Tohoku Realize Co., Ltd.

Fukushima Realize Co., Ltd.

Niigata Realize Co., Ltd.

Tokai Realize Co., Ltd.

Yamaguchi Realize Co., Ltd.

Kyushu Realize Co., Ltd.

Yasashiite Raito Co., Ltd.

Sanyoryokuka Co., Ltd.

Raito Fecon Innovative Geotechnical Engineering JSC.

(2) Change in scope of consolidation

Raito Engineering & Construction Limited was excluded from the scope of consolidation in the fiscal year ended March 31, 2024 due to liquidation.

(3) Names of unconsolidated subsidiaries

Nishi-Nippon Realize Co., Ltd.

Toughearth Co., Ltd.

Raitocare Co., Ltd.

Edo Enterprise Co., Ltd.

Reasons for exclusion from scope of consolidation

Unconsolidated subsidiaries are excluded from the scope of consolidation, because they are all small in scale, and any total amount in terms of their total assets, net sales and profit or loss (amount corresponding to the Company's ownership interest) as well as retained earnings (amount corresponding to the Company's ownership interest) and others does not significantly affect the consolidated financial statements.

2. Application of equity method

(1) Number of unconsolidated subsidiaries and affiliates accounted for using the equity method 1

Fecon Corporation

(2) Reason for non-application of the equity method

Unconsolidated subsidiaries (Nishi-Nippon Realize Co., Ltd., Toughearth Co., Ltd., Raitocare Co., Ltd., and Edo Enterprise Co., Ltd.) and one affiliate, which are not accounted for using the equity method, are excluded from the scope of application of the equity method, because such exclusion has only an immaterial effect on the consolidated financial statements in terms of each company's profit or loss (amount corresponding to the Company's ownership interest) and retained earnings (amount corresponding to the Company's ownership interest), and they have no significance as a whole.

3. Fiscal year of consolidated subsidiaries

The fiscal year end of one consolidated subsidiary is December 31.

In preparing the consolidated financial statements, financial statements based on provisional settlement of accounts as of the consolidated fiscal year end date are used. The fiscal year end of other consolidated subsidiaries is the same as the end of the consolidated fiscal year.

4. Accounting policies

(1) Valuation basis and methods for significant assets

Securities

Bonds held to maturity

Amortized cost method

Available-for-sale securities

Securities other than shares with no market value, etc.

Stated at fair value (valuation differences are booked directly in a separate component of net assets, and cost of securities sold is determined by the moving average method)

Shares and other securities with no market value

Mainly stated at cost determined by the moving-average method.

Investments in investment partnerships (those deemed to be securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are treated as the net amount, being the amount corresponding to equity based on the most recent financial report available according to the reporting date stipulated in the partnership agreement.

Inventories

- (i) Costs on construction contracts in progress
Stated at cost using the specific identification method
- (ii) Merchandise and finished goods, work in process, raw materials and supplies
Stated at cost determined by the first-in, first-out method (carrying amount is subject to write-down due to decreased profitability)

(2) Accounting methods for depreciation of significant depreciable assets

Property, plant and equipment (excluding leased assets)

For the Company and consolidated subsidiaries in Japan, the declining balance method is mainly applied, (however, the straight-line method is applied for buildings acquired on or after April 1, 1998 (excluding facilities attached to buildings), and facilities attached to buildings and structures acquired on or after April 1, 2016).

The useful life and residual value are based on the same standards stipulated in the Corporation Tax Act.

For consolidated subsidiaries overseas, the straight-line method is mainly used, based on the estimated useful life.

Intangible assets (excluding leased assets)

Straight-line method

Software for internal use is amortized by the straight-line method based on the internal usable period (five years).

Leased assets

Leased assets related to finance lease transactions that do not transfer ownership

The straight-line method is applied assuming the lease period as the useful life without residual value.

(3) Accounting policy for significant provisions

Allowance for doubtful accounts

To prepare for credit losses on trade receivables, loans and others, an estimated uncollectable amount is provided at the amount estimated by either using the historical rate of credit loss for general receivables, or based on individual consideration of collectability for specific receivables such as highly doubtful receivables.

Provision for warranties for completed construction

The provision has been recorded based on the estimated amount of compensation in the future for construction completed during the current fiscal year, to prepare for the cost of defect warranty related to completed construction.

Provision for loss on construction contracts

To prepare for future losses on awarded construction contracts, the provision has been recorded as the estimated amount of losses on construction for which losses are expected to occur and for which the amount can be rationally estimated among construction projects in hand at the current fiscal year-end.

Provision for stock benefits

To prepare for issuance of the Company's shares to directors, the amount to be borne in the current fiscal year within the expected payment amount is recorded.

(4) Accounting methods for retirement benefits

(i) Method of attributing expected retirement benefits to periods

In the calculation of retirement benefit obligations, expected retirement benefits are attributed to the period up to the end of the fiscal year on a benefit formula basis.

(ii) Method of amortizing actuarial gains and losses and past service cost

Past service cost is amortized using the straight-line method over a fixed number of years (10 years) within the average remaining service period of employees when incurred.

Actuarial gains and losses are amortized using the straight-line method over a fixed number of years (10 years) within the average remaining service period of employees when incurred in each fiscal year, from the fiscal year following the accrual of each gain or loss.

For one of the domestic consolidated subsidiaries, 100% of the required payment amount at the current fiscal year-end has been recorded, using the simplified method.

(5) Accounting policy for significant revenues and expenses

Details of major performance obligations in major businesses of the Company and its consolidated subsidiaries related to revenue from contracts with customers, and the timing the performance obligations are satisfied (when revenue is typically recognized), are as follows.

(Construction Business)

The Construction Business is mainly engaged in civil engineering work focused on slope protection and ground improvement and in construction work. Revenue is recognized over a period of time for construction contracts in which the customer is deemed to be able to receive benefits due to the performance of obligations in the contract with the customer, in accordance with the degree of satisfaction of the performance obligations. The method for estimating

the degree of progress on construction related to the satisfaction of performance obligations is the input method based on incurred costs.

For other construction contracts, the entire revenue amount is recognized upon satisfaction of the performance obligations.

(Other)

Other business is primarily sales of construction materials, with a focus on product and material sales. Revenue is recognized upon delivery, as this is deemed to be the point at which performance obligations are satisfied. If the Company acts as an agent in a transaction, revenue is recognized on a net basis when the promise to the customer is a performance obligation to arrange for goods or services to be provided by another party.

(6) Accounting method and period for amortization of goodwill

Goodwill is amortized by straight-line method over the period of the effect of its excess earning power. However, immaterial amounts of goodwill are fully amortized in the year of acquisition.

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

Cash (cash and cash equivalents) in the consolidated statements of cash flows comprises cash on hand, deposits that can be withdrawn at any time, and short-term investments that can be readily converted into cash, bear only a slight risk of value fluctuation, and have maturities within three months of acquisition.

(Significant accounting estimates)

Recording of net sales arising from completed construction in which performance obligations are satisfied over a certain period of time.

(1) Amount recorded on consolidated financial statements for the fiscal year under review

	(Millions of Yen)	
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Completed construction for which performance obligations are satisfied over a certain period of time	99,592	102,463
Of which, completed construction contracts that will be completed in the following fiscal year or later	40,634	56,505

(2) Other information to assist understanding of the content of estimates

(i) Calculation method

Calculated by multiplying the total amount of construction revenue by the degree of progress on construction.

The degree of progress on construction is calculated based on the proportion of costs incurred by the fiscal year-end to the total construction cost estimate.

(ii) Major assumptions

The basis of calculation for the degree of progress on construction is the total construction cost, which is estimated by preparing a working budget for each construction contract. The working budget is prepared giving consideration to the construction work content and the status of the construction work, as well as past performance.

(iii) Impact on the consolidated financial statements for the following fiscal year

Construction projects are highly individualized in nature, and the basic specifications and work performed are based on the customer's directions. Throughout the construction period, the construction contract content may change from the initial contract based on an agreement with the customer, facts that come to light after the start of construction may result in changes to the estimated labor hours, or fluctuations in the prices of materials and outsourcing costs. As a result, the actual incurred amount of construction cost and the total construction cost may fluctuate. This in turn, may cause the degree of progress on construction to change, with an attendant impact on the amount of completed construction for which performance obligations are satisfied over a certain period in the consolidated financial statements of the following fiscal year.

(Changes in accounting policies)

No relevant items to report.

(Accounting standards issued but not yet applied)

- “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022, Accounting Standards Board of Japan)
- “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, October 28, 2022, Accounting Standards Board of Japan)
- “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022, Accounting Standards Board of Japan)

(1) Overview

In February 2018, a partial revision to ASBJ Statement No. 28 “Guidance on Accounting Standard for Tax Effect Accounting” (hereinafter “ASBJ Statement No. 28”) was announced and the transfer of practical guidance on tax effect accounting from the Japanese Institute of Certified Public Accountants to the Accounting Standards Board of Japan was completed. In the deliberation process, it was decided that matters regarding the following two points were to be discussed again after the public announcement of ASBJ Statement No. 28, and they have been deliberated and announced.

- Recording category for taxation expense (tax on other comprehensive income)
- Tax effects on sales of subsidiaries’ shares, etc. (shares of subsidiaries or affiliates) where the corporate group tax system is applied.

(2) Scheduled date of application

The accounting standards will be applied from the start of the fiscal year beginning on April 1, 2024.

(3) Effects of application of the accounting standards

The amount of impact on the consolidated financial statements of applying the Accounting Standard for Current Income Taxes is currently being evaluated.

(Changes in Presentation)

No relevant items to report.

(Additional Information)

(Trust for the delivery of shares to Directors)

The Company has introduced a performance-linked stock compensation system for directors with the objective of enhancing their awareness of contributing to the medium- to long-term improvement in earnings and corporate value by clarifying the connection between corporate performance and value of the Company’s shares and having them share the benefits and risks of stock price fluctuations with shareholders.

(1) Overview of transaction

The system is a performance-linked stock compensation system, wherein a trust established by the Company through monetary contribution (hereinafter the “Trust”) acquires the Company’s shares and the number of the Company’s shares corresponding to the number of points granted to each Director by the Company in accordance with a certain criteria, such as the level of achievement of financial results, will be delivered to each Director through the Trust. The Directors shall receive the Company’s shares upon their retirement, in principle.

(2) Company’s shares remaining with the Trust

The Company’s shares remaining with the Trust are recorded as treasury shares in the net assets, based on the book value given by the Trust (excluding the amount of ancillary expenses). The book value and the number of the said treasury shares as of the end of the previous fiscal year were ¥147 million and 112,665 shares, and as of the end of the current fiscal year were ¥214 million and 145,060 shares.

(Notes to Consolidated Balance Sheets)

*1 Notes, etc. maturing at the end of the fiscal year

For accounting treatment of notes, etc. maturing at the end of the fiscal year, the notes are settled on the clearance date and the settlement date. As the final day of the fiscal year ended March 31, 2024 was a bank holiday, the following notes, etc. maturing on the final day of the next fiscal year are included in the balance at the end of the fiscal year.

(Millions of Yen)

	As of March 31, 2023	As of March 31, 2024
Notes receivable	–	7
Electronically recorded monetary claims - operating	–	847
Notes payable	–	5

*2 “Investment securities (shares)” invested in unconsolidated subsidiaries and affiliates are as follows:

(Millions of Yen)

	As of March 31, 2023	As of March 31, 2024
Investment securities (shares)	3,948	4,133

*3 Pledged assets and secured liabilities

Assets pledged as collateral are as follows:

(Millions of Yen)

	As of March 31, 2023	As of March 31, 2024
Machinery, equipment and vehicles	255	229
Total	255	229

Secured liabilities are as follows:

(Millions of Yen)

	As of March 31, 2023	As of March 31, 2024
Other current liabilities	–	62
Long-term borrowings	181	62
Lease liabilities	34	–
Total	215	125

*4 Within notes receivable, accounts receivable from completed construction contracts and other, receivables arising from contracts with customers and amounts of contract assets are as follows, respectively.

(Millions of Yen)

	As of March 31, 2023	As of March 31, 2024
Notes receivable	1,729	387
Accounts receivable from completed construction contracts and other	22,883	18,275
Contract assets	19,136	19,265

*5 In accordance with the Act on Revaluation of Land (Act No. 34, March 31, 1998) and the Act Partially Amending the Act on Revaluation of Land (March 31, 2001), land used for business purposes was revalued, and the amount equivalent to taxes on the valuation difference is recorded as “deferred tax liabilities for land revaluation” in liabilities, and the amount less this is recorded as “revaluation reserve for land” in net assets.

- Revaluation method: Calculated in accordance with the method stipulated in Article 2, items 3, 4, and 5 of the Order for Enforcement of the Act on Revaluation of Land (Order No. 119, promulgated on March 31, 1998).
- Date when revaluation is conducted: March 31, 2002

	As of March 31, 2023	As of March 31, 2024
Difference between the fair value of the revalued land and the book value after the revaluation at the fiscal year-end	The difference is not stated as the fair value of the land that was revalued exceeds the book value after revaluation.	The difference is not stated as the fair value of the land that was revalued exceeds the book value after revaluation.

- 6 The Group has concluded overdraft agreements and line-of-credit agreements with five transacting banks to enable efficient procurement of operating funds. The unused balances under these agreements at the fiscal year-end are as follows:

(Millions of Yen)

	As of March 31, 2023	As of March 31, 2024
Maximum amount of overdraft and total line of credit	10,570	11,172
Outstanding balance of used line of credit	763	628
Unused amount	9,806	10,543

- 7 Contingent Liabilities
No relevant items to report.

- *8 Both costs on construction contracts in progress relating to construction contracts that are likely to incur losses and provision for loss on construction contracts are presented without offsetting. The amounts corresponding to provision for loss on construction contracts within costs on construction contracts in progress relating to construction contracts that are likely to incur losses are as follows.

(Millions of Yen)

	As of March 31, 2023	As of March 31, 2024
Costs on construction contracts in progress	11	205

(Notes to Consolidated Statements of Income)

*1 Revenue from contracts with customers

Sales are not presented separately for revenue from contracts with customers and other revenue. The amount of revenue from contracts with customers is presented in the consolidated financial statements "Notes (Revenue Recognition) 1. Disaggregation of revenue from contracts with customers."

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

(Millions of Yen)

Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
11	205

*3 The main items and amounts in selling, general and administrative expenses are as follows.

(Millions of Yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Employees' salaries and allowances	5,393	5,746
Retirement benefit expenses	215	278
Provision of allowance for doubtful accounts	0	19

*4 Total amount of research and development expenses included in general and administrative expenses and manufacturing cost for the period

(Millions of Yen)

Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
617	710

*5 Details of gain on sale of non-current assets are as follows:

(Millions of Yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Machinery, vehicles, tools and fixtures	41	15
Total	41	15

*6 Details of loss on sale and retirement of non-current assets are as follows:

Loss on sale of non-current assets

(Millions of Yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Buildings and structures	0	–
Machinery, vehicles, tools and fixtures	0	1
Total	0	1

Loss on retirement of non-current assets

(Millions of Yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Buildings and structures	133	2
Machinery, vehicles, tools and fixtures	0	0
Total	133	3

(Notes to Consolidated Statements of Comprehensive Income)
*1 Reclassification adjustments relating to other comprehensive income

(Millions of Yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Valuation difference on available-for-sale securities:		
Amount arising during the year	370	1,329
Reclassification adjustments	(0)	(41)
Total	369	1,287
Foreign currency translation adjustment:		
Amount arising during the year	53	430
Reclassification adjustments	(91)	50
Total	(38)	481
Remeasurements of defined benefit plans included in other comprehensive income:		
Amount arising during the year	(629)	1,307
Reclassification adjustments	(53)	10
Total	(682)	1,318
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising during the year	234	264
Reclassification adjustments	–	–
Total	234	264
Total before adjustment for tax effects	(120)	3,351
Tax effects	190	(759)
Total other comprehensive income	69	2,592

*2 Tax effects relating to other comprehensive income

(Millions of Yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Valuation difference on available-for-sale securities:		
Before tax effects adjustments	369	1,287
Tax effects	(27)	(350)
After tax effects adjustments	341	937
Foreign currency translation adjustment:		
Before tax effects adjustments	(38)	481
Tax effects	–	–
After tax effects adjustments	(38)	481
Remeasurements of defined benefit plans included in other comprehensive income:		
Before tax effects adjustments	(682)	1,318
Tax effects	213	(408)
After tax effects adjustments	(468)	909
Share of other comprehensive income of entities accounted for using equity method:		
Before tax effects adjustments	234	264
Tax effects	–	–
After tax effects adjustments	234	264
Total other comprehensive income		
Before tax effects adjustments	(120)	3,351
Tax effects	190	(759)
After tax effects adjustments	69	2,592

(Notes to Consolidated Statements of Changes in Net Assets)

Fiscal year ended March 31, 2023

1 Class and total number of issued shares

Class of shares	Number of shares at beginning of the fiscal year (shares)	Increase (shares)	Decrease (shares)	Number of shares at end of the fiscal year (shares)
Common shares	55,504,450	–	1,556,000	53,948,450

Note: The decrease of 1,556,000 common shares was due to the cancellation of treasury shares.

2 Class and number of treasury shares

Class of shares	Number of shares at beginning of the fiscal year (shares)	Increase (shares)	Decrease (shares)	Number of shares at end of the fiscal year (shares)
Common shares	4,762,898	1,664,865	1,570,653	4,857,110

Notes: 1. The increase of 1,664,865 in the number of treasury shares of common stock was due to increases of 1,664,500 shares through the acquisition of treasury shares and 365 shares through the acquisition of odd-lot shares.
2. The decrease of 1,570,653 treasury shares of common stock was due to decreases of 1,556,000 shares through the cancellation of treasury shares and 14,653 shares through the trust for the delivery of shares to Directors.

3 Dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Annual general meeting of shareholders, June 29, 2022	Common shares	2,746	54	March 31, 2022	June 30, 2022

Note: The total amount of dividends approved by resolution of the Annual General Meeting of Shareholders held on June 29, 2022 includes ¥6 million in dividends for shares of the Company held by the trust for the delivery of shares to Directors.

(2) Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

Resolution	Class of shares	Source of dividends	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Annual general meeting of shareholders, June 29, 2023	Common shares	Retained earnings	3,001	61	March 31, 2023	June 30, 2023

Note: The total amount of dividends approved by resolution of the Annual General Meeting of Shareholders held on June 29, 2023 includes ¥6 million in dividends for shares of the Company held by the trust for the delivery of shares to Directors.

Fiscal year ended March 31, 2024

1 Class and total number of issued shares

Class of shares	Number of shares at beginning of the fiscal year (shares)	Increase (shares)	Decrease (shares)	Number of shares at end of the fiscal year (shares)
Common shares	53,948,450	–	1,803,000	52,145,450

Note: The decrease of 1,803,000 common shares was due to the cancellation of treasury shares.

2 Class and number of treasury shares

Class of shares	Number of shares at beginning of the fiscal year (shares)	Increase (shares)	Decrease (shares)	Number of shares at end of the fiscal year (shares)
Common shares	4,857,110	1,066,067	1,815,905	4,107,272

- Notes:
1. The increase of 1,066,067 in the number of treasury shares of common stock was due to increases of 1,020,500 shares through the acquisition of treasury shares, 267 shares through the acquisition of odd-lot shares and 45,300 shares through the trust for the delivery of shares to Directors.
 2. The decrease of 1,815,905 treasury shares of common stock was due to decreases of 1,803,000 shares through the cancellation of treasury shares and 12,905 shares through the trust for the delivery of shares to Directors.

3 Dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Annual general meeting of shareholders, June 29, 2023	Common shares	3,001	61	March 31, 2023	June 30, 2023

Note: The total amount of dividends approved by resolution of the Annual General Meeting of Shareholders held on June 29, 2023 includes ¥6 million in dividends for shares of the Company held by the trust for the delivery of shares to Directors.

(2) Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

Resolution	Class of shares	Source of dividends	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Annual general meeting of shareholders, June 27, 2024	Common shares	Retained earnings	3,372	70	March 31, 2024	June 28, 2024

Note: The total amount of dividends approved by resolution of the Annual General Meeting of Shareholders held on June 27, 2024 includes ¥10 million in dividends for shares of the Company held by the trust for the delivery of shares to Directors.

(Notes to Consolidated Statements of Cash Flows)

- * Reconciliation of closing balance of cash and cash equivalents and the related account on the consolidated balance sheet

(Millions of Yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash and deposits	29,605	30,933
Securities	–	3,999
Cash and cash equivalents	29,605	34,933

(Leases)

1. Finance lease transactions

(Lessee)

Finance lease transactions that do not transfer ownership

(i) Components of leased assets

a. Property, plant and equipment

Leased assets are production facilities (machinery, equipment and vehicles) in the construction business.

(ii) Accounting method for depreciation of leased assets

The accounting method for depreciation of leased assets is as described in “4. Accounting policies, (2)

Accounting methods for depreciation of significant depreciable assets” of Significant accounting policies for preparation of consolidated financial statements.

2. Operating lease transactions

(Lessee)

Future lease payments to be made under non-cancellable leases of operating lease transactions

(Millions of Yen)

	As of March 31, 2023	As of March 31, 2024
Due within one year	1	7
Due after one year	7	18
Total	8	26

(Financial Instruments)

1. Status of financial instruments

(1) Policy on financial instruments

The Group manages funds mainly in short-term deposits, etc., and investment securities are mainly stocks related to capital alliances with client companies. The Group does not engage in speculative transactions.

(2) Description of financial instruments and their risks, and risk management system

Notes receivable, accounts receivable from completed construction contracts and other, which are trade receivables, are exposed to the credit risks of customers. To counter the risk, the Company conducts credit checks of new clients and conducts credit management of major clients.

Investment securities are mainly shares related to business alliances with clients, and are exposed to market fluctuation risk. However, the Company regularly monitors the fair value and financial condition, etc. of the issuing entity (client companies), and continuously reviews the status of holdings in light of the relationship with the client companies.

Notes payable, accounts payable for construction contracts and other, which are trade payable, are mostly due within one year. Within borrowings, short-term borrowings are primarily funds procured in relation to sales transactions, while long-term borrowings are funds procured for stable fund operations.

2. Fair values of financial instruments

Carrying amounts in the consolidated balance sheet, fair values and the differences between them were as follows.

As of March 31, 2023

(Millions of Yen)

	Carrying amount	Fair value	Difference
(1) Notes receivable, accounts receivable from completed construction contracts and other	43,749		
(2) Electronically recorded monetary claims - operating	5,543		
Allowance for doubtful accounts (*2)	(34)		
	49,258	49,257	(1)
(3) Investment securities (*3)			
Available-for-sale securities	2,847	2,847	–
Shares of affiliates	3,810	2,632	(1,177)
Total assets	55,916	54,737	(1,178)

As of March 31, 2024

(Millions of Yen)

	Carrying amount	Fair value	Difference
(1) Notes receivable, accounts receivable from completed construction contracts and other	37,928		
(2) Electronically recorded monetary claims - operating	3,454		
Allowance for doubtful accounts (*2)	(41)		
	41,341	41,340	(1)
(3) Investment securities (*3)			
Available-for-sale securities	4,069	4,069	–
Shares of affiliates	3,994	4,067	72
Total assets	49,406	49,477	70

(*1) Cash and deposits, available-for-sale securities (amounts stated on the consolidated balance sheet: fiscal year ended March 31, 2023: ¥1,000 million; fiscal year ended March 31, 2024: ¥3,999 million), notes payable, accounts payable for construction contracts and other, and electronically recorded obligations are not stated because their fair values approximate their carrying amounts as they are settled in a short period.

(*2) Allowance for doubtful receivables specifically provided for notes receivable, accounts receivable from completed construction contracts and other is deducted.

(*3) Shares with no market value, etc. are not included in “(3) Investment securities.” The carrying amounts of such financial instruments in the consolidated balance sheets are as below.

(Millions of Yen)

Category	As of March 31, 2023	As of March 31, 2024
Unlisted shares	195	195
Investment limited partnerships	299	528
Total	494	724

3. Expected redemption amounts of monetary claims and securities with maturity after the consolidated balance sheet date
As of March 31, 2023

(Millions of Yen)

	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Cash and deposits	28,285	–	–	–
Notes receivable, accounts receivable from completed construction contracts and other	43,543	205	–	–
Electronically recorded monetary claims - operating	5,543	–	–	–
Securities and investment securities				
Available-for-sale securities with maturity dates				
Negotiable certificates of deposit	1,000	–	–	–
Total	78,372	205	–	–

As of March 31, 2024

(Millions of Yen)

	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Cash and deposits	29,219	–	–	–
Notes receivable, accounts receivable from completed construction contracts and other	37,789	138	–	–
Electronically recorded monetary claims - operating	3,454	–	–	–
Securities and investment securities				
Bonds held to maturity	2,999	–	–	–
Available-for-sale securities with maturity dates				
Negotiable certificates of deposit	1,000	–	–	–
Total	74,463	138	–	–

4. Breakdown of fair value of financial instrument by level

Fair values of financial instruments are classified into the following three levels according to the observability and significance of inputs used to determine the fair values.

Level 1 fair value: Of observable inputs used in calculation of fair value, fair value for assets or liabilities that is calculated based on quoted prices in an active market

Level 2 fair value: Of observable inputs used in calculation of fair value, fair value that is calculated using inputs other than Level 1 inputs

Level 3 fair value: Fair value that is calculated using inputs for unobservable fair value calculations

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is classified into the level with the lowest priority in the calculation of fair value, among the levels to which each of the inputs belongs.

(1) Financial instruments recorded at fair value on the consolidated balance sheet
As of March 31, 2023

(Millions of Yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	2,595	–	–	2,595
Investment trusts	–	250	–	250
Total assets	2,595	250	–	2,847

As of March 31, 2024

(Millions of Yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	3,817	–	–	3,817
Investment trusts	–	252	–	252
Total assets	3,817	252	–	4,069

(2) Financial instruments other than those recorded at fair value on the consolidated balance sheet
As of March 31, 2023

(Millions of Yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Notes receivable, accounts receivable from completed construction contracts and other	–	43,713	–	43,713
Electronically recorded monetary claims - operating	–	5,543	–	5,543
Investment securities				
Shares of subsidiaries and associates	2,632	–	–	2,632
Total assets	2,632	49,257	–	51,890

As of March 31, 2024

(Millions of Yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Notes receivable, accounts receivable from completed construction contracts and other	–	37,886	–	37,886
Electronically recorded monetary claims - operating	–	3,454	–	3,454
Investment securities				
Shares of subsidiaries and associates	4,067	–	–	4,067
Total assets	4,067	41,340	–	45,407

Note: Explanation of assessment methods used for calculation of fair value and inputs used in calculation of fair value

Investment securities
Fair values of listed shares are evaluated using quoted prices. As listed shares are traded in active markets, the fair value is classified as Level 1.
The fair value of investment trusts is classified as Level 2, since they do not have a traded price on the market and their net asset value per unit is used as their fair value.

Notes receivable, accounts receivable from completed construction contracts and other, and electronically recorded monetary claims - operating
These fair values are classified as Level 2 fair values. They are calculated for each receivable, classified by each certain period, using the discounted present value method, based on the receivable amount and time until maturity, and an interest rate that is set taking credit risk into account.

(Securities)

1. Bonds held to maturity

As of March 31, 2023

No relevant items to report.

As of March 31, 2024

(Millions of Yen)

	Carrying amount	Fair value	Difference
Items whose fair value exceeds their carrying amount	–	–	–
Items whose fair value does not exceed their carrying amount	2,999	2,999	–
Total	2,999	2,999	–

2. Available-for-sale securities

As of March 31, 2023

(Millions of Yen)

	Type of assets	Carrying amount	Acquisition cost	Difference
Items whose carrying amount exceeds acquisition cost	(1) Shares	2,461	1,320	1,141
	(2) Other	–	–	–
	Subtotal	2,461	1,320	1,141
Items whose carrying amount does not exceed acquisition cost	(1) Shares	134	141	(7)
	(2) Other	1,250	1,274	(23)
	Subtotal	1,385	1,416	(30)
Total		3,846	2,736	1,110

Note: Shares with no market value, etc. are not included in “Available-for-sale securities” in the above table Those are unlisted shares (carrying amount on the consolidated balance sheet: ¥56 million) and investment limited partnerships (carrying amount on the consolidated balance sheet: ¥299 million).

As of March 31, 2024

(Millions of Yen)

	Type of assets	Carrying amount	Acquisition cost	Difference
Items whose carrying amount exceeds acquisition cost	(1) Shares	3,812	1,408	2,404
	(2) Other	–	–	–
	Subtotal	3,812	1,408	2,404
Items whose carrying amount does not exceed acquisition cost	(1) Shares	4	5	(0)
	(2) Other	1,250	1,275	(23)
	Subtotal	1,256	1,280	(23)
Total		5,069	2,689	2,380

Note: Shares with no market value, etc. are not included in “Available-for-sale securities” in the above table Those are unlisted shares (carrying amount on the consolidated balance sheet: ¥56 million) and investment limited partnerships (carrying amount on the consolidated balance sheet: ¥528 million).

3. Available-for-sale securities sold

Fiscal year ended March 31, 2023

(Millions of Yen)

Type of assets	Sale proceeds	Total gain on sale	Total loss on sale
(1) Shares	–	–	–
(2) Other	50	0	–
Total	50	0	–

Fiscal year ended March 31, 2024

(Millions of Yen)

Type of assets	Sale proceeds	Total gain on sale	Total loss on sale
(1) Shares	66	41	–
(2) Other	–	–	–
Total	66	41	–

4. Securities for which an impairment loss was recognized

For the fiscal year ended March 31, 2023, an impairment loss of ¥74 million was recognized on available-for-sale securities.

When the fair value of securities at the fiscal year-end declines by 50% or more of their acquisition cost, those securities are written down to the fair value. When the fair value declines by approximately 30% to 50% of the acquisition cost, an impairment loss is recognized at the amount deemed necessary considering the recoverability in fair value.

(Derivatives)

There are no relevant matters as the Group does not engage in derivative transactions.

(Retirement Benefits)

1. Overview of retirement benefit plans adopted

The Company and some of its consolidated subsidiaries have adopted funded defined benefit plans and defined contribution plans to provide retirement benefits to employees.

Under defined benefit corporate pension plan, a lump-sum benefit or pension is granted based on salaries and periods of service.

A retirement benefit trust has been established for retirement lump-sum payment plans.

Retirement lump-sum payment plans offer retirement lump-sum payments according to the salary and periods of service.

Certain consolidated subsidiaries apply a simplified accounting method in which the calculation of liability for retirement benefit and retirement benefit cost is carried out by using a method in which the retirement benefit obligations are deemed to be the amount of retirement benefits to be paid in cases where all eligible employees retired on a voluntary basis at the fiscal year-end date.

2. Defined benefit plan

(1) Changes in retirement benefit obligations

(Millions of Yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Balance of retirement benefit obligations at beginning of period	7,351	8,118
Service cost	389	430
Interest cost	43	48
Actuarial gains and losses accrued	531	122
Retirement benefits paid	(197)	(320)
Balance of retirement benefit obligations at end of period	8,118	8,399

(2) Changes in plan assets

(Millions of Yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Balance of plan assets at beginning of period	9,636	9,749
Expected return on plan assets	143	142
Actuarial gains and losses accrued	(98)	1,430
Contribution from employer	231	248
Retirement benefits paid	(164)	(243)
Balance of plan assets at end of period	9,749	11,327

(3) Reconciliation between ending balance of retirement benefit obligations and plan assets, and retirement benefit liability/asset recorded in the consolidated balance sheet

(Millions of Yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Retirement benefit obligations of funded plans	8,118	8,399
Plan assets	(9,749)	(11,327)
Retirement benefit obligations of unfunded plans	—	—
Net amount of liabilities and assets recorded in the consolidated balance sheet	(1,631)	(2,928)
Retirement benefit liability	—	—
Retirement benefit asset	(1,631)	(2,928)
Net amount of liabilities and assets recorded in the consolidated balance sheet	(1,631)	(2,928)

(4) Amounts of retirement benefit expenses and their components

	(Millions of Yen)	
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Service cost	389	430
Interest cost	43	48
Expected return on plan assets	(143)	(142)
Amortization of actuarial gains and losses	(44)	19
Amortization of past service cost	(8)	(8)
Retirement benefit expenses under defined benefit plans	237	347

(5) Remeasurements of defined benefit plans included in other comprehensive income

The components of remeasurements of defined benefit plans (before deduction of tax effects) are as follows:

	(Millions of Yen)	
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Past service cost	8	8
Actuarial gains and losses	673	(1,327)
Total	682	(1,318)

(6) Remeasurements of defined benefit plans included in accumulated other comprehensive income

The components of remeasurements of defined benefit plans (accumulated) (before deduction of tax effects) are as follows:

	(Millions of Yen)	
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Unrecognized past service cost	(48)	(39)
Unrecognized actuarial gains and losses	205	(1,121)
Total	156	(1,161)

(7) Plan assets

(i) Major components of plan assets

The ratio of each major category to total plan assets is as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Debentures	40%	36%
Shares	39	44
Cash and deposits	5	5
Other	14	13
Total	100	100

(ii) Method for setting the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, the Company takes into account current and expected allocation of plan assets, and current and expected long-term return rate on various types of assets constituting plan assets.

(8) Actuarial assumptions

Major actuarial calculation basis (indicated by weighted average)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Discount rate	0.6%	0.6%
Long-term expected rate of return	2.0%	2.0%
Expected rate of salary increase	2.5%	2.4%

3. Defined contribution plan

The amount of required contributions to defined contribution plans of the Company was ¥127 million as of March 31, 2023 and ¥134 million as of March 31, 2024.

(Deferred Tax Accounting)

1. Major components of deferred tax assets and liabilities

	(Millions of Yen)	
	As of March 31, 2023	As of March 31, 2024
Deferred tax assets		
Disallowed retirement benefit liability	239	36
Disallowed accrued bonuses	545	531
Disallowed provision of allowance for doubtful accounts	123	124
Disallowed provision for loss on construction contracts	3	62
Tax loss carryforwards	555	698
Disallowed impairment loss	154	154
Disallowed loss for support of associates	908	908
Disallowed loss on valuation of shares for subsidiaries and associates	408	408
Other	1,777	1,695
Subtotal	4,716	4,619
Valuation allowance	(2,747)	(2,795)
Total	1,969	1,824
Deferred tax liabilities		
Retirement benefit asset	-	(221)
Gain on contribution of securities to retirement benefit trust	(273)	(254)
Valuation difference on available-for-sale securities	(243)	(593)
Reserve for tax purpose reduction entry	(1)	(1)
Retirement expenses associated with asset retirement obligations	(2)	(2)
Total	(520)	(1,072)
Net deferred tax assets (liabilities)	1,448	751

2. Reconciliation of significant differences between the statutory effective tax rate and the actual effective rate of income taxes after application of deferred tax accounting

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Statutory effective tax rate	The note is omitted	The note is omitted
(Adjustments)		
Expenses not deductible permanently, such as entertainment expenses	because the difference between the statutory effective tax rate and the effective tax rate after adoption of tax effect accounting is less than 5% of statutory effective tax rate.	because the difference between the statutory effective tax rate and the effective tax rate after adoption of tax effect accounting is less than 5% of statutory effective tax rate.
Inhabitant per capita taxes		
Change in valuation allowance		
Tax deduction		
Share of profit (loss) of entities accounted for using equity method, etc.		
Other		
Effective rate of income taxes after application of deferred tax accounting		

(Real Estate for Lease, etc.)

The Company and some of its subsidiaries own rental housing and other properties in Tokyo and other areas. Lease income from said rental properties in the fiscal year ended March 31, 2023 was ¥41 million, and lease income from said rental properties in the fiscal year ended March 31, 2024 was ¥60 million.

The amounts recorded on the consolidated balance sheets, the changes during the period, and fair value of said rental properties are as follows.

(Millions of Yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Carrying amount		
Balance at beginning of period	6,628	7,125
Increase (decrease) during the period	496	1,001
Balance at end of period	7,125	8,126
Fair value at end of period	9,937	10,904

- Notes:
1. The amount recorded in the consolidated balance sheets is the acquisition cost less accumulated depreciation.
 2. Of the changes during the period, the main increase in the fiscal year ended March 31, 2023 was real estate acquisition (¥766 million), while the main decrease was depreciation (¥172 million). The main increase in the fiscal year ended March 31, 2024 was real estate acquisition (¥1,335 million), while the main decrease was depreciation (¥291 million).
 3. For major properties, the fair value at the end of the period is the amount based on real estate appraisal reports by external real estate appraisers, and for other properties, it is based on a certain appraised value or an index that is considered to appropriately reflect market prices. However, if there have been no material changes in a certain appraised value or an index that is considered to appropriately reflect market prices since the time of acquisition from a third party or the most recent appraisal, the amount is based on the amount adjusted using such appraised value or index.

(Revenue Recognition)

1. Disaggregation of revenue from contracts with customers

Fiscal year ended March 31, 2023

(Millions of Yen)

	Reportable Segment	Other (Note)	Total
	Construction Business		
Slope stabilization and protection	36,585	–	36,585
Foundations and ground improvement	44,570	–	44,570
Repair and reinforcement	7,908	–	7,908
Environmental remediation	1,018	–	1,018
General civil engineering	8,560	–	8,560
Building construction	15,354	–	15,354
Other construction	638	–	638
Other	–	319	319
Revenue from contracts with customers	114,636	319	114,955
Other revenue	–	19	19
Net sales to external customers	114,636	338	114,974

Note: Other is a business segment not included in the reportable segment and includes the product and materials sales business, the leasing business, and the home-visit care business.

Fiscal year ended March 31, 2024

(Millions of Yen)

	Reportable Segment	Other (Note)	Total
	Construction Business		
Slope stabilization and protection	33,922	–	33,922
Foundations and ground improvement	50,103	–	50,103
Repair and reinforcement	8,571	–	8,571
Environmental remediation	2,550	–	2,550
General civil engineering	4,138	–	4,138
Building construction	16,469	–	16,469
Other construction	1,264	–	1,264
Other	–	288	288
Revenue from contracts with customers	117,019	288	117,307
Other revenue	–	16	16
Net sales to external customers	117,019	305	117,324

Note: Other is a business segment not included in the reportable segment and includes the product and materials sales business, the leasing business, and the home-visit care business.

2. Basic information for understanding revenue from contracts with customers

Basic information for understanding revenue is as described in “4. Accounting policies (5) Accounting policy for significant revenues and expenses,” of Significant accounting policies for preparation of consolidated financial statements.

3. Information on relationship between satisfaction of performance obligations under contracts with customers and cash flows generated from said contracts, and amount and timing of revenue expected to be recognized in the following fiscal year onward based on contracts with customers existing as of the end of the fiscal year under review
- (1) Balance of contract assets and contract liabilities, etc.

(Millions of Yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Receivables arising from contracts with customers (balance at beginning of period)	17,909	30,156
Receivables arising from contracts with customers (balance at end of period)	30,156	22,117
Contract assets (balance at beginning of period)	18,595	19,136
Contract assets (balance at end of period)	19,136	19,265
Contract liabilities (balance at beginning of period)	2,144	1,102
Contract liabilities (balance at end of period)	1,102	1,799

- Notes: 1 Receivable arising from contracts with customers are recorded on the consolidated balance sheet under current assets as “Notes receivable, accounts receivable from completed construction contracts and other” and “Electronically recorded monetary claims - operating,” while contract liabilities are recorded on the consolidated balance sheets under current liabilities as “Advances received on construction contracts in progress.”
- 2 Contract assets consist primarily of unbilled amounts to customers, while contract liabilities consist primarily of advances received from customers.
- 3 Almost all of the balance of contract liabilities at the start of the period for the current fiscal year was recognized as revenue for the current fiscal year.

- (2) Transaction prices allocated to remaining performance obligations

The total amount of transaction prices allocated to remaining performance obligations in the current fiscal year was ¥76,455 million, and the Group expects to recognize these remaining performance obligations as revenue over the period of about one year as the performance obligations are satisfied.

(Segment Information, Etc.)

Segment information

1. Overview of reportable segments

The Group's reportable segments are components of the Group for which separate financial information is available and which are subject to periodic review by the Company's Board of Directors to determine the allocation of management resources and evaluate their performance.

The Group has branches and consolidated subsidiaries in each region, and each branch and consolidated subsidiary formulates comprehensive domestic and overseas strategies and conducts business activities in the construction business, including order receipt, construction, and sales of products and materials.

Therefore, the Group consists of businesses that include civil engineering, building construction, and sales of products and materials based on branches and consolidated subsidiaries. In order to provide appropriate information on the nature of business activities and the business environment, multiple segments with similar business structures are aggregated and classified as the Construction Business reportable segment.

The Construction Business engages in slope stabilization and protection, foundations and ground improvement, repair and reinforcement, environmental remediation, general civil engineering, and building construction.

2. Calculation of the amounts of net sales, profit or loss, assets and other items by reportable segment

The accounting method for reported business segments is generally the same as that described in "Significant accounting policies for preparation of consolidated financial statements."

The figures for profit of reportable segments are based on operating profit.

Inter-segment transactions and transfers are based on prevailing market prices.

3. Information on the amounts of net sales, profit or loss, assets and other items by reportable segment

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

(Millions of yen)

	Reportable Segment	Other (Note)	Total
	Construction Business		
Net sales			
Net sales to external customers	114,636	338	114,974
Inter-segment sales and transfers	–	1,083	1,083
Total	114,636	1,421	116,058
Segment expenses	101,906	1,367	103,274
Segment profit	12,729	54	12,784
Segment assets	80,833	1,149	81,982
Other			
Depreciation	2,384	20	2,405
Increase in property, plant and equipment and intangible assets	3,500	10	3,511

Note: Other is a business segment not included in the reportable segment and includes the product and materials sales business, the leasing business, and the home-visit care business.

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

(Millions of yen)

	Reportable Segment	Other (Note)	Total
	Construction Business		
Net sales			
Net sales to external customers	117,019	305	117,324
Inter-segment sales and transfers	2	1,306	1,309
Total	117,022	1,611	118,633
Segment expenses	105,811	1,577	107,389
Segment profit	11,210	33	11,244
Segment assets	78,987	1,023	80,011
Other			
Depreciation	2,822	21	2,843
Increase in property, plant and equipment and intangible assets	3,607	5	3,613

Note: Other is a business segment not included in the reportable segment and includes the product and materials sales business, the leasing business, and the home-visit care business.

4. Difference between the total amount of reportable segments and the amount recorded in the consolidated financial statements and the main details of such difference (matters concerning reconciliation)

(Millions of yen)

Net sales	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Reportable segment total	114,636	117,022
Net sales of Other	1,421	1,611
Inter-segment eliminations	(1,083)	(1,309)
Net sales in consolidated financial statements	114,974	117,324

(Millions of yen)

Profit	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Reportable segment total	12,729	11,210
Profit of Other	54	33
Inter-segment eliminations	1	1
Operating profit in consolidated financial statements	12,785	11,245

(Millions of yen)

Assets	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Reportable segment total	80,833	78,987
Assets of Other	1,149	1,023
Corporate assets	41,970	45,571
Other adjustments	(1,028)	(1,135)
Total assets in consolidated financial statements	122,925	124,447

(Millions of yen)

Other	Reportable segment total		Other	
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Depreciation	2,384	2,822	20	21
Increase in property, plant and equipment and intangible assets	3,500	3,607	10	5

Other	Adjustments		Amount recorded in consolidated financial statements	
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Depreciation	(9)	–	2,395	2,843
Increase in property, plant and equipment and intangible assets	(59)	–	3,451	3,613

Related information

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

1. Information for each product and service

Information for each product and service has been omitted here because the same information is disclosed in Segment Information.

2. Information for each region

(1) Net sales

(Millions of yen)			
Japan	North America	Other regions or countries	Total
109,736	3,359	1,878	114,974

(2) Property, plant and equipment

Information for property, plant and equipment has been omitted here as property, plant and equipment located in Japan exceeds 90% of the property, plant and equipment in the consolidated balance sheet.

3. Information for each main customer

Of sales to external customers, there are no customers who account for 10% or more of net sales in the consolidated statement of income.

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

1. Information for each product and service

Information for each product and service has been omitted here because the same information is disclosed in Segment Information.

2. Information for each region

(1) Net sales

(Millions of yen)			
Japan	North America	Other regions or countries	Total
106,763	4,574	5,987	117,324

(2) Property, plant and equipment

Information for property, plant and equipment has been omitted here as property, plant and equipment located in Japan exceeds 90% of the property, plant and equipment in the consolidated balance sheet.

3. Information for each main customer

Of sales to external customers, there are no customers who account for 10% or more of net sales in the consolidated statement of income.

Information on amortization of goodwill and unamortized balance by reportable segment

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

(Millions of yen)

	Construction Business	Other	Elimination/ Corporate	Total
Amortized amount	–	–	–	–
Unamortized balance	447	–	–	447

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

(Millions of yen)

	Construction Business	Other	Elimination/ Corporate	Total
Amortized amount	47	–	–	47
Unamortized balance	426	–	–	426

Information on gain on negative goodwill by reportable segment

No relevant items to report.

(Related Party Information)

Fiscal year ended March 31, 2023

No relevant items to report.

Fiscal year ended March 31, 2024

No relevant items to report.

(Per Share Information)

(Yen)

Item	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net assets per share	1,721.36	1,877.46
Basic earnings per share	190.59	168.16
Diluted earnings per share	Diluted earnings per share is not shown here as there are no shares with dilutive potential.	Diluted earnings per share is not shown here as there are no shares with dilutive potential.

Notes: 1. The basis for calculating the basic earnings per share is as shown below.

Item	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit attributable to owners of parent (Millions of yen)	9,489	8,181
Amounts not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent related to common shares (Millions of yen)	9,489	8,181
Average number of common shares outstanding in the fiscal year (shares)	49,789,885	48,650,478

2. The basis for calculating net assets per share is as shown below.

Item	As of March 31, 2023	As of March 31, 2024
Total net assets in consolidated balance sheet (Millions of yen)	85,437	91,094
Amount deducted from total net assets in consolidated balance sheet (Millions of yen)	933	905
[Of which non-controlling interests (Millions of yen)]	[933]	[905]
Net assets relating to common shares (Millions of yen)	84,503	90,189
Number of shares of common shares issued (shares)	53,948,450	52,145,450
Number of treasury shares of common shares (shares)	4,857,110	4,107,272
Number of shares of common shares used in the calculation of net assets per share (shares)	49,091,340	48,038,178

Note: The Company's shares held by the trust for the delivery of shares to Directors are included in treasury shares, which is deducted from the average number of shares outstanding during the period for the purpose of calculating basic earnings per share and net assets per share. (Fiscal year ended March 31, 2023: 118,300 shares, Fiscal year ended March 31, 2024: 122,146 shares)

(Significant Subsequent Events)
No relevant items to report.

- (v) Annexed Consolidated Detailed Schedules
 Consolidated Detailed Schedule of Corporate Bonds
 No relevant items to report.

Consolidated Detailed Schedule of Borrowings

Category	Balance at April 1, 2023 (Millions of yen)	Balance at March 31, 2024 (Millions of yen)	Average interest rate (%)	Payment due
Short-term borrowings	1,532	1,438	4.92	–
Current portion of long-term borrowings	–	62	9.08	–
Current portion of lease liabilities	19	22	–	–
Long-term borrowings (excluding current portion of long-term borrowings)	181	62	9.08	2024 to 2026
Lease liabilities (excluding current portion of lease liabilities)	115	53	–	2024 to 2027
Total	1,849	1,639	–	–

- Notes: 1 “Average interest rate” represents weighted average interest rate with respect to the ending balance of borrowings, etc.
 2 The average interest rate of lease liabilities is not stated as the amount equivalent to interest included in the total lease fee is allocated across each fiscal year using the straight-line method.
 3 In the consolidated balance sheets, the current portion of long-term borrowings and lease liabilities are included in other current liabilities.
 4 Repayment schedule for long-term borrowings and lease liabilities (excluding current portion of lease liabilities) for five years after the consolidated balance sheet date is as follows.

(Millions of Yen)

	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years
Long-term borrowings	62	–	–	–
Lease liabilities	25	20	8	–

Consolidated Detailed Schedule of Asset Retirement Obligations

Pursuant to the provision of Article 92-2 of the Regulations on Consolidated Financial Statements, the information is omitted, because the amounts of asset retirement obligations at the beginning and the end of the fiscal year ended March 31, 2024 were not more than 1% of the total of liabilities and net assets at the beginning and the end of the fiscal year ended March 31, 2024, respectively.

(2) Other Information

Quarterly information for the fiscal year ended March 31, 2024

Cumulative period	First quarter	Second quarter	Third quarter	Fiscal year ended March 31, 2024
Net sales (Millions of yen)	25,771	55,075	85,239	117,324
Profit before income taxes (Millions of yen)	1,811	5,370	8,641	11,661
Profit attributable to owners of parent (Millions of yen)	1,157	3,587	5,797	8,181
Basic earnings per share (Yen)	23.69	73.54	118.93	168.16

Accounting period	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	23.69	49.90	45.40	48.40

Independent Auditor's Report

The Board of Directors
RAITO KOGYO Co., Ltd.

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of RAITO KOGYO Co., Ltd. (the Company) 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 cost in revenue recognition for construction contracts	
Description of Key Audit Matter	Auditor's Response
As described in the "Notes to the Consolidated Financial Statements, (Significant accounting policies for preparation of consolidated financial statements), 4. Accounting policies, (5) Accounting policy for significant revenues and expenses," as the Company and a consolidated subsidiaries fulfill their obligations under contracts with customers, revenue is recognized over a certain period of time depending on the degree to which the customer is satisfied with fulfillment of	In assessing the estimate of the total construction cost used in revenue recognition on construction contracts, we primarily performed the following audit procedures. (1) Evaluation of internal controls We conducted the following evaluation of the design and operation of the Company's internal controls over the estimate of total construction cost.

obligation with respect to construction contracts for which it is determined that the customer will receive benefits. Also, as described in the “Notes to the Consolidated Financial Statements, (Significant accounting estimates),” of the ¥117,019 million of net sales from completed construction contracts in the fiscal year ended March 31, 2024, the amount of net sales from completed construction contracts for which performance obligations are satisfied over a period of time is ¥102,463 million (including ¥56,505 million of net sales from completed construction contracts that will be completed in the following fiscal year or later).

The amount of net sales from completed construction contracts where performance obligations are satisfied over a period of time is measured based on the degree of progress for construction related to the satisfaction of performance obligations. The degree of progress for construction is calculated based on the ratio of the cost incurred up until the end of the fiscal year to the estimated total construction cost.

Construction projects are highly individualized, and the basic specifications and work details are executed based on instructions from the customer. It is therefore difficult to obtain a uniform judgment scale when estimating the total construction cost. Consequently, estimates of total construction cost are subject to uncertainty, and involve certain assumptions and judgments by construction managers who possess expert knowledge of construction and experience in construction work.

Furthermore, there are cases in which details of construction contracts are changed from the original contracts based on an agreement with the customer throughout the construction period, and cases in which changes in the estimated man-hours and fluctuation in prices of materials, machinery, subcontracting costs, etc., may occur due to facts discovered after starting construction. As a result, the timely and appropriate review of total construction cost is highly complex.

Based on the above, we determined that the

- Controls for ensuring that the working budget (budget prepared and approved for cost control of construction), which is the basis for estimating the total construction cost, is prepared by expert construction personnel, and reliability is achieved through necessary approvals.
- Systems for timely revision of total construction cost in response to the status of construction work, actual costs incurred, or instructions from the customer regarding changes in specifications.

(2) Evaluation of total construction cost estimate

We evaluated the process of estimating the total construction cost by comparing the estimated total construction cost based on the working budget for the fiscal year ended March 31, 2023 with the final or re-estimated amount.

We performed the following procedures to identify construction contracts involving relatively high uncertainty in estimating the total construction cost when considering factors such as the contract value and construction profit or loss.

- We compared the estimate of the total construction cost against the working budget, which is the basis for the calculation, and examined whether the estimated cost is consistent with the construction objectives of the construction contract, whether it is calculated by aggregating each type of work, and whether the working budget contained any unusual monetary adjustments to accommodate uncertainties in the future.
- We compared the original and latest working budgets and examined the details of differences. We examined whether the effects of events, etc., resulting in differences are reflected in the total construction cost estimate in a timely manner by making inquiries with relevant personnel such as construction managers and by inspecting construction progress reports, documents which substantiate the negotiation of construction cost, and other evidence which can be used to confirm the existence of changes in construction

<p>estimate of the total construction cost, which is the basis for measuring the degree of completion in revenue recognition for construction contracts, is particularly significant in our audit of the consolidated financial statements for the fiscal year ended March 31,2024 and constitutes a key audit matter.</p>	<p>details.</p>
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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.

Fee-related Information

The fees for the audits of the financial statements of RAITO KOGYO Co., Ltd. and its subsidiaries provided by us and other EY member firms are 64 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

July 26,2024

佐藤 秀明

Hideaki Sato
Designated Engagement Partner
Certified Public Accountant

中村 崇

Takashi Nakamura
Designated Engagement Partner
Certified Public Accountant