# Annual Report 2021

**Year ended March 31, 2021**

**CONTENTS**



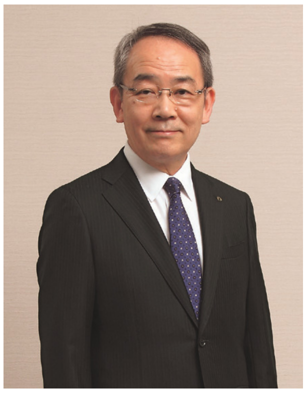
Kyokuto Kaihatsu Kogyo Co., Ltd.

## 1. Operational Results

### (1) Analysis of Operational Results

**<Summary of Operational Results for the Consolidated Fiscal Year ended March 31, 2021>**

In the fiscal year under review, Japan saw a rapid decline in economic and social activities due to the spread of COVID-19. We began to see light at the end of the tunnel with the lifting of the state of emergency. However, hope for an economic resurgence dimmed with the emergence of the second and third waves that continued to drag the economy down and put a damper on consumer spending and corporate capital investment. With the COVID-19 pandemic still not under control, the outlook remains unpredictable and bleak.



Representative Director,
President, CEO
Tatsuya Nunohara

Working against this backdrop, our Group strived to continue its business activities while placing the highest priority on the safety of customers, local residents, and employees.
At the same time, we implemented various measures and worked to generate profits with an eye to improving our corporate quality and deepening our social value, as we moved forward with the second year of our medium-term management plan 2019–21 "To the Growth Cycle" (3 year plan; April 1, 2019 – March 31, 2022).

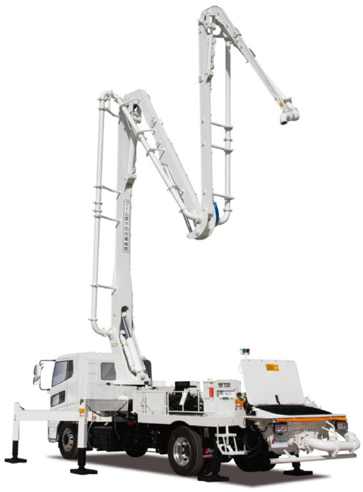
As a result, in the current consolidated fiscal year, net sales decreased by 3,003 million yen (2.5%) compared with the preceding consolidated fiscal year to 117,170 million yen. Operating income increased by 586 million yen (6.9%) to 9,080 million yen, and the current net income attributable to owners of the parent increased by 701 million yen (11.5%) to 6,774 million yen.

We would like to present the summary of business on a consolidated basis by segment in comparison with the preceding fiscal year.

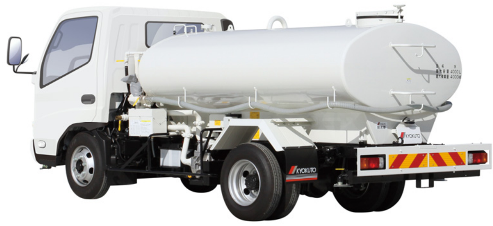
**i) Specialty Truck Segment**

Overall domestic demand remained strong despite some delays in business negotiations due to COVID-19. The Group continued production activities while implementing infection-control measures at its plants in addition to securing orders through IT-assisted telecommuting and other measures.
The Group also leveraged its technological capabilities to actively launch new products. It released apps for IoT-based fleet management systems, including one designed for garbage trucks in July 2020 and another designed for tailgate lifters in March 2021, while enhancing after-sales services. In August 2020, the Group released a safety support system equipped with image recognition AI as an option for garbage trucks, followed by the release of the PY120B-26D, a new mass-market 26-meter class concrete pump truck model, in November 2020.
In overseas markets, the Group made India's Satrac Engineering Private Limited a wholly-owned subsidiary on September 9, 2020. The Group plans to use its acquisition of Satrac's excellent production and customer bases in India to strengthen its business foundation and grow its special purpose vehicles business in India with an eye to making further inroads.

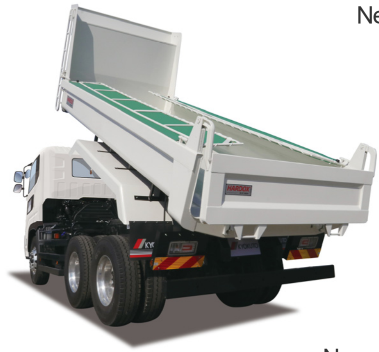
Net sales in the Specialty Truck Segment decreased by 2,525 million yen (2.5%) to 99,551 million yen. Segment profit increased by 463 million yen (7.2%) to 6,880 million yen due to cost increase, etc.



New piston concrete pump truck
“ PY120B-26D”



New sprinkler truck



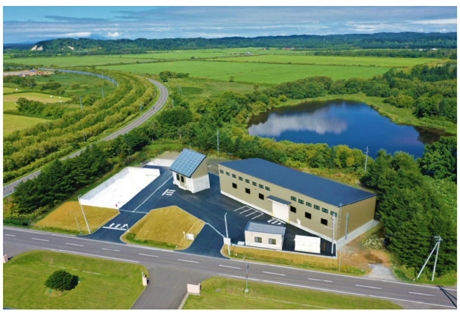
New dump truck
( GVW20t ・ HARDOX body )


Plant of SATRAC ENGINEERING
PRIVATE LIMITED (India)

**ii) Environmental Equipment and Systems Segment**

In the plant construction business, as a result of the Group’s efforts to win new plant construction projects, it was awarded the Komaoka Incineration Plant renovation and operation project by the City of Sapporo in Hokkaido in May 2020. It was also awarded a non-burnable waste recycling center construction project by the Kazuno Wide-Area Administrative Union in Akita Prefecture in June 2020, and the Nansatsu Area Clean Center (tentative name) facility construction and operation project by the Nansatsu Area Sanitation Management Union in Kagoshima Prefecture in February 2021. In addition to construction work for facilities it has already won projects for, the Group focused on the stock-type business such as maintenance and entrusted operation.

Net sales in the Environmental Equipment and Systems Segment decreased by 444 million yen (3.9%) to 11,028 million yen. Segment profit increased by 181 million yen (10.0%) to 1,994 million yen.



Thermal recycling factory in Nishi-Tenboku

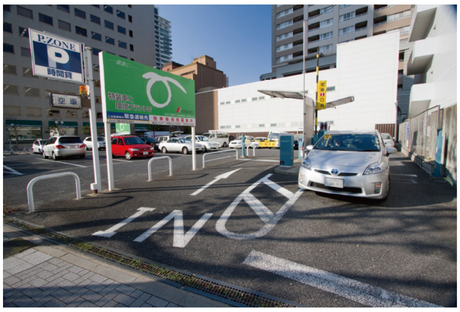
Recycle center in Yao

**iii) Real Estate Rental Segment**

For multistory parking systems, in addition to engaging in activities to win new contracts for new facilities, the Group focused on the stock-type business such as renewal and maintenance. For coin-operated parking, the Group strove to expand profits by cutting total costs despite declining operating rates at all of its business locations due to the impact of COVID-19.

Net sales in the Real Estate Rental Segment decreased by 57 million yen (0.8%) to 7,131 million yen. Segment profit decreased by 2 million yen (0.2%) to 1,140 million yen.

Multi-story parking equipment




Toll parking (Coin-operated)

**<Forecast of Operations for the Next Consolidated Fiscal Year ending March 31, 2022>**

The Japanese economy is expected to face a challenging situation for some time before the COVID-19 pandemic comes to an end.

The Group has established a basic policy for COVID-19 and projected the impact of the spread of COVID-19 as follows.

The Group has established a basic policy for COVID-19 as "Giving top priority to the safety of customers, local communities, and Group employees while ensuring balance with business continuation." Through the implementation of various measures, the Group has striven to reduce the risk of infection. The Group's current situation and countermeasures are as provided below.

1. Employees who tested positive for COVID-19 all had mild symptoms, and there was no impact on business operations.
2. Implemented teleworking/staggered work hours and allowed commuting by personal car.
3. Promoted digitization to continue business amid stay-at-home requests using video conferencing and online meetings.
4. Plants and service bases continued to run normally while implementing sufficient infection-control measures.

For the Group's mainstay Specialty Truck Segment, the Group has a backlog of orders of approximately 55 billion yen (as of March-end 2021) which is equivalent to over six months' worth of consolidated net sales of the Specialty Truck Segment. No major problems have occurred in plants' production activities.

Concerns about a prolonged impact of COVID-19 and further spread of infections are as listed below.

1. Delay and cancellation of new business negotiations during sales activities.
2. Delay in installation of truck chassis in production activities and impact on supply chains, including procurement of parts.

The Environmental Equipment and Systems Segment is operating normally without any delay, etc. in construction work due to the nature of public works that are essential to people's daily lives. Entrusted operations, etc. have also been busy with a higher operating rate caused partly by increases in household waste. It is expected that there will be almost no impact on business performance in the segment.

In the Real Estate Rental Segment, the coin-operated parking business and others have experienced lower operating rates in all business locations, due to a decline in customer traffic caused by restrictions on going out, impacting net sales.

Under these circumstances, the Group will continue to implement priority strategies based on the basic policy stipulated in the medium-term management plan 2019–21 "To the Growth Cycle" (3 year plan; April 1, 2019 – March 31, 2022) and make all-out efforts to expand sales and profits and to improve its corporate value as it wraps up the final year of the plan. Meanwhile, the Group will pay close attention to the current and future trends and respond flexibly such as by considering and implementing policy revisions, etc. as needed.

**(2) Analysis on Financial Conditions**

**i) Situations of Assets, Liabilities and Net Worth**

In the current consolidated fiscal year, total assets increased by 6,161million yen (4.5%) from the end of the preceding fiscal year to 142,740 million yen.

Current assets increased by 1,570 million yen (1.9%) to 84,323 million yen, due to increases in cash and deposits, etc.

Non-current assets (property, plant and equipment, intangible assets and investments and other assets) increased by 4,591 million yen (8.5%) to 58,417 million yen, due to the rise in market prices of investment securities, etc.

Regarding liabilities, current liabilities decreased by 1,873 million yen (4.9%) to 36,742 million yen due to decreases in electronically recorded monetary obligations, repayment of short-term loans, etc. Non-current liabilities increased by 14 million yen (0.3%) to 5,411 million yen due to increases in deferred tax liability, etc.

Total net assets increased by 8, 020 million yen (8.7%) to 100,587 million yen due to the posting of net profit, etc. attributable to owners of parent.

As a result, the capital adequacy ratio stood at 70.3% as of the end of the current fiscal year (67.5% at the end of the preceding fiscal year).

**ii) Cash Flow Situation**

Consolidated cash and cash equivalents at the end of period increased by 1,174 million yen (5.9%) compared with the end of the preceding fiscal year to 21,240 million yen. Cash flow by activity type is summarized as follows:

Cash Flow from Operating Activities

Net cash provided by operating activities amounted to 8,263 million yen (an increase of 2,464 million yen compared with the preceding fiscal year). This was because of the posting of net profit before tax, etc.

Cash Flow from Investing Activities

Net cash used in investing activities was 4,304 million yen (a decrease of 1,557 million yen compared with the preceding fiscal year). This was because of purchases of non-current assets, etc.

Cash Flow from Financing Activities

Net cash used by financing activities amounted to 2,771 million yen (a decrease of 487 million yen compared with the preceding fiscal year). This was because of dividends paid, repayment of long-term loans, etc.

**(3) Principal policy for return of profits to shareholders and payment of dividends for the current year and next year**

The Kyokuto Kaihatsu Kogyo Group regards the return of profits to shareholders as one of the most important management's policies. Taking the development of business in the future and business environments into account, management has been striving to meet investors' expectations through the improvement of business performance and the strengthening of its financial position.

The Meeting of Shareholders on June 25th, 2021 resolved and passed to pay a dividend of 24 yen per share at the end of March 2021 as originally proposed by management, making its annual dividend 42 yen per share including an interim dividend, increased by 2 yen compared with the preceding fiscal year.

For the year ending March 2022, management plans to pay an annual dividend of 44 yen per share (including an interim dividend of 22 yen), increased by 2 yen compared with the preceding fiscal year.
same amount with the preceding fiscal year.

## 2. Management Policy

### (1) Basic Management Policy of the Company

The management philosophy of the Kyokuto Kaihatsu Group is "Value technology and trust, make concerted efforts to develop the company, and widely contribute to the society."

Our ultimate goal in the management policy is to implement corporate policy recognizing a social role and responsibility as a public company in a strong relationship with various stakeholders such as customers, business partners, shareholders, employees, and local societies. In addition, by providing safe, effective and high quality products and services through our fair and sound business activities, the Kyokuto Kaihatsu Group seeks to bring about greater contribution to our society and maximize corporate value.

With this management policy, we devote ourselves to three major business domains including Specialty Truck, Environmental Equipment and Systems, and Real Estate Rental.

### (2) Mid-to-Long Term Management Strategy

Under the medium term management plan 2019-21 “To the Growth Cycle” (3 year plan; April 1, 2019 - March 31, 2022), we are promoting priority strategies for the growth of the group based on the following basic policy.

**Basic policies**

With the goal of being a global company that responds flexibly to changes, our group is steadily taking measures that increase productivity and profit margins while balancing contribution to social issues with business growth. The group is aggressively channeling management resources into these measures.

(1) Improving productivity and enhancing profitability

Maximizing the effects of capital investments aimed at enhancing the earnings base. In addition, striving to make effective use of the IoT, AI, and other technologies and providing higher added value and higher quality products and services.

(2) Creating future earnings sources

Aggressively channeling management resources while utilizing the Group’s existing resources, alliances, and M&A aimed at solidly establishing an earnings base for the overseas business and businesses in new areas.

(3) Improving corporate quality and deepening social value

Promoting workstyle reforms, talented personnel development, and social contribution through business activities based on thorough enforcement of safety and compliance.

**Key Strategies**

(1) Special purpose vehicles business

[1] Streamlining overall business and expanding profits through Group-wide seamless activities from sales to design and production.

[2] Expanding sales and improving productivity by effectively using facilities in which investments were made prior to the end of the previous plan and making new capital investment.

[3] Differentiating brands and securing earnings through the provision of services with high customer satisfaction.

[4] Promoting the development of products that capture the needs of the times, such as automation and energy saving in operation and safety.

(2) Environmental business

[1] Securing orders for plants through differentiation focusing on proprietary technologies and safety and promotion of alliances with other companies.

[2] Maintaining a stable base by enhancing capabilities to propose services and respond to construction works.

[3] Promoting entry and establishment of businesses in new fields through development of new core products and systems.

(3) Parking business

[1] For mechanical multistory parking equipment, focusing on renewal projects and promoting the development of differentiated products and proposal activities.

[2] For pay-by-the-hour parking lots, focusing on securing earnings in each location and engaging in selective order-winning activities for new business locations.

[3] Promoting cultivation of new overseas markets and development of new products for the future.

(4) Overseas business

[1] For overseas bases, investing resources to establish an earnings base.

[2] Achieving total optimization by promoting cross-border business expansion through Group-wide collaboration including in Japan and China.

(5) Other

[1] Enhancing added value of products and services and promoting streamlining and automation of internal operations through proactive use of the IoT, AI, and other technologies.

[2] Creating a work environment that enables each employee to focus on high value added operations by promoting an approach to develop human resources as a team and conduct workstyle reforms.

[3] Achieving sustainable growth and increasing added value as a company by addressing social issues through business activities as the society is now at a turning point.

**(3) Targeted management index**

We set management targets of sales of 110 billion yen or more and operating profit of 9 billion yen or more on a consolidated base for the term ending March 2022, the last fiscal year of the medium term management plan 2019-21 “To the Growth Cycle” (3 year plan; April 1, 2019 - March 31, 2022).

CONSOLIDATED BALANCE SHEETS
At March 31, 2021 and 2020

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| ASSETS | 2021 | 2020 | 2021 |
| Current assets: | | | |
| Cash and deposits (Notes 9 & 10) | ¥ 9,703 | ¥ 7,804 | $ 87,645 |
| Short-term securities (Notes 9 & 10) | 12,200 | 12,890 | 110,198 |
| Trade notes and accounts receivable (Note 10) | 35,129 | 35,905 | 317,306 |
| Electronically recorded monetary claims - operating (Note 10) | 7,886 | 6,815 | 71,231 |
| Merchandise & finished goods | 1,772 | 1,368 | 16,007 |
| Work in process | 6,588 | 5,798 | 59,505 |
| Raw materials & supplies | 8,613 | 9,484 | 77,800 |
| Other current assets (Note 10) | 2,495 | 2,751 | 22,542 |
| Allowance for doubtful accounts | (63) | (62) | (573) |
| Total current assets | 84,323 | 82,753 | 761,661 |
| Property, plant and equipment (Note 11): | | | |
| Land (Note 5) | 21,018 | 20,360 | 189,844 |
| Buildings and structures (Note 5) | 34,773 | 33,816 | 314,096 |
| Machinery, equipment and vehicles | 20,368 | 18,351 | 183,976 |
| Construction in progress | 291 | 1,012 | 2,628 |
| Other | 5,440 | 5,105 | 49,140 |
| Total | 81,890 | 78,644 | 739,684 |
| Accumulated depreciation | (41,955) | (39,597) | (378,967) |
| Net property, plant and equipment | 39,935 | 39,047 | 360,717 |
| Intangible assets | | | |
| Goodwill | 803 | - | 7,257 |
| Customer-related assets | 449 | - | 4,057 |
| Other | 817 | 701 | 7,374 |
| Total | 2,069 | 701 | 18,688 |
| Investments and other assets: | | | |
| Investment securities (Notes 3, 6 & 10) | 14,388 | 11,685 | 129,962 |
| Deferred tax assets (Note 15) | 264 | 259 | 2,387 |
| Long-term loans receivable (Note 10) | 1,964 | 1,166 | 17,734 |
| Other assets | 1,980 | 1,676 | 17,888 |
| Allowance for doubtful accounts (Note 10) | (2,182) | (708) | (19,714) |
| Total investments and other assets | 16,414 | 14,078 | 148,257 |
| Total non-current assets | 58,418 | 53,826 | 527,662 |
| Total | ¥ 142,741 | ¥ 136,579 | $ 1,289,323 |

The accompanying notes are an integral part of these statements.

| LIABILITIES AND NET ASSETS | Millions of yen 2021 | Millions of yen 2020 | Thousands of U.S. dollars (Note 1) 2021 |
|---|---|---|---|
| Current liabilities: | | | |
| Short-term bank loans (Notes 4 & 10) | ¥ 740 | ¥ 1,464 | $ 6,682 |
| Current portion of long-term bank loans (Notes 4 & 10) | 23 | 637 | 211 |
| Trade notes and accounts payable (Note 10) | 16,547 | 15,993 | 149,464 |
| Electronically recorded obligations - operating (Note 10) | 9,150 | 10,629 | 82,650 |
| Accrued expenses | 4,814 | 4,569 | 43,483 |
| Income taxes payable | 2,096 | 1,570 | 18,933 |
| Other current liabilities (Note 4) | 3,372 | 3,753 | 30,454 |
| Total current liabilities | 36,742 | 38,615 | 331,877 |
| | | | |
| Non-current liabilities: | | | |
| Bonds payable (Notes 4 & 10) | - | 50 | - |
| Long-term bank loans (Notes 4 & 10) | 282 | 56 | 2,544 |
| Net defined benefit liabilities (Note 7) | 340 | 968 | 3,067 |
| Liabilities for directors' retirement benefits | 152 | 168 | 1,376 |
| Deferred tax liabilities (Note 15) | 2,295 | 1,600 | 20,734 |
| Other non-current liabilities (Notes 4, 5 & 10) | 2,343 | 2,556 | 21,160 |
| Total non-current liabilities | 5,412 | 5,398 | 48,881 |
| Total liabilities | 42,154 | 44,013 | 380,758 |
| | | | |
| Net assets: | | | |
| Shareholders' equity: | | | |
| Common stock (Note 13): | | | |
| Authorized-170,950,672 shares | | | |
| Issued-42,737,668 shares in 2021 and 2020 | 11,900 | 11,900 | 107,487 |
| Capital surplus (Note 13) | 11,821 | 11,679 | 106,774 |
| Retained earnings | 73,997 | 68,733 | 668,389 |
| Treasury stock, at cost (Note 13): | | | |
| 3,011,295 shares in 2020 | | | |
| 2,978,781 shares in 2021 | (2,249) | (2,153) | (20,318) |
| Total shareholders' equity | 95,469 | 90,159 | 862,332 |
| | | | |
| Accumulated other comprehensive income (Note 16): | | | |
| Unrealized gain on available-for-sale securities | 4,931 | 2,553 | 44,539 |
| Foreign currency translation adjustments | 53 | 127 | 485 |
| Remeasurements of defined benefit plans | (170) | (657) | (1,539) |
| Total accumulated other comprehensive income | 4,814 | 2,023 | 43,485 |
| Non-controlling interests | 304 | 384 | 2,748 |
| Total net assets | 100,587 | 92,566 | 908,565 |
| Total | ¥ 142,741 | ¥ 136,579 | $ 1,289,323 |

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME
Years ended March 31, 2021 and 2020

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2021 | 2020 | 2021 |
| Net sales | ¥ 117,170 | ¥ 120,174 | $ 1,058,353 |
| Cost of sales (Note 17) | 94,009 | 97,228 | 849,144 |
| Gross profit | 23,161 | 22,946 | 209,209 |
| Selling, general and administrative expenses (Note 14) | 14,081 | 14,452 | 127,190 |
| Operating income | 9,080 | 8,494 | 82,019 |
| Other income (expenses): | | | |
| Interest and dividend income | 618 | 382 | 5,579 |
| Interest expense | (42) | (50) | (383) |
| Gain (loss) on sales of investment securities | (20) | 712 | (180) |
| Gain (loss) on sales or disposition of property and equipment, net | 83 | (52) | 746 |
| Equity in losses of affiliates | (16) | (192) | (142) |
| Loss on valuation of investment securities (Note 3) | (104) | (8) | (942) |
| Loss on sale of investment in a subsidiary | - | (601) | - |
| Provision of allowance for doubtful accounts | (489) | - | (4,418) |
| Foreign exchange gain (loss) | 91 | (34) | 827 |
| Other-net | (74) | 49 | (667) |
| Other expenses -net | 47 | 206 | 420 |
| Income before income taxes and non-controlling interests | 9,127 | 8,700 | 82,439 |
| Income taxes (Note 15): | | | |
| Current | 3,178 | 2,756 | 28,708 |
| Deferred | (770) | (26) | (6,959) |
| Total income taxes | 2,408 | 2,730 | 21,749 |
| Net income | 6,719 | 5,970 | 60,690 |
| Net loss attributable to non-controlling interests | (55) | (103) | (499) |
| Net income attributable to owners of the parent | ¥ 6,774 | ¥ 6,073 | $ 61,189 |

| | Yen | | U.S. dollars (Note 1) |
|---|---|---|---|
| | 2021 | 2020 | 2021 |
| Amounts per shares: | | | |
| Basic net income | ¥ 170.49 | ¥ 152.87 | $ 1.54 |
| Diluted net income | - | - | - |
| Cash dividends applicable to earnings of the year | 42.00 | 40.00 | 0.38 |

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended March 31, 2021 and 2020

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2021 | 2020 | 2021 |
| Net income | ¥ 6,719 | ¥ 5,970 | $ 60,690 |
| Other comprehensive income (Note 16): | | | |
| Unrealized gain on available-for-sale securities | 2,377 | (2,324) | 21,472 |
| Foreign currency translation adjustments | (74) | 66 | (670) |
| Remeasurements of defined benefit plans | 486 | (195) | 4,394 |
| Share of other comprehensive income in affiliates accounted for by the equity method | (23) | 72 | (214) |
| Total other comprehensive income | 2,766 | (2,381) | 24,982 |
| Comprehensive income | ¥ 9,485 | ¥ 3,589 | $ 85,672 |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | 9,565 | 3,679 | 86,394 |
| Non-controlling interests | (80) | (90) | (722) |

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years ended March 31, 2021 and 2020

*Millions of yen*

| | | Shareholders' equity | | | | | Accumulated other comprehensive income | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Unrealized gain on available-for-sale securities | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Non-controlling interests | Total net assets |
| Balance, March 31, 2019 | ¥ | 11,900 | 11,719 | 64,280 | (2,153) | 85,746 | 4,878 | (3) | (463) | 4,412 | 699 | 90,857 |
| Purchases of treasury stock | | | | | (0) | (0) | | | | | | (0) |
| Net income attributable to owners of the parent | | | | 6,073 | | 6,073 | | | | | | 6,073 |
| Change in scope of consolidation | | | | (71) | | (71) | | 6 | | 6 | | (65) |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | (40) | | | (40) | | | | | | (40) |
| Appropriation | | | | | | | | | | | | |
| Cash dividends paid | | | | (1,549) | | (1,549) | | | | | | (1,549) |
| Other net changes in the year | | | | | | | (2,325) | 124 | (194) | (2,395) | (315) | (2,710) |
| Balance, March 31, 2020 | ¥ | 11,900 | 11,679 | 68,733 | (2,153) | 90,159 | 2,553 | 127 | (657) | 2,023 | 384 | 92,566 |
| Purchases of treasury stock | | | | | (289) | (289) | | | | | | (289) |
| Disposal of treasury stock | | | 142 | | 193 | 335 | | | | | | 335 |
| Net income attributable to owners of the parent | | | | 6,774 | | 6,774 | | | | | | 6,774 |
| Appropriation | | | | | | | | | | | | |
| Cash dividends paid | | | | (1,510) | | (1,510) | | | | | | (1,510) |
| Other net changes in the year | | | | | | | 2,378 | (74) | 487 | 2,791 | (80) | 2,711 |
| Balance, March 31, 2021 | ¥ | 11,900 | 11,821 | 73,997 | (2,249) | 95,469 | 4,931 | 53 | (170) | 4,814 | 304 | 100,587 |

*Thousands of U.S. dollars*

| | | Shareholders' equity | | | | | Accumulated other comprehensive income | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Unrealized gain on available-for-sale securities | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Non-controlling interests | Total net assets |
| Balance, March 31, 2020 | $ | 107,487 | 105,492 | 620,836 | (19,450) | 814,365 | 23,064 | 1,153 | (5,937) | 18,280 | 3,470 | 836,115 |
| Purchases of treasury stock | | | | | (2,608) | (2,608) | | | | | | (2,608) |
| Disposal of treasury stock | | | 1,282 | | 1,740 | 3,022 | | | | | | 3,022 |
| Net income attributable to owners of the parent | | | | 61,189 | | 61,189 | | | | | | 61,189 |
| Appropriation | | | | | | | | | | | | |
| Cash dividends paid | | | | (13,636) | | (13,636) | | | | | | (13,636) |
| Other net changes in the year | | | | | | | 21,475 | (668) | 4,398 | 25,205 | (722) | 24,483 |
| Balance, March 31, 2021 | $ | 107,487 | 106,774 | 668,389 | (20,318) | 862,332 | 44,539 | 485 | (1,539) | 43,485 | 2,748 | 908,565 |

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2021 and 2020

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2021 | 2020 | 2021 |
| Operating activities: | | | |
| Income before income taxes and non-controlling interests | ¥ 9,127 | ¥ 8,700 | $ 82,439 |
| Depreciation and amortization | 2,805 | 2,625 | 25,337 |
| Amortization of goodwill | 40 | - | 362 |
| Loss on valuation of investment securities | 104 | 8 | 942 |
| Loss (gain) on sales of investment securities, net | 20 | (111) | 180 |
| Equity in losses of affiliates | 16 | 192 | 142 |
| Loss (gain) on sales or disposition of property and equipment, net | (125) | 18 | (1,127) |
| Interest and dividend income | (618) | (382) | (5,579) |
| Interest expenses | 42 | 50 | 383 |
| Decrease (increase) in trade notes and accounts receivable | (76) | 1,128 | (689) |
| Decrease (increase) in inventories | (96) | (565) | (869) |
| Increase (decrease) in trade notes and accounts payable | (1,504) | (1,481) | (13,587) |
| Increase (decrease) in net defined benefit liabilities | 65 | (94) | 589 |
| Increase (decrease) in allowance for doubtful accounts | 492 | (8) | 4,443 |
| Increase (decrease) in allowance for others | (121) | (64) | (1,097) |
| Increase (decrease) in consumption taxes payable | (36) | 348 | (325) |
| Other, net | 370 | (1,717) | 3,340 |
| Sub total | 10,505 | 8,647 | 94,884 |
| Interest and dividend income received | 637 | 389 | 5,758 |
| Interest expenses paid | (41) | (34) | (375) |
| Income taxes paid | (2,837) | (3,203) | (25,624) |
| Net cash provided by operating activities | 8,264 | 5,799 | 74,643 |
| Investing activities: | | | |
| Purchases of securities and investments | (47) | (440) | (422) |
| Proceeds from sales of securities and investments | 101 | 1,200 | 914 |
| Proceeds from maturity of securities and investments | 586 | 633 | 5,292 |
| Purchases of property, plant and equipment | (3,356) | (3,467) | (30,312) |
| Proceeds from sales of property, plant and equipment | 172 | 295 | 1,557 |
| Payments for sales of shares of subsidiaries resulting in change in scope of consolidation | - | (692) | - |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 18) | (1,822) | - | (16,457) |
| Net decrease (increase) in short-term loans receivable | - | 23 | - |
| Disbursement of loans receivable | (10) | (316) | (90) |
| Collection of loans receivable | 71 | 15 | 643 |
| Other,net | (0) | 2 | (5) |
| Net cash used in investing activities | (4,305) | (2,747) | (38,880) |
| Financing activities: | | | |
| Net increase (decrease) in short-term bank loans | (822) | 96 | (7,425) |
| Proceeds from long-term bank loans | 288 | - | 2,601 |
| Repayment of long-term bank loans | (675) | (637) | (6,100) |
| Payment for redemption of bonds | (50) | - | (452) |
| Payment of finance lease obligations | (49) | (55) | (441) |
| Purchases of treasury stock | (289) | (0) | (2,608) |
| Proceeds from sales of treasury stock | 335 | - | 3,022 |
| Dividends paid | (1,509) | (1,549) | (13,632) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | - | (138) | - |
| Net cash used in financing activities | (2,771) | (2,283) | (25,035) |
| Foreign currency translation adjustments on cash and cash equivalents | (13) | (5) | (115) |
| Net increase (decrease) in cash and cash equivalents | 1,175 | 764 | 10,613 |
| Cash and cash equivalents at beginning of year | 20,065 | 19,084 | 181,242 |
| Increase in cash and cash equivalents from a newly consolidated subsidiary | - | 217 | - |
| Cash and cash equivalents at end of year (Note 9) | ¥ 21,240 | ¥ 20,065 | $ 191,855 |

The accompanying notes are an integral part of these statements.

## 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Kyokuto Kaihatsu Kogyo Co., Ltd. (the "Company") and its consolidated subsidiaries (collectively the "Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically, in order to present them in a form which is more familiar to readers outside Japan.

In addition, the notes to consolidated financial statements include additional information which is not required under generally accepted accounting principles and practices in Japan.

The financial statements presented herein are expressed in Japanese yen and, solely for the convenience of the readers, have been translated into U.S. dollars at the rate of ¥110.71=US$1, the approximate exchange rate on March 31, 2021. These translations should not be construed as representations that the Japanese yen amounts actually are, have been or could be converted into U.S. dollar amounts.

## 2. Summary of Significant Accounting Policies

### (a) Consolidation

The consolidated financial statements include the accounts of the Company and its 11 significant subsidiaries. Investments in 5 nonconsolidated subsidiaries and 1 affiliated company are accounted for by the equity method.
Under the concept of control or significant influence, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies which the Group has the ability to exercise significant influence (affiliated companies) are accounted for by the equity method.
On March 31, 2021, 5 subsidiaries are excluded from scope of consolidation. As to these, investments in all nonconsolidated subsidiaries are accounted for by the equity method. These companies are not material in terms of total assets, net sales, net income and retained earnings and do not have any significant impact on the consolidated financial statements.
During the fiscal year ended March 31, 2021, SATRAC ENGINEERING PRIVATE LIMITED has been included into the scope of consolidation, since the Company purchased its all shares. FE-ONE Co., Ltd. (consolidated subsidiary) merged by absorption with FE-Tech Co., Ltd. (consolidated subsidiary) and changed its corporate name to FE-Auto Co., Ltd. Also, MITHRA KYOKUTO SPECIAL PURUPOSE VEHICLE Co., PVT. LTD. has been excluded from the scope of equity method, since the board of the Company resolved to sell its all shares, on March 30, 2021.
Among the consolidated subsidiaries, the balance sheet date for Kyokuto Kaihatsu (Kunshan) Machinery Co., Ltd., and PT. Kyokuto Indomobil Manufacturing Indonesia is December 31. They are consolidated using the financial statements as of their balance sheet date. Significant inter-company transactions between their balance sheet date and consolidated balance sheet date are adjusted for consolidation.
Furthermore, the balance sheet date for Kyokuto Special Automobile Trading (Shanghai) Co., Ltd. under the equity method is different from the consolidated balance sheet date, but no adjustments were made.
All significant inter-company balances and transactions have been eliminated in the consolidated financial statements. All material unrealized gains resulting from inter-company transactions have been eliminated.

Assets and liabilities of the consolidated subsidiaries at the time of investment are all valued at fair value. The goodwill is being amortized on a straight-line basis over estimated useful lives or 5 years in situations in which the useful lives cannot be estimated. However, insignificant goodwill is charged to expenses when incurred.

**(b) Cash Equivalents**

Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. All of cash equivalents mature or become due within three months from the date of acquisition.

**(c) Short-term Securities and Investment Securities**

The Group classifies their securities which have readily determinable fair values as held-to-maturity debt securities, available-for-sale securities, depending on management's intent.

(Held-to-maturity debt securities)
Held-to-maturity debt securities are stated at amortized cost.

(Available-for-sale securities)
Marketable available-for-sale securities are stated at fair value, with unrealized gains or losses, net of applicable taxes, and reported in accumulated other comprehensive income. The cost of available-for-sale securities sold is determined based on the moving average method.

Non-marketable securities are stated at cost determined by the moving average method.

**(d) Inventories**

Merchandises are stated at cost determined by the specific identification method, or if lower, the net realizable value.

Raw materials, finished goods and work in process are stated at cost determined by the periodic average method, or if lower, the net realizable value.
Supplies are stated at cost determined by the last purchase cost method, or if lower, the net realizable value.

**(e) Depreciation**

Depreciation is principally computed under the straight-line method, using rates based on the estimated useful lives of the assets (except for lease assets). The useful lives are principally ranging from 7 to 60 years for buildings and structures, and 4 to 17 years for machinery, equipment and vehicles.
Amortization of intangible assets is computed by the straight-line method.

**(f) Retirement Benefits**

Net defined benefit liabilities are recorded for employees' pension and severance payments based on the projected benefit obligations and the fair value of plan assets at the balance sheet date.
In calculating the projected retirement obligations, the straight-line attribution is applied for allocation of projected benefits to the periods until the end of the current fiscal year.
Actuarial gains or losses are amortized by declining-balance method over stated years that do not exceed the average remaining service period of the employees (10 years) beginning with the year following the year which incurred.

**(g) Allowance for Doubtful Accounts**

The allowance for doubtful accounts is provided against potential losses on collections at an amount determined using a historical bad debt loss ratio and an amount individually estimated on the collectability of receivables that are expected to be uncollectible due to bad financial condition or insolvency of the debtor.

**(h) Asset Retirement Obligations**

Asset retirement obligations are defined as a statutory or similar obligation with regard to the removal of tangible fixed assets and are incurred when tangible fixed assets are acquired, constructed, developed or used in an ordinary way. The asset retirement obligation is recognized as the sum of the discounted cash flow required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made.

### (i) Revenue from Construction Contracts

Revenues from construction contracts and the related costs are recorded under the percentage-of-completion method, if the outcome of the construction contract can be estimated reliably. Otherwise, the completed-contract method is applied if the outcome cannot be reliably estimated.

### (j) Allowance for Losses on Construction Contracts

Estimated losses on construction contracts are charged to income in the period in which they are identified.

### (k) Leases

Finance lease transactions, except for immaterial or short-term finance lease transactions which are accounted for as operating leases, are capitalized to recognize lease assets and lease obligations in the balance sheet. Such capitalized lease assets are depreciated by the straight-line method over the lease terms assuming no residual value.

### (l) Income Taxes

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amount and tax bases of assets and liabilities, and operating loss carry-forwards.

### (m) Derivatives

All derivatives, except for certain foreign exchange forward contracts and interest rate swap contracts described below, are stated at fair value. If derivative financial instruments are used as hedges and meet certain hedging criteria, the Group defers recognition of gains or losses resulting from a change in the market value of the derivative financial instruments until the related gains or losses on the hedged items are recognized. Accounts payable hedged by foreign exchange contracts which meet certain hedging criteria are translated at their contracted rates. Interest rate swaps which meet certain hedging criteria are accounted for as if the interest rate applied to the swaps had originally applied to the underlying debt.

**(n) Per Share Information**

Basic net income per share is computed based on net income available to common stockholders and the weighted average number of shares of common stock outstanding during each period. The average numbers of shares used in the computations are 39,734 and 39,726 thousand shares for 2021 and 2020, respectively.

Diluted net income per share is not disclosed because the Company had no potentially dilutive shares outstanding at these balance sheet dates.
Cash dividends per share shown in the statements of income are the amounts applicable to the respective years.

**(o) Significant Accounting Estimates**

(Goodwill and Customer-related assets)
(i) Amount recorded in the consolidated financial statements for the fiscal year

| | *Millions of yen* | *Thousands of U.S. dollars* |
|---|---|---|
| Goodwill | ¥ 803 | $ 7,257 |
| Customer-related assets | ¥ 449 | $ 4,057 |

(ii) Information concerning significant accounting estimates for identifiable items
Goodwill and Customer-related assets of the newly consolidated subsidiary are amortized under the straight-line method, using rates based on the estimated useful lives of assets, below. The recognition and measurement of Goodwill and Customer-related assets are based on estimates or assumptions set using some factors such as future cash flow and discount rates. However, when these assumptions may be affected by changes in uncertain future economic conditions, the impairment losses related these assets may be recognized in the future.

| Estimated useful lives | Years |
|---|---|
| Goodwill | 10 |
| Customer-related assets | 16 |

(Impairment losses of Property, plant and equipment)

(i) Amount recorded in the consolidated financial statements for the fiscal year

There is not applicable for the fiscal year.

(ii) Information concerning significant accounting estimates for identifiable items

The impairment losses of the assets which have indication of impairment were not recognized since carrying amount of the assets exceeds the estimated future cash flow calculated under the business plans of each segment. The assets which have indication of impairment are below. However, when the business plan will be needed the review or update since affection of future market environment, the impairment losses of the assets may be recognized in the future.

| | *Millions of yen* | *Thousands of U.S. dollars* |
|---|---|---|
| Specialty truck business | ¥ 538 | $ 4,857 |
| Environmental equipment and systems business | 647 | 5,850 |
| Real estate rental business | — | — |
| Total | ¥ 1,185 | $ 10,707 |

## (p) Accounting Standards issued but not yet applied

- "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No.29, March 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, March 26, 2021)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19, March 31, 2020)

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States jointly developed a comprehensive accounting standard for revenue recognition and published the "Revenue from Contracts with Customers" (as IFRS 15 in the IASB and Topic 606 in the FASB) in May 2014, respectively. IFRS 15 was applied to fiscal years beginning on or after January 1, 2018 and Topic 606 was applied from fiscal years beginning after December 15, 2017. Considering this situation, the ASBJ developed a comprehensive accounting standard for revenue recognition and implementation guidance and issued them together. In developing the accounting standards for revenue recognition, the ASBJ basically integrated the core principles of IFRS 15 from a comparability point in view of the financial statements, which is one of the benefits of ensuring consistency with IFRS 15. If there are any items which should be considered in current practices in Japan, alternative treatments would be added to the extent to which comparability is not impaired.

(2) Scheduled date of application

To be applied from the beginning of the fiscal year ending March 2022.

(iii) Effects of application of these standards

The effects of the application of the aforementioned standard and guidance on the Company’s consolidated financial statements are currently under the assessment.

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30, July 4, 2019)
- “Accounting Standard for Measurement of Inventories (ASBJ Statement No.9, July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No.10, July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No.31, July 4, 2019)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No.19, March31, 2020)

(i) Overview

IASB and FASB in the United States established almost the same detailed guidance regarding fair value measurement (IFRS 13 “Fair Value Measurement” in IFRS and Topic 820 “Fair Value Measurement” in FASB). Considering this situation, the ASBJ has worked for consistency between Japanese accounting standards and international accounting standards regarding fair value of financial instruments and disclosure and issued “Accounting Standard for Fair Value Measurement” and others above.

The basic approach taken by the ASBJ in the development of the accounting standards for fair value measurement was, to incorporate essentially all details of IFRS 13 in order to improve the comparability with financial statements of Japan and overseas. If there are any items which should be considered in current practices in Japan, exceptional treatments would be added to the extent to which the comparability is not impaired significantly.

(ii) Scheduled date of application

To be applied from the beginning of the fiscal year ending March 2022.

(iii) Effects of application of these standards

The effects of the application of the aforementioned standards and guidance on the Company's consolidated financial statements are currently under the assessment.

**(q) Changes in presentation methods**

(Consolidated balance sheets)

From fiscal year ended March 31, 2021, "Long-term loans receivable" which was included in "Other assets" under "Investments and other assets" in the previous fiscal year, is presented separately because its amount has become significant. The financial statements for the previous fiscal year have been reclassified to reflect this change in presentation method.

As a result, ¥2,842 million which was presented in "Other assets" on the consolidated balance sheets for the previous fiscal year has been reclassified as ¥1,166 million in "Long-term loans receivable" and ¥1,676 million in "Other assets".

(Application of Accounting Standard for Disclosure of Accounting Estimates)

The Accounting Standard for Disclosure of Accounting Estimates (ASBJ Guidance No. 31, March 31, 2020) has been applied in the fiscal year ended March 31, 2021, and notes regarding significant accounting estimates are included in the consolidated financial statements. However, information for the previous fiscal year is not described in the notes in accordance with the transitional treatment prescribed in the proviso of paragraph 11 of this accounting standard.

### (r) Additional information

(Accounting estimates of the impacts of the COVID-19 infection)
The Company believes that it is difficult to predict how the impacts of the COVID-19 infection will spread or when they will converge. However, we make the accounting estimates based on the assumption which the impact on financial position and operating results of the Group will continue for a certain period in the fiscal year ending March 31, 2022 based on external information available at this time.

(Granting Company Stock to Employees through a Trust)
The board of directors held on November 11, 2020 resolved to introduce a "Trust-type Employee Stockholding Incentive Plan [E-Ship®]"(hereinafter, "this Plan"). The objective is to incentivize all employees to improve the Company's corporate value in the medium-to-long term, enhance employee benefits, and encourage growth of the Company constantly through employee's motivation to work by equity participation as a shareholder. The Company is accounting for this Plan in according with "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ PITF No. 30, March 26, 2015).

(1) Incentive plan overview
This Plan is available to all employees who belong to the Kyokuto Kaihatsu Employee Shareholding Association (hereinafter, "Shareholding Association"). Under this Plan, the Company establishes a trust, called the "Kyokuto Kaihatsu Employee Shareholding Association Exclusive Trust" (hereinafter "the Employee Shareholding Association Trust") through a trust bank. The Employee Shareholding Association Trust will estimate the number of shares that the Employee Shareholding Association is likely to acquire over the three years after the establishment of the trust, and will accept this amount in advance through third-party allotment from the Company. The fund will be borrowed from financial institutions. The Employee Shareholding Association Trust will then continuously sell shares to the Shareholding Association, and if an amount equivalent to net gain on sale of the shares has accumulated in the Employee Shareholding Association Trust at the end of the trust period, the said amount will be distributed as residual assets to the members of the Employee Shareholding Association who meet the beneficiary eligibility criteria. Note that the Company will guarantee loans taken to accept the shares and thus will repay any outstanding portion of the loans, if an amount equivalent to loss on sale of

shares has accumulated in the Employee Shareholding Association Trust at the end of the trust period due to a drop in the market price of the Company's shares.

(2) Residual Company shares held in the Employee Shareholding Association Trust

Any residual shares of the Company held in the Employee Shareholding Association Trust have been recorded at the Employee Shareholding Association Trust's book value (excluding incidental expenses) as treasury stock under Net assets in the accompanying consolidated balance sheets. The book value of the treasury stock is ¥ 242 million ($ 2,181 thousand), and the number of shares is 171,400 shares at the end of fiscal year.

(3) Book value of debt recorded through the application of the total amount method

The book value of debt recorded through the application of the total amount method is ¥249 million ($ 2,253 thousand) at the end of fiscal year.

## 3. Securities

The following is a summary of held-to-maturity securities and available-for-sale securities at March 31, 2021 and 2020, but at March 31, 2021, held-to-maturity securities is not applicable:

*Millions of yen*

| | Held-to-maturity securities | | | |
|---|---|---|---|---|
| **March 31, 2020** | Carrying amount | Gross unrealized gains | Gross unrealized losses | Fair value |
| Debt securities, | | | | |
| whose fair value exceeds carrying amount | ¥ — | ¥ — | ¥ — | ¥ — |
| whose fair value does not exceed carrying amount | 600 | — | (2) | 598 |
| Total | ¥ 600 | ¥ — | ¥ (2) | ¥ 598 |

*Millions of yen*

| | Available-for-sale securities | | | |
|---|---|---|---|---|
| **March 31, 2021** | Cost | Gross unrealized gains | Gross unrealized losses | Book Value (Estimated fair value) |
| Market value available: | | | | |
| Equity securities | ¥ 5,372 | ¥ 7,192 | ¥ (71) | ¥ 12,493 |
| Other securities | 229 | — | (5) | 224 |
| Subtotal | ¥ 5,601 | ¥ 7,192 | ¥ (76) | ¥ 12,717 |
| Market value not available: | | | | 1,671 |
| Total | | | | ¥ 14,388 |

*Millions of yen*

| | Available-for-sale securities | | | |
|---|---|---|---|---|
| **March 31, 2020** | Cost | Gross unrealized gains | Gross unrealized losses | Book Value (Estimated fair value) |
| Market value available: | | | | |
| Equity securities | ¥ 5,372 | ¥ 3,982 | ¥ (273) | ¥ 9,081 |
| Other securities | 229 | ― | (4) | 225 |
| Subtotal | ¥ 5,601 | ¥ 3,982 | ¥ (277) | ¥ 9,306 |
| Market value not available: | | | | 1,779 |
| Total | | | | ¥ 11,085 |

*Thousands of U.S. dollars*

| | Available-for-sale securities | | | |
|---|---|---|---|---|
| **March 31, 2021** | Cost | Gross unrealized gains | Gross unrealized losses | Book Value (Estimated fair value) |
| Market value available: | | | | |
| Equity securities | $ 48,519 | $ 64,959 | $ (638) | $ 112,840 |
| Other securities | 2,066 | ― | (42) | 2,024 |
| Subtotal | $ 50,585 | $ 64,959 | $ (680) | $ 114,864 |
| Market value not available: | | | | 15,098 |
| Total | | | | $ 129,962 |

Impairment losses of available-for-sale securities were recorded during the fiscal year ended March 31, 2021 and 2020. They were immaterial.

4. Short-term Bank Loans and Long-term Debts

The annual average interest rates applicable to short-term bank loans at March 31, 2021 and 2020 were 1.09% and 0.48%, respectively.

Long-term debts at March 31, 2021 and 2020 consisted of the following:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | 2021 | 2020 | 2021 |
| Bonds payable | ¥ — | ¥ 50 | $ — |
| Long-term bank loans | 305 | 693 | 2,755 |
| Lease obligations | 159 | 158 | 1,436 |
| Other | 210 | 439 | 1,902 |
| Total | ¥ 674 | ¥ 1,340 | $ 6,093 |

Aggregate annual maturities of long-term debts subsequent to March 31, 2021 were as follows:

| Year ending March 31 | *Millions of yen* | *Thousands of U.S. dollars* |
|---|---|---|
| 2022 | ¥ 279 | $ 2,517 |
| 2023 | 61 | 556 |
| 2024 | 43 | 387 |
| 2025 | 16 | 146 |
| 2026 and thereafter | 26 | 234 |
| Total | ¥ 425 | $ 3,840 |

Long-term bank loans for Trust-type Employee Stockholding Incentive Plan [E-Ship®] (¥ 249 million, $ 2,253 thousand) are not included in the above schedule, since it is difficult to calculate the amount of the annual maturities.

To set up a commitment line by multiple finance institutions, the Company renewed an agreement with a syndicate of 6 banks for the years ended March 31, 2021 and 2020, respectively.
The unexecuted balance of lending commitments of the Company at March 31, 2021 and 2020 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2021 | 2020 | 2021 |
| Total lending commitments | ¥ 5,000 | ¥ 5,000 | $ 45,163 |
| Less amounts currently executed | — | — | — |
| Unexecuted balance | ¥ 5,000 | ¥ 5,000 | $ 45,163 |

### 5. Pledged Assets

The following assets were pledged as collateral for the following borrowings at March 31, 2021 and 2020:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2021 | 2020 | 2021 |
| Land | ¥ 750 | ¥ 750 | $ 6,771 |
| Buildings | 1,487 | 1,565 | 13,432 |
| Total | ¥ 2,237 | ¥ 2,315 | $ 20,203 |

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2021 | 2020 | 2021 |
| Other non-current liabilities | ¥ 1,087 | ¥ 1,320 | $ 9,822 |
| Total | ¥ 1,087 | ¥ 1,320 | $ 9,822 |

### 6. Lending Securities

Out of investment securities, ¥ 41 million was for lending securities at March 31, 2020.

### 7. Retirement Benefits

The Company, a domestic subsidiary and 2 foreign subsidiaries have defined benefit corporate pension plans and lump-sum retirement benefit plans. Other domestic subsidiaries join the Smaller Enterprise Retirement Allowance Mutual Aid Scheme which is a kind of defined contribution plans.

The changes in defined benefit obligations for the year ended March 31, 2021 and 2020 were as follows:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | 2021 | 2020 | 2021 |
| Benefit obligations at beginning of year | ¥ 7,996 | ¥ 7,698 | $ 72,225 |
| Service cost | 522 | 502 | 4,717 |
| Interest cost | 10 | 14 | 90 |
| Actuarial gains or losses | 99 | 128 | 895 |
| Retirement benefits paid | (373) | (346) | (3,371) |
| Increase of benefit obligation due to a newly consolidated subsidiary | 8 | — | 76 |
| Translation adjustments | (1) | 0 | (10) |
| Benefit obligations at end of year | ¥ 8,261 | ¥ 7,996 | $ 74,622 |

The changes in plan assets for the year ended March 31, 2021 and 2020 were as follows:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | 2021 | 2020 | 2021 |
| Plan assets at beginning of year | ¥ 7,028 | ¥ 6,918 | $ 63,486 |
| Expected return on plan assets | 141 | 138 | 1,270 |
| Actuarial gains or losses | 605 | (289) | 5,467 |
| Contributions from employers | 466 | 546 | 4,211 |
| Retirement benefits paid | (319) | (285) | (2,879) |
| Plan assets at end of year | ¥ 7,921 | ¥ 7,028 | $ 71,555 |

The reconciliation of the defined benefit obligations and plan assets to the net defined benefit liabilities recognized in the consolidated balance sheet as of March 31, 2021 and 2020 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2021 | 2020 | 2021 |
| Funded benefit obligations | ¥ 8,229 | ¥ 7,978 | $ 74,335 |
| Plan assets at end of year | 7,921 | 7,028 | 71,555 |
| | 308 | 950 | 2,780 |
| Non funded benefit obligations | 32 | 18 | 287 |
| Net amount of liabilities and assets recognized in consolidated balance sheet | ¥ 340 | ¥ 968 | $ 3,067 |
| Net defined benefit liabilities | ¥ 340 | ¥ 968 | $ 3,067 |
| Net defined benefit assets | — | — | — |
| Net amount of liabilities and assets recognized in consolidated balance sheet | ¥ 340 | ¥ 968 | $ 3,067 |

The retirement benefit expenses for the year ended March 31, 2021 and 2020 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2021 | 2020 | 2021 |
| Service cost | ¥ 522 | ¥ 502 | $ 4,717 |
| Interest cost | 10 | 14 | 90 |
| Expected return on plan assets | (141) | (138) | (1,270) |
| Recognition of actuarial gains or losses | 195 | 137 | 1,761 |
| Severance and pension costs | ¥ 586 | ¥ 515 | $ 5,298 |

Remeasurements of defined benefit plans recognized in other comprehensive income (amount before income tax effect) were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2021 | 2020 | 2021 |
| Recognized actuarial gains or losses | ¥ 701 | ¥ (281) | $ 6,332 |
| Total | ¥ 701 | ¥ (281) | $ 6,332 |

Remeasurements of defined benefit plans recognized in accumulated other comprehensive income (amount before income tax effect) were as follows:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | 2021 | 2020 | 2021 |
| Unrecognized actuarial gains or losses | ¥ 245 | ¥ 947 | $ 2,216 |
| Total | ¥ 245 | ¥ 947 | $ 2,216 |

The components of plan assets as of March 31, 2021 and 2020 were as follows:

| | *Ratio* | |
|---|---|---|
| | 2021 | 2020 |
| Bonds | 54% | 57% |
| Securities | 22% | 19% |
| General account asset | 17% | 17% |
| Other | 7% | 7% |
| Total | 100% | 100% |

The major actuarial assumptions for the year ended March 31, 2021 and 2020 were as follows:

| | 2021 | 2020 |
|---|---|---|
| Discount rate | | |
| The Company and a domestic subsidiary | 0.0 to 0.6% | 0.0 to 0.3% |
| A foreign subsidiary | 3.7 to 8.0% | 5.8 to 8.6% |
| Long-term rate of return on plan assets | | |
| The Company and a domestic subsidiary | 2.0% | 2.0% |
| A foreign subsidiary | －% | －% |
| Future salary increase | | |
| The Company and a domestic subsidiary | 4.3 to 8.8% | 4.3 to 7.3% |
| A foreign subsidiary | 7.0 to 10.0% | 7.0% |

Long-term rate of return on plan assets was determined by considering the current and future portfolio of plan assets and the current and future long-term performance of various assets comprise the plan assets.

The required amount of the defined contribution pension plan were ¥ 126 million ($ 1,138 thousand) and ¥ 118 million for the year ended March 31, 2021 and 2020 in the Company and other domestic subsidiaries.

## 8. Contingencies

At March 31, 2021 and 2020, the Group was contingently liable as follows:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | 2021 | 2020 | 2021 |
| As a guarantor of indebtedness of : | | | |
| Other | ¥ 7 | ¥ 9 | $ 64 |
| Total | ¥ 7 | ¥ 9 | $ 64 |

The Company guarantees all liabilities which MITHRA KYOKUTO SPECIAL PURPOSE VEHICLE CO., PVT. LTD. is liable for in the transactions with the specified customer. As of the end of the current consolidated fiscal year, there are no transactions for which the Company might perform our obligations.

## 9. Cash and cash equivalents

Cash and cash equivalents at March 31, 2021 and 2020 were as follows:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | 2021 | 2020 | 2021 |
| Cash and deposits | ¥ 9,703 | ¥ 7,804 | $ 87,645 |
| Short-term securities | 12,200 | 12,890 | 110,198 |
| Securities with redemption term of over 3 months | (600) | (590) | (5,420) |
| Time deposits with an original maturity of over 3 months | (39) | (39) | (352) |
| Guarantee for issuance of a letter of credit to the bank | (24) | — | (216) |
| Cash and cash equivalents | ¥ 21,240 | ¥ 20,065 | $ 191,855 |

## 10. Financial Instruments and Related Disclosures

(1) Policy for financial instruments

The Group manages funds by utilizing short-term deposits, etc. The Group raises money by borrowing from financial institutions and by issuing bonds. Derivatives are used, not for speculative nor trading purpose, but to hedge the exposure to foreign exchange rate risks with the debts and credits denominated in foreign currencies and interest rate risks associated with certain interest payments on borrowings.

(2) Types of financial instruments and related risk, and risk management for financial instruments

Trade notes and accounts receivable are exposed to credit risk in relation to customers. In order to monitor credit risk, the Group manages, according to the credit management guideline of the Group, the due date and the balance of operating receivables from customers.

Investment securities consist of mainly held-to-maturity securities and equity securities issued by the Group's business partners and these securities are exposed to market risk. The Group periodically monitors the fair value of such equity securities, which is reported to the board meeting.

Trade notes and accounts payable have payment due dates mainly within one year. Trade notes and accounts payable denominated in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rate. Such risk is hedged principally by forward foreign currency contract.

Short-term bank loans are raised mainly in connection with business activities and long-term bank loan and bonds payable, which are due mainly within five years, are raised principally for the purpose of making capital investments.

Long-term debts with variable interest rates are exposed to interest rate fluctuation risk, so the Group enters into interest rate swap transactions to manage such interest rate exposure.

Derivatives are managed in accordance with policies and procedures for risk assessment (see Note 12 "Derivatives") and also the Group enters into derivative transactions only with financially stable financial institutions to reduce institutions' credit risk.

Based on a report from the Company and consolidated subsidiaries, the Group prepares and updates its cash flow plans on a monthly basis to manage the Group's liquidity.

(3) Supplementary explanation of the estimated fair value of financial instruments

With regard to the below mentioned contract prices etc. of derivatives, the contract prices themselves do not present the market risk on the derivative transactions.

Summarized in the table below are the carrying amounts and the estimated fair value of financial instruments outstanding at March 31, 2021 and 2020. Financial instruments for which it is extremely difficult to determine the fair value are not included in the table below.

*Millions of yen*

| March 31, 2021 | Carrying amount | Fair value | Unrecognized gain/loss |
|---|---|---|---|
| Cash and deposits | ¥ 9,703 | ¥ 9,703 | ¥ — |
| Trade notes and accounts receivable | 35,129 | 35,129 | — |
| Electronically recorded monetary claims - operating | 7,886 | 7,886 | — |
| Short-term securities | 12,200 | 12,200 | — |
| Investment securities | 12,717 | 12,717 | — |
| Long-term loans receivable (*1) | 1,990 | | |
| Allowance for doubtful accounts (*2) | (1,475) | | |
| | 515 | 516 | 1 |
| Trade notes and accounts payable | (16,547) | (16,547) | — |
| Electronically recorded obligations - operating | (9,150) | (9,150) | — |
| Short-term bank loans | (740) | (740) | — |
| Long-term bank loans (*1) | (305) | (305) | — |
| Bonds payable | — | — | — |
| Long-term deposits | (210) | (215) | (55) |
| Derivatives | — | — | — |

*Millions of yen*

| March 31, 2020 | Carrying amount | Fair value | Unrecognized gain/loss |
|---|---|---|---|
| Cash and deposits | ¥ 7,804 | ¥ 7,804 | ¥ — |
| Trade notes and accounts receivable | 35,905 | 35,905 | — |
| Electronically recorded monetary claims - operating | 6,815 | 6,815 | — |
| Short-term securities | 12,890 | 12,890 | — |
| Investment securities | 9,906 | 9,904 | (2) |
| Long-term loans receivable | 1,166 | 1,168 | 2 |
| Trade notes and accounts payable | (15,993) | (15,993) | — |
| Electronically recorded obligations - operating | (10,629) | (10,629) | — |
| Short-term bank loans | (1,464) | (1,464) | — |
| Long-term bank loans (*1) | (693) | (691) | 2 |
| Bonds payable | (50) | (50) | (0) |
| Long-term deposits | (439) | (453) | (14) |
| Derivatives | — | — | — |

*Thousands of U.S. dollars*

| March 31, 2021 | Carrying account | Fair value | Unrecognized gain/loss |
|---|---|---|---|
| Cash and deposits | $ 87,645 | $ 87,645 | $ — |
| Trade notes and accounts receivable | 317,306 | 317,306 | — |
| Electronically recorded monetary claims - operating | 71,231 | 71,231 | — |
| Short-term securities | 110,198 | 110,198 | — |
| Investment securities | 114,864 | 114,864 | — |
| Long-term loans receivable (*1) | 17,970 | | |
| Allowance for doubtful accounts (*2) | (13,321) | | |
| | 4,649 | 4,661 | 12 |
| Trade notes and accounts payable | (149,464) | (149,464) | — |
| Electronically recorded obligations - operating | (82,650) | (82,650) | — |
| Short-term bank loans | (6,682) | (6,682) | — |
| Long-term bank loans (*1) | (2,755) | (2,755) | — |
| Bonds payable | — | — | — |
| Long-term deposits | (1,902) | (1,944) | (42) |
| Derivatives | — | — | — |

(*1) The carrying amount of current portion of long-term loans receivable amounting ¥ 26 million ($236 thousand) which is disclosed in "Other Current Assets" and current portion of long-term bank loans is included in Long-term loans receivable and Long term bank loans respectively.
(*2) The amount is the allowance for doubtful accounts with respect to long-term loans receivable individually.

Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions:

(a) "Cash and deposits", "Trade notes and accounts receivable" and "Electronically recorded monetary claims - operating"
Their carrying amounts approximate fair value because of their short maturity.

(b) "Short-term securities"
The fair values of held-to-maturity debt securities are based on quotes provided by the financial institutions.
The carrying amounts of the other securities than the above debt securities approximate fair value because of their short maturity.

(c) "Investment securities"
The fair values of marketable securities are based on quoted market prices. The fair values of debt securities are based on quotes provided by the financial institutions. For information on securities classified by holding purpose, please refer to Note 3 "Securities".

(d) "Long-term loans receivable"
The fair value of long-term loans receivable is estimated based on present value of the total of principal and interest discounted by an interest rate that would be applied to a similar new loan.

(e) "Trade notes and accounts payable", "Electronically recorded obligations - operating" and "Short-term bank loans"
Their carrying amounts approximate fair value because of their short maturity.

(f) "Long-term bank loans"
The fair value of long-term bank loans is estimated based on present value of the total of principal and interest discounted by an assumed current interest rate for loans with similar terms and remaining maturities. In addition, the carrying amount of the long-term bank loan for the Trust accompanying introduce of "Trust-type Employee Stockholding Incentive Plan [E-Ship®]" approximates fair value because its interest rate reflects the market rate.

(g) "Bonds payable"
The fair value of bonds payable is estimated based on present value of the total of principal and interest discounted by an assumed interest rate based on debt's maturity and credit risk.

(h) "Long-term deposit"
The fair value of long-term deposit is estimated based on present value of the total of principal and interest discounted by an assumed interest rate, if possible, based on debt's maturity and credit risk.

(i) "Derivatives"
Please refer to Note 12 "Derivatives".

Financial instruments for which it is extremely difficult to determine the fair value at March 31, 2021 and 2020 consist of the following:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | 2021 | 2020 | 2021 |
| Non-listed equity securities | ¥ 1,671 | ¥ 1,779 | $15,098 |
| Long-term deposit | 1,421 | 1,422 | 12,831 |

The annual maturities of financial assets and investment securities with contractual maturities subsequent to March 31, 2021 and 2020 were as follows:

| | | *Millions of yen* | |
|---|---|---|---|
| **March 31, 2021** | Due in one year or less | Due after one year through five years | Due after five years through ten years |
| Cash and deposits | ¥ 9,703 | ¥ — | ¥ — |
| Trade notes and accounts receivable | 35,129 | — | — |
| Electronically recorded monetary claims - operating | 7,886 | — | — |
| Short-term securities | 12,200 | — | — |
| Total | ¥ 64,918 | ¥ — | ¥ — |

| | | *Millions of yen* | |
|---|---|---|---|
| **March 31, 2020** | Due in one year or less | Due after one year through five years | Due after five years through ten years |
| Cash and deposits | ¥ 7,804 | ¥ — | ¥ — |
| Trade notes and accounts receivable | 35,905 | — | — |
| Electronically recorded monetary claims - operating | 6,815 | — | — |
| Short-term securities | 12,890 | — | — |
| Investment securities | — | 600 | — |
| Total | ¥ 63,414 | ¥ 600 | ¥ — |

| | | *Thousands of U.S. dollars* | |
|---|---|---|---|
| **March 31, 2021** | Due in one year or less | Due after one year through five years | Due after five years through ten years |
| Cash and cash equivalents | $ 87,645 | $ — | $ — |
| Trade notes and accounts receivable | 317,306 | — | — |
| Electronically recorded monetary claims - operating | 71,231 | — | — |
| Short-term securities | 110,198 | — | — |
| Total | $ 586,380 | $ — | $ — |

## 11. Investment Property

The company and certain subsidiaries hold some rental properties including land in Tokyo and other areas ("investment properties"). The amounts of net income related to investment properties (rental income is recognized in operating revenue and rental expense is principally charged to operating expenses) were ¥ 765 million ($ 6,906 thousand) and ¥ 952 million for the year ended March 31, 2021 and 2020, respectively.

The carrying amount, changes in such balances and market prices of investment properties were as follows:

*Millions of yen*

| Carrying amount | | | Fair value |
|---|---|---|---|
| April 1, 2020 | Increase/ (decrease) | March 31, 2021 | March 31, 2021 |
| ¥ 6,912 | ¥ 209 | ¥ 7,121 | ¥ 19,931 |

*Millions of yen*

| Carrying amount | | | Fair value |
|---|---|---|---|
| April 1, 2019 | Increase/ (decrease) | March 31, 2020 | March 31, 2020 |
| ¥ 6,980 | ¥ (68) | ¥ 6,912 | ¥ 10,045 |

*Thousands of U.S. dollars*

| Carrying amount | | | Fair value |
|---|---|---|---|
| April 1, 2020 | Increase/ (decrease) | March 31, 2021 | March 31, 2021 |
| $ 62,433 | $ 1,891 | $ 64,324 | $ 180,028 |

(a) Carrying amount is net of accumulated depreciation and accumulated impairment losses, if any.

(b) Increase during the year ended March 31, 2021 was mainly due to the expenditure of land for the relocation of Tohoku branch in amount of ¥ 328 million ($ 2,959 thousand). Decrease during the year ended March 31, 2021 was mainly due to depreciation in an amount of ¥ 134 million ($ 1,213 thousand).

Increase during the year ended March 31, 2020 was mainly due to the expenditure for provision of site for lent in amount of ¥ 32 million. Decrease during the year ended March 31, 2020 was mainly due to depreciation in an amount of ¥ 135 million.

(c) Fair value at March 31, 2021 and 2020 were principally measured based on the real estate appraisal assessed by the external real estate appraiser. In the case that there was a certain sales price under a contract, the sales price was adopted as the fair value.

## 12. Derivatives

Derivative financial instruments are utilized by the Company principally to reduce interest rate risk and foreign exchange rate risk. The Company has established a control environment which includes policies and procedures for risk assessment and for the approval, reporting and monitoring of transactions involving derivative financial instruments. The Company does not hold or issue derivative financial instruments for trading purposes.

At March 31, 2021 and 2020, the notional amounts and the estimated fair value of derivative financial instruments, for which deferred hedge accounting has been applied or has not been applied were none, respectively.

## 13. Shareholders' Equity

Changes in common stock and additional paid-in capital have resulted from the following:

| | | *Millions of yen* | |
|---|---|---|---|
| | Number of Shares issued | Common Stock | Capital Surplus |
| Balance at March 31, 2019 | 42,737,668 | ¥ 11,900 | ¥ 11,719 |
| Movement of stock during 2020 | — | — | (40) |
| Balance at March 31, 2020 | 42,737,668 | 11,900 | 11,679 |
| Movement of stock during 2021 | — | — | 142 |
| Balance at March 31, 2021 | 42,737,668 | ¥ 11,900 | ¥ 11,821 |

| | *Thousands of U.S. dollars* | |
|---|---|---|
| | Common Stock | Capital surplus |
| Balance at March 31, 2020 | $ 107,487 | $ 105,492 |
| Movement of stock during 2021 | — | 1,282 |
| Balance at March 31, 2021 | $ 107,487 | $ 106,774 |

Increase of capital surplus during 2021 was due to the disposal of treasury stock. Decrease of capital surplus during 2020 was change in ownership interest due to transactions with non-controlling interests.

The Company adopted 100 shares of common stock as "unit amount of shares". A holder of shares representing less than one unit cannot exercise any voting rights with respect to such shares. However, the holder is entitled to receive dividends and other distributions. A holder of a fraction of a unit may at any time request the Company to purchase such shares at the prevailing market price.

The shares held by the Employee Shareholding Association (171,400 shares) were included in the number of treasury stock at March 31, 2021. They were not applicable at March 31, 2020.
During 2021, the increase of treasury stock was due to the purchase of odd-lot shares (538 shares) and the acquisition by the Employee Shareholding Association (204,400 shares), The decrease of treasury stock were due to the sales of odd-lot shares (52shares), the sales to the Employee Shareholding Association (204,400shares) and the sales to Shareholding Association from the Employee Shareholding Association (33,000shares).
During 2020, the decrease of treasury stock was due to the purchase of odd-lot shares (429 shares).

## 14. Research and Development

Research and development expenditure which is included in "Selling, general and administrative expenses" were ¥ 1,509 million ($ 13,634 thousand) and ¥ 1,479 million for the years ended March 31, 2021 and 2020, respectively.

## 15. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income, which in the aggregate resulted in a statutory tax rate of approximately 30.58% for the years ended March 31, 2021 and 2020. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2021 and 2020 were as follows:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | 2021 | 2020 | 2021 |
| Deferred tax assets: | | | |
| Tax loss carry forward | ¥ 175 | ¥ 230 | $ 1,582 |
| Allowance for doubtful accounts | 380 | 237 | 3,429 |
| Accrued Bonuses | 762 | 730 | 6,882 |
| Provision for product warranties | 269 | 300 | 2,426 |
| Accrued corporation enterprise tax | 155 | 135 | 1,399 |
| Loss on valuation of inventories | 142 | 146 | 1,282 |
| Forecast of construction cost | 40 | 41 | 358 |
| Net defined benefit liabilities | 101 | 295 | 915 |
| Fixed assets – elimination of intercompany profits | 200 | 256 | 1,806 |
| Loss on impairment of long-lived assets | 231 | 231 | 2,090 |
| Loss on valuation of investment for subsidiaries and affiliates | 438 | 33 | 3,961 |
| Excess depreciation | 385 | 344 | 3,481 |
| Other | 703 | 702 | 6,350 |
| Deferred tax assets sub-total | 3,981 | 3,680 | 35,961 |
| Less valuation allowance relevant to tax loss carry forward | (174) | (214) | (1,570) |
| Less valuation allowance relevant to total deductible temporary difference | (928) | (1,111) | (8,385) |
| Valuation allowance sub-total | (1,102) | (1,325) | (9,955) |
| Total deferred tax assets | ¥2,879 | ¥2,355 | $ 26,006 |

| | *Millions of yen* 2021 | *Millions of yen* 2020 | *Thousands of U.S. dollars* 2021 |
|---|---|---|---|
| Deferred tax liabilities: | | | |
| Unrealized gain on investment securities | ¥ (2,179) | ¥ (1,134) | $ (19,683) |
| Reduction reserve for fixed assets | (1,369) | (1,380) | (12,365) |
| Unrealized gain on subsidiaries' fixed assets by revaluation at the beginning of consolidation | (1,311) | (1,131) | (11,846) |
| Other | (51) | (51) | (459) |
| Total deferred tax liabilities | (4,910) | (3,696) | (44,353) |
| Net deferred tax assets (liabilities) | ¥ (2,031) | ¥ (1,341) | $ (18,347) |

(Note) Tax loss carry forward and related deferred tax assets by expiration periods were as follows.

At March 31, 2021

*Millions of yen*

| | Within 1 year | After 1 year through 2years | After 2 year through 3years | After 3 year through 4years | After 4 year through 5years | After 5 years | Total |
|---|---|---|---|---|---|---|---|
| Tax loss carry forward | 33 | 5 | 60 | 57 | 20 | — | 175 |
| Valuation allowance | (33) | (5) | (60) | (57) | (19) | — | (174) |
| Deferred tax assets | — | — | — | — | 1 | — | 1 |

At March 31, 2020

*Millions of yen*

| | Within 1 year | After 1 year through 2years | After 2 year through 3years | After 3 year through 4years | After 4 year through 5years | After 5 years | Total |
|---|---|---|---|---|---|---|---|
| Tax loss carry forward | 67 | 34 | 7 | 62 | 60 | — | 230 |
| Valuation allowance | (67) | (34) | (7) | (62) | (44) | — | (214) |
| Deferred tax assets | — | — | — | — | 16 | — | 16 |

At March 31, 2021

*Thousands of U.S. dollars*

| | Within 1 year | After 1 year through 2years | After 2 year through 3years | After 3 year through 4years | After 4 year through 5years | After 5 years | Total |
|---|---|---|---|---|---|---|---|
| Tax loss carry forward | 296 | 48 | 543 | 514 | 181 | — | 1,582 |
| Valuation allowance | (296) | (48) | (543) | (514) | (169) | — | (1,570) |
| Deferred tax assets | — | — | — | — | 12 | — | 12 |

(a) Tax loss carry forward is shown as an amount multiplied by the statutory tax rate.

(b) The deferred tax assets of ¥ 1 million ($ 12 thousand) and ¥ 16 million were recognized for the balance of tax loss carry forward (an amount multiplied by the statutory tax rate) of ¥ 175 million ($ 1,582 thousand) and ¥ 230 million at March 31, 2021 and 2020, respectively.

Valuation allowance has not been recognized in the portion of tax loss carryforward based on judgement of recoverability through future taxable income.

The reconciliation between the statutory tax rate and the effective income tax rate for the year ended March 31, 2021 and 2020 were as follows:

| | 2021 | 2020 |
|---|---|---|
| Statutory tax rate | 30.58% | — |
| Non-deductible expenses for income tax purpose | 0.40 | — |
| Non-taxable dividend income | (0.39) | — |
| Inhabitant per capita tax | 0.99 | — |
| Tax credit | (1.33) | — |
| Change in valuation allowance | (5.11) | — |
| Equity in earnings of affiliated companies | 0.05 | — |
| Other | 1.19 | — |
| Effective tax rate | 26.38% | — |

The reconciliation between the statutory tax rate and the effective income tax rate for the year ended March 31, 2020 was omitted because the difference is less than 5% of the statutory income tax rate.

## 16. Comprehensive Income

The components of other comprehensive income for the year ended March 31, 2021 and 2020 were as follows:

| | *Millions of yen* | | *Thousands of U.S. dollars* |
|---|---|---|---|
| | 2021 | 2020 | 2021 |
| Unrealized gain on available-for-sale securities: | | | |
| Gains (Losses) arising during the year | ¥ 3,400 | ¥ (2,627) | $ 30,717 |
| Reclassification adjustments for gain (loss) | 22 | (704) | 196 |
| Amount before income tax effect | 3,422 | (3,331) | 30,913 |
| Income tax effect | (1,045) | 1,007 | (9,441) |
| Total | ¥ 2,377 | ¥ (2,324) | $ 21,472 |
| Foreign currency translation adjustments: | | | |
| Adjustments arising during the year | ¥ (74) | ¥ 60 | $ (670) |
| Reclassification adjustments for gain (loss) | — | 6 | — |
| Amount before income tax effect | (74) | 66 | (670) |
| Income tax effect | — | — | — |
| Total | ¥ (74) | ¥ 66 | $ (670) |
| Remeasurements of defined benefit plans: | | | |
| Gains (Losses) arising during the year | ¥ 506 | ¥ (418) | $ 4,571 |
| Reclassification adjustments for gain (loss) | 195 | 137 | 1,761 |
| Amount before income tax effect | 701 | (281) | 6,332 |
| Income tax effect | (215) | 86 | (1,938) |
| Total | ¥ 486 | ¥ (195) | $ 4,394 |
| Share of other comprehensive income in affiliates accounted for by equity method: | | | |
| Gains (Losses) arising during the year | ¥ (50) | ¥ 72 | $ (455) |
| Reclassification adjustments for gain (loss) | 27 | — | 241 |
| Total | ¥ (23) | ¥ 72 | $ (214) |
| Total other comprehensive income | ¥ 2,766 | ¥ (2,381) | $ 24,982 |

## 17. Provision of reserve for Losses on Construction Contracts

Provision of reserve for losses on construction contracts included in Cost of Sales were ¥ 97 million ($ 876 thousand) and ¥ 55 million for the years ended March 31, 2021 and 2020, respectively.

## 18. Supplemental cash flow information

Assets and liabilities of SATRAC ENGINEERING PRIVATE LIMITED ("SATRAC") that have been included in the scope of consolidation as a result of the purchase of all shares, the purchase amount of shares and the expenditures associated with the purchase of shares were as follows:

| | *Millions of yen* | *Thousands of U.S. dollars* |
|---|---|---|
| Current assets | ¥ 583 | $ 5,268 |
| Non-current assets | 1,165 | 10,521 |
| Goodwill | 807 | 7,287 |
| Current liabilities | (526) | (4,749) |
| Non-current liabilities | (203) | (1,830) |
| Purchase amount of shares of SATRAC | 1,826 | 16,497 |
| Cash and cash equivalents of SATRAC | (4) | (40) |
| Expenditures associated with the purchase of shares | ¥ (1,822) | $ (16,457) |

## 19. Business Combination

(Business combination through acquisitions)

(a) Summary of the business combination

(i) Name of the acquired company and its business description

Name: SATRAC ENGINEERING PRIVATE LIMITED ("SATRAC")

Business description: Manufacturing and sales of specialty trucks

(ii) Major reason for the business combination

SATRAC is a manufacturer of specialty trucks such as tippers, trailers and tankers located in Bengaluru, South India and is expanding its business to earn the trust of major truck manufacturers and trailer users through its high quality of products, technical capabilities and service system. In recent years, SATRAC is working on further improvement of the quality of products to have introduced Japanese style production control system and IT based quality control system.

The market of specialty truck in India is temporarily stagnant due to making the loan of financial institutions stricter in the last year and the pandemic of COVID-19. However, the demand of the vehicles for construction and logistics is expected to expand through the implementation of the large infrastructure-building projects and the growth of logistics and steel area. And, the demand of the vehicles for environment such as garbage truck is also expected to expand by the increase of garbage due to the growth of population and economic growth and "Clean India" and "Smart City" politics that India government drives forward.

In this situation, the Group can strengthen the operating base in India through the securement of the outstanding manufacturing base and customer relationship by grouping SATRAC and has a policy to expand and develop the specialty truck business in India utilizing the business and technical platform that the Group has been cultivating.

(iii) Date of the business combination

September 9, 2020

The date of acquisition for preparing the consolidated financial statements is September 30, 2020.

(iv) Legal form of the business combination

Share acquisition

(v) Name of the acquired company after the business combination

Not changed

(vi) Ratio of the acquired voting rights

100%

(vii) Basis for determination of the acquiring company

The Group has acquired the 100% of the shares of SATRAC. Therefore, SATRAC has become the consolidated subsidiary of the Company.

(b) Period for which the operation of the acquired company is included in the accompanying consolidated financial statements
From October 1, 2020 to March 31, 2021

(c) Acquisition cost and details of the consideration by its class

| | | *Millions of yen* | *Thousands of U.S. dollars* |
|---|---|---|---|
| Consideration for acquisition | by cash | ¥ 1,826 | $ 16,497 |

(d) Major acquisition-related costs and their natures

| | *Millions of yen* | *Thousands of U.S. dollars* |
|---|---|---|
| Advisory fees and commissions etc. | ¥ 106 | $ 961 |

(e) Amount of goodwill recognized, reasons for recognition and method and period of amortization of goodwill
(i) Amount of goodwill recognized
¥ 807 million ($ 7,287 thousand)
(ii) Reasons for recognition
Goodwill arose from expected excess earnings power from business development in the future.
(iii) Method and period of amortization of goodwill
Goodwill is amortized on a straight-line basis over 10 years.

(f) Amounts of the assets acquired and the liabilities assumed on the business combination date and their major details

| | *Millions of yen* | *Thousands of U.S. dollars* |
|---|---|---|
| Current assets | ¥ 583 | $ 5,268 |
| Non-current assets | 1,165 | 10,521 |
| Total assets | ¥ 1,748 | $ 15,789 |
| Current liabilities | ¥ 526 | $ 4,749 |
| Non-current liabilities | 203 | 1,830 |
| Total liabilities | ¥ 729 | $ 6,579 |

(g) Amounts allocated to the intangible assets except for goodwill, their major details and weighted average period of amortization

| | Millions of yen | Thousands of U.S. dollars | Period of amortization |
|---|---|---|---|
| Customer-related assets | ¥ 442 | $ 3,995 | 16years |
| Backlog of orders | 32 | 286 | 5months |

(h) If the business combination had been completed at the beginning of the current year, the estimated financial effects on the consolidated statement of income for the current year would have been as follows.

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Net sales | ¥ 717 | $ 6,476 |
| Operating income | 54 | 490 |

(Method of calculating estimated financial effects)
The estimated financial effects are the differences between net sales and profit/loss information calculated assuming that the business combination had been completed at the beginning of the current year, and net sales and profit/loss information of the acquired company in the consolidated statement of income. This note is unaudited.

## 20. Segment Information

(1) Description of reportable segments
The Group's reportable segments are those for which separately financial information is available and regular evaluation by the Board of Directors is being performed in order to decide how resources are allocated among the Group. The Group conducts several types of businesses including specialty truck business, environmental equipment and systems and real estate rental business. The Company and its consolidated subsidiaries are engaged in each business as an independent management unit. The Group consists of three reportable segments, which are "Specialty truck business" (Industry A), "Environmental equipment and systems business" (Industry B) and "Real estate rental business" (Industry C). Industry A manufactures and distributes specialty trucks such as dump trucks, tailgate lifters, tank trucks, refuse trucks, trailers, etc. Industry B manufactures and distributes recycle facilities, including maintenance and

consignment business. Industry C manufactures multistory parking equipment and offers operating services for toll parking and real estate rental services.

(2) Methods of measurement for the amounts of sales, profit, assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies". Intersegment sales or transfers are based on the market prices.

(3) Information about sales, profit, assets and other items for the years ended March 31, 2021 and 2020 are as follows:

*Millions of yen*

| | *Reportable segments* | | | | | |
|---|---|---|---|---|---|---|
| **2021** | Industry A | Industry B | Industry C | Total | Reconciliations (Note a) | Consolidated (Note b) |
| Net sales: | | | | | | |
| External customers | ¥ 99,534 | ¥ 11,028 | ¥ 6,608 | ¥ 117,170 | − | ¥ 117,170 |
| Intersegment sales or transfers | 17 | 0 | 524 | 541 | (541) | − |
| Total | 99,551 | 11,028 | 7,132 | 117,711 | (541) | 117,170 |
| Segment profit | 6,881 | 1,995 | 1,140 | 10,016 | (936) | 9,080 |
| Segment assets | 82,849 | 7,833 | 12,482 | 103,164 | 39,577 | 142,741 |
| Other items: | | | | | | |
| Depreciation | 2,346 | 68 | 373 | 2,787 | 1 | 2,788 |
| Increase in tangible and intangible fixed assets | 2,334 | 41 | 669 | 3,044 | − | 3,044 |

(a) Reconciliations of segment profit in an amount of ¥ (936) million which consists of elimination of intersegment transactions in an amount of ¥ 12 million and corporate expenses which are not allocated to each reportable segment in an amount of ¥ (948) million. Corporate expenses are mainly general administrative expenses not attributable to any other reportable segments.

Reconciliations of segment assets are surplus fund (cash and deposits and securities) and long-term investment fund (investment securities) of the Company.

(b) Segment profit is reconciled with operating income in the consolidated statements of income.

*Millions of yen*

| 2020 | Reportable segments | | | | | |
|---|---|---|---|---|---|---|
| | Industry A | Industry B | Industry C | Total | Reconciliations (Note a) | Consolidated (Note b) |
| Net sales: | | | | | | |
| External customers | ¥ 102,035 | ¥ 11,472 | ¥ 6,667 | ¥ 120,174 | – | ¥ 120,174 |
| Intersegment sales or transfers | 42 | 1 | 522 | 565 | (565) | – |
| Total | 102,077 | 11,473 | 7,189 | 120,739 | (565) | 120,174 |
| Segment profit | 6,417 | 1,814 | 1,143 | 9,374 | (880) | 8,494 |
| Segment assets | 80,904 | 8,244 | 11,810 | 100,958 | 35,621 | 136,579 |
| Other items: | | | | | | |
| Depreciation | 2,168 | 59 | 368 | 2,595 | 1 | 2,596 |
| Increase in tangible and intangible fixed assets | 3,626 | 108 | 239 | 3,973 | – | 3,973 |

(a) Reconciliations of segment profit in an amount of ¥ (880) million which consists of elimination of intersegment transactions in an amount of ¥ 9 million and corporate expenses which are not allocated to each reportable segment in an amount of ¥ (889) million. Corporate expenses are mainly general administrative expenses not attributable to any other reportable segments.
Reconciliations of segment assets are surplus fund (cash and deposits and securities) and long-term investment fund (investment securities) of the Company.

(b) Segment profit is reconciled with operating income in the consolidated statements of income.

*Thousands of U.S. dollars*

| 2021 | Reportable segments: Industry A | Industry B | Industry C | Total | Reconciliations (Note a) | Consolidated (Note b) |
|---|---|---|---|---|---|---|
| Net sales: | | | | | | |
| External customers | $ 899,051 | $ 99,612 | $ 59,690 | $ 1,058,353 | − | $ 1,058,353 |
| Intersegment sales or transfers | 156 | 4 | 4,731 | 4,891 | (4,891) | − |
| Total | 899,207 | 99,616 | 64,421 | 1,063,244 | (4,891) | 1,058,353 |
| Segment profit | 62,153 | 18,018 | 10,303 | 90,474 | (8,455) | 82,019 |
| Segment assets | 748,347 | 70,752 | 112,743 | 931,842 | 357,481 | 1,289,323 |
| Other items: | | | | | | |
| Depreciation | 21,194 | 620 | 3,366 | 25,180 | 6 | 25,186 |
| Increase in tangible and intangible fixed assets | 21,083 | 366 | 6,046 | 27,495 | − | 27,495 |

(a) Reconciliations of segment profit in an amount of $ (8,455) thousand which consists of elimination of intersegment transactions in an amount of $ 111 thousand and corporate expenses which are not allocated to each reportable segment in an amount of $ (8,566) thousand. Corporate expenses are mainly general administrative expenses not attributable to any other reportable segments.
Reconciliations of segment assets are surplus fund (cash and deposits and securities) and long-term investment fund (investment securities) of the Company.

(b) Segment profit is reconciled with operating income in the consolidated statements of income.

(4) Amortization and unamortized balances of goodwill by reportable segment for the year ended March 31, 2021 are as follows:

*Millions of yen*

| 2021 | Industry A | Industry B | Industry C | Reconciliations | Consolidated |
|---|---|---|---|---|---|
| Amortization | ¥ 40 | ¥ − | ¥ − | ¥ − | ¥ 40 |
| Unamortized balances | 803 | − | − | − | 803 |

*Thousands of U.S. dollars*

| 2021 | Industry A | Industry B | Industry C | Reconciliations | Consolidated |
|---|---|---|---|---|---|
| Amortization | $ 362 | $ − | $ − | $ − | $ 362 |
| Unamortized balances | 7,257 | − | − | − | 7,257 |

There were not applicable for amortization and unamortized balances of goodwill for the year ended March 31, 2020.

## 21. Subsequent Event

The following appropriations of the Company's retained earnings in respect of the year ended March 31, 2021 were as proposed by the Board of Directors and approved by the shareholders at the annual general meeting held on June 25, 2021.

| Appropriations | *Millions of yen* | *Thousands of U.S. dollars* |
|---|---|---|
| Cash dividends of ¥ 24 ($ 0.22) per share | ¥ 958 | $ 8,656 |

# INDEPENDENT AUDITOR'S REPORT

## To the Board of Directors of KYOKUTO KAIHATSU KOGYO CO.,LTD

### Opinion

We have audited the accompanying consolidated balance sheet of KYOKUTO KAIHATSU KOGYO CO.,LTD (the "Company") and its consolidated subsidiaries as of March 31, 2021, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its consolidated subsidiaries as of March 31, 2021, and the consolidated its consolidated financial performance and their 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 Company and its consolidated subsidiaries 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters

1. Accounting treatment of SATRAC ENGINEERING PRIVATE LIMITED (Hereinafter referred to as "SATRAC") acquisition and appropriateness of fair values in the purchase price allocation (PPA) (Note 19. Business combination)

Key Audit Matter Description

As stated in Note 19 to the consolidated financial statements, the Company acquired SATRAC pursuant to the Share Purchase Agreement on September 9, 2020. A consideration transferred for the business combination amounting was JPY 1,826 million. The Company performed certain procedures to measure fair values of the consideration transferred and to recognize and measure identifiable assets acquired (PPA) using external fair value experts, and provisionally recognized intangible assets of JPY 473 million (Customer-related assets of JPY 442 million and Backlog of orders of JPY 31 million) and goodwill of JPY 806 million.

The following key assumptions were used by the Group management in the initial measurement of intangible assets: projected sales and operating profit from the use of the customer relation, and discount rate for the intangible assets.

Assessing the value of the intangible assets in the business combination is complex and the management's judgement is required, we determined this matter to be a key audit matter.

Auditor's Response

To address the key audit matters, we evaluated the design and tested the operating effectiveness of controls over the business combination accounting and PPA process, and performed the following substantive procedures, among others:

・ Read minutes of the Board of Directors meetings, discussion materials of Operating Decision meetings, major contracts and related legal documents in order to obtain an understanding of the terms and conditions and objective of the whole business combination process.
・ Assessed the consistency between the objectives of the individual transactions in the business integration process and their accounting treatments through corroborative inquiries with the management involved in the transaction including the management of the Company
・ Evaluated the qualification, the appropriateness, and the objectivity of external fair value experts the management used.
・ Assessed the appropriateness of the valuation models and discount rates used by external fair value experts the management used to determine the consideration transferred.
・ Performed comparative analyses of the key assumptions, such as business plan and discount rate, particularly those used in sales and operating profit forecasts against available third-party data, such as market growth rates, and the historical data.

2. Evaluation of goodwill and Customer-related assets(Note 2 Summary of Significant Accounting Policies (o)"Significant accounting estimates goodwill and Customer-related assets" .)

Key Audit Matter Description

The Company recorded goodwill and Customer-related assets as for SATRAC of JPY 803 million and JPY 449 million in the Consolidated Financial Statements

Although the goodwill is amortised in every fiscal year, the Company would determine to recognize impairment loss in case of indication of impairment, comparing the carrying amount to discounting estimated future cash flows from the unit which good will has been allocated . If the carrying amount of the unit exceeds the recoverable amount of the unit, the Company must recognize impairment loss.

As stated in Note 2 to the consolidated financial statements, the key assumptions, such as estimated future cash flows and discount rate, were used for measurement of the goodwill and Customer-related assets.

The Company would have to revision estimate future cash flows and discount rate by uncertain economical changes. In addition the management's judgement is required, we determined this matter to be a key audit matter.

Auditor's Response

To address the key audit matters, we evaluated the design and tested the operating effectiveness of controls over the assessing the goodwill and Customer-related assets, and performed the following substantive procedures, among others:

・ Evaluated the excess earning powers in initial recognition of the goodwill and comprehended the changes in the business environment.
・ Assessed whether the future plan used for estimating future cash flow was consistent with the medium-term business plan for the next fiscal years.
・ Performed comparative analyses of the key assumptions, such as business plan and discount rate, against available third-party data, such as market growth rates, and the historical data.

**Responsibilities of Management, Audit & Supervisory Board and its members for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Audit & Supervisory Board and its membersare responsible for overseeing the Company and its consolidated subsidiaries' 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 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 judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. These audit procedures are based on auditor's professional judgement and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Companys internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.

- Evaluate whether the presentation and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its consolidated subsidiaries 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 Audit & Supervisory Board and its members 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 Audit & Supervisory Board and its members with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

**Convenience Translation**

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

**Interest required to be disclosed by the Certified Public Accountants Act of Japan**

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

Naoya Hayashi
Naoya Hayashi
Representative Partner
Engagement Partner
Certified Public Accountant

Takahiro Fujita
Takahiro Fujita
Representative Partner
Engagement Partner
Certified Public Accountant

PKF HIBIKI AUDIT CORPORATION
Osaka, Japan
August 6th, 2021

## CORPORATE INFORMATION

Kyokuto Kaihatsu Kogyo Co., Ltd.
Established: June 1, 1955
Paid-in Capital: 11,899,867,400 yen (March 31, 2021)
Number of Employees: consolidated 3,050; non-consolidated 1,089 (March 31, 2021)

Headquarters:
6-1-45, Koshienguchi, Nishinomiya-shi, Hyogo, 663-8545 Japan
Tel.+81-798-66-1000,    Fax.+81-798-66-8146
Tokyo Office (Overseas Business Department):
3-15-10, Higashi-shinagawa, Shinagawa-ku, Tokyo, 140-0002, Japan
Tel.+81-3-5781-9828,    Fax+81-3-5781-3431

Plants:
Yokohama Plant
Occupies 96,657 $m^2$
Located in Yamato, Kanagawa (Japan)
Nagoya Plant
Occupies 109,611 $m^2$
Located in Komaki, Aichi (Japan)
Miki Plant
Occupies 100,728 $m^2$
Located in Miki, Hyogo (Japan)
Fukuoka Plant
Occupies 43,503 $m^2$
Located in Iizuka, Fukuoka (Japan)
Head Plant of NIPPON TREX Co., Ltd.
Occupies 125,285 $m^2$
Located in Toyokawa, Aichi (Japan)
Otowa Plant of NIPPON TREX Co., Ltd.
Occupies 20,889 $m^2$
Located in Toyokawa, Aichi (Japan)
Mito Plant of NIPPON TREX Co., Ltd.
Occupies 36,367 $m^2$
Located in Toyokawa, Aichi (Japan)
Plant of KYOKUTO KAIHATSU (KUNSHAN) MACHINERY CO., LTD.
Occupies 83,140 $m^2$
Located in Kunshan, Jiangsu (China)
Plant of SATRAC ENGINEERING PRIVATE LIMITED
Occupies 24,292 $m^2$
Located in Nidavanda Village, Nelmangala, Bangalore (India)
Plant of PT KYOKUTO INDOMOBIL MANUFACTURING INDONESIA
Occupies 20,028 $m^2$
Located in Purwakarta, Jawa Barat (Indonesia)

## BOARD OF DIRECTORS AND STATUTORY AUDITORS

| | |
|---|---|
| Kazuya Takahashi, | Representative Director, Chairperson |
| Tatsuya Nunohara, | Representative Director, President, CEO |
| Takeo Norimitsu, | Director, Associate Senior Executive Officer |
| Kazuhiko Harada, | Director, Associate Senior Executive Officer |
| Sadanobu Kato, | Director, Associate Senior Executive Officer |
| Noboru Horimoto, | Director,Executive Officer |
| Yoji Kido, | Outside Director |
| Akira Michigami, | Outside Director |
| Harumi Sugimoto, | Standing Auditor |
| Soichiro Ochi, | Auditor |
| Yoshihiko Norikura, | Outside Corporate Auditor |
| Kuniaki Fujiwara, | Outside Corporate Auditor |
| Mitsuhiko Nakashima, | Associate Senior Executive Officer |
| Teruyuki Kizu, | Associate Senior Executive Officer |
| Akira Sakurai, | Executive Officer |
| Yukihiro Hosozawa, | Executive Officer |
| Shinichi Takahama, | Executive Officer |
| Yutaka Yoshida, | Executive Officer |
| Masashi Ushio, | Executive Officer |
| Shinsaku Chijiiwa, | Executive Officer |
| Tatsuya Nomura, | Executive Officer |
| Keisuke Iwata, | Executive Officer |