KYOKUTO

Annual Report 2024

Year ended March 31, 2024

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, 2024>

In the fiscal year under review, while economic activities normalized after the COVID-19 pandemic, the prospects for Japan's economy remained uncertain due to the risk of an economic slowdown caused by the deteriorating international situation and global monetary tightening, as well as the soaring raw material and energy prices and the rapid depreciation of the yen among other factors.

Representative Director, President, CEO
Tatsuya Nunohara

Under these circumstances, our Group strived to implement various measures, including strengthening the income structure by improving productivity and building a solid business foundation that supports sustainable growth and reform. We did so as we moved forward with the second year of our three-year medium-term management plan, 2022–24 "Creating The Future As One" (April 1, 2022, to March 31, 2025), which provides the first step toward the realization of our long-term management vision "Kyokuto Kaihatsu 2030" in the fiscal year ending March 2031 (FY2030).

In addition, to increase corporate value, which is one of our most important management issues, we promoted management that is conscious of cost of capital and strengthened shareholder returns, including enhanced shareholder dividends and purchase of treasury shares, in order to improve capital efficiency. Furthermore, we utilized interest-bearing debt, revised our system for remuneration for directors (and other officers), and implemented a stock compensation program for officers and employees utilizing treasury shares.

As a result, in the current consolidated fiscal year, net sales increased by 14,937 million yen (13.2%) compared with the preceding consolidated fiscal year to 128,026 million yen. Operating income increased by 3,833 million yen (386.7%) to 4,825 million yen, and the current net income attributable to owners of the parent decreased by 79 million yen (2.2%) to 3,501 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) Special Purpose Vehicles Business

Orders were firm and remained strong both in Japan and overseas. While there was improvement in the semiconductor shortage, the supply of truck chassis was partially affected by delays in domestic chassis certification and procurement of truck parts. However, both net sales and profits increased due to the effect of ongoing efforts to revise product prices as a measure against cost increases. We will continue to review product prices in a timely manner.

In terms of new products, we developed an electric refuse truck for a battery electric vehicle

(BEV) chassis and delivered the first commercial truck in Japan in December 2023. We will continue to strengthen our product lineups so that they contribute to the environment and society and be of help to achieving carbon neutrality.

Regarding growth investment for the future, we have made capital investments that contribute to improving productivity. We proceeded with the construction of a new trailer plant at our subsidiary NIPPON TREX. We also added a new plant building at our Fukuoka Plant in September 2023. The new Fukuoka Plant is expected to increase production capacity by approximately 30% to meet the robust demand for large rear dump trucks and dump trailers.

In addition, we moved forward with our plan to construct the Group research and development site (Technical Center) with the aim of strengthening our R&D structure so that we can accommodate social changes toward carbon neutrality, including enhancing research and development of new technologies such as the IoT and AI, establishing a collaborative structure within the Group, accelerating the development of new products, and improving product quality.

Furthermore, as part of our efforts to strengthen the stock-type business, including services and maintenance, in January 2024, we relocated and expanded the Himeji Service Center, a service plant directly managed by FE-AUTO Co., Ltd., and reopened it attached with the new FE-Auto Himeji Used Car Center.

As for our M&A activities, in Japan, we made Kyushu Tokusyu Motors, a designated service factory in the Kyushu region, as our group company in April 2023 for the purpose of strengthening our stock-type business such as services and maintenance. Meanwhile overseas, we made an Australian sales agent Import Machinery and Equipment Pty Ltd. (IMAEA) our group company in July 2023. This was the first time for the Group to establish a base in Australia and Oceania. On October 1 of the same year, the name of the company was changed to Kyokuto Australia Pty Ltd. to promote the presence of the Kyokuto brand.

In the overseas business, SATRAC, a group company in India, signed an investment memorandum with the Chief Minister of the state of Tamil Nadu and acquired land for the construction of a new plant planned in the suburbs of Chennai. We made preparations aimed at further business expansion. In Indonesia, demand for dump trucks for mining applications was strong, resulting in a substantial increase in both sales and profits.

Net sales in the Special Purpose Vehicles Business increased by 10,667 million yen (2.2%) to 107,115 million yen. Segment profit increased by 3,007 million yen to 2,451 million yen.

Eectric refuse truck
for a battery electric vehicle (BEV) chassis

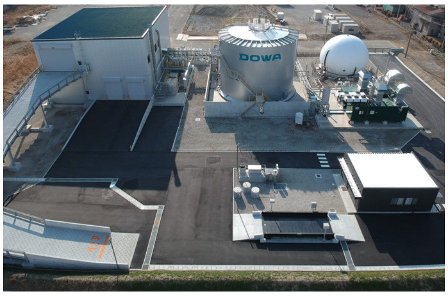
Headquarter and plant of Kyokuto Australia Pty Ltd

ii) Environmental Equipment and Systems Business

In plant construction, we strived to attract orders for new projects while proceeding with the construction of properties for which orders have been received. As a result, in September 2023, we received an order from Clean Authority of TOKYO (*Tokyo 23-ku Seisou Ichibu Kumiai*) for the construction of a noncombustible and oversized garbage treatment facility at the Central Breakwater Reclamation Area. The order is worth 41,130 million yen, and the construction period is 52 months. The facility will be one of the largest noncombustible and oversized garbage treatment facilities in Japan.

In addition to completing two properties during the period under review, we focused on the stock-type business such as maintenance and entrusted operation.

Net sales in the Environmental Equipment and Systems Business increased by 3,494 million yen (33.8%) to 13,821 million yen. Segment profit increased by 876 million yen (49.5%) to 2,644 million yen.



Biogas plant in Okayama


Noncombustible and oversized garbage treatment facility at the Central Breakwater Reclamation Area of Clean Authority of TOKYO (*Tokyo 23-ku Seisou Ichibu Kumiai*) Image drawing

iii) Car Parking Systems Business

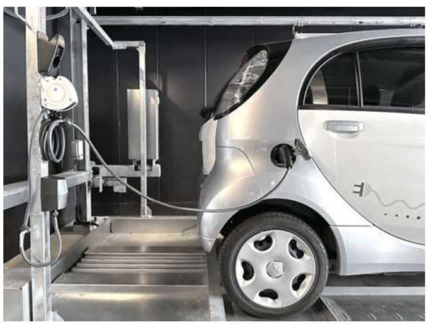
For multistory parking systems, the Group focused on actively attracting orders for new properties, in addition to the stock-type business, such as upgrading and maintenance.

In the area of coin-operated parking, we worked to secure sales and profit by increasing operating rates as they recovered from the impact of COVID-19.

Furthermore, in order to respond to the spread of EVs going ahead, we introduced a new EV charging facility installation and charging management service for multistory parking systems and coin-operated parking lots in October 2023.

Net sales in the Car Parking Systems Business increased by 804 million yen (11.7%) to 7,699 million yen. Segment profit increased by 124 million yen (18.9%) to 780 million yen.


Toll parking (Coin-operated)


EV charging facility installation and charging management service

<Forecast of Operations for the Next Consolidated Fiscal Year ending March 31, 2023>

In Japan, economic activities have been normalized following the COVID-19 pandemic, and the Group was hardly affected by COVID-19.

Going forward, we will be prepared so that, should there be a spread of an infectious disease, we can promptly implement various measures to reduce the risk of infection based on our basic policy of "Giving top priority to the safety of customers, local communities, and Group employees while ensuring balance with business continuation."

Under these circumstances, in the second year of our medium-term management plan 2022–24 "Creating The Future As One" (3-year plan; April 1, 2022, to March 31, 2025), which was formulated as the first step toward realizing the long-term management vision "Kyokuto Kaihatsu 2030" with a view toward the fiscal year ending March 2031 (FY2030), the Group will continue to work toward achieving the plan. We will strive to build a solid foundation through strengthening synergies in the Group and actively investing in growth.

Although there is a gap between the full-year consolidated earnings forecast for the fiscal year ending March 31, 2025, and the target for the final year of the medium-term management plan, we will strive to improve our performance to achieve the target.

(2) Analysis on Financial Conditions

i) Situations of Assets, Liabilities and Net Worth

In the current consolidated fiscal year, total assets increased by 12,242million yen (7.7%) from the end of the preceding fiscal year to 170,398 million yen.

Current assets decreased by 2,068 million yen (2.2%) to 91,405 million yen, due to decreases in securities, etc.

Non-current assets (property, plant and equipment, intangible assets and investments and other assets) increased by 14,311 million yen (22.1%) to 78,992 million yen, due to acquisition of buildings, etc.

Regarding liabilities, current liabilities increased by 4,594 million yen (15.4%) to 34,433 million yen due to increases in electronically recorded obligations, etc. Non-current liabilities increased by 1,959 million yen (12.0%) to 18,313 million yen due to increases in deferred tax liability, etc.

Total net assets decreased by 5,688 million yen (5.1%) to 117,652 million yen due to the posting of of unrealized gains on other securities, etc.

As a result, the capital adequacy ratio stood at 68.7% as of the end of the current fiscal year (70.5% at the end of the preceding fiscal year).

ii) Cash Flow Situation

Consolidated cash and cash equivalents at the end of period decreased by 12,666 million yen (39.5%) compared with the end of the preceding fiscal year to 19,397 million yen. Cash flow by activity type is summarized as follows:

Cash Flow from Operating Activities

Net cash used by operating activities amounted to 1,845 million yen (an increase of 1,571 million yen compared with the preceding fiscal year). This was because of increasing of trade receivables, etc.

Cash Flow from Investing Activities

Net cash used by investing activities amounted to 9,482 million yen (an decrease of 2,659 million yen compared with the preceding fiscal year). This was because of acquisition of non-current assets, etc.

Cash Flow from Financing Activities

Net cash used by financing activities amounted to 1,496 million yen (a decrease of 6,618 million yen compared with the preceding fiscal year). This was because of dividends paid, etc.

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

With a primary focus on achieving sustainable growth and increasing corporate value, we are continually working to enhance shareholder returns in order to also heighten the satisfaction level of shareholders, while improving capital efficiency and controlling equity capital. The Company's basic approach for returning profits to shareholders is to agilely purchase and retire treasury shares while achieving high-level dividends.

As for our policy for returning profits to shareholders in the medium-term management plan (fiscal year ending March 2023 to March 2025), we have set the highest priority on increasing corporate value and enhancing capital efficiency.

In order to further enhance returns to shareholders while restraining excessive accumulation of equity capital, the Company has decided to agilely purchase treasury shares and set a minimum annual dividend per share of 54 yen in addition to setting a total return ratio of 100% during the term of this medium-term management plan.

Based on the above basic policy, The Meeting of Shareholders on June 26th, 2024, resolved and passed to pay a dividend of 58 yen per share at the end of March 2024 as originally proposed by management, making the annual dividend 87 yen per share (including the interim dividend of 29 per share paid), which is an increase of 33 yen from the previous fiscal year. The dividend payout ratio is approximately 95%, and the total return ratio combined with the purchase of treasury shares during the period (number of shares: 73,800 shares; total amount: 120,718,300 yen) comes to approximately 99%.

Regarding the dividend for the fiscal year ending March 2025, the Company plans to increase the amount by 63 yen per share from the preceding period to 150 yen (including an interim dividend of 75 yen), and the dividend payout ratio is expected to be approximately 101%.

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 Special Purpose Vehicles Business, Environmental Equipment and Systems Business, and Car Parking Systems Business.

(2) Mid-to-Long Term Management Strategy

Under the long-term management vision "Kyokuto Kaihatsu 2030" that looks toward 2030 and this medium-term management plan 2022–24 "Creating The Future As One" (3-year plan; April 1, 2022 – March 31, 2025), which signifies the first step toward realizing the long-term management vision, the Group is pursuing priority strategies toward growth of the Group based on the following policies.

【Long-term Management Vision "Kyokuto Kaihatsu 2030"】

The Group's long-term management vision is to be "a global comprehensive infrastructure manufacturer that contributes to the realization and development of a sustainable society."

(1) Sustainability vision

- CO2 emission reduction rate : minus 38%
  * Basic unit compared with FY2013 for Kyokuto Kaihatsu Kogyo, NIPPON TREX, and Kyokuto Kaihatsu Parking.
- Recycling rate : Maintain at 99.0% or higher

(2) Consolidated financial performance vision

- Net sales : 200 billion JPY
- Operating income margin : 10% or more
- ROE :10%

【Medium-Term Management Plan 2022–24 "Creating The Future As One"】

In this medium-term management plan, formulated as the first step of the long-term management vision, we set out four basic policies and will resolutely carry out the plan in an aim to establish a comprehensive foundation for the Kyokuto Kaihatsu Group. In addition, in order to improve corporate value, we will implement strategies that take into consideration the balance between "active investment in growth" and "return to society and stakeholders" by utilizing the funds and interest-bearing debt obtained through our business activities to date.

1. **Basic policies**
   (1) Contributing to solving social issues and pursuing value provision
   (2)Improving productivity and strengthening income structure
   (3)Building a strong business foundation that supports sustainable growth and reform
   (4)Optimally distributing cash flow aimed at improving corporate value

2. **Sustainability targets (fiscal year ending March 2025)**
   ・CO2 emission reduction rate : minus 10% or more
   * Basic unit compared with FY2020 for Kyokuto Kaihatsu Kogyo, NIPPON TREX, and Kyokuto Kaihatsu Parking.
   ・Recycling rate : Maintain at 99.0% or higher

3. **Consolidated financial performance targets (fiscal year ending March 2025)**
   ・ Consolidated net sales : Over 140 billion JPY (including new M&A growth)
   ・ Consolidated operating income margin : 7% or more
   ・ ROE : 6%

4. **Financial policies**
   ・ Strategic investment : Over 30 billion JPY for growth investment and approx. (Cumulative results up to the fiscal year ended March 2024 :23.2 billion JPY)
   10 billion JPY for new M&A investment over the three Years
   ・ Shareholder returns : Total payout ratio: 100% (During the period of this plan),
   Lower limits of annual dividend per share: 54 JPY
   + flexible purchase of treasury shares

5. **Capital cost (End of March 2024)**
   ・ WACC : Estimated to be approximately 6%
   (Of which, cost of stockholders' equity : estimated to be approximately 7%)

(3) Targeted management index

In the long-term management vision "Kyokuto Kaihatsu 2030," our consolidated financial performance targets are net sales of 200 billion yen or more, operating income margin of 10% or more, and ROE of 10%.

In addition, for the term ending March 2025, the last fiscal year of the medium-term management plan 2022–24 "Creating The Future As One" (3-year plan; April 1, 2022 to March 31, 2025), our consolidated financial performance targets are net sales of 140 billion yen or more and operating income margin of 7% or more.

CONSOLIDATED BALANCE SHEETS
At March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2024	2023	2024
Current assets:			
Cash and deposits (Notes 7 & 8)	¥ 15,740	¥ 19,331	$ 104,012
Short-term securities (Notes 7 & 8)	3,700	14,301	24,450
Trade notes receivable (Notes 8, 15 & 17)	5,487	4,475	36,258
Trade accounts receivable (Notes 8 & 17)	28,275	22,107	186,844
Contract assets (Note 17)	2,287	1,715	15,112
Electronically recorded monetary claims - operating (Notes 8, 15 & 17)	9,651	8,417	63,778
Merchandise & finished goods	2,193	1,371	14,490
Work in process	8,990	8,453	59,404
Raw materials & supplies	12,575	11,460	83,096
Other current assets (Note 8)	2,570	1,899	16,984
Allowance for doubtful accounts	(62)	(54)	(410)
Total current assets	91,406	93,475	604,018
Property, plant and equipment (Note 9):			
Land	29,149	27,553	192,617
Buildings and structures	40,778	34,800	269,463
Machinery, equipment and vehicles	23,147	21,264	152,957
Construction in progress	2,988	2,224	19,745
Other	6,165	6,098	40,740
Total	102,227	91,939	675,522
Accumulated depreciation	(45,428)	(43,705)	(300,189)
Net property, plant and equipment	56,799	48,234	375,333
Intangible assets			
Goodwill (Note 18)	662	684	4,373
Customer-related assets	436	422	2,881
Other	1,093	1,190	7,223
Total	2,191	2,296	14,477
Investments and other assets:			
Investment securities (Notes 3 & 8)	17,150	12,546	113,326
Deferred tax assets (Note 13)	344	343	2,272
Long-term loans receivable (Note 8)	221	420	1,462
Net defined benefit assets (Note 5)	1,187	-	7,847
Other assets	1,819	1,737	12,020
Allowance for doubtful accounts (Note 8)	(718)	(895)	(4,746)
Total investments and other assets	20,003	14,151	132,181
Total non-current assets	78,993	64,681	521,991
Total	¥ 170,399	¥ 158,156	$ 1,126,009

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen 2024	Millions of yen 2023	Thousands of U.S. dollars (Note 1) 2024
Current liabilities:			
Short-term bank loans (Note 4)	¥ 1,685	¥ 902	$ 11,132
Current portion of long-term bank loans (Notes 4 & 8)	8	25	55
Trade notes and accounts payable (Note 15)	9,141	9,619	60,406
Electronically recorded obligations - operating (Note 15)	13,373	9,292	88,373
Accrued expenses	5,099	4,649	33,693
Income taxes payable	734	1,484	4,848
Other current liabilities (Note 4 & 17)	4,393	3,867	29,029
Total current liabilities	34,433	29,838	227,536
Non-current liabilities:			
Bonds payable (Notes 4 & 8)	2,800	2,800	18,503
Long-term bank loans (Notes 4 & 8)	7,337	7,341	48,482
Net defined benefit liabilities (Note 5)	41	98	269
Liabilities for directors' retirement benefits	79	107	527
Deferred tax liabilities (Note 13)	6,776	4,815	44,776
Other non-current liabilities (Notes 4 & 8)	1,280	1,193	8,459
Total non-current liabilities	18,313	16,354	121,016
Total liabilities	52,746	46,192	348,552
Net assets:			
Shareholders' equity:			
Share capital (Note 11):			
Authorized-170,950,672 shares			
Issued-40,150,000 shares in 2024 and 2023	11,900	11,900	78,635
Capital surplus (Note 11)	11,750	11,679	77,649
Retained earnings	86,720	85,362	573,050
Treasury stock, at cost (Note 11): 1,825,291 shares in 2023 1,814,442 shares in 2024	(1,836)	(1,801)	(12,135)
Total shareholders' equity	108,534	107,140	717,199
Accumulated other comprehensive income (Note 14):			
Unrealized gain on available-for-sale securities	7,419	4,403	49,027
Foreign currency translation adjustments	367	96	2,423
Remeasurements of defined benefit plans	681	(101)	4,497
Total accumulated other comprehensive income	8,467	4,398	55,947
Non-controlling interests	652	426	4,311
Total net assets	117,653	111,964	777,457
Total	¥ 170,399	¥ 158,156	$ 1,126,009

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME
Years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Net sales (Note 17)	¥ 128,026	¥ 113,089	$ 846,011
Cost of sales (Note 16)	107,324	97,082	709,208
Gross profit	20,702	16,007	136,803
Selling, general and administrative expenses (Note 12)	15,877	15,016	104,919
Operating income	4,825	991	31,884
Other income (expenses):			
Interest and dividend income	395	343	2,609
Interest expense	(63)	(42)	(419)
Gain (loss) on sales of investment securities, net	47	968	311
Gain (loss) on sales or disposition of property and equipment, net	(287)	3,162	(1,897)
Share of profit (loss) of entities accounted for using equity method	83	(5)	549
Foreign exchange gain (loss)	386	(161)	2,555
Other-net	(57)	(5)	(379)
Other income -net	504	4,260	3,329
Income before income taxes and non-controlling interests	5,329	5,251	35,213
Income taxes (Note 13):			
Current	1,434	2,576	9,471
Deferred	269	(994)	1,780
Total income taxes	1,703	1,582	11,251
Net income	3,626	3,669	23,962
Net income (loss) attributable to non-controlling interests	124	88	822
Net income attributable to owners of the parent	¥ 3,502	¥ 3,581	$ 23,140

	Yen		U.S. dollars (Note 1)
	2024	2023	2024
Amounts per shares:			
Basic net income	¥ 91.49	¥ 90.91	$ 0.60
Diluted net income	-	-	-
Cash dividends applicable to earnings of the year	87.00	54.00	0.57

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Net income	¥ 3,626	¥ 3,669	$ 23,962
Other comprehensive income (Note 14):			
Unrealized gain on available-for-sale securities	3,016	(196)	19,930
Foreign currency translation adjustments	283	26	1,872
Remeasurements of defined benefit plans	782	(36)	5,165
Share of other comprehensive income in affiliates accounted for by the equity method	21	24	139
Total other comprehensive income	4,102	(182)	27,106
Comprehensive income	¥ 7,728	¥ 3,487	$ 51,068
Total comprehensive income attributable to:			
Owners of the parent	7,571	3,385	50,027
Non-controlling interests	157	102	1,041

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years ended March 31, 2024 and 2023

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income					
	Share capital	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, 2022	¥ 11,900	11,839	86,435	(2,081)	108,093	4,598	59	(64)	4,593	325	113,011
Purchases of treasury stock				(2,380)	(2,380)						(2,380)
Disposal of treasury stock		44		160	204						204
Cancellation of treasury stock		(204)	(2,296)	2,500	-						-
Net income attributable to owners of the parent			3,581		3,581						3,581
Appropriation											
Cash dividends paid			(2,358)		(2,358)						(2,358)
Other net changes in the year						(195)	37	(37)	(195)	101	(94)
Balance, March 31, 2023	¥ 11,900	11,679	85,362	(1,801)	107,140	4,403	96	(101)	4,398	426	111,964
Purchases of treasury stock				(122)	(122)						(122)
Disposal of treasury stock		71		87	158						158
Net income attributable to owners of the parent			3,502		3,502						3,502
Appropriation											
Cash dividends paid			(2,144)		(2,144)						(2,144)
Other net changes in the year						3,016	271	782	4,069	226	4,295
Balance, March 31, 2024	¥ 11,900	11,750	86,720	(1,836)	108,534	7,419	367	681	8,467	652	117,653

Thousands of U.S. dollars

	Shareholders' equity					Accumulated other comprehensive income					
	Share capital	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, 2023	$ 78,635	77,176	564,082	(11,904)	707,989	29,092	634	(666)	29,060	2,818	739,867
Purchases of treasury stock				(806)	(806)						(806)
Disposal of treasury stock		473		575	1,048						1,048
Net income attributable to owners of the parent			23,140		23,140						23,140
Appropriation											
Cash dividends paid			(14,172)		(14,172)						(14,172)
Other net changes in the year						19,935	1,789	5,163	26,887	1,493	28,380
Balance, March 31, 2024	$ 78,635	77,649	573,050	(12,135)	717,199	49,027	2,423	4,497	55,947	4,311	777,457

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2024 and 2023

	Millions of yen 2024	*Millions of yen* 2023	*Thousands of U.S. dollars (Note 1)* 2024
Operating activities:			
Income before income taxes and non-controlling interests	¥ 5,329	¥ 5,251	$ 35,213
Depreciation and amortization	3,069	2,884	20,284
Amortization of goodwill	98	95	647
Loss (gain) on sales of investment securities, net	(47)	(968)	(311)
Share of loss (profit) of entities accounted for using equity method	(83)	5	(549)
Loss (gain) on sales or disposition of property and equipment, net	77	(3,239)	506
Interest and dividend income	(395)	(343)	(2,609)
Interest expenses	63	42	419
Decrease (increase) in trade notes and accounts receivable	(8,867)	1,803	(58,596)
Decrease (increase) in inventories	(2,367)	(2,041)	(15,639)
Increase (decrease) in trade notes and accounts payable	3,504	(4,243)	23,153
Increase (decrease) in net defined benefit liabilities	(122)	(142)	(808)
Increase (decrease) in allowance for doubtful accounts	9	(3)	57
Increase (decrease) in allowance for others	118	(133)	779
Increase (decrease) in consumption taxes payable	220	(424)	1,454
Other, net	(475)	(144)	(3,137)
Sub total	131	(1,600)	863
Interest and dividend income received	406	400	2,681
Interest expenses paid	(65)	(42)	(429)
Income taxes paid	(2,317)	(2,175)	(15,309)
Net cash used in operating activities	(1,845)	(3,417)	(12,194)
Investing activities:			
Purchases of securities and investments	(69)	(1,590)	(458)
Proceeds from sales of securities and investments	311	2,209	2,059
Proceeds from redemption of securities	1,501	-	9,916
Purchases of property, plant and equipment	(10,819)	(11,422)	(71,492)
Proceeds from sales of property, plant and equipment	5	3,934	33
Purchases of shares of subsidiaries	(369)	-	(2,439)
Net decrease (increase) in short-term loans receivable	(92)	10	(606)
Payments of long-term loans receivable	(8)	(5)	(55)
Proceeds from collection of long-term loans receivable	30	41	201
Other,net	27	(1)	178
Net cash used in investing activities	(9,483)	(6,824)	(62,663)
Financing activities:			
Net increase (decrease) in short-term bank loans	767	(72)	5,070
Proceeds from long-term bank loans	-	7,200	-
Repayment of long-term bank loans	(21)	(103)	(140)
Proceeds from issuance of bonds	-	2,800	-
Payment of finance lease obligations	(46)	(55)	(307)
Purchases of treasury stock	(122)	(2,380)	(806)
Proceeds from sales of treasury stock	-	88	-
Proceeds from share issuance to non-controlling shareholders	68	-	452
Dividends paid	(2,142)	(2,356)	(14,156)
Net cash used in financing activities	(1,496)	5,122	(9,887)
Foreign currency translation adjustments on cash and cash equivalents	158	(66)	1,045
Net increase (decrease) in cash and cash equivalents	(12,666)	(5,185)	(83,699)
Cash and cash equivalents at beginning of year	32,064	37,249	211,881
Cash and cash equivalents at end of year (Note 7)	¥ 19,398	¥ 32,064	$ 128,182

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 ¥151.33=US$1, the approximate exchange rate on March 31, 2024. 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, 2024, 8 subsidiaries are excluded from scope of consolidation. As to these, investments in 5 nonconsolidated subsidiaries other than Eco Facility Nishinomiya Co., Ltd., Kyushutokusyu Motors Co., Ltd. and Kyokuto Australia Pty Ltd. 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.
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)
Securities other than shares that do not have a market value 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.
Shares that do not have a market value 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 Recognition

In terms of revenue from contracts with customers of the Group, the contents of the main performance obligations and the usual timing of satisfaction of performance obligations (at the usual timing of revenue recognition) are as follows.
In the domestic sales of merchandise or finished goods, the period for which the control of merchandise or finished goods is transferred to the customers after shipping is usual, the revenue is recognized at the shipping applied to the alternative treatment provided in Paragraph 98 of "Implementation Guidance on Accounting Standard for Revenue Recognition" .

・Special Purpose Vehicles Business
In "Special Purpose Vehicles Business", the Group operates the manufactures and sales of the specialty trucks such as dump tracks and tailgate lifters, and also, the after-sales services such as the sales of the related components or inspection and maintenance.
In terms of sales of finished goods and components, revenue is recognized at the time of shipping. In terms of providing the inspection and maintenance, "Maintenance pack contract" is entered into with customer, and the transaction price is allocated to contents of inspection in the contract, so revenue is recognized over a certain period based on the implementation of inspection.

Payment terms are decided based on contracts with customers, the considerations of transaction are mostly received within 3 months after delivery, and do not include a significant financing component.

・Environmental equipment and systems business

In "Environmental equipment and systems business", the Group operates the construction of recycling facilities such as bulky garbage facilities and recycling centers, and also, the after-sales services such as the sales of the related components or inspection and maintenance. In addition, some consolidated subsidiaries operate the business of providing the service, working and management related to these facilities and equipment.

In terms of construction contracts, the performance obligation satisfies for a certain period. So, revenue is recognized based on the measure of progress towards the complete satisfaction of the performance obligation, exclude the contracts of short construction period. The method used to estimate the progress towards the satisfaction of the performance obligation is the input method based on the ratio of the actual costs to the total estimated costs. In terms of sales of recycling facilities and related components, revenue is recognized at the time of shipping to customers. In terms of service such as inspection, maintenance, working and management, revenue is recognized over time based on the occasion of each service under comprehensive maintenance contracts or working consignment contracts.

Payment terms are decided based on contracts with customers, the considerations of transaction are received for several times depending on the progress of construction. So, they do not include a significant financing component.

(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 38,275 and 39,390 thousand shares for 2024 and 2023, 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*
	2024	2023	2024
Goodwill	¥ 662	¥ 684	$ 4,373
Customer-related assets	¥ 436	¥ 422	$ 2,881

(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, and Intangible assets)

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

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	2024
Property, plant and equipment	¥ 56,799	¥ 48,234	$ 375,333
Intangible assets	2,191	2,296	14,477
Total	¥ 58,990	¥ 50,530	$ 389,810
Impairment losses	-	-	-

(ii) Information concerning significant accounting estimates for identifiable items

When there are indications of impairment for Property, plant and equipment, and Intangible assets, if the total undiscounted future cash flows for the asset group is less than the book value, the book value is reduced to the recoverable amount (the higher of the value in use or the net selling value) and an impairment loss is recorded. If the net selling value at the end of the consolidated fiscal year clearly exceeds the book value, we decide unnecessary to record an impairment loss. There are some assets that were determined to have indications of impairment during the current consolidated fiscal year. The net selling value at the end of the fiscal year exceeded the book value, so impairment losses were not recorded. The net selling value is based on the valuation calculated reasonably by a real estate appraiser. However, when these estimates of the assumptions in the valuation may be affected by changes in uncertain future economic conditions, and it may become necessary to review the net selling value, the impairment losses related these assets may be recognized in the future. For the current fiscal year, the assets which have indication of impairment are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	2024
Specialty truck	¥ 13,601	¥ 9,037	$ 89,878
Environmental equipment and systems	643	645	4,248
Parking and other operations	145	139	957
Total	¥ 14,389	¥ 9,821	$ 95,083

(p) Accounting Standards issued but not yet applied

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

(i) Overview

In the course of deliberations on the transfer of the practical guidelines on tax effect accounting by Japanese Institute of Certified Public Accountants to Accounting Standards Board of Japan (ASBJ), the results of the deliberations on the following two issues that were decided to be reviewed after the publication of "Partial Amendments to Accounting Standard for Tax Effect Accounting", etc.

(ASBJ Statement No.28) in February 2018 were published.

・the classification of income taxes in the case where other comprehensive income is taxed

・the treatment of tax effects related to the sale of shares in subsidiaries and affiliates when the group taxation regime is applied

(ii) Scheduled date of application

To be applied from the beginning of the fiscal year ending March 31, 2025.

(iii) Effects of application of these standards etc.

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

(q) Additional information

(Disposal of treasury stock as Restricted Stock Compensation Plan)

The Company resolved, at the meeting of board of directors held on July 27, 2023, to dispose treasury stock as follows, and the payment has been completed on August 25, 2023.

1. Outline of the disposal

(1) Payment date	August 25, 2023
(2) Class and number of shares to be disposed	22,700 shares (common stock) of the Company
(3) Disposal price	¥ 1,811 ($ 11.97) per share
(4) Total value of the disposal	¥ 41,109,700 ($ 271,656)
(5) Allottees and number thereof, number of shares to be disposed	- Directors of the Company (excluding outside directors) 5 persons and 8,200 shares - Executive Officers who do not hold concurrent position as Director of the Company 12 persons and 9,100 shares - Directors of the domestic subsidiaries 12 persons and 4,200 shares - Executive Officers who do not hold concurrent position as Director of the domestic subsidiaries 6 persons and 1,200 shares

(6) Others	The Company filed the Securities Registration Statement in accordance with the Financial Instruments and Exchange Act regarding the disposal of treasury stock.

2. Purposes and reasons of the disposal

The Company resolved, at the meeting of board of directors held on May 13, 2021, to introduce a restricted stock compensation plan (hereinafter; the "Plan") for the Directors of the Company (excluding outside directors) (hereinafter; the "Eligible Directors"), Executive Officers who do not hold concurrent position as Director of the Company, Directors of the domestic subsidiaries, and Executive Officers who do not hold concurrent position as Director of the domestic subsidiaries (hereinafter; the "Eligible Directors, etc.") in order to provide an incentive for the Eligible Directors, etc. to improve sustainably the Company's corporate value and in order to further promote shared values with shareholders, as a new remuneration plan. And more, at the 86th General Meeting of Shareholders held on June 25, 2021, regarding the Plan, it was approved by the shareholders that the total amount within ¥ 50 million ($ 330 thousand) should provide to the Eligible Directors as monetary compensation to acquire the Restricted Stock by way of contribution assets, the Company would issue or dispose the common stock within 50 thousand shares, and the period of the restriction to transfer would be 3 years, etc.

(Disposal of treasury stock as restricted stock incentive for Employee Shareholding Association)

The Company resolved, at the meeting of board of directors held on November 9, 2023, to dispose treasury stock as follows, and the payment has been completed on February 1, 2024.

1. Outline of the disposal

(1) Payment date	February 1, 2024
(2) Class and number of Shares to be disposed	63,330 shares (common stock) of the Company
(3) Disposal price	¥ 1,856 ($ 12.26) per share
(4) Total value of the disposal	¥ 117,540,480 ($ 776,716)
(5) Method of disposal (Scheduled allottee)	Third party allotment (Kyokuto Kaihatsu Employee Shareholding Association (hereinafter; the "ESA") 63,330 shares)

(6) Others	The treasury stock disposal was subject to effectuation of Securities Registration Statement in accordance with the Financial Instruments and Exchange Act.

2. Purposes and reasons of the disposal

The Company resolved to introduce the Plan, and under the Plan, the Company provided among employees in the Company who were members of ESA and who have agreed to the Plan (hereinafter; the "Eligible Employees") with opportunities for acquiring the restricted stock (the common stock of the Company) to be issued or disposed of by the Company through the ESA, as a measure to enhance the welfare of the Eligible Employees, ESAs to support property accumulation of the Eligible Employees, as well as to provide them an incentive to sustainably improve the Company's corporate value and in order to further promote shared values with shareholders.

3. Securities

The following were a summary of available-for-sale securities at March 31, 2024 and 2023:

Millions of yen

	Available-for-sale securities			
March 31, 2024	Cost	Gross unrealized gains	Gross unrealized losses	Book Value (Estimated fair value)
Market value available:				
Equity securities	¥ 4,065	¥ 10,722	¥ (34)	¥ 14,753
Other securities	32	—	(0)	32
Subtotal	¥ 4,097	¥ 10,722	¥ (34)	¥ 14,785
Market value not available:				2,365
Total				¥ 17,150

				Millions of yen
	Available-for-sale securities			
March 31, 2023	Cost	Gross unrealized gains	Gross unrealized losses	Book Value (Estimated fair value)
Market value available:				
Equity securities	¥ 4,130	¥ 6,446	¥ (92)	¥ 10,484
Other securities	227	—	(10)	217
Subtotal	¥ 4,357	¥ 6,446	¥ (102)	¥ 10,701
Market value not available:				1,845
Total				¥ 12,546

				Thousands of U.S. dollars
	Available-for-sale securities			
March 31, 2024	Cost	Gross unrealized gains	Gross unrealized losses	Book Value (Estimated fair value)
Market value available:				
Equity securities	$ 26,864	$ 70,854	$ (227)	$ 97,491
Other securities	208	—	(0)	208
Subtotal	$ 27,072	$ 70,854	$ (227)	$ 97,699
Market value not available:				15,627
Total				$ 113,326

No impairment losses were recorded during the fiscal year ended March 31, 2024 and 2023.

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

The annual average interest rates applicable to short-term bank loans at March 31, 2024 and 2023 were 2.28% and 0.38%, respectively.

Long-term debts at March 31, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Bonds payable	¥ 2,800	¥ 2,800	$ 18,503
Long-term bank loans	7,345	7,366	48,537
Lease obligations	115	100	762
Total	¥ 10,260	¥ 10,266	$ 67,802

Aggregate annual maturities of long-term debts subsequent to March 31, 2024 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2025	¥ 43	$ 283
2026	32	210
2027	24	157
2028	10,020	66,216
2029 and thereafter	141	936
Total	¥ 10,260	$ 67,802

5. 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 fiscal years ended March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Benefit obligations at beginning of year	¥ 8,124	¥ 8,217	$ 53,689
Service cost	524	527	3,464
Interest cost	46	34	305
Actuarial (gains) losses	(523)	(153)	(3,462)
Retirement benefits paid	(429)	(502)	(2,840)
Translation adjustments	2	1	15
Benefit obligations at end of year	¥ 7,744	¥ 8,124	$ 51,171

The changes in plan assets for the fiscal years ended March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Plan assets at beginning of year	¥ 8,026	¥ 8,031	$ 53,039
Expected return on plan assets	160	161	1,061
Actuarial gains (losses)	573	(224)	3,783
Contributions from employers	526	474	3,475
Retirement benefits paid	(395)	(416)	(2,609)
Plan assets at end of year	¥ 8,890	¥ 8,026	$ 58,749

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, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Funded benefit obligations	¥ 7,703	¥ 8,094	$ 50,902
Plan assets at end of year	8,890	8,026	58,749
	(1,187)	68	(7,847)
Non funded benefit obligations	41	30	269
Net amount of liabilities (assets) recognized in consolidated balance sheet	¥ (1,146)	¥ 98	$ (7,578)
Net defined benefit liabilities	¥ 41	¥ 98	$ 269
Net defined benefit assets	(1,187)	—	(7,847)
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ (1,146)	¥ 98	$ (7,578)

The retirement benefit expenses for the fiscal years ended March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Service cost	¥ 524	¥ 527	$ 3,464
Interest cost	46	34	305
Expected return on plan assets	(160)	(161)	(1,061)
Recognition of actuarial (gains) losses	30	19	198
Severance and pension costs	¥ 440	¥ 419	$ 2,906

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
	2024	2023	2024
Recognized actuarial gains (losses)	¥ 1,126	¥ (52)	$ 7,440
Total	¥ 1,126	¥ (52)	$ 7,440

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
	2024	2023	2024
Unrecognized actuarial (gains) losses	¥ (980)	¥ 145	$ (6,478)
Total	¥ (980)	¥ 145	$ (6,478)

The components of plan assets as of March 31, 2024 and 2023 were as follows:

	Ratio	
	2024	2023
Bonds	58%	56%
Shares	25%	23%
General account asset	8%	12%
Other	9%	9%
Total	100%	100%

The major actuarial assumptions for the fiscal years ended March 31, 2024 and 2023 were as follows:

	Ratio	
	2024	2023
Discount rate		
The Company and a domestic subsidiary	1.0 to 1.5%	0.0 to 1.1%
A foreign subsidiary	6.7 to 7.2%	5.5 to 7.5%
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	4.4 to 8.8%	4.4 to 8.8%
A foreign subsidiary	5.0 to 8.0%	5.0 to 8.0%

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 ¥ 140 million ($ 924 thousand) and ¥ 139 million for the fiscal years ended March 31, 2024 and 2023 in the Company and other domestic subsidiaries.

6. Contingencies

At March 31, 2024 and 2023, the Group was contingently liable as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	2024
As a guarantor of indebtedness of :			
Other	¥ 2	¥ 4	$ 14
As a guarantor for performance guarantee insurance of :			
Nonconsolidated subsidiary	108	108	712
Total	¥ 110	¥ 112	$ 726

7. Cash and cash equivalents

Cash and cash equivalents at March 31, 2024 and 2023 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	2024
Cash and deposits	¥ 15,740	¥ 19,331	$ 104,012
Short-term securities	3,700	14,301	24,450
Securities with redemption term of over 3 months	—	(1,501)	—
Time deposits with an original maturity of over 3 months	(39)	(39)	(258)
Deposit for issuance of a letter of credit to the bank	(3)	(28)	(22)
Cash and cash equivalents	¥ 19,398	¥ 32,064	$ 128,182

8. Financial Instruments and Related Disclosures

(1) Policy for financial instruments

The Group manages funds by utilizing short-term deposits, etc. and 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 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 1 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 5 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 10 "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.

(4) Fair values of financial instruments

Summarized in the table below are the carrying amounts and the estimated fair value of financial instruments outstanding at March 31, 2024 and 2023. Financial instruments for which do not have a market value are not included in the table below.

Millions of yen

March 31, 2024	Carrying amount	Fair value	Unrecognized gain/loss
Investment securities	¥ 14,785	¥ 14,785	¥ —
Long-term loans receivable (*1)	247	246	(1)
Long-term bank loans (*1)	(7,345)	(7,322)	23
Bonds payable	(2,800)	(2,790)	10

March 31, 2023	Carrying amount	Fair value	Unrecognized gain/loss
	Millions of yen		
Investment securities	¥ 10,701	¥ 10,701	¥ —
Long-term loans receivable (*1)	446		
Allowance for doubtful accounts (*2)	(177)		
	269	270	1
Long-term bank loans (*1)	(7,366)	(7,378)	(12)
Bonds payable	(2,800)	(2,810)	(10)

March 31, 2024	Carrying amount	Fair value	Unrecognized gain/loss
	Thousands of U.S. dollars		
Investment securities	$ 97,699	$ 97,699	$ —
Long-term loans receivable (*1)	1,634	1,623	(11)
Long-term bank loans (*1)	(48,537)	(48,387)	150
Bonds payable	(18,503)	(18,438)	65

(*1) The carrying amounts of current portion of long-term loans receivable amounting ¥ 26 million ($ 172 thousand) and ¥ 26 million which are disclosed in "Other Current Assets" at March 31, 2024 and 2023 are included in Long-term loans receivable. The carrying amounts of current portion of long-term bank loans are included in Long-term bank loans.

(*2) The amount is the allowance for doubtful accounts with respect to long-term loans receivable individually.

(*3) The fair value of "Cash and deposits", "Short-term securities", "Trade notes receivable", "Trade accounts receivable", "Electronically recorded monetary claims – operating", "Short-term bank loans", Trade notes and accounts payable", and "Electronically recorded obligations – operating" are not disclosed because these are settled in a short period of time and their fair values are approximately the same as the book value.

Financial instruments for which do not have a market value at March 31, 2024 and 2023 consist of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	2024
Non-listed equity securities	¥ 2,365	¥ 1,845	$15,627

The annual maturities of financial assets and investment securities with contractual maturities subsequent to March 31, 2024 and 2023 were as follows:

Millions of yen

March 31, 2024	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years
Cash and deposits	¥ 15,740	¥ —	¥ —
Trade notes receivable	5,487	—	—
Trade accounts receivable	28,275	—	—
Electronically recorded monetary claims - operating	9,651	—	—
Short-term securities	3,700	—	—
Total	¥ 62,853	¥ —	¥ —

Millions of yen

March 31, 2023	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years
Cash and deposits	¥ 19,331	¥ —	¥ —
Trade notes receivable	4,475	—	—
Trade accounts receivable	22,107	—	—
Electronically recorded monetary claims - operating	8,417	—	—
Short-term securities	14,301	—	—
Total	¥ 68,631	¥ —	¥ —

Thousands of U.S. dollars

March 31, 2024	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years
Cash and cash equivalents	$ 104,012	$ —	$ —
Trade notes receivable	36,258	—	—
Trade accounts receivable	186,844	—	—
Electronically recorded monetary claims - operating	63,778	—	—
Short-term securities	24,450	—	—
Total	$ 415,342	$ —	$ —

(5) Breakdown of financial instruments by each fair value level

The fair values of financial instruments are categorized into the following three levels, in accordance with the observability and materiality of the inputs used in the fair value calculation.

Level 1 fair value: Fair value calculated using the market price in an active market among the observable input relating to the calculating the fair value for an identical asset or liability.

Level 2 fair value: Fair value calculated using inputs among the observable input relating to the calculating the fair value, other than the Level 1 inputs.

Level 3 fair value: Fair value calculated using inputs that cannot be observed.

In cases where several inputs which have a material effect on the calculation of the fair value are used, among the levels to which the respective inputs belong, the fair value is categorized at the level with the lowest priority in the fair value calculation.

Financial instruments with the carrying amount recorded using the fair value subsequent to March 31, 2024 and 2023 were as follows:

Millions of yen

March 31, 2024	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	¥ 14,753	¥ 32	¥ —	¥ 14,785
Total	¥ 14,753	¥ 32	¥ —	¥ 14,785

Millions of yen

March 31, 2023	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	¥ 10,484	¥ 217	¥ —	¥ 10,701
Total	¥ 10,484	¥ 217	¥ —	¥ 10,701

Thousands of U.S. dollars

March 31, 2024	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	$ 97,491	$ 208	$ —	$ 97,699
Total	$ 97,491	$ 208	$ —	$ 97,699

Financial instruments other than those recorded using the fair value subsequent to March 31, 2024 and 2023 were as follows:

Millions of yen

March 31, 2024	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	¥ —	¥ 246	¥ —	¥ 246
Assets Total	¥ —	¥ 246	¥ —	¥ 246
Long-term bank loans	¥ —	¥ 7,322	¥ —	¥ 7,322
Bonds payable	—	2,790	—	2,790
Liabilities Total	¥ —	¥ 10,112	¥ —	¥ 10,112

Millions of yen

March 31, 2023	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	¥ —	¥ 270	¥ —	¥ 270
Assets Total	¥ —	¥ 270	¥ —	¥ 270
Long-term bank loans	¥ —	¥ 7,378	¥ —	¥ 7,378
Bonds payable	—	2,810	—	2,810
Liabilities Total	¥ —	¥ 10,188	¥ —	¥ 10,188

Thousands of U.S. dollars

March 31, 2024	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	$ —	$ 1,623	$ —	$ 1,623
Assets Total	$ —	$ 1,623	$ —	$ 1,623
Long-term bank loans	$ —	$ 48,387	$ —	$ 48,387
Bonds payable	—	18,438	$ —	18,438
Liabilities Total	$ —	$ 66,825	$ —	$ 66,825

Explanation of the valuation methods and inputs used in calculating fair values

Investment securities

Listed shares are valued using the market price. Because listed shares are traded on active markets, their fair value is categorized as a level 1 fair value.

Bonds investment trust are measured at the quoted price obtained from counterparty financial institutions, their fair value is categorized as a level 2 fair value.

Long-term loans receivable

The fair value of long-term loans receivable is calculated using the discounted method based on estimated interest rates if similar new loan transaction is performed in the current period, their fair value is categorized as a level 2 fair value.

Long-term bank loans and Bonds payable

The fair value of long-term bank loans and bonds payable are calculated using the discounted method based on estimated interest rates if similar new borrowings are entered into in the current period, their fair value is categorized as a level 2 fair value.

9. Investment Property

The company and certain subsidiaries hold some rental properties including land in Kanagawa 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 ¥ 586 million ($ 3,873 thousand) and ¥ 537 million for the fiscal years ended March 31, 2024 and 2023, respectively.

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

Millions of yen

Carrying amount			Fair value
April 1, 2023	Increase/ (decrease)	March 31, 2024	March 31, 2024
¥ 5,670	¥ 3	¥ 5,673	¥ 5,116

Millions of yen

Carrying amount			Fair value
April 1, 2022	Increase/ (decrease)	March 31, 2023	March 31, 2023
¥ 4,824	¥ 846	¥ 5,670	¥ 5,139

Thousands of U.S. dollars

Carrying amount			Fair value
April 1, 2023	Increase/ (decrease)	March 31, 2024	March 31, 2024
$ 37,470	$ 19	$ 37,489	$ 33,809

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

(b) Increase during the fiscal year ended March 31, 2024 was mainly due to the expenditure of the guide signs of the coin parking business in amount of ¥ 71 million ($ 469 thousand). Decrease during the fiscal year ended March 31, 2024 was mainly due to depreciation in amount of ¥ 63 million ($ 415 thousand).

Increase during the fiscal year ended March 31, 2023 was mainly due to the floor for tenant of a parts of the group head office building in amount of ¥ 1,173 million. Decrease during the fiscal year ended March 31, 2023 was mainly due to the change of use to sales branch in amount of ¥ 314 million.

(c) Fair value at March 31, 2024 and 2023 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.

10. 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, 2024 and 2023, 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.

11. Shareholders' Equity

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

		Millions of yen	
	Number of shares issued	Share capital	Capital surplus
Balance at March 31, 2022	42,737,668	¥ 11,900	¥ 11,839
Movement of stock during 2023	(2,587,668)	—	(160)
Balance at March 31, 2023	40,150,000	11,900	11,679
Movement of stock during 2024	—	—	71
Balance at March 31, 2024	40,150,000	¥ 11,900	¥ 11,750

	Thousands of U.S. dollars	
	Share Capital	Capital surplus
Balance at March 31, 2023	$ 78,635	$ 77,176
Movement of stock during 2024	—	473
Balance at March 31, 2024	$ 78,635	$ 77,649

Decrease of capital surplus during 2023 was mainly due to cancellation of treasury stock, increase of capital surplus during 2024 was due to the disposal of treasury stock.

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.

During 2024, the increase of treasury stock was due to the purchase of odd-lot shares (661 shares) and the acquisition without consideration associated with the retirement of object persons of the restricted stock compensation (720 shares), and purchase based on resolution of board of directors (73,800 shares). The decrease of treasury stock was due to the disposal of treasury stock as restricted stock compensation (86,030 shares).

During 2023, the increase of treasury stock was due to the purchase of odd-lot shares (357 shares) and the acquisition without consideration associated with the retirement of object persons of the restricted stock compensation (22 shares), and purchase based on resolution of board of directors (1,707,900 shares). The decrease of treasury stock was due to the disposal of treasury stock as restricted stock compensation (82,840 shares) and the sales to Shareholding Association from the Employee Shareholding Association (62,300 shares),and cancellation based on resolution of board of directors (2,587,668 shares).

12. Research and Development

Research and development expenditure which is included in “Selling, general and administrative expenses” were ¥ 1,589 million ($ 10,500 thousand) and ¥ 1,584 million for the fiscal years ended March 31, 2024 and 2023, respectively.

13. 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 fiscal years ended March 31, 2024 and 2023. 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, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Deferred tax assets:			
Accrued Bonuses	¥ 738	¥ 705	$ 4,874
Accrued corporation enterprise tax	68	111	452
Forecast of construction cost	50	55	332
Excess depreciation	428	402	2,830
Allowance for doubtful accounts	241	292	1,595
Provision for product warranties	265	220	1,752
Provision for loss on construction contracts	115	275	757
Net defined benefit liabilities	10	28	68
Loss on valuation of inventories	135	140	891
Loss on valuation of investment for subsidiaries and affiliates	66	124	436
Fixed assets – elimination of intercompany profits	200	200	1,321
Loss on impairment of fixed assets	166	173	1,099
Tax loss carry forward	351	465	2,319
Other	737	656	4,869
Deferred tax assets sub-total	3,570	3,846	23,595
Less valuation allowance relevant to tax loss carry forward	(326)	(259)	(2,157)
Less valuation allowance relevant to total deductible temporary difference	(1,046)	(1,051)	(6,910)
Valuation allowance sub-total	(1,372)	(1,310)	(9,067)
Total deferred tax assets	¥ 2,198	¥ 2,536	$ 14,528

	Millions of yen 2024	Millions of yen 2023	Thousands of U.S. dollars 2024
Deferred tax liabilities:			
Unrealized gain on investment securities	¥ (3,268)	¥ (1,939)	$ (21,596)
Reduction reserve for fixed assets	(3,626)	(3,536)	(23,960)
Special reduction reserve for fixed assets	—	(172)	—
Net defined benefit assets	(363)	—	(2,400)
Unrealized gain on subsidiaries' fixed assets by revaluation at the beginning of consolidation	(1,308)	(1,296)	(8,646)
Other	(65)	(65)	(430)
Total deferred tax liabilities	(8,630)	(7,008)	(57,032)
Net deferred tax assets (liabilities)	¥ (6,432)	¥ (4,472)	$ (42,504)

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

At March 31, 2024

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	56	3	39	92	94	351
Valuation allowance	(67)	(56)	(3)	(39)	(92)	(69)	(326)
Deferred tax assets	—	—	—	—	—	25	25

At March 31, 2023

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	64	53	18	40	87	203	465
Valuation allowance	(64)	(53)	(4)	(38)	(87)	(13)	(259)
Deferred tax assets	—	—	14	2	—	190	206

At March 31, 2024

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	445	369	23	260	606	616	2,319
Valuation allowance	(445)	(369)	(23)	(260)	(606)	(454)	(2,157)
Deferred tax assets	—	—	—	—	—	162	162

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

(b) The deferred tax assets of ¥ 25 million ($ 162 thousand) and ¥ 206 million were recognized for the balance of tax loss carry forward (an amount multiplied by the statutory tax rate) of ¥ 351 million ($ 2,319 thousand) and ¥ 465 million at March 31, 2024 and 2023, 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, 2024 and 2023 were omitted because the difference is less than 5% of the statutory income tax rate.

14. Comprehensive Income

The components of other comprehensive income for the fiscal years ended March 31, 2024 and 2023 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	2024
Unrealized gain on available-for-sale securities:			
Gains (Losses) arising during the year	¥ 4,392	¥ 677	$ 29,021
Reclassification adjustments for gain (loss)	(47)	(968)	(311)
Amount before income tax effect	4,345	(291)	28,710
Income tax effect	(1,329)	95	(8,780)
Total	¥ 3,016	¥ (196)	$ 19,930
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 283	¥ 26	$ 1,872
Reclassification adjustments for gain (loss)	—	—	—
Amount before income tax effect	283	26	1,872
Income tax effect	—	—	—
Total	¥ 283	¥ 26	$ 1,872
Remeasurements of defined benefit plans:			
Gains (Losses) arising during the year	¥ 1,096	¥ (71)	$ 7,242
Reclassification adjustments for gain (loss)	30	19	198
Amount before income tax effect	1,126	(52)	7,440
Income tax effect	(344)	16	(2,275)
Total	¥ 782	¥ (36)	$ 5,165
Share of other comprehensive income in affiliates accounted for by equity method:			
Gains (Losses) arising during the year	¥ 21	¥ 24	$ 139
Reclassification adjustments for gain (loss)	—	—	—
Total	¥ 21	¥ 24	$ 139
Total other comprehensive income	¥ 4,102	¥ (182)	$ 27,106

15. Trade Note Maturities

The following Trade notes receivable, Electronically recorded monetary claims - operating, Trade notes payable and Electronically recorded obligation - operating which matured but were not settled on March 31, 2024 because that day fell on a bank holiday, were included in the balance sheet as of March 31, 2024:

	Millions of yen		*Thousands of U.S. dollars*
	2024	2023	2024
Trade notes receivable	¥ 296	¥ —	$ 1,957
Electronically recorded monetary claims - operating	260	—	1,716
Trade notes payable	77	—	510
Electronically recorded obligation - operating	2,586	—	17,086

16. Provision of reserve for Losses on Construction Contracts

Provision of reserve for losses on construction contracts included in Cost of Sales were ¥ 239 million ($ 1,578 thousand) and ¥ 837 million for the fiscal years ended March 31, 2024 and 2023, respectively.

17. Revenue from Contracts with Customers

(1) Disaggregation of revenue
Disaggregation of revenue is disclosed in Note 18.

(2) Basic information to understand revenue from contracts with customers
Basic information to understand revenue from contracts with customers is disclosed in Note 2(i).

(3) Contract balances

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Receivables from contracts with customers (beginning balance)	¥ 34,999	¥ 38,025	$ 231,278
Receivables from contracts with customers (ending balance)	43,413	34,999	286,880
Contract assets (beginning balance)	1,715	495	11,334
Contract assets (ending balance)	2,287	1,715	15,112
Contract liabilities (beginning balance)	369	652	2,436
Contract liabilities (ending balance)	395	369	2,608

Contract assets are primarily consideration for on-going construction. Contract liabilities are advances received on construction contracts in progress and sales of specialty trucks. Contract liabilities are included in other current liabilities in the accompanying consolidated balance sheets.

Of the revenue recognized during the fiscal year ended March 31, 2024, the amount included in contract liabilities at the beginning of the fiscal year was ¥ 369 million ($ 2,436 thousand), and during the year ended March, 31, 2023, it was ¥ 618 million.

The increase of contract assets for the fiscal year ended March 31, 2024 and 2023 were mainly due to the recognition of revenue from of on-going construction, and increase of construction projects, respectively.

The increase of contract liabilities for the fiscal year ended March 31, 2024 was mainly due to the increase of advances received on construction contracts in progress.

The decrease of contract liabilities for the fiscal year ended March 31, 2023 was mainly due to the transfer to revenue from advances received on construction contracts in progress.

(4) Transaction price allocated to the remaining performance obligations

The Group applies the practical expedient and the contracts whose initial expected terms are 1 year or less aren't included in the note of transaction price allocated to the remaining performance obligations.

Performance obligations mainly relate to the manufactures and sales of specialty trucks and "Maintenance pack contract" in "Special Purpose Vehicles Business" and construction contracts such as construction of recycling facilities and comprehensive maintenance contracts in "Environmental equipment and systems business".

The total amount of transaction price allocated to the remaining performance obligations by prospective satisfaction period at March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Within 1 year	¥ 40,569	¥ 30,971	$ 268,079
After 1 year through 2 years	13,109	19,421	86,628
After 2 year through 3 years	4,071	6,189	26,903
After 3 years	29,892	13,454	197,531
Total	¥ 87,641	¥ 70,035	$ 579,141

In terms of transaction price related to construction contracts, the amount was allocated based on the timing of prospective completion due to uncertain ratio of the cost incurred for each year. They approximately will be completed within 4 years and revenue will be recognized.

18. 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 Special Purpose Vehicles 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" (Industry A), "Environmental equipment and systems" (Industry B) and "Parking and other operations" (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.

(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 fiscal years ended March 31, 2024 and 2023 were as follows:

Millions of yen

2024	*Reportable segments* Industry A	Industry B	Industry C	Total	Reconciliations (Note a)	Consolidated (Note b)
Net sales:						
Goods or service transferred at a point in time	¥ 106,946	¥ 4,434	¥ 6,604	¥ 117,984	—	¥ 117,984
Goods or service transferred over time	107	9,388	—	9,495	—	9,495
Revenue from contracts with customers	107,053	13,822	6,604	127,479	—	127,479
Other revenue	58	—	489	547	—	547
External customers	107,111	13,822	7,093	128,026	—	128,026
Intersegment sales or transfers	3	—	607	610	(610)	—
Total	107,114	13,822	7,700	128,636	(610)	128,026
Segment profit	2,452	2,644	781	5,877	(1,052)	4,825
Segment assets	100,420	11,339	13,139	124,898	45,501	170,399
Other items:						
Depreciation	2,568	69	300	2,937	88	3,025
Increase in tangible and intangible fixed assets	9,816	51	1,543	11,410	—	11,410

(a) Reconciliations of segment profit in an amount of ¥ (1,052) million which consisted of elimination of intersegment transactions in an amount of ¥ 12 million and corporate expenses which were not allocated to each reportable segment in an amount of ¥ (1,064) million. Corporate expenses were mainly general administrative expenses not attributable to any other reportable segments.

Reconciliations of segment assets were surplus fund (Cash and deposits and Short-term securities), long-term investment fund (Investment securities), and head office building (Property, plant and equipment) of the Company.

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

Millions of yen

2023	Reportable segments: Industry A	Industry B	Industry C	Total	Reconciliations (Note a)	Consolidated (Note b)
Net sales:						
Goods or service transferred at a point in time	¥ 96,277	¥ 3,744	¥ 5,837	¥ 105,858	—	¥ 105,858
Goods or service transferred over time	100	6,583	—	6,683	—	6,683
Revenue from contracts with customers	96,377	10,327	5,837	112,541	—	112,541
Other revenue	65	—	483	548	—	548
External customers	96,442	10,327	6,320	113,089	—	113,089
Intersegment sales or transfers	5	—	576	581	(581)	—
Total	96,447	10,327	6,896	113,670	(581)	113,089
Segment profit	(556)	1,768	656	1,868	(877)	991
Segment assets	86,452	6,887	11,790	105,129	53,027	158,156
Other items:						
Depreciation	2,443	72	283	2,798	17	2,815
Increase in tangible and intangible fixed assets	3,281	123	456	3,860	7,945	11,805

(a) Reconciliations of segment profit in an amount of ¥ (877) million which consisted of elimination of intersegment transactions in an amount of ¥ 12 million and corporate expenses which were not allocated to each reportable segment in an amount of ¥ (889) million. Corporate expenses were mainly general administrative expenses not attributable to any other reportable segments.

Reconciliations of segment assets were surplus fund (Cash and deposits and Short-term securities), long-term investment fund (Investment securities), and head office building (Property, plant and equipment) of the Company.

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

Thousands of U.S. dollars

2024	Reportable segments: Industry A	Industry B	Industry C	Total	Reconciliations (Note a)	Consolidated (Note b)
Net sales:						
Goods or service transferred at a point in time	$ 706,710	$ 29,301	$ 43,637	$ 779,648	—	$ 779,648
Goods or service transferred over time	710	62,036	—	62,746	—	62,746
Revenue from contracts with customers	707,420	91,337	43,637	842,394	—	842,394
Other revenue	384	—	3,233	3,617	—	3,617
External customers	707,804	91,337	46,870	846,011	—	846,011
Intersegment sales or transfers	22	—	4,010	4,032	(4,032)	—
Total	707,826	91,337	50,880	850,043	(4,032)	846,011
Segment profit	16,203	17,475	5,159	38,837	(6,953)	31,884
Segment assets	663,579	74,930	86,825	825,334	300,675	1,126,009
Other items:						
Depreciation	16,971	456	1,982	19,409	579	19,988
Increase in tangible and intangible fixed assets	64,869	335	10,195	75,399	—	75,399

(a) Reconciliations of segment profit in an amount of $ (6,953) thousand which consisted of elimination of intersegment transactions in an amount of $ 77 thousand and corporate expenses which were not allocated to each reportable segment in an amount of $ (7,030) thousand. Corporate expenses were mainly general administrative expenses not attributable to any other reportable segments.

Reconciliations of segment assets were surplus fund (Cash and deposits and Short-term securities) and long-term investment fund (Investment securities) , and head office building (Property, plant and equipment) of the Company.

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

(4) Amortization and unamortized balances of goodwill by reportable segment for the fiscal years ended March 31, 2024 and 2023 were as follows:

Millions of yen

2024	Industry A	Industry B	Industry C	Reconciliations	Consolidated
Amortization	¥ 98	¥ —	¥ —	¥ —	¥ 98
Unamortized balances	662	—	—	—	662

Millions of yen

2023	Industry A	Industry B	Industry C	Reconciliations	Consolidated
Amortization	¥ 95	¥ —	¥ —	¥ —	¥ 95
Unamortized balances	684	—	—	—	684

Thousands of U.S. dollars

2024	Industry A	Industry B	Industry C	Reconciliations	Consolidated
Amortization	$ 647	$ —	$ —	$ —	$ 647
Unamortized balances	4,373	—	—	—	4,373

19. Subsequent Event

(Appropriations of the Company's retained earnings)

The following appropriations of the Company's retained earnings in respect of the fiscal year ended March 31, 2024 were as proposed by the Board of Directors and approved by the shareholders at the annual general meeting held on June 26, 2024.

	Millions of yen	*Thousands of U.S. dollars*
Cash dividends of ¥ 58 ($ 0.38) per share	¥ 2,223	$ 14,693

(Disposal of treasury stock as Restricted Stock Compensation Plan)

The Company resolved, at the meeting of board of directors held on July 25, 2024, to dispose treasury stock as follows.

1. Outline of the disposal

(1) Payment date	August 23, 2024
(2) Class and number of shares to be disposed	23,300 shares (common stock) of the Company
(3) Disposal price	¥ 2,526 ($ 16.69) per share
(4) Total value of the disposal	¥ 58,855,800 ($ 388,924)
(5) Allottees and number thereof, number of shares to be disposed	- Directors of the Company (excluding outside directors) 5 persons and 8,100 shares - Executive Officers who do not hold concurrent position as Director of the Company 13 persons and 9,100 shares - Directors of the domestic subsidiaries 15 persons and 5,100 shares - Executive Officers who do not hold concurrent position as Director of the domestic subsidiaries 5 persons and 1,000 shares

2. Purposes and reasons of the disposal

The Company resolved, at the meeting of board of directors held on May 13, 2021, to introduce a restricted stock compensation plan (hereinafter; the "Plan") for the Directors of the Company (excluding outside directors) (hereinafter; the "Eligible Directors"), Executive Officers who do not hold concurrent position as Director of the Company, Directors of the domestic subsidiaries, and Executive Officers who do not hold concurrent position as Director of the domestic subsidiaries (hereinafter; the "Eligible Directors, etc.") in order to provide an incentive for the Eligible Directors, etc. to improve sustainably the Company's corporate value and in order to further promote shared values with shareholders, as a new remuneration plan. And more, at the 86th General Meeting of Shareholders held on June 25, 2021, regarding the Plan, it was approved by the shareholders that the total amount within ¥ 50 million ($ 330 thousand) should provide to the Eligible Directors as monetary compensation to acquire the Restricted Stock by way of contribution assets, the Company would issue or dispose the common stock within 50 thousand shares, and the period of the restriction to transfer would be 3 years, etc.

(Sales of Investment securities)

The Company has sold a portion of its Investment securities between July 30, 2024 and August 1, 2024. As a result, Gain on sale of investment securities will be recognized in the second quarter for the fiscal year ended March 31, 2025.

1. Reasons for the sales of Investment securities

To reduce Cross-shareholdings

2. Dates of the sales of Investment securities

Between July 30, 2024 and August 1, 2024

3. Details of the sales of Investment securities

(1) Shares sold

The shares of a listed company

(2) Amount of Gain on sale of investment securities

¥ 1,874 million ($ 12,386 thousand)

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of KYOKUTO KAIHATSU KOGYO CO., LTD. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as of March 31, 2024, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements.
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional 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 the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of judgment of whether impairment loss recognition is necessary for non-current assets	
Description of Key Audit Matter	Auditor's Response
As stated in Note 2 (Summary of Significant Accounting Policies (o) "Significant accounting estimates Impairment losses of Property plant, equipment, and Intangible assets") to the consolidated financial statements, when there are indications of impairment for Property, plant, equipment, and Intangible assets, if the total undiscounted future cash flows for the asset group with indications of impairment is less than the book value, the book value is reduced to the recoverable amount (the higher of the value in use or the net selling value) and an impairment loss is recorded. If the net selling value at the end of the consolidated fiscal year clearly exceeds the book value, the net selling value is applied as the recoverable amount. The net selling value of the property is mainly based on the valuation calculated reasonably by a real estate appraiser as external experts.	We principally performed the following audit procedures to assess appropriateness of the judgment of necessity of recognizing impairment losses on Property, plant, equipment, and Intangible assets. (1) Assessment of internal control - We assessed effectiveness of the design and operation of internal control related to the judgment of necessity of recognizing impairment losses on Property, plant, equipment, and Intangible assets. (2) Assessment of reasonableness of the net selling value -As for the real estate appraisal which is the basis of the net selling value, we assessed the adequacy, the ability and the objectivity of the real estate appraiser. - We reviewed the real estate appraisal report and examined the appropriateness of the value method and the choice of the assumption in conformity with the

The Company recorded Property, plant, equipment and Intangible assets of JPY 58,990 million in the Consolidated Financial Statements as at March 31, 2024. In these, Property, plant, equipment and Intangible assets of JPY14,389 million have indication of impairment because of the reason as follows. -They incurred consecutive operation losses. - They had significantly declined in fair value. With regard to the non-current assets of 4,815 million yen at the Miki Plant and Fukuoka Plant, which belong to the special truck segment, excluding the asset group in which the net selling value of the real estate as of the end of the consolidated fiscal year significantly exceeded the book value, the net selling value of the real estate as assessed by a real estate appraiser as of the end of the consolidated fiscal year exceeded the book value, and therefore it has been determined that no impairment loss is necessary. The valuation method and choice of assumptions by the real estate appraiser involve subjective management judgment. Additionally, these judgments have a significant impact on the necessity of recognizing impairment losses on Property, plant, and equipment, as well as Intangible assets. Therefore, we determined this matter to be a key audit matter.	requirements of the evaluated assets and accounting standards. - We examined the consistency of the evaluated assets and the data which is the preconditions for the real estate appraisal.

Other Information

The other information comprises the information included in a disclosure document that contains audited consolidated financial statements but does not include the consolidated financial statements and our audit report thereon. Management is responsible for preparation and disclosure of the other information. Audit & Supervisory Boad Members and the Audit & Supervisory Board are responsible for overseeing the Group's reporting process of the other information.
Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Responsibilities of Management, Audit & Supervisory Boad Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.
Audit & Supervisory Boad Members and the Audit & Supervisory Board are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, for the risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Fee-related Information

The fees for the audits of the financial statements of KYOKUTO KAIHATSU KOGYO CO., LTD. and its subsidiaries and other services provided by us and other PKF member firms for the year ended March 31,2024 are 47 million yen and 2 million yen, respectively.

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 are presented solely for convenience. Our audit also included the translation of Japanese yen amount into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

PKF Hibiki Audit Corporation
Osaka, Japan
August 9th, 2024

Atsushi Suzaki
Representative Partner
Engagement Partner
Certified Public Accountant

Sayo Uno

Engagement Partner
Certified Public Accountant

CORPORATE INFORMATION

Kyokuto Kaihatsu Kogyo Co., Ltd.
Established: June 1, 1955
Paid-in Capital: 11,899,867,400 yen (March 31, 2024)
Number of Employees: consolidated 3,237; non-consolidated 1,133 (March 31, 2024)

Headquarters:
Kyokuto Group Head Office Building, 2-5-11, Awajimachi, Chuo-ku, Osaka, 541-8519, Japan
Tel.+81-6-6205-7800, Fax.+81-6-6205-7830
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 ㎡
Located in Yamato, Kanagawa (Japan)
Nagoya Plant
Occupies 109,611 ㎡
Located in Komaki, Aichi (Japan)
Miki Plant
Occupies 100,728 ㎡
Located in Miki, Hyogo (Japan)
Fukuoka Plant
Occupies 43,503 ㎡
Located in Iizuka, Fukuoka (Japan)
Head Plant of NIPPON TREX Co., Ltd.
Occupies 125,285 ㎡
Located in Toyokawa, Aichi (Japan)
Otowa Plant of NIPPON TREX Co., Ltd.
Occupies 20,889 ㎡
Located in Toyokawa, Aichi (Japan)
Mito Plant of NIPPON TREX Co., Ltd.
Occupies 36,367 ㎡
Located in Toyokawa, Aichi (Japan)
Plant of KYOKUTO KAIHATSU (KUNSHAN) MACHINERY CO., LTD.
Occupies 83,140 ㎡
Located in Kunshan, Jiangsu (China)
Plant of SATRAC ENGINEERING PRIVATE LIMITED
Occupies 24,292 ㎡
Located in Nidavanda Village, Nelmangala, Bangalore (India)
Plant of PT KYOKUTO INDOMOBIL MANUFACTURING INDONESIA
Occupies 20,028 ㎡
Located in Purwakarta, Jawa Barat (Indonesia)

BOARD OF DIRECTORS AND STATUTORY AUDITORS

Tatsuya Nunohara,	Representative Director, President, CEO
Takeo Norimitsu,	Representative Director, Senior Managing Director, Senior Managing Executive Officer
Noboru Horimoto,	Director, Associate Senior Executive Officer
Teruyuki Kizu,	Director, Associate Senior Executive Officer
Tetsuya Ichimura,	Director, Executive Officer
Hiroyuki Terakawa,	Outside Director
Keiko Kaneko,	Outside Director
Takanobu Tomohiro,	Outside Director
Akira Sakurai,	Standing Auditor
Hiroaki Kuriyama,	Auditor
Kuniaki Fujiwara,	Outside Corporate Auditor
Nobuhiro Asada,	Outside Corporate Auditor
Fumihiro Takasaki,	Associate Senior 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
Mamoru Shimizu,	Executive Officer
Koh Yamamoto,	Executive Officer
Shigeyuki Satake,	Executive Officer
Satoshi Okamoto,	Executive Officer
Takahiro Okazaki,	Executive Officer
Hideyuki Kurisue,	Executive Officer