

2025

FINANCIAL STATEMENTS

MARCH 31, 2024-2025

KITANO CONSTRUCTION CORP.

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Consolidated Balance Sheets

As of March 31, 2024 and 2025

	Millions of yen	
	March 31,	
	2024	2025
ASSETS		
Current Assets:		
Cash in hand and in banks.....	¥ 26,326	¥ 18,750
Notes and accounts receivable	13,329	14,504
Securities	—	22
Real estate for sale	3,288	3,289
Costs on construction contracts in progress.....	100	123
Cost of uncompleted development projects.....	763	3,285
Inventories.....	247	135
Other current assets.....	1,247	1,423
Less: allowance for doubtful accounts.....	(30)	(16)
Total current assets	45,272	41,519
Non-current Assets:		
Tangible Fixed Assets:		
Buildings and structures	17,032	17,684
Machinery and equipment.....	3,163	3,306
Tools, furniture and fixtures	3,181	3,287
Golf course.....	770	784
Land.....	10,073	10,073
Construction in progress.....	4	3
Other non-current assets.....	94	94
Less: accumulated depreciation	(14,417)	(15,743)
Total tangible fixed assets.....	19,902	19,491
Intangible fixed assets.....	315	638
Investments:		
Investment securities.....	9,360	10,954
Long-term loans	43	35
Net defined benefit asset.....	1,024	1,010
Deferred tax assets	16	18
Other investments.....	1,922	1,949
Less: allowance for doubtful accounts	(27)	(27)
Total investments	12,338	13,941
Total non-current assets	32,556	34,070
Total assets	¥ 77,829	¥ 75,589

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets

As of March 31, 2024 and 2025

	Millions of yen	
	March 31,	
	2024	2025
LIABILITIES		
Current Liabilities:		
Notes and accounts payable	¥ 10,193	¥ 9,444
Electronically recorded obligations - operating	7,391	3,831
Income taxes payable	527	342
Advances received on construction contracts in progress	8,145	6,769
Advances received on uncompleted development business	11	1,129
Accrued bonuses to employees	516	536
Accrued bonuses to directors and statutory auditors	60	71
Accrued warranty	485	305
Other current liabilities	2,158	1,538
Total current liabilities	29,490	23,968
Non-current Liabilities:		
Membership deposit	1,664	1,619
Deferred tax liabilities	1,874	2,422
Provision for loss on guarantees	753	—
Net defined benefit liability	68	73
Other non-current liabilities	284	276
Total non-current liabilities	4,645	4,391
Total liabilities	34,135	28,360
NET ASSETS		
Shareholders' Equity:		
Common stock	9,116	9,116
Authorized — 20,000,000 shares		
Issued — 6,836,853 shares as of March 31, 2024 and 6,336,853 shares as of March 31, 2025		
Capital surplus	3,188	653
Retained earnings	29,060	31,458
Treasury shares	(3,189)	(897)
Total shareholders' equity	38,175	40,331
Accumulated Other Comprehensive Income:		
Unrealized gain (loss) on available-for-sale securities	4,107	5,168
Deferred gain (loss) on hedging derivatives	—	(8)
Foreign currency translation adjustment	757	1,122
Remeasurements of defined benefit plans	93	46
Total accumulated other comprehensive income	4,959	6,329
Non-controlling interests	558	568
Total net assets	43,693	47,229
Total liabilities and net assets	¥ 77,829	¥ 75,589

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

For the years ended March 31, 2024 and 2025

	Millions of yen	
	for the year ended March 31,	
	2024	2025
Net Sales:		
Construction contracts	¥ 80,681	¥ 76,459
Real estate development and other	4,282	4,393
	84,964	80,853
Cost of Sales:		
Construction contracts	71,987	68,404
Real estate development and other	2,484	2,545
	74,471	70,950
Gross profit	10,492	9,903
Selling, General and Administrative Expenses	5,688	6,262
Operating income	4,804	3,640
Non-operating Income (Expenses):		
Interest and dividend income	199	234
Foreign exchange gains	45	182
Reversal of allowance for doubtful accounts	1	0
Surrender value of insurance policies	37	31
Interest expenses	(32)	(69)
Commitment fee	(17)	—
Other, net	34	50
	5,073	4,070
Special Items:		
Gain on sales of non-current assets	4	4
Gain on sales of investment securities	—	47
Reversal of provision for loss on guarantees	—	103
Loss on disposal of non-current assets	(5)	(0)
Loss on valuation of investment securities	(7)	—
Impairment loss	—	(20)
Income before income taxes	5,064	4,205
Income Taxes:		
Current	1,217	856
Deferred	(71)	(44)
Profit	3,918	3,392
Profit attributable to non-controlling interests	15	11
Profit attributable to owners of parent	¥ 3,902	¥ 3,381

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2024 and 2025

	Millions of yen	
	for the year ended March 31,	
	2024	2025
Profit.....	¥ 3,918	¥ 3,392
Other Comprehensive Income:		
Unrealized gain (loss) on available-for-sale securities.....	1,975	1,060
Deferred gain (loss) on hedging derivatives	0	(8)
Foreign currency translation adjustment	177	366
Remeasurements of defined benefit plans	51	(46)
Total other comprehensive income	2,204	1,371
Comprehensive Income	6,122	4,763
Comprehensive income attributable to:		
Owners of parent.....	6,105	4,750
Non-controlling interests	17	12

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Equity

For the years ended March 31, 2024 and 2025

	Millions of yen										
	Shareholders' equity					Accumulated other comprehensive income					
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury shares	Unrealized	Deferred	Foreign			
						gain (loss) on available-for- sale securities	gain (loss) on hedging derivatives	currency translation adjustment	Remeasurements of defined benefits plans	Non-controlling interests	Total net assets
Balance at March 31, 2023	6,836	9,116	3,188	25,811	(2,554)	2,132	(0)	581	42	543	38,861
Dividends of surplus	—	—	—	(653)	—	—	—	—	—	—	(653)
Profit attributable to owners of parent	—	—	—	3,902	—	—	—	—	—	—	3,902
Purchase of treasury shares.....	—	—	—	—	(634)	—	—	—	—	—	(634)
Disposal of treasury shares.....	—	—	0	—	0	—	—	—	—	—	0
Net changes of items other than shareholders' equity	—	—	—	—	—	1,975	0	176	51	14	2,217
Total changes of items during period	—	—	0	3,248	(634)	1,975	0	176	51	14	4,831
Balance at March 31, 2024	<u>6,836</u>	<u>9,116</u>	<u>3,188</u>	<u>29,060</u>	<u>(3,189)</u>	<u>4,107</u>	<u>—</u>	<u>757</u>	<u>93</u>	<u>558</u>	<u>43,693</u>
Balance at March 31, 2024	6,836	9,116	3,188	29,060	(3,189)	4,107	—	757	93	558	43,693
Dividends of surplus	—	—	—	(630)	—	—	—	—	—	—	(630)
Profit attributable to owners of parent	—	—	—	3,381	—	—	—	—	—	—	3,381
Purchase of treasury shares.....	—	—	—	—	(595)	—	—	—	—	—	(595)
Disposal of treasury shares.....	—	—	(1,443)	—	1,444	—	—	—	—	—	0
Cancellation of treasury shares.....	(500)	—	(1,444)	—	1,444	—	—	—	—	—	—
Transfer of negative balance of capital surplus	—	352	(352)	—	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	1,060	(8)	364	(46)	10	1,379
Total changes of items during period	—	—	(2,535)	2,398	2,292	1,060	(8)	364	(46)	10	3,535
Balance at March 31, 2025	<u>6,336</u>	<u>9,116</u>	<u>653</u>	<u>31,458</u>	<u>(897)</u>	<u>5,168</u>	<u>(8)</u>	<u>1,122</u>	<u>46</u>	<u>568</u>	<u>47,229</u>

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2024 and 2025

	Millions of yen			
	for the year ended March 31,			
	2024		2025	
Cash flows from operating activities:				
Income before income taxes	¥	5,064	¥	4,205
Adjustments for:				
Depreciation		889		898
Impairment loss		—		20
Interest and dividend income		(199)		(234)
Interest expenses		32		69
Foreign exchange (gains) losses		(145)		(249)
(Gain) loss on valuation of investment securities		7		—
(Gain) loss on sales of investment securities		—		(47)
Gain on sales of non-current assets		(4)		(4)
Loss on disposal of non-current assets		5		0
Increase (decrease) in net defined benefit asset and liability		(51)		(50)
Increase (decrease) in accrued warranty		420		(180)
Increase (decrease) in accrued bonuses to employees		107		20
Increase (decrease) in accrued bonuses to directors and statutory auditors		6		11
Increase (decrease) in allowance for doubtful accounts		13		(15)
Increase (decrease) in provision for loss on guarantees		—		(753)
(Increase) decrease in notes and accounts receivable		(664)		(1,165)
(Increase) decrease in costs on construction contracts in progress		305		(2,545)
(Increase) decrease in real estate for sale and inventories		101		115
(Increase) decrease in other current assets		140		(193)
Increase (decrease) in notes and accounts payable		(3,052)		(4,314)
Increase (decrease) in advances received on construction contracts in progress		209		(1,375)
Increase (decrease) in other current and non-current liabilities		471		425
Other		70		69
Sub-total		3,727		(5,294)
Interest and dividend income received		199		235
Interest expenses paid		(32)		(69)
Income taxes paid		(1,977)		(1,040)
Net cash provided by (used in) operating activities		1,917		(6,169)
Cash flows from investing activities:				
Payment into time deposit		(457)		(903)
Proceeds from withdrawal of time deposit		807		637
Payments for purchase of tangible fixed assets		(542)		(362)
Proceeds from sale of tangible fixed assets		4		5
Payments for purchase of intangible fixed assets		(116)		(371)
Payments for purchase of investment securities		(0)		(1)
Proceeds from sales of investment securities		—		53
Proceeds from redemption of investment securities		28		—
Payments for loans		(1)		(6)
Proceeds from recovery of loans		27		23
Payments of guarantee deposits		(40)		(9)
Other		36		84
Net cash provided by (used in) investing activities		(254)		(849)
Cash flows from financing activities:				
Purchase of treasury shares		(634)		(595)
Disposal of treasury shares		0		0
Cash dividends paid		(653)		(630)
Cash dividends paid to non-controlling interests		(2)		(2)
Other		(16)		(7)
Net cash provided by (used in) financing activities		(1,307)		(1,235)
Effect of exchange rate changes on cash and cash equivalents		190		413
Net increase (decrease) in cash and cash equivalents		546		(7,841)
Cash and cash equivalents of beginning of year		25,321		25,868
Cash and cash equivalents of end of year	¥	25,868	¥	18,027

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

1. Basis of Presenting Consolidated Financial Statements

(a) Accounting principles

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Kitano Construction Corp. (the “Company”) and its subsidiaries prepared in accordance 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, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

(b) Scope of consolidation

The Company had 4 subsidiaries (majority-owned companies) as at March 31, 2025 (4 for 2024). The consolidated financial statements in the fiscal year ended March 31, 2025 include the accounts of the Company and 4 (4 for 2024) of its subsidiaries (the “Companies”), which are listed below:

•Kawanakajima Tochi Kaihatsu Co., Ltd.....	91.7% owned
•Solomon Kitano Mendana Hotel Limited.....	100.0% owned
•Sakura Hanoi Plaza Investment Co., Ltd.....	99.5% owned
•Asahi Agency Inc.	59.5% owned

The above consolidated subsidiaries, except for Solomon Kitano Mendana Hotel Limited and Sakura Hanoi Plaza Investment Co., Ltd., which have a fiscal year ending at December 31 of each year, have a fiscal year ending at March 31 of each year, which is the same as the fiscal year of the Company.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

All significant intercompany balances, intercompany transactions and unrealized profits among the Companies have been eliminated in consolidation and the portion thereof attributable to non-controlling interests is charged to non-controlling interests.

(b) Recognizing revenues and costs of construction contracts

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

(1) Construction

In the construction business, the Company mainly assumes obligations to execute construction work related to building and civil engineering based on construction contracts with clients.

Construction contracts are performance obligations that are satisfied over a certain period of time, because the Company’s performance of an obligation creates an asset or enhances value of an asset, and the customer obtains control of the asset as the asset is created or value of the asset is enhanced. Revenue is recognized over a certain period of time based on progress of construction.

Progress towards satisfaction of performance obligations is measured based on the proportion of construction cost that is incurred by the last day of each reporting period to the estimated total of construction cost. In addition, when progress towards satisfaction of performance obligations cannot be reasonably estimated, but incurred costs are expected to be recovered, revenue is recognized using the cost recovery method.

Consideration for transactions of construction work is received in stages during the contract period, separately from satisfaction of performance obligations, and the remaining amount is basically received within one year after all the performance obligations are satisfied. Contract assets are recognized as rights to consideration that is recorded through the recognition of revenue according to the progress. Contract assets are reclassified to notes and accounts receivable when the right to consideration becomes unconditional. Advance consideration received from customers prior to fulfillment of a contract is recognized as contract liabilities (advances received on construction contracts in progress), and reversed as revenue is recognized in relation to the contract for the advance consideration.

For construction contracts for which the period from the day when the transaction under the contract begins to the time when performance obligations are expected to be completely satisfied is very short, the Company does not recognize revenue over a certain period of time, but recognizes revenue when performance obligations are completely satisfied, applying the alternative treatment.

(2) Hotels

In the hotels business, the Company assumes obligations to provide accommodation services of hotels in accordance with the accommodation terms and conditions. These performance obligations are satisfied at a point in time when the provision of services is completed, and revenue is recognized at the time of completion. The payment of accommodation fees is received at the time when hotel guests check out.

(3) Golf courses

In the golf courses business, the Company assumes obligations to provide services for use of golf course facilities to members and other customers in accordance with the service use terms and conditions, etc. These performance obligations are satisfied at the time when the facilities are used. In addition, major consideration for transactions is fees for using the golf courses such as play fees, and is received at the end of using the facilities.

(4) Advertising agent

In the advertising agent business, the Company mainly provides services such as placement of advertising to various media, advertising production, and production of diverse contents. As for the placement of advertising, the Company considers that control of the service is transferred to customers and performance obligations are satisfied principally at the time when advertising is placed to media. As for the provision of services such as advertising production and production of diverse contents, the Company considers that control of goods or services is transferred to customers and performance obligations are satisfied mainly by the acceptance inspection of the product by customers or the provision of services. Consideration for various service revenues is basically received within one month from the satisfaction of performance obligations.

With regard to revenue related to the construction business and the advertising agent business, for transactions in which the role of the Company in the provision of goods or services to customers falls under the category of agent, revenue is recognized at the net amount calculated by deducting the amount paid to business partners for the goods or services from the amount received from customers.

(c) Inventory valuation

The costs on construction contracts in progress, real estate for sale and the cost of uncompleted development projects are stated at cost, as determined on a specific project basis.

Materials and supplies are stated at cost, as determined based on an average method.

The net book value of inventories in the balance sheet is written down if the net realizable value declines.

(d) Depreciation

Depreciation is computed by the declining-balance method; provided however, buildings (excluding leasehold improvements and auxiliary facilities attached to buildings), facilities attached to buildings and structures acquired on or after April 1, 2016 and real estate for leasing are depreciated by the straight-line method at rates based on the estimated useful lives of the assets, as prescribed by Japanese income tax laws. The range of useful lives is principally from 2 to 50 years for buildings and structures and from 2 to 17 years for machinery and equipment.

(e) Allowance for doubtful accounts

The balance of allowance for doubtful accounts represents the amount deemed necessary to cover possible losses estimated on an individual doubtful account basis. The amount is calculated using a certain percentage based on past experience for other accounts.

(f) Accrued warranty

Accrued warranty is provided for against the future costs of warranty from completed construction.

(g) Accrued bonuses to employees

Accrued bonuses are computed by estimating the payment required in order to provide for the payment of bonuses to employees.

(h) Accrued bonuses to directors and statutory auditors

Accrued bonuses are computed by estimating the payment required in order to provide for the payment of bonuses to directors and statutory auditors.

(i) Reserve for retirement benefits to employees

The Company recognizes accrued pension and severance costs to employees based on the actual valuation of projected benefit obligation and plan assets at fair value.

Actuarial gains and losses were recognized using mainly the straight-line method over a period of 10 years.

Prior service costs were amortized using mainly the straight-line method over a period of 10 years, the period within the estimated average remaining service life of the employees.

(j) Allowance for losses on construction contracts

The Company prepares reasonable estimated amount for future losses from construction works outstanding at fiscal year-end.

(k) Provision for loss on guarantees

The Company prepares reasonable estimated amount of future losses to be incurred in relation to debt guarantees, taking into account the financial position of the guaranteed company, etc.

(l) Cash and cash equivalents

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

(m) Income taxes

The income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants' taxes and enterprise taxes.

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

(n) Securities valuation

Held-to-maturity debt securities are carried at amortized cost.

Available-for-sale securities are classified into two categories: (1) securities other than shares, etc. whose quoted market price is not available and (2) shares, etc. whose quoted market price is not available.

(1) Securities other than shares, etc. whose quoted market price is not available are valued at fair value. Net unrealized gains or losses on these securities are reported as a separate component of net assets at a net-of-tax amount. Cost of sales is determined by the moving-average method.

(2) Shares, etc. whose quoted market price is not available are valued at cost, determined by the moving-average method.

(o) Hedge accounting

Gains or losses arising from changes in the fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the Company are principally forward exchange contracts. The related hedged items are finance for the overseas construction business. The Company is able to fix future cash flows and mitigate the deterioration of income from the construction business due to yen depreciation. The Company obtains management approval before making forward exchange contracts, and subsequently the accounting department executes and controls the contract. Evaluation of effectiveness has been omitted for forward exchange contracts because these are expected to completely offset cash-flow fluctuations resulting from exchange rate fluctuations as the hedging instrument and the hedged item are in the same currency.

(p) Reclassification of accounts

Certain prior year amounts have been reclassified to conform with the current year's presentation.

Significant accounting estimates

1. Revenue based on performance obligations that are satisfied over a certain period of time

a. Amount recorded in the consolidated financial statements for the fiscal years ended March 31, 2024 and 2025

	Millions of yen	
	for the year ended March 31,	
	2024	2025
Construction contracts	¥ 79,511	¥ 75,338

b. Information on details of significant accounting estimates for identified items

For construction contracts in the construction business, the progress towards satisfaction of performance obligations over a certain period of time is estimated with such contracts, and revenue is recognized based on this progress.

The progress of construction is calculated based on what percentage of total construction work costs have been expended in the work performed up to the fiscal year closing date. The total construction work costs are the estimated amount based on the information available as of the fiscal year closing date. However, given the variability arising from the various factors of uncertainty, such as future additions or alterations to contracts, changes in prices of materials, wages, etc., and weather, the actual final total cost of construction work may be different from the estimate.

2. Impairment loss on non-current assets

a. Amounts recorded in the consolidated financial statements for the fiscal years ended March 31, 2024 and 2025

	Millions of yen	
	for the year ended March 31,	
	2024	2025
Tangible fixed assets.....	¥ 19,902	¥ 19,491
Intangible fixed assets	315	638
Impairment loss	—	20

b. Information on details of significant accounting estimates for identified items

In principle, the Company and its subsidiaries group assets for business use based on business divisions whose profit and loss are identified continuously, and idle assets are grouped by individual asset.

As for judgment on indications of impairment, the Company and its subsidiaries consider that there is an indication of impairment when operating loss continues, and is expected to continue, to be recorded on an individually grouped asset or asset group, when fair value of a non-current asset decreases significantly, or in other cases.

Of non-current assets, for assets or asset groups for which there is an indication of impairment, if the total amount of undiscounted future cash flows that can be gained from the asset or asset group falls below the book value, the book value is reduced to the recoverable amount, and the reduced amount is recorded as impairment loss. The recoverable amount in this case is calculated based on the net sale value or value in use.

In the fiscal year ended March 31, 2025, as there was little prospect for the future use of the machinery and equipment and fixtures of the Company's consolidated subsidiary Solomon Kitano Mendana Hotel Limited, the book value was reduced to the recoverable amount, and the reduced amount of ¥20 million was recorded as impairment loss under special items.

While the Company and its subsidiaries consider carefully in the judgment and measurement of an indication and recognition of impairment loss, if there is any change in conditions or assumptions on which the estimated amount is based due to changes in the business plan or market environment, recording of additional impairment loss may be required.

Changes in accounting policies

Application of Accounting Standard for Current Income Taxes, etc.

The Company has applied the "Accounting Standard for Current Income Taxes" (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; hereinafter referred to "Revised Accounting Standard 2022") effective from the beginning of the fiscal year ended March 31, 2025.

The amendment to categories in which income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in proviso (2) of paragraph 65-2 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the "Revised Implementation Guidance 2022"). This change in accounting policies has no impact on the consolidated financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies were deferred for tax purposes, the Revised Implementation Guidance 2022 has been adopted from the beginning of the fiscal year ended March 31, 2025. This change in accounting policies has been applied retrospectively, and the consolidated financial statements for the previous fiscal year are after retrospective application. This change in accounting policies has no impact on the consolidated financial statements for the previous fiscal year.

New accounting standards not yet applied

- "Accounting Standard for Leases" (ASBJ Statement No. 34, September 13, 2024, ASBJ)
- "Implementation Guidance on Accounting Standard for Leases" (ASBJ Guidance No. 33, September 13, 2024, ASBJ), etc.

(a) Overview

As part of its efforts to ensure consistency between Japanese GAAP and international accounting standards, the ASBJ conducted a review to develop accounting standards for leases to recognize assets and liabilities for all leases held by a lessee, with international accounting standards taken into consideration. Accordingly, the ASBJ issued the Accounting Standard for Leases, etc. that are based on the single accounting model of IFRS 16 as the basic policy, but adopt only the key provisions of IFRS 16, instead of adopting all the provisions, with the aim of being simple and highly convenient, while also making revisions basically unnecessary even when the provisions of IFRS 16 are applied to non-consolidated financial statements.

Regarding the method for allocating the lease expenses in the lessee's accounting treatment, using the same approach as IFRS 16, a single accounting model is applied for recording the depreciation associated with the right-of-use assets and the amount equivalent to the interest on the lease liabilities for all leases regardless of whether the lease is a finance lease or an operating lease.

(b) Scheduled date of application

The accounting standard and guidance will be applied from the beginning of the fiscal year ending March 31, 2028.

(c) Effects of application of the accounting standards

The amount of the monetary impact of the application of the Accounting Standard for Leases, etc. on the consolidated financial statements is currently under evaluation.

3. Notes to Consolidated Balance Sheets

	Millions of yen	
	March 31,	
	2024	2025
(1) Items relating to non-consolidated subsidiaries and associates		
Investment securities	¥ 23	¥ 23
(2) Inventories		
Materials and supplies	242	130
Merchandise	4	4
(3) The guarantee of housing construction flaw security		
Securities	—	22
Investment securities	33	10
(4) Assets pledged as collateral and secured liabilities		
Assets pledged as collateral		
Land	1,160	1,160
Buildings	316	292
(5) Receivables arising from contracts with customers and contract assets		
Notes receivable - trade	4	—
Electronically recorded monetary claims - operating	43	77
Accounts receivable - trade	376	401
Accounts receivable from completed construction contracts	2,178	2,276
Contract assets	10,726	11,749

Changes in presentation

“Electronically recorded monetary claims - operating,” which was included in “notes receivable-trade” as receivables arising from contracts with customers as of March 31, 2024 has been presented separately as of March 31, 2025 for more accurate presentation. As a result of this change, ¥47 million presented as “notes receivable - trade” as of March 31, 2024 has been presented as ¥4 million of “notes receivable - trade” and ¥43 million of “electronically recorded monetary claims - operating” as of March 31, 2025.

(6) Contract liabilities		
Advances received on construction contracts in progress	8,145	6,769
Advances received on uncompleted development business	—	1,122
Advances received	3	4
(7) Guarantee obligations, etc.		
Soyano Wood Power co., Ltd	5,447	—

The Company had obligations to enter into a shareholders support agreement and purchase class A preference shares issued by the above company, for the company’s loans from financial institutions, subject to the condition that certain events occur, together with other equity investors. As of March 31, 2025, the obligations for debt guarantees and purchase of class A preference shares were eliminated.

4. Notes to Consolidated Statements of Income

	Millions of yen	
	for the year ended March 31,	
	2024	2025
(1) Write-down of inventories included in cost of sales on real estate development and other	¥ 1	¥ 0
(2) The major components of “Selling, general and administrative expenses”		
Payroll	1,685	1,888
Retirement benefit expenses	44	43
Allowance for accrued bonuses	189	220
Provision of allowance for doubtful accounts	16	(15)
Depreciation	546	546

5. Notes to Consolidated Statements of Comprehensive Income

Reclassification adjustments and tax effects related to other comprehensive income were as follows:

	Millions of yen	
	for the year ended March 31,	
	2024	2025
Net unrealized gain (loss) on available-for-sale securities, net of taxes		
Gains (losses) arising during the year.....	¥ 2,833	¥ 1,669
Reclassification adjustments.....	—	(47)
Amount before income taxes and tax effect.....	2,833	1,621
Income taxes and tax effect.....	(857)	(561)
Net unrealized gain (loss) on available-for-sale securities, net of taxes	1,975	1,060
Deferred gain (loss) on hedging derivatives, net of taxes		
Gains (losses) arising during the year.....	¥ 0	¥ (12)
Income taxes and tax effect.....	(0)	3
Deferred gain (loss) on hedging derivatives, net of taxes	0	(8)
Foreign currency translation adjustment		
Gains (losses) arising during the year.....	¥ 177	¥ 366
Remeasurements of defined benefit plans, net of tax		
Gains (losses) arising during the year.....	¥ 99	¥ (39)
Reclassification adjustments.....	(26)	(27)
Amount before income taxes and tax effect.....	73	(66)
Income taxes and tax effect.....	(22)	19
Remeasurements of defined benefit plans, net of tax	51	(46)
Total other comprehensive income	¥ 2,204	¥ 1,371

6. Notes to Consolidated Statements of Changes in Equity

(a) Type and number of outstanding shares

March 31, 2024				
Number of shares				
Type of shares	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Issued stock				
Common stock	6,836,853	—	—	6,836,853
Total	6,836,853	—	—	6,836,853
Treasury shares				
Common stock	891,987	212,464	32	1,104,419
Total	891,987	212,464	32	1,104,419

The summary of reason for changes

Increase by acquisition of treasury shares	
by resolution of the Board of Directors.....	199,700 shares
Increase by the repurchase of shares from untraceable shareholders.....	10,642 shares
Increase by the repurchase of shares less than one unit.....	2,122 shares
Decrease due to purchase of shares less than one unit.....	32 shares

March 31, 2025				
Number of shares				
Type of shares	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Issued stock				
Common stock	6,836,853	—	500,000	6,336,853
Total	6,836,853	—	500,000	6,336,853

The summary of reason for changes

Decrease due to cancellation of treasury shares	
by resolution of the Board of Directors.....	500,000 shares

Type of shares	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Treasury shares				
Common stock	1,104,419	158,491	1,000,000	262,910
Total	1,104,419	158,491	1,000,000	262,910

The summary of reason for changes

Increase by acquisition of treasury shares	
by resolution of the Board of Directors.....	156,800 shares
Increase by the repurchase of shares less than one unit.....	1,691 shares
Decrease due to disposal of treasury shares through a third-party allotment.....	500,000 shares
Decrease due to cancellation of treasury shares	
by resolution of the Board of Directors.....	500,000 shares

(b) Dividends

(1) Dividends paid to shareholders

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Paid from	Amount per share (Yen)	Shareholders' cut-off date	Effective date
June 26, 2024	Annual general meeting of shareholders	Common stock	630	Retained earnings	110.0	March 31, 2024	June 27, 2024

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

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Paid from	Amount per share (Yen)	Shareholders' cut-off date	Effective date
June 24, 2025	Annual general meeting of shareholders	Common stock	668	Retained earnings	110.0	March 31, 2025	June 25, 2025

7. Notes to Consolidated Statements of Cash Flows

	Millions of yen	
	March 31,	
	2024	2025
Cash in hand and in banks	¥ 26,326	¥ 18,750
Time deposits with a deposit term of over 3 months.....	(457)	(723)
Cash and cash equivalents	¥ 25,868	¥ 18,027

8. Fair Value of Financial Instruments

The fair values and book values of financial instruments as of March 31, 2024 and 2025 are as follows:

	Millions of yen		
	March 31, 2024		
	Book value	Fair value	Difference
Securities and investment securities	¥ 8,062	¥ 8,062	¥ —
Total.....	¥ 8,062	¥ 8,062	¥ —
Derivative transactions	¥ —	¥ —	¥ —

	Millions of yen		
	March 31, 2025		
	Book value	Fair value	Difference
Securities and investment securities	¥ 9,979	¥ 9,979	¥ —
Total.....	¥ 9,979	¥ 9,979	¥ —
Derivative transactions	¥ (12)	¥ (12)	¥ —

(*1) Since “Cash in hand and in banks,” “Notes and accounts receivable (excluding contract assets),” “Notes and accounts payable,” “Electronically recorded obligations - operating” and “Short-term borrowings” are cash, and settled in a short period of time, their fair value approximates the book value. Therefore, the information has been omitted.

(*2) Shares, etc. whose quoted market price is not available are not included in “Securities and investment securities.”

Book values of these financial instruments are as follows.

	Millions of yen	
	March 31,	
	2024	2025
Non-listed shares.....	¥ 1,297	¥ 997

(a) Redemption schedule for money claims and securities with maturities

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	Due after 10 years
Cash in hand and in banks	¥ 26,326	¥ —	¥ —	¥ —
Notes and accounts receivable (excluding contract assets)	2,603	—	—	—
Securities and investment securities				
Government bonds	—	34	100	—
Corporate bonds	—	50	—	—

Millions of yen
March 31, 2025

	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash in hand and in banks	¥ 18,750	¥ 0	¥ —	¥ —
Notes and accounts receivable (excluding contract assets)	2,754	—	—	—
Securities and investment securities				
Government bonds	23	11	100	—
Corporate bonds	—	50	—	—

(b) Matters regarding the breakdown of financial instruments by level of fair value

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

Level 1 fair value: Fair value determined using quoted price formed in an active market for the asset or liability that is subject to the fair value measurement, of observable inputs for fair value measurement

Level 2 fair value: Fair value determined using inputs for fair value measurement other than Level 1 inputs, of observable inputs for fair value measurement

Level 3 fair value: Fair value determined using unobservable inputs for fair value measurement

Financial instruments recorded at fair value in the consolidated balance sheets

		Millions of yen				
		March 31, 2024				
		Fair value				
		Level 1	Level 2	Level 3	Total	
Securities and investment securities						
Available-for-sale securities						
Equity securities.....	¥	7,882	¥	—	¥	7,882
Corporate bonds.....		—		49		49
Government bonds		33		96		130
Derivative transactions						
Currency-related		—		—		—

		Millions of yen				
		March 31, 2025				
		Fair value				
		Level 1	Level 2	Level 3	Total	
Securities and investment securities						
Available-for-sale securities						
Equity securities.....	¥	9,804	¥	—	¥	9,804
Corporate bonds.....		—		49		49
Government bonds		33		92		126
Derivative transactions						
Currency-related		—		12		12

(Note) Explanation of valuation techniques and inputs for fair value measurement

Securities and investment securities

Listed shares, government bonds and corporate bonds are valued using quoted prices. Since listed shares and Japanese government bonds are traded in active markets, their fair values are classified as Level 1 fair value. On the other hand, because local government bonds and corporate bonds held by the Company are infrequently traded in markets and their prices are not deemed as quoted prices in active markets, their fair values are classified as Level 2 fair value.

Derivative transactions

Fair values of forward exchange contracts are determined by the discounted present value using observable inputs such as interest rate and exchange rate, and are classified as Level 2 fair value.

9. Investment Securities

The following tables summarize the acquisition cost and book value of available-for-sale securities with market value as of March 31, 2024 and 2025:

	Millions of yen		
	March 31, 2024		
	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 7,882	¥ 2,006	¥ 5,876
Government bonds	22	22	0
Corporate bonds	—	—	—
Sub-total.....	¥ 7,905	¥ 2,028	¥ 5,876
Securities with book value not exceeding acquisition cost:			
Equity securities	¥ —	¥ —	¥ —
Government bonds	107	110	(3)
Corporate bonds	49	50	(1)
Sub-total.....	156	161	(4)
Total.....	¥ 8,062	¥ 2,190	¥ 5,872

	Millions of yen		
	March 31, 2025		
	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 9,802	¥ 2,299	¥ 7,503
Government bonds	—	—	—
Corporate bonds	—	—	—
Sub-total.....	¥ 9,802	¥ 2,299	¥ 7,503
Securities with book value not exceeding acquisition cost:			
Equity securities	¥ 1	¥ 2	¥ (0)
Government bonds	126	133	(7)
Corporate bonds	49	50	(1)
Sub-total.....	176	186	(9)
Total.....	¥ 9,979	¥ 2,486	¥ 7,493

10. Reserve for Retirement Benefits to Employees

Employees of the Company are covered by a defined-benefit corporate pension plan and defined-contribution allowance plan. Employees of its subsidiaries are covered by a lump-sum retirement allowance plan or defined-contribution pension plan.

Defined benefit plans

(a) Movements in retirement benefit obligations (except (c) below)

	Millions of yen
Balance at April 1, 2024.....	¥ 2,026
Service cost.....	149
Interest cost.....	10
Actuarial loss (gain).....	0
Benefits paid.....	(175)
Balance at March 31, 2025.....	¥ 2,011

(b) Movements in plan assets (except (c) below)

	Millions of yen
Balance at April 1, 2024.....	¥ 3,051
Expected return on plan assets.....	61
Actuarial loss (gain).....	(39)
Contributions paid by the employer.....	123
Benefits paid.....	(175)
Balance at March 31, 2025.....	¥ 3,021

(c) Movements in net defined benefit liability based on the simplified method

	Millions of yen
Balance at April 1, 2024.....	¥ 68
Retirement benefit costs.....	8
Benefits paid.....	(3)
Balance at March 31, 2025.....	¥ 73

(d) Reconciliation between net defined benefit obligations and plan assets, and net defined benefit liability and net defined benefit asset

	Millions of yen
Funded retirement benefit obligations.....	¥ 2,020
Plan assets.....	(3,021)
	(1,000)
Unfunded retirement benefit obligations.....	63
Total net defined benefit liability (asset) at March 31, 2025.....	(937)
Net defined benefit liability.....	73
Net defined benefit asset.....	1,010
Total net defined benefit liability (asset) at March 31, 2025.....	¥ (937)

(e) Retirement benefit costs		Millions of yen
Service cost	¥	149
Interest cost		10
Expected return on plan assets.....		(61)
Net actuarial loss amortizations.....		(27)
Retirement benefit costs calculated by simplified method		8
Total retirement benefit costs for the year ended March 31, 2025	¥	80
(f) Remeasurements of defined benefit plans, before tax		Millions of yen
Actuarial gains / losses.....	¥	(66)
Total.....	¥	(66)
(g) Breakdown of items recognized in accumulated other comprehensive income		Millions of yen
Unrecognized actuarial differences.....	¥	(68)
Total.....	¥	(68)
(h) Plan assets		
Bonds.....		23%
Equity securities.....		17%
General accounts.....		43%
Other.....		18%
Total.....		100%
(i) Long-term expected rate of return on plan assets		
Current and target asset allocations as well as historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.		
(j) Actuarial assumptions		
Discount rate		0.5%
Long-term expected rate of return on plan assets.....		2.0%
(k) Defined contribution plans		
Amount of contributions to defined contribution plans by the Company and its subsidiaries was ¥51 million.		

11. Income Taxes

(a) The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

	Millions of yen	
	March 31,	
	2024	2025
Deferred tax assets:		
Write-down of fixed assets	¥ 802	¥ 838
Allowance for doubtful accounts	18	44
Provision for loss on guarantees	229	—
Write-down of marketable securities	214	189
Unrealized gain on tangible fixed assets	142	128
Loss on valuation of real estate for sale	310	318
Deferred gain (loss) on hedging derivatives	—	3
Operating tax loss carry forwards (Note)	222	170
Net defined benefit liability	23	24
Accrued warranty	147	92
Accrued bonuses to employees	157	163
Other	411	515
Total gross deferred tax assets	2,680	2,491
Valuation allowance related to operating tax loss carry forwards (Note)	(131)	(113)
Valuation allowance related to total deductible temporary differences, etc.	(1,716)	(1,536)
Total valuation allowance	(1,848)	(1,650)
	832	840
Deferred tax liabilities:		
Net defined benefit asset	(312)	(316)
Reserve for advanced depreciation	(87)	(90)
Unrealized gain (loss) on available-for-sale securities	(1,763)	(2,325)
Difference from fair value of subsidiaries	(527)	(512)
Total gross deferred tax liabilities	(2,690)	(3,244)
Net deferred tax assets (liabilities)	¥ (1,857)	¥ (2,403)

(Note) Amount of operating tax loss carry forwards and its deferred tax assets by carryforward period

	Millions of yen			
	March 31, 2025			
	Due 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
Operating tax loss carry forwards (*1)	¥ 28	¥ 141	¥ —	¥ 170
Valuation allowance	(28)	(85)	—	(113)
Deferred tax assets	—	56	—	(*2) 56

*1 The amount of operating tax loss carry forwards is multiplied by statutory tax rate.

*2 Deferred tax assets pertaining to operating tax loss carry forwards were generated at consolidated subsidiaries and determined recoverable as a result of considering the expected taxable income based on future earning power.

(b) The reconciliation between the statutory tax rate and the effective tax rate as at March 31, 2024 and 2025 is presented below:

	March 31,	
	2024	2025
Statutory tax rate	30.4%	30.4%
Permanent differences on expenses not deductible	0.8	1.5
Permanent differences on income not taxable	(0.3)	(0.4)
Accrued bonuses to directors and statutory auditors not deductible	0.3	0.4
Inhabitant taxes per capita	0.4	0.5
Valuation allowance	(1.5)	(8.3)
Impact from the change in the effective tax rate	—	(0.2)
Tax credits	(3.9)	(3.6)
Other	(3.6)	(1.0)
Effective tax rate	22.6%	19.3%

(c) Adjustments to amounts of deferred tax assets and deferred tax liabilities due to changes in income tax rate

The “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 13 of 2025) was enacted by the Diet on March 31, 2025, and the “Special Defense Corporation Tax” will be imposed from the fiscal years beginning on or after April 1, 2026.

Accordingly, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities has been changed from the previous 30.4% to 31.4% for temporary differences, etc. that are expected to be eliminated in the fiscal years beginning on or after April 1, 2026.

The impact of this tax rate change on the consolidated financial statements is immaterial.

12. Revenue Recognition

1. Information on disaggregation of revenue from contracts with customers

Information on disaggregation of revenue from contracts with customers is as stated in “Notes to Consolidated Financial Statements, 13. Segment Information.”

2. Information that forms the basis for understanding revenue from contracts with customers

Information that forms the basis for understanding revenue from contracts with customers is as stated in “Notes to Consolidated Financial Statements, 2. Summary of Significant Accounting Policies, (b) Recognizing revenues and costs of construction contracts.”

3. Information on relation between satisfaction of performance obligations based on contracts with customers and cash flows arising from the contracts, and amount and timing of revenue expected to be recognized in and after the following fiscal years from contracts with customers that existed as at March 31, 2024 and 2025

(1) Balances of contract assets and contract liabilities, etc.

	Millions of yen	
	March 31,	
	2024	2025
Receivables arising from contracts with customers (Balance at April 1, 2023 and April 1, 2024)	¥ 3,097	¥ 2,603
Receivables arising from contracts with customers (Balance at March 31, 2024 and March 31, 2025)	2,603	2,754
Contract assets (Balance at April 1, 2023 and April 1, 2024)	9,565	10,726
Contract assets (Balance at March 31, 2024 and March 31, 2025) ...	10,726	11,749
Contract liabilities (Balance at April 1, 2023 and April 1, 2024)	7,942	8,149
Contract liabilities (Balance at March 31, 2024 and March 31, 2025)	8,149	7,896

Of the amount of revenue recognized in the fiscal year ended March 31, 2024, the amount included in the balance of contract liabilities at April 1, 2023 was ¥7,942 million. The amount of revenue recognized in the fiscal year ended March 31, 2024 from performance obligations that were satisfied (or partially satisfied) in past periods was ¥1,321 million.

Of the amount of revenue recognized in the fiscal year ended March 31, 2025, the amount included in the balance of contract liabilities at April 1, 2024 was ¥8,059 million. The amount of revenue recognized in the fiscal year ended March 31, 2025 from performance obligations that were satisfied (or partially satisfied) in past periods was ¥556 million.

(2) Transaction price allocated to remaining performance obligations

As of March 31, 2024, performance obligations that have not been satisfied (or partially not been satisfied) are ¥70,173 million. These performance obligations are related to construction works in the construction business. Approximately 83% of them is expected to be recognized as revenue within one year after the year-end, and remaining approximately 17% is expected to be recognized within two years after that.

As of March 31, 2025, performance obligations that have not been satisfied (or partially not been satisfied) are ¥92,566 million. These performance obligations are related to construction works in the construction business. Approximately 67% of them is expected to be recognized as revenue within one year after the year-end, and remaining approximately 33% is expected to be recognized after one year.

13. Segment Information

- (a) The Company and its subsidiaries operate principally in the following 4 industrial segments:
 Construction..... Construction, engineering works, development and solar power generation.
 Golf courses Management of golf courses
 Hotels..... Management of hotels
 Advertising agent Management of advertising agent

- (b) The segment information of the Company and its subsidiaries for the years ended March 31, 2024 and 2025 is presented below:

Millions of yen								
for the year ended March 31, 2024								
	Construction	Golf courses	Hotels	Advertising agent	Total	Reconciliations	Consolidated	
I . Net sales and operating income								
Net sales								
Goods or services transferred at a point in time	¥ 1,465	¥ 259	¥ 2,539	¥ 814	¥ 5,078	¥ —	¥ 5,078	
Goods or services transferred over a certain period of time	79,511	—	—	—	79,511	—	79,511	
Revenue from contracts with customers	80,977	259	2,539	814	84,590	—	84,590	
Other revenue	373	—	—	—	373	—	373	
Customers	¥ 81,350	¥ 259	¥ 2,539	¥ 814	¥ 84,964	¥ —	¥ 84,964	
Intersegment or transfer	1	8	9	68	87	(87)	—	
Total	81,352	268	2,548	882	85,051	(87)	84,964	
Operating income	¥ 4,344	¥ 15	¥ 373	¥ 40	¥ 4,774	¥ 29	¥ 4,804	
II . Other								
Depreciation	505	26	372	14	919	(30)	889	

Millions of yen								
for the year ended March 31, 2025								
	Construction	Golf courses	Hotels	Advertising agent	Total	Reconciliations	Consolidated	
I . Net sales and operating income								
Net sales								
Goods or services transferred at a point in time	¥ 1,317	¥ 247	¥ 2,810	¥ 755	¥ 5,130	¥ —	¥ 5,130	
Goods or services transferred over a certain period of time	75,338	—	—	—	75,338	—	75,338	
Revenue from contracts with customers	76,655	247	2,810	755	80,468	—	80,468	
Other revenue	384	—	—	—	384	—	384	
Customers	¥ 77,040	¥ 247	¥ 2,810	¥ 755	¥ 80,853	¥ —	¥ 80,853	
Intersegment or transfer	1	9	9	97	118	(118)	—	
Total	77,042	256	2,819	853	80,972	(118)	80,853	
Operating income	¥ 3,167	¥ 6	¥ 407	¥ 24	¥ 3,606	¥ 34	¥ 3,640	
II . Other								
Depreciation	507	26	380	13	928	(29)	898	

14. Per Share Data

Net assets per share and earnings per share for the years ended March 31, 2024 and 2025 are as follows:

	Yen	
	as of / for the year ended March 31,	
	2024	2025
Net assets per share	¥ 7,524.80	¥ 7,682.06
Earnings per share – primary	673.60	562.20

1. Basis of net income per share of common stock for the years ended March 31, 2024 and 2025 is as follows:

	Millions of yen	
	for the year ended March 31,	
	2024	2025
Profit attributable to owners of parent.....	¥ 3,902	¥ 3,381
Profit pertaining to common stock.....	¥ 3,902	¥ 3,381
Average outstanding shares of common stock.....	5,793 thousand shares	6,014 thousand shares

2. Basis of net assets per share of common stock as of March 31, 2024 and 2025 is as follows:

	Millions of yen	
	March 31,	
	2024	2025
Net assets.....	¥ 43,693	¥ 47,229
Amounts deducted from net assets.....	558	568
Non-controlling interests.....	558	568
Net assets applicable to common stock.....	43,135	46,660
Number of shares of common stock at end of year.....	5,732 thousand shares	6,073 thousand shares

15. Subsequent Events

Introduction of a restricted stock compensation plan

At the Board of Directors Meeting held on May 13, 2025, the Company reviewed its officer compensation system and resolved to introduce a restricted stock compensation plan (hereinafter referred to as the “Plan”) for Directors of the Company (excluding Outside Directors; hereinafter referred to as “Eligible Directors”). Following this resolution, a proposal related to the Plan was submitted and approved at the 80th Annual General Meeting of Shareholders held on June 24, 2025 (hereinafter referred to as the “General Meeting of Shareholders”).

1. Purposes and conditions of introducing the Plan

(a) Purposes

To provide an incentive to Eligible Directors to achieve sustainable growth of the Company’s corporate value and to promote the greater sharing of value with the shareholders, the Company introduced a compensation plan, in which shares of the Company’s common stock with provisions including a fixed transfer restriction period and grounds for acquisition without consideration by the Company (hereinafter referred to as “Restricted Stock”) are allocated to the Eligible Directors.

(b) Conditions

Because the Plan will involve paying Eligible Directors monetary compensation claims as compensation for the purpose of allotting them Restricted Stock, the introduction of the Plan is conditioned upon obtaining the approval of shareholders at the General Meeting of Shareholders to pay the related compensation, and that approval has been received.

At the 62nd Annual General Meeting of Shareholders held on June 28, 2007, ¥480 million was approved as the maximum amount of annual compensation for Directors of the Company. At the General Meeting of Shareholders, an approval from the shareholders was obtained to introduce the Plan and set a remuneration framework for the Restricted Stock allotted to Eligible Directors within the limit established for compensation for Directors of the Company.

2. Summary of the Plan

Eligible Directors will receive all monetary compensation claims provided by the Company based on the Plan as in-kind contributions and will receive the shares of common stock of the Company through issuance or disposal.

The total amount of the monetary compensation claims paid to Eligible Directors based on the Plan is limited to ¥80 million annually, and the total number of shares of the Company’s common stock to be newly issued or disposed of (hereinafter referred to as “Allotted Shares”) is limited to 20,000 shares annually (where the number of shares must be adjusted for unavoidable reasons, such as a stock split, share allotment without consideration, or stock merger, the number of Allotted Shares may be reasonably adjusted).

To achieve the sharing of value with the Company’s shareholders over the medium to long term, one of the objectives in introducing the Plan, the transfer restriction period is set from the date that the Restricted Stock is distributed until the date that the Company’s Directors retire from their position, or, the date that the Company’s securities report is submitted for the fiscal year in which the distribution took place (where the distribution date is within six months following the start of the fiscal year, this shall be the semi-annual report associated with the fiscal year), whichever is later.

The specific payment period and allocation for each Eligible Director is determined at the Company’s Board of Directors following inquiries to and reports from the Nomination and Compensation Committee.

The per-share payment amount for the shares of the Company’s common stock to be issued or disposed of through the Plan is based on the closing price of the Company’s common stock on the Tokyo Stock Exchange on the business day prior to the date of the Company’s Board of Directors meeting at which the resolution for the allotment of the Allotted Shares took place (where there is no trading on the day, the closing price on the most recent trading day), and is decided by the Company’s Board of Directors within a range that does not result in a particularly advantageous amount for the Eligible Directors receiving the Company’s common stock.

Furthermore, in issuing or disposing of the Allotted Shares, the Company and the Eligible Directors will conclude restricted stock allotment agreements (hereinafter referred to as the “Allotment Agreement”), which will include the following items.

- (i) Eligible Directors may not transfer, establish security interests, or otherwise dispose of the shares of the Company’s common stock that they receive through an allotment based on the Allotment Agreement for a previously established period.
- (ii) Under certain circumstances, the Company may acquire the allotted shares of common stock with no consideration.

Board of Directors, Statutory Auditors and Executive Officers

Board of Directors

Chairman and President, Representative Director

Takahiro Kitano

Directors

Yoshikatsu Yamazaki

Satoshi Kubo

Takayuki Akita

Mitsuya Minamisawa

Outside Directors

Yoshinori Uda

Fumiko Yazaki

Statutory Auditors

Permanent Auditor

Noboru Takizawa

Outside Auditors

Yoshichika Owa

Takashi Nishida

Kouichi Sakai

Executive Officers

President and Executive Officer

Takahiro Kitano *

Senior Executive Officer

Yoshikatsu Yamazaki *

Managing Executive Officer

Mitsuya Minamisawa *

Executive Officers

Satoshi Kubo *

Takayuki Akita *

Kazuyoshi Kurashina

Shuichi Moriyasu

Yuzuru Maruyama

Tsuyoshi Shiozawa

Chihiro Sakamoto

Kenichi Nomura

Toshiki Takeuchi

Masataka Shimizu

Tomo Nagai

Yoshio Matsumoto

* : Member of Board of Directors

KITANO
CONSTRUCTION CORP.