ANNUAL REPORT 2024

Year ended March 31, 2024

SNK SHIN NIPPON AIR TECHNOLOGIES CO.,LTD.

Profile

Shin Nippon Air Technologies Co., Ltd. (SNK or the Company) is a leading Japanese engineering company and applies its proprietary engineering systems to control not only air, water and heat, but also all other aspects of air conditioning, electrical and sanitary facilities. The Company offers comprehensive engineering solutions based on air conditioning, which range from the creation of a better human environment for offices, shopping centers, hospitals, hotels, museums, etc.; the creation of industrial facilities, such as clean rooms, and constant temperature and humidity rooms for semiconductor plants, pharmaceutical plants, R&D centers and similar facilities; to the construction of district heating & cooling systems.

SNK was incorporated in 1969 to take over the air conditioning construction activities of Toyo Carrier Engineering Co., Ltd., a company which had been established in 1930 as a joint venture between the Mitsui Group and Carrier Corporation of USA, an early pioneer in the field of air conditioning systems. The Company and its predecessor have an outstanding record of achievements, including providing air conditioning systems for Japan's first nuclear reactor at the Japan Atomic Energy Research Institute (1957) and for Japan's first skyscraper, the Kasumigaseki Building (1968); the construction of a district heating and cooling system for the Shinjuku New City (1971); and air conditioning for the Johyoh fast breeder reactor in Ibaraki Prefecture (1974).

Since entering overseas markets in 1973, SNK has executed projects in 36 countries for the provision of air conditioning and electrical facilities, as well as for firefighting, water supply, and sewage treatment and sanitary facilities; and has developed into a comprehensive engineering and construction company.

The Company currently has five overseas subsidiaries (including sub-subsidiaries), based in China, Sri Lanka and Singapore, which assist its customers in developing their operations throughout Asia through the provision of engineering and construction of facilities.

In recent years, SNK has been placing great emphasis on making proposals for engineering solutions in the energy saving and environmental fields. The Company's solutions have earned it a high reputation in Japan and in those countries throughout the world where it carries on business.

Contents

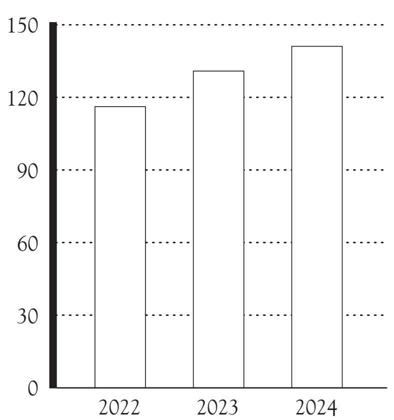
Financial Highlights

Shin Nippon Air Technologies Co., Ltd.
Years ended March 31

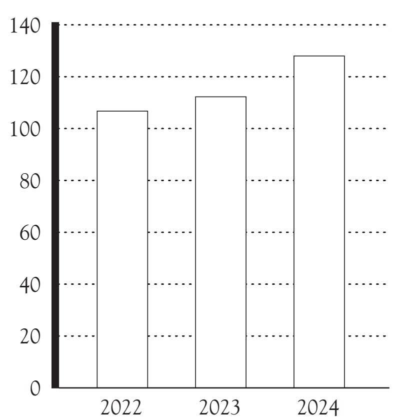
	Millions of Yen			Thousands of U.S. Dollars
	2022	2023	2024	2024
For the year:				
Orders received	¥116,197	¥130,869	**¥141,121**	**$934,576**
Revenues from construction	106,718	112,234	**127,978**	**847,536**
Operating income	6,881	7,124	**9,235**	**61,159**
Net income attributable to owners of the parent	5,403	5,597	**7,169**	**47,478**
At year-end:				
Total assets	¥ 99,966	¥109,146	**¥117,351**	**$777,159**
Current assets	73,338	81,531	**84,297**	**558,260**
Net property, plant and equipment	2,701	2,628	**2,254**	**14,925**
Current liabilities	43,934	48,619	**48,226**	**319,376**
Net shareholders' equity	53,813	58,212	**65,595**	**434,405**

Note: U.S. dollar amounts represent translations of Japanese yen amounts at the exchange rate on March 31, 2024 of ¥151 to US$1.

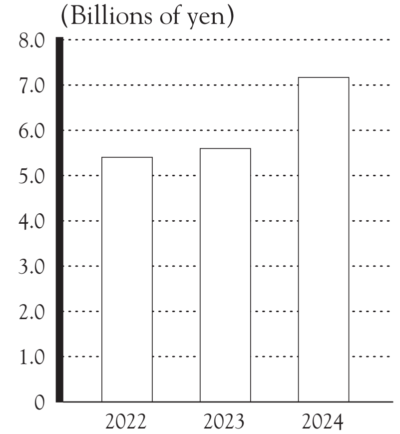
Orders Received
(Billions of yen)



Revenues from Construction
(Billions of yen)



Net Income attributable to owners of the parent
(Billions of yen)



Message from the President

Review of Operations

1) Business Operations and Results

During the fiscal year 2023 which ended on March 31, 2024, the global economy witnessed a slowdown in the recovery pace because of concerns over the supply of oil, food and other resources due to the prolonged situation in Ukraine and the conflict in the Middle East, and a slump in the Chinese economy, as well as inflation and monetary tightening. The Japanese economy saw an upturn in domestic demand as the government implemented infrastructure investment, business support and employment measures amid downside risks to the economy, such as hiking energy prices and soaring prices due to the depreciation of the yen. Businesses proceeded to transfer higher costs onto selling prices and, with initiatives to address wage hikes also gathering pace, capital investment was strong in the manufacturing industry.

In the construction industry in which SNK and its Group companies operate, while redevelopment projects centered in the Tokyo metropolitan area and capital investment in the manufacturing industry remained strong, the increasing trend in the prices of materials and equipment, labor costs and transportation costs as well as the shortage of engineers and skilled workers continued. In addition, initiatives in response to technological innovation by utilizing Artificial Intelligence (AI) and the Internet of Things (IoT) and net zero carbon emissions, as well as initiatives to enhance productivity by implementing digital transformation (DX) and workstyle reform, have all become indispensable. Moreover, responding to sustainability challenges, including consideration for global environmental issues such as climate change and consideration for the health and working environment of employees, have become management issues that are essential for future business continuation and growth.

In 2019, the Group established SNK Vision 2030, its long-term management policy. The Group is pursuing its vision under five basic strategies — (i) Business Foundation Reinforcement Strategy, (ii) Profitability Improvement Strategy, (iii) Digital Transformation Strategy, (iv) Corporate Governance Strategy, and (v) Human Capital Strategy — with the basic policy that “the SNK Group shall strive to be a group of engineers that utilizes knowledge and technology to realize a sustainable global environment and improve the value of customers’ assets.” Under “SNK Vision 2030 Phase II” (fiscal year 2023 to fiscal year 2025), the mid-term business plan that started in fiscal year 2023, the Group is effectively combining four types of intellection capital — human capital, organizational capital, relationship capital, and sustainability capital — under these five basic strategies to operate its business with the aim of further improving corporate value.

As a result, the Group’s orders received during the fiscal year increased 7.8% on a year-on-year basis to ¥141,121 million and revenue from construction increased 14.0% year on year to ¥127,978 million. Revenues carried forward to the next fiscal year increased ¥13,143 million to ¥109,662 million.

With regard to overall profit, the Group’s gross profit increased 19.3% year on year to ¥18,700 million, operating income increased 29.6% to ¥9,235 million, ordinary income increased 22.9% to ¥9,725 million, and net income attributable to owners of the parent increased 28.1% year on year to ¥7,169 million.

2) Issues to be Addressed

The Group is engaged in initiatives under its new mid-term business plan, SNK Vision 2030 Phase II (fiscal year 2023 to fiscal year 2025), which started in fiscal year 2023.

In formulating the mid-term business plan, the Group has taken into account the changes in social situations that emerged in the first step of SNK Vision 2030, from fiscal year 2020 to fiscal year 2022, followed its basic policy and its basic strategy, and decided to integrate both “social sustainability” and “corporate sustainability” and realize them through “dialogue with society.” The Group has once again envisioned a concrete image of what it wants to be in 2030 and organized the continuing issues from Phase I, and defined management issues to accomplish these goals as the basic issues in addressing the five basic strategies of its 10-year vision SNK Vision 2030, namely (i) Business Foundation Reinforcement Strategy, (ii) Profitability Improvement Strategy, (iii) Digital Transformation Strategy, (iv) Corporate Governance Strategy, and (v) Human Capital Strategy.

Basic Strategies and Basic Issued to be Addressed

[Business Foundation Reinforcement Strategy]

The Company aims to expand its earnings base by realizing a business portfolio that enhances its sustainability and developing new business areas.

① Promote technological development and branding that contribute to enhancing and differentiating the Company’s strengths
② Expand the one-stop construction system and provide sustainable services
③ Promote recurring revenue model by evaluating profitability throughout the building life cycle
④ Strengthen the development of solution services that contribute to the sustainability of society
⑤ Expand business areas into growth and new energy fields that support the sustainability of society
⑥ Increase in personnel and flexible selection of business regions to stabilize the overseas business
⑦ Foster an innovative mindset that creates future technologies and new businesses that will contribute to the sustainability of society, and develop and operate systems to promote the mindset

[Profitability Improvement Strategy]

The Company strives to improve profitability by increasing on-site mobility, strengthening safety and quality control structures, and improving productivity.
① Review business processes in an efficient manner and conduct optimal sorting of work for projects
② Promote structural transformation aimed at supply chain sustainability and more efficient on-site processes
③ Maintain and enhance customers’ asset value by providing SNK quality and ensuring safety

[Digital Transformation Strategy]

To promote the utilization of advanced information and further enhance business mobility in line with the digital transformation society, the Company strives to provide new value through digital transformation (DX) by promoting the utilization of digital information.
① Promote digitalization of all business processes and develop and operate a management system that utilizes knowledge to the fullest
② Promote thorough on-site ICT to improve on-site productivity and quality

[Corporate Governance Strategy]

To realize a sustainable society and provide value to stakeholders, the Company aims to promote ESG management and strengthen the corporate governance system that supports it.

① Focus on issues over sustainability such as human rights throughout the entire supply chain, and promote Green Transformation (GX) through business

② Respond to global information disclosure frameworks and promote proactive dialogue with society

③ Reform corporate governance that enables sustainable growth

[Human Capital Strategy]

The Company promotes human capital management that affords a diverse and versatile workforce, allows employees to connect their career plans with the company's career path, and enables them to realize workstyle reforms.

① Further promote diverse work styles regardless of time and place

② Establish and operate a human resources portfolio linked to management strategies

③ Develop human resources through education, training, reskilling, etc. linked to management strategies

④ Create new values through diversity and inclusion

⑤ Promote the improvement of employee engagement and the creation of a corporate culture that fosters the engagement

Masanori Hiroshima

—Commencing Research and Testing of the Utilization of Generative AI— Beginning a Partnership with an AI Startup Company Launched from the Matsuo-Iwasawa Lab at the University of Tokyo

In December 2023, the Company embarked on the joint research and testing of a knowledge management system together with Deepreneur Inc. (CEO: Yuta Sawada; hereinafter "Deepreneur"), an AI startup company launched from the Matsuo-Iwasawa Lab at the University of Tokyo, with the aim of utilizing generative AI to share knowledge within the Company. This system was put into full-scale operation in May 2024.

Until now, the Company has endeavored to share its massive collection of internal materials and information as knowledge to boost added value for customers and improve operational efficiency. In view of the Company's current business environment, it has become imperative to further accelerate these efforts. To this end, the Company has worked with Deepreneur to input its internal rules, standards and other documents into generative AI, trialed the use of this data as application-specific chatbots, and verified the results. Many technical documents, in particular, contain diagrams and tables that are not simple to input into the system, and at the same time as these trials, the Company began to verify the accuracy of responses related to these documents.

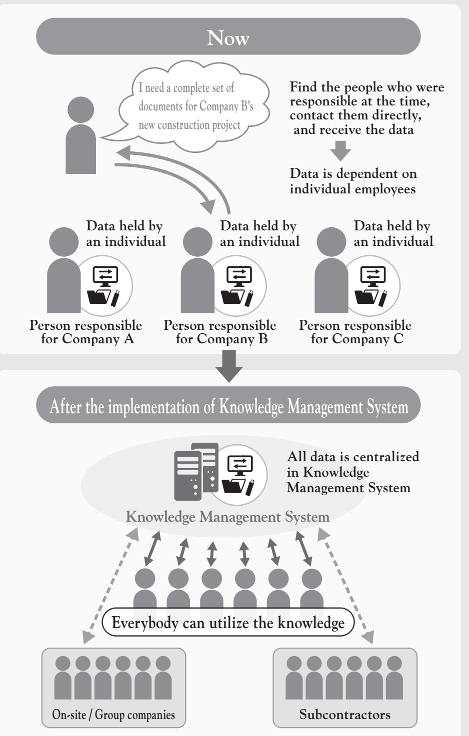
The Group has established the Digital Transformation Strategy as a basic strategy under its long-term management plan, SNK Vision 2030, and is pursuing more sophisticated, efficient, labor-saving and optimized operations through DX. Through this initiative, the Company will promote efforts to utilize knowledge to the fullest, a key measure under the Digital Transformation Strategy.

SNK × Deepreneur

[About Deepreneur]

Company name	Deepreneur Inc.
Representative	Yuta Sawada, CEO
Business description	AI solutions business, support for the introduction of large language models
URL	https://www.deepreneur.com/

Illustration of the data dependent on individual employees and the utilization of Knowledge Management System



—Recognition of the Company's Leadership in Transparency and Performance in the Climate Change Field— Awarded an "A" Score by CDP

CDP*1, an international non-profit organization, has selected the Company as an "A List" company for 2023, a recognition of the Group's leadership in terms of transparency and performance in the climate change field.

The Company was one of only a few companies (346 companies worldwide, including 109 companies in Japan) that made the "A List," out of over 21,000 companies scored based on data reported through a climate change questionnaire.

The Group has designated environmental problems as a key management issue and is pursuing activities to achieve a decarbonized society, aiming to realize a sustainable global environment. To evaluate and manage the impact of climate-related issues on management, the Group has established greenhouse gas (CO_2) emissions as an indicator, set reduction targets based on SBT*2 with SBT certification in its sights, proposed energy-saving design and construction and actively introduced renewable energy. It will continue to strive to reduce environmental burden.

*1. CDP
Abbreviation of the Carbon Disclosure Project
CDP is an international non-profit organization with a worldwide system for the disclosure of environmental information by companies, cities, states and regions. Since its establishment in 2000, CDP has utilized the buying power of capital markets and companies to guide corporate initiatives to promote the disclosure of environmental impact, the reduction of greenhouse gases, and the preservation of water resources and forests. In 2023, over 24,000 organizations around the world disclosed environmental information through CDP's questionnaires. This included no less than 23,000 companies, representing two-thirds of global market capitalization, as well as at least 1,100 cities, states and regions.
CDP boasts the largest environmental database in the world based on the questionnaires it collects, which conform completely with the TCFD recommendations. The CDP scores are widely utilized for investment and procurement decision-making aimed at building a zero carbon, sustainable and resilient economy.

*2. SBT
Abbreviation of Science Based Targets
SBT is an international initiative for science-based targets (for the reduction of greenhouse gas emissions) run jointly by CDP, the United Nations Global Compact (UNGC), the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF).

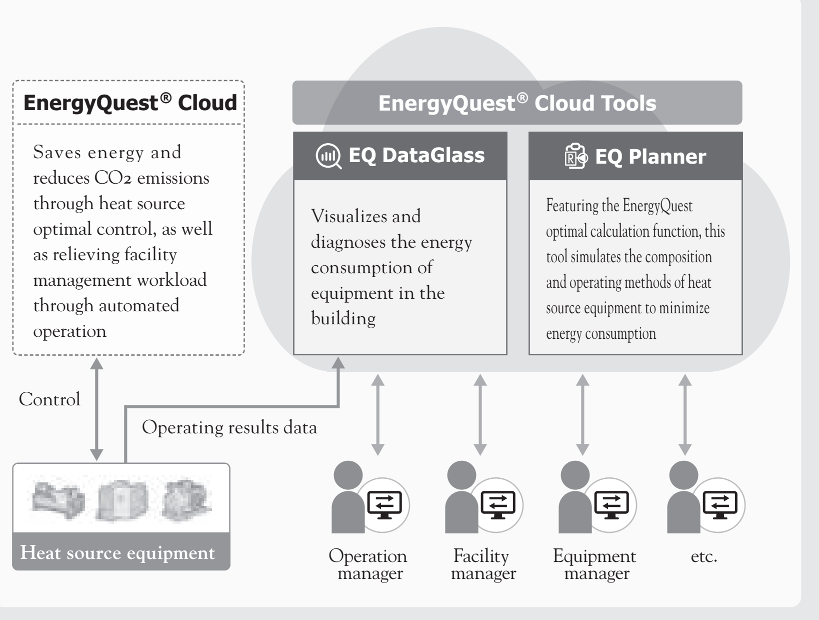
—Accelerating Customers' Energy-saving Initiatives to Achieve a Decarbonized Society— The Launch of EnergyQuest® Cloud Tools "EQ DataGlass" and "EQ Planner"

The Company has developed EnergyQuest Cloud Tools, which can verify the results and optimization of energy consumption at equipment in use by customers themselves, and began to offer these tools in February 2024.

EnergyQuest Cloud Tools consist of two tools: EQ DataGlass, a diagnostic tool for energy consumption by equipment currently in use, and EQ Planner, a verification tool for the composition and operating methods of air conditioning heat source equipment that minimize energy consumption. These two tools can be used independently or in combination, depending on the purpose.

As a cloud-compatible subscription service capable of reading centralized monitoring data files in various formats, regardless of the manufacturer, EnergyQuest Cloud Tools not only achieves a high level of functionality and convenience but also enables the smooth installation of EnergyQuest Cloud*1. The dedicated website*2 also features trial versions that enable users to try the various functions of each tool for free.

Illustration of the relationship between EnergyQuest Cloud Tools and EnergyQuest Cloud



[Future development]

By providing the heat source optimal control system EnergyQuest, the Company has so far engaged in solving the various issues faced by its customers, such as reducing energy consumption and CO_2 emissions and relieving facility management workload through the automated operation of heat source equipment. Together with the addition of the new EQ DataGlass and EQ Planner tools, the Company will continue to develop technologies to help customers save energy and reduce CO_2 emissions, aiming to achieve a decarbonized society.

Videos explaining an outline of each tool are available on YouTube (in Japanese only).

https://www.youtube.com/@EnergyQuest1001

*1. EnergyQuest Cloud (in Japanese only)
https://www.snk.co.jp/news_info/news/?itemid=439&dispmid=892

*2. EnergyQuest Cloud Tools (in Japanese only)
https://c3.eqcloud.snk.co.jp/

Major construction projects recently completed

Olympus Nagano Facility A
Nagano Prefecture

Harumi Special Branch
Tokyo

Konoike Transport Co., Ltd.
TechnoLogis Makuhari Office
Chiba Prefecture

MEIJI SEIKA FOOD INDUSTRY (SHANGHAI) CO., LTD. Ice Cream Factory
Shanghai, China

Consolidated Balance Sheet

Shin Nippon Air Technologies Co., Ltd. and Subsidiaries
March 31, 2024

ASSETS	Millions of Yen 2024	Millions of Yen 2023	Thousands of U.S. Dollars (Note 1) 2024
CURRENT ASSETS:			
Cash and cash equivalents (Note 17)	¥ 13,481	¥ 24,927	$ 89,278
Short-term investments (Notes 4 and 15)	147	77	974
Receivables (Note 17):			
Notes receivable – trade	69	219	457
Electronically-recorded monetary claims	2,449	2,788	16,219
Accounts receivable – trade	66,003	51,344	437,106
Allowance for doubtful accounts	(340)	(278)	(2,252)
Inventories (Note 5)	1,728	1,596	11,444
Other current assets	760	858	5,034
Total current assets	84,297	81,531	558,260
PROPERTY AND EQUIPMENT:			
Land	407	585	2,695
Buildings and structures	5,502	6,267	36,437
Machinery, equipment, tools, furniture, and fixtures	1,240	1,237	8,212
Lease assets (Note 16)	47	77	311
Construction in progress			
Total property and equipment	7,196	8,166	47,655
Accumulated depreciation	(4,942)	(5,538)	(32,730)
Net property and equipment	2,254	2,628	14,925
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 17)	27,233	21,989	180,351
Rental deposits	825	1,066	5,464
Investments in insurance contracts	2		13
Deferred tax assets (Note 12)	298	253	1,974
Net defined benefit asset (Note 9)	197	119	1,305
Other assets	2,402	1,740	15,907
Allowance for doubtful accounts	(157)	(180)	(1,040)
Total investments and other assets	30,800	24,987	203,974
TOTAL	¥117,351	¥109,146	$777,159

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2024	Millions of Yen 2023	Thousands of U.S. Dollars (Note 1) 2024
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 17)	¥ 9,650	¥ 3,267	$ 63,907
Current maturities of long-term debt (Notes 7, 16 and 17)	187	191	1,238
Payables (Note 17):			
Notes payable – trade	410	1,089	2,715
Electronically recorded obligations – operating	2,493	3,810	16,510
Accounts payable – trade	22,787	26,746	150,907
Income taxes payable (Notes 12 and 17)	2,057	1,573	13,623
Advances received on construction work in progress (Note 8)	3,582	2,889	23,722
Accrued expenses	5,279	4,913	34,960
Allowance for loss on construction contracts (Note 3)	337	1,033	2,232
Other current liabilities	1,444	3,108	9,562
Total current liabilities	48,226	48,619	319,376
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7, 16 and 17)	128	278	848
Liability for retirement benefits (Note 9)	360	318	2,384
Deferred tax liabilities (Note 12)	3,013	1,693	19,954
Other long-term liabilities	29	26	192
Total long-term liabilities	3,530	2,315	23,378
EQUITY (Notes 10 and 19)**:**			
Common stock – authorized, 84,252,100 shares; issued, 24,282,225 shares in 2024 and 2023	5,158	5,158	34,159
Capital surplus	6,963	6,918	46,113
Stock acquisition rights (Note 11)	70	108	464
Retained earnings	43,212	38,130	286,172
Treasury stock – at cost, 920,226 shares and 965,524 shares in 2024 and 2023, respectively	(2,856)	(1,456)	(18,914)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	12,272	8,951	81,272
Foreign currency translation adjustments	776	403	5,139
Total	13,048	9,354	86,411
Total equity	65,595	58,212	434,405
TOTAL	¥117,351	¥109,146	$777,159

Consolidated Statement of Income

Shin Nippon Air Technologies Co., Ltd. and Subsidiaries
Year Ended March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
REVENUES FROM CONSTRUCTION (Note 3)	¥127,978	¥112,234	$847,536
COSTS OF CONSTRUCTION CONTRACTS (Note 6)	109,278	96,558	723,695
Gross profit	18,700	15,676	123,841
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 14)	9,465	8,552	62,682
Operating income	9,235	7,124	61,159
OTHER INCOME (EXPENSES):			
Interest and dividend income	523	491	3,464
Interest expense	(15)	(21)	(99)
Loss on devaluation of investment securities (Note 4)		(21)	
Foreign exchange (loss) gain – net	(38)	314	(252)
Gain on sales of investment securities (Note 4)	505		3,344
Other – net	(2)	5	(12)
Other income – net	973	768	6,445
INCOME BEFORE INCOME TAXES	10,208	7,892	67,604
INCOME TAXES (Note 12):			
Current	3,171	2,670	21,000
Deferred	(132)	(375)	(874)
Total income taxes	3,039	2,295	20,126
NET INCOME	7,169	5,597	47,478
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 7,169	¥ 5,597	$ 47,478

	Yen		U.S. Dollars
	2024	2023	2024
PER SHARE OF COMMON STOCK (Notes 2.s and 19):			
Basic net income	¥310.37	¥239.73	$2.06
Diluted net income	309.66	238.87	2.05
Cash dividends applicable to the year	100.00	80.00	0.66

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Shin Nippon Air Technologies Co., Ltd. and Subsidiaries
Year Ended March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
NET INCOME	¥ 7,169	¥5,597	$47,478
OTHER COMPREHENSIVE INCOME (Note 18):			
Unrealized gain on available-for-sale securities	3,321	473	21,994
Foreign currency translation adjustments	373	9	2,470
Total other comprehensive income	3,694	482	24,464
COMPREHENSIVE INCOME	¥10,863	¥6,079	$71,942
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO –			
Owners of the parent	¥10,863	¥6,079	$71,942

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Shin Nippon Air Technologies Co., Ltd. and Subsidiaries
Year Ended March 31, 2024

	Thousands	Millions of Yen								
							Accumulated Other Comprehensive Income			
	Number of Shares of Common Stock Issued	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Total	Total Equity
BALANCE, APRIL 1, 2022	24,282	¥5,158	¥6,913	¥116	¥34,282	¥(1,528)	¥ 8,478	¥394	¥ 8,871	¥53,813
Net income attributable to owners of the parent					5,597					5,597
Cash dividends, ¥80 per share					(1,749)					(1,749)
Purchase of treasury stock (269 shares)										
Disposal of treasury stock (6,200 shares)			(1)			9				8
Restricted share-based remuneration (39,367 shares)			6			63				70
Net change in the year				(8)			473	9	482	473
BALANCE, MARCH 31, 2023	24,282	5,158	6,918	108	38,130	(1,456)	8,951	403	9,354	58,212
Net income attributable to owners of the parent					7,169					7,169
Cash dividends, ¥100 per share					(2,087)					(2,087)
Purchase of treasury stock (714 shares)						(1,578)				(1,578)
Disposal of treasury stock (30,400 shares)			(9)			48				39
Restricted share-based remuneration (81,587 shares)			54			130				184
Net change in the year				(38)			3,321	373	3,694	3,656
BALANCE, MARCH 31, 2024	24,282	¥5,158	¥6,963	¥ 70	¥43,212	¥(2,856)	¥12,272	¥776	¥13,048	¥65,595

	Thousands of U.S. Dollars (Note 1)								
						Accumulated Other Comprehensive Income			
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Total	Total Equity
BALANCE, MARCH 31, 2023	$34,159	$45,815	$715	$252,516	$ (9,642)	$59,278	$2,669	$61,947	$385,510
Net income attributable to owners of the parent				47,478					47,478
Cash dividends, $0.66 per share				(13,822)					(13,822)
Purchase of treasury stock (714 shares)					(10,444)				(10,444)
Disposal of treasury stock (30,400 shares)		(60)			318				258
Restricted share-based remuneration (81,587 shares)		358			854				1,212
Net change in the year			(251)			21,994	2,470	24,464	24,213
BALANCE, MARCH 31, 2024	$34,159	$46,113	$464	$286,172	$(18,914)	$81,272	$5,139	$86,411	$434,405

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Shin Nippon Air Technologies Co., Ltd. and Subsidiaries
Year Ended March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
OPERATING ACTIVITIES:			
Income before income taxes	¥ 10,208	¥ 7,892	$ 67,604
Adjustments for:			
Income taxes – paid	(2,742)	(2,526)	(18,159)
Depreciation and amortization	507	444	3,358
Gain on sales of investment securities	(505)		(3,344)
Loss on devaluation of investment securities		21	
Changes in assets and liabilities:			
(Increase) decrease in receivables – trade	(13,781)	1,034	(91,265)
Increase in inventories	(115)	(222)	(762)
(Decrease) increase in payables – trade	(6,099)	1,222	(40,391)
Increase in advances received on construction work in progress	558	298	3,695
Increase (decrease) in allowance for doubtful accounts	36	(14)	238
(Decrease) increase in liability for retirement benefits	(42)	62	(278)
(Decrease) increase in allowance for losses on construction contracts	(695)	477	(4,603)
(Decrease) increase in accrued consumption taxes	(1,784)	2,496	(11,815)
(Increase) decrease in consumption taxes refund receivable	(12)	936	(79)
Other – net	905	699	5,992
Net cash (used in) provided by operating activities	(13,561)	12,819	(89,809)
INVESTING ACTIVITIES:			
Decrease in time deposits		185	
Increase in time deposits	(69)	(126)	(457)
Purchases of property and equipment	(174)	(217)	(1,152)
Purchases of intangible fixed assets	(980)	(491)	(6,490)
Proceeds from sale of fixed assets	326	16	2,159
Purchases of short-term investments and investment securities	(816)	(107)	(5,404)
Proceeds from sales and redemptions of short-term investments and investment securities	818		5,417
Decrease (increase) in loan receivables – net	3	(3)	20
Other – net	106	(425)	702
Net cash used in investing activities	(786)	(1,168)	(5,205)
FORWARD	¥(14,347)	¥11,651	$(95,014)

	Millions of Yen 2024	Millions of Yen 2023	Thousands of U.S. Dollars (Note 1) 2024
FORWARD	¥(14,347)	¥11,651	$(95,014)
FINANCING ACTIVITIES:			
Increse (decrease) in short-term bank loans – net	6,382	(700)	42,265
Proceeds from long-term debt		500	
Repayments of long-term debt	(166)	(283)	(1,099)
Dividends paid	(2,087)	(1,749)	(13,821)
Repayment of lease obligations	(31)	(34)	(204)
Purchases of treasury stock	(1,577)		(10,444)
Net cash used in financing activities	2,521	(2,266)	16,697
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	380	107	2,516
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(11,446)	9,492	(75,801)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	24,927	15,435	165,079
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 13,481	¥24,927	$ 89,278
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Finance lease assets and debt	¥39	¥15	$112

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Shin Nippon Air Technologies Co., Ltd. and Subsidiaries
Year Ended March 31, 2024

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements 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 accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of IFRS Accounting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements 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, certain reclassifications have been made in the 2023 consolidated financial statements to conform to the classifications used in 2024.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Shin Nippon Air Technologies Co., Ltd. (the "Company") is incorporated and operates. Japanese yen figures less than million yen are rounded down to the nearest million yen, except for per share data. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥151 to $1, the approximate rate of exchange at March 31, 2024. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation*** – The consolidated financial statements as of March 31, 2024, include the accounts of the Company and all of its subsidiaries (together, the "Group"). The Company has ten consolidated subsidiaries: SNK SERVICE CO., LTD.; NIPPO ENGINEERING CO., LTD.; SNK (CHINA) CONSTRUCTION CO., LTD.; SHIN NIPPON LANKA (Private) LIMITED; SNK (ASIA PACIFIC) PTE. LTD.; SNK INDUSTRIAL TRADING (SHANGHAI) CO., LTD.; SNK ENGINEERING TECHNOLOGY (SHANGHAI) CO., LTD.; FUJIAN SNK INVESTMENT CONSULTING CO., LTD.;SNK (HONG KONG) CONSTRUCTION CO., LIMITED. and SNK ASIA PACIFIC VN CO., LTD

Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

Since SNK (HONG KONG) CONSTRUCTION CO., LIMITED and SNK ASIA PACIFIC VN CO., LTD were newly established in the current consolidated fiscal year, they are included in the scope of consolidation from the current consolidated fiscal year.

b. ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements*** – Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS Accounting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. ***Cash Equivalents*** – Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and certificates of deposit, which mature or become due within three months of the date of acquisition.

d. ***Inventories*** – Construction work in progress is stated at cost, determined using the specific identification method.

e. ***Short-Term Investments and Investment Securities*** – Marketable and investment securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity.

Held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at amortized cost.

Nonmarketable available-for-sale equity securities are stated at cost determined using the moving-average method.

Held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at amortized cost.

For other-than-temporary declines in fair value, available-for-sale securities are reduced to net realizable value by a charge to income.

f. ***Property and Equipment*** – Property and equipment are carried at cost. Depreciation of the Company and its domestic subsidiaries is computed substantially by the declining-balance method. The straight-line method is principally applied to the Company and its domestic subsidiaries for buildings acquired after April 1, 1998, and structures acquired after April 1, 2016, and property and equipment of its foreign subsidiaries.

The range of useful lives is principally from 3 to 50 years for buildings and structures and from 2 to 20 years for machinery, equipment, tools, furniture, and fixtures. The useful lives for lease assets are the terms of the respective leases.

g. ***Long-Lived Assets*** – The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. ***Research and Development Costs*** – Research and development costs are charged to income as incurred.

i. ***Allowance for Doubtful Accounts*** – The allowance for doubtful accounts is stated at amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

j. ***Retirement Benefits and Pension Plan*** – In the calculation of our Group's retirement benefit liabilities, retirement benefit assets and retirement benefit expenses, the retirement benefit obligation under the lump-sum retirement benefit plan is determined as the amount required to be paid voluntarily at the end of the period for retirement benefits, and the retirement benefit obligation under the corporate pension plan is determined as the most recent actuarial obligation for pension finance using an interlocutory method.

k. ***Stock Options*** – Compensation expense for employee stock options is recognized based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services in accordance with ASBJ Statement No. 8, "Accounting Standard for Share-based Payment." In the consolidated balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised.

l. ***Revenue Recognition*** – The Group mainly enters into long-term construction contracts. The Group determines that its performance obligations in such contracts are satisfied over time and recognizes revenue based on the stage of completion of the contract in satisfying the performance obligations. The stage of completion of the contract is measured based on the proportion of construction costs incurred by year-end to total construction costs. For construction contracts with a very short period from the start date of the contract to the point at which the performance obligation is expected to be fully satisfied, the Group applied alternative treatment. Such revenue is not recognized according to the progress level but is recognized when the performance obligation is fully satisfied. In addition, the consideration for the transaction is received in stages under the terms of the agreement and does not include any material financial elements.

m. ***Leases*** – Finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet.

All other leases are accounted for as operating leases.

n. ***Allowance for Losses on Construction Contracts*** – The Group provides an allowance for losses on construction contracts, which are probable and estimable at the consolidated balance sheet date.

o. ***Bonuses to Directors*** – Bonuses to directors are accrued at the year-end to which such bonuses are attributable.

p. ***Accounting Principles and Procedures Adopted where the Relevant Accounting Standards are not Specified*** – Joint ventures, which the Company and its certain domestic consolidated subsidiaries form with other companies for the purpose of winning and managing construction projects, are not accounted as separate entities, but the construction revenue and the construction costs arising in the joint ventures are proportioned to individual financial statements in accordance with the share in the joint venture.

q. ***Foreign Currency Transactions*** – All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

r. ***Foreign Currency Financial Statements*** – The balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of the foreign subsidiaries are translated into Japanese yen at the average exchange rate.

s. ***Income Taxes*** – The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. 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 amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

t. ***Per Share Information*** – Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

3. SIGNIFICANT ACCOUNTING ESTIMATE

The Revenue Recognition for Performance Obligations Satisfied Over Time and Allowance for Losses on Construction Contracts

(1) Carrying amounts

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
The revenue from construction for performance obligations satisfied over time	**¥105,109**	¥90,669	**$696,086**
Allowance for losses on construction contracts	**337**	1,033	**2,232**

(2) Information on the significant accounting estimate

The amounts stated above are calculated by the method described in Notes 2.l and n, which are "Summary of Significant Accounting Policies." The construction revenue with performance obligations that are satisfied over time and the allowance for losses on construction contracts depends on the estimate of the total construction cost, which is the total expenditure for each construction contract. The estimate is based on the past results, and fluctuations in market conditions related to materials and outsourcing costs and the construction condition for each construction contract.

If the total construction cost increases or decreases significantly due to unexpected design, specification changes, delays in construction progress or market fluctuations, the amount of construction revenue with performance obligations that are satisfied over time and allowance for losses on construction contracts may have a significant impact on future financial statements.

4. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
Current—Time deposits which mature beyond three months from acquisition	**¥ 147**	¥ 77	**$ 974**
Total	**¥ 147**	¥ 77	**$ 974**
Noncurrent:			
Marketable equity securities	**¥25,488**	¥21,035	**$168,795**
Debt securities	**299**		**1,980**
Nonmarketable equity securities	**953**	954	**6,311**
Corporate bonds	**493**		**3,265**
Total	**¥27,233**	¥21,989	**$180,351**

The costs and aggregate fair values of short-term investments and investment securities as of March 31, 2024 and 2023, were as follows:

	Millions of Yen			
March 31, 2024	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥7,966	¥17,527	¥ (5)	¥25,488
Debt securities	802		(11)	791
Total	¥8,768	¥17,527	¥(16)	¥26,279
March 31, 2023				
Securities classified as available-for-sale—				
Equity securities	¥8,265	¥12,842	¥(72)	¥21,035
Total	¥8,265	¥12,842	¥(72)	¥21,035

	Thousands of U.S. Dollars			
March 31, 2024	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	$52,755	$116,073	$(26)	$168,795
Debt securities	5,311		(73)	5,238
Total	$58,066	$116,073	$(99)	$174,033

The information for available-for-sale securities which were sold during the years ended March 31, 2024 and 2023, is as follows:

	Millions of Yen		
March 31, 2024	Proceeds	Realized Gains	Realized Losses
Available-for-sale—Equity securities	¥820	¥505	
Total	¥820	¥505	
March 31, 2023			
Available-for-sale—Equity securities			
Total			

	Thousands of U.S. Dollars		
March 31, 2024	Proceeds	Realized Gains	Realized Losses
Available-for-sale—Equity securities	$5,430	$3,344	
Total	$5,430	$3,344	

5. INVENTORIES

Inventories as of March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Construction work in progress	¥1,685	¥1,560	$11,159
Materials and supplies	43	36	285
Total	¥1,728	¥1,596	$11,444

6. PROVISION FOR LOSS ON CONSTRUCTION CONTRACTS

Provision for loss on construction contracts included in costs of construction contracts are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Provision for loss on construction contracts	¥(695)	¥492	$(4,603)

7. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans represent borrowings under bank overdraft agreements and notes due within one year, bearing interest ranging from 0.330% to 0.860% at March 31, 2024, and from 0.210% to 5.460% at March 31, 2023, respectively.

Long-term debt as of March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Unsecured loans from banks, maturing serially through 2024, with an interest rate of 0.64% for 2024 and 2023	¥ 250	¥ 416	$ 1,656
Obligations under finance leases	65	53	430
Less current portion	(187)	(191)	(1,238)
Long-term debt, less current portion	¥ 128	¥ 278	$ 848

Annual maturities of long-term debt, excluding finance leases (see Note 16), at March 31, 2024, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2025	¥166	$1,099
2026	83	550
2027	0	0
Total	¥249	$1,649

8. ADVANCES RECEIVED ON CONSTRUCTION WORK IN PROGRESS

The Group normally receives payments from customers on a progressive basis in accordance with the terms of the respective construction contracts.

9. RETIREMENT AND PENSION PLANS

The Company provides a lump-sum retirement benefit plan and a defined contribution pension plan for employees.

Consolidated subsidiaries have a lump-sum retirement allowance plan or a funded defined benefit pension plan as defined benefit plans and a defined contribution pension plan. The Company and certain of its domestic consolidated subsidiaries apply the simplified method for a lump-sum retirement allowance plan and a funded defined benefit pension plan.

The Company and some domestic subsidiaries participate in a multi-employer plan for which the Company cannot reasonably calculate the amount of plan assets corresponding to the contributions made by them. Therefore, it is accounted for using the same method as a defined contribution plan.

(1) The changes in liability for retirement benefits, which have been calculated by a simplified method for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Balance at beginning of year	¥197	¥149	$1,305
Net periodic benefit costs	7	77	46
Benefits paid	(32)	(16)	(212)
Contribution amount	(10)	(11)	(66)
Balance at end of year	¥162	¥198	$1,073

(2) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets which have been calculated by a simplified method as of March 31, 2024 and 2023, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Funded defined benefit obligation	¥ 232	¥ 254	$ 1,536
Plan assets	(429)	(374)	(2,841)
Total	(197)	(120)	(1,305)
Unfunded defined benefit obligation	360	318	2,378
Net liability for defined benefit obligation	¥ 163	¥ 198	$ 1,073

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Liability for retirement benefits	¥ 360	¥ 318	$ 2,384
Asset for retirement benefits	(197)	(120)	(1,305)
Net liability for defined benefit obligation	¥ 163	¥ 198	$ 1,079

(3) Periodic benefit cost which has been calculated by a simplified method for the years ended March 31, 2024 and 2023, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Funded defined benefit obligation	¥7	¥77	$46

(4) Defined contribution pension plan

(a) Retirement benefit costs for defined contribution plans

The main contributions to the defined contribution plans of the Group for the years ended March 31, 2024 and 2023, were ¥567 million ($3,755 thousand) and ¥541 million, respectively.

(b) The amounts equivalent to contributions commensurate with risks

The amounts equivalent to contributions commensurate with risks required to be contributed after the next fiscal year is ¥290 million ($1,921 thousand).

The number of years remaining for the special contributions is three years and nine months.

(5) The Group participates in a multiemployer plan for which it cannot reasonably calculate the amount of plan assets corresponding to the contributions made by the Group. Therefore, they are accounted for using the same method as a defined contribution plan.

The contributions to such multiemployer plan, which are accounted for using the same method as a defined contribution plan, were ¥254 million ($1,682 thousand) and ¥251 million for the years ended March 31, 2024 and 2023, respectively.

(a) The funded status of the multiemployer plan as of March 31, 2023 and 2022, was as follows:

	Millions of Yen	
	March 31	
	2023	2022
Plan assets	¥14,251	¥13,523
Sum of actuarial liabilities of pension plan and minimum actuarial reserve	16,016	16,102
Net balance	¥ (1,765)	¥ (2,579)

(b) The contribution ratio of the Group in the multi-employer plan for the years ended March 31, 2023 and 2022, was as follows:

	2023	2022
The contribution ratio of the Group in the multi-employer plan	18.5%	18.3%

The ratios above do not represent the actual actuarial liability ratio of the Group.

(c) Supplementary explanation

March 31, 2023

The net balance above is mainly caused by the prior service liability of ¥5,090 million ($33,709 thousand), retained earnings of ¥1,167 million ($7,728 thousand) and general reserve of ¥2,157 million ($14,285 thousand) as of March 31, 2023. The prior service liability under the plan is amortized over seven years.

March 31, 2022

The net balance above is mainly caused by the prior service liability of ¥5,820 million, retained earnings of ¥1,084 million and general reserve of ¥2,157 million as of March 31, 2022. The prior service liability under the plan is amortized over eight years.

10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. ***Dividends***

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. With respect to the third condition above, the Board of Directors of companies with (a) board committees (namely, appointment committee, compensation committee and audit committee) or (b) an audit and supervisory committee (as implemented under the Companies Act effective May 1, 2015) may also declare dividends at any time because such companies, by nature, meet the criteria under the Companies Act. However, the Company does not meet all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. ***Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus***

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. ***Treasury Stock and Treasury Stock Acquisition Rights***

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

11. STOCK OPTIONS

The stock options outstanding as of March 31, 2024, are as follows:

Stock Options	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
1st Stock Option	9 directors 15 executive officers	70,400 shares	2016.8.22	¥1 ($0.01)	From August 23, 2016 to August 22, 2046
2nd Stock Option	8 directors 17 executive officers	52,000 shares	2017.7.10	¥1 ($0.01)	From July 11, 2017 to July 10, 2047
3rd Stock Option	7 directors 19 executive officers	42,500 shares	2018.7.9	¥1 ($0.01)	From July 10, 2018 to July 9, 2048

The stock option activity is as follows:

	1st Stock Option	2nd Stock Option (Shares)	3rd Stock Option
Year Ended March 31, 2023			
Vested			
March 31, 2022—Outstanding	32,100	27,100	30,700
Vested			
Exercised	(2,100)	(1,500)	(2,600)
Canceled			
March 31, 2023—Outstanding	30,000	25,600	28,100
Year Ended March 31, 2024			
Vested			
March 31, 2023—Outstanding	30,000	25,600	28,100
Vested			
Exercised	(11,400)	(9,800)	(9,200)
Canceled			
March 31, 2024—Outstanding	18,600	15,800	18,900
Exercise price	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)
Average stock price at exercise	¥2,140 ($14.17)	¥2,099 ($13.90)	¥2,089 ($13.83)
Fair value price at grant date	¥960 ($6.36)	¥1,429 ($9.46)	¥1,478 ($9.79)

12. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% for the years ended March 31, 2024 and 2023.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Deferred tax assets:			
Liability for employees' retirement benefits	¥ 107	¥ 95	$ 709
Allowance for doubtful accounts	136	112	901
Employee accrued bonuses	1,369	1,263	9,066
Loss on devaluation of golf club memberships	53	54	351
Loss on devaluation of investment securities	120	120	795
Loss on devaluation of land	98	98	649
Accrued social insurance premiums	213	187	1,411
Accrued business tax	159	116	1,053
Allowance for loss on construction contracts	103	316	682
Other	642	476	4,252
Valuation allowance	(301)	(305)	(1,993)
Total	2,699	2,532	17,876
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(5,239)	(3,818)	(34,695)
Retained earnings of overseas subsidiaries	(72)	(64)	(477)
Other	(103)	(89)	(682)
Total	(5,414)	(3,971)	(35,854)
Net deferred tax liabilities	¥(2,715)	¥(1,439)	$(17,978)

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2024, with the corresponding figures for 2023 is as follows:

	2024	2023
Normal effective statutory tax rate	30.6%	30.6%
Expenses not deductible permanently for income tax purposes	1.3	2.0
Income not taxable permanently for income tax purposes	(0.2)	(0.2)
Inhabitant tax	0.7	0.9
Difference in statutory tax rates of overseas subsidiaries	(1.4)	(1.5)
Valuation allowance	(0.0)	(0.1)
Special corporation tax deduction	(1.8)	(3.1)
Other—net	0.6	0.5
Actual effective tax rate	29.8%	29.1%

13. REVENUE

(1) Basic Information to Understand Revenues from Contracts with Customers

As described in Note 2.l which is "Revenue recognition" in "Summary of Significant Accounting Policies."

(2) Contract Balances

Receivables from contract with customers, contract assets and contract liabilities at the beginning and end of the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
Receivables from contracts with customers:			
Balance at beginning of year	**¥38,748**	¥37,515	**$256,609**
Balance at end of year	**51,534**	38,748	**341,285**
Contract assets:			
Balance at beginning of year	**15,529**	17,337	**102,841**
Balance at end of year	**15,993**	15,529	**105,914**
Contract liabilities:			
Balance at beginning of year	**2,889**	2,486	**19,132**
Balance at end of year	**3,582**	2,889	**23,722**

Contract assets are the unbilled amount of revenue recognized mainly based on the measurement of progress in construction contracts, etc., and are included in "Notes receivable" and "Accounts receivable" in the consolidated balance sheet. Contract assets are transferred to receivables from contract with customers when the rights of the Company and its consolidated subsidiaries become unconditional upon acceptance by customers.

Contract liabilities are mainly advances received from customers under construction contracts and are included in "Advances received on construction work in progress" in the consolidated balance sheet. Contract liabilities are reversed as revenue is recognized. The amount of revenue recognized in the current consolidated fiscal year from performance obligations satisfied (or partially satisfied) in past periods is immaterial.

(3) Transaction Prices Allocated to Remaining Performance Obligations

The following table shows the summary of the transaction prices allocated to remaining performance obligations that are unsatisfied as of March 31, 2024 and 2023:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
Within one year	**¥ 68,337**	¥68,684	**$452,563**
After one to two years	**29,113**	18,267	**192,801**
After two to three years	**12,212**	9,568	**80,874**
Total	**¥109,662**	¥96,519	**$726,238**

14. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to costs of construction contracts and selling, general and administrative expenses were ¥479 million ($3,172 thousand) and ¥469 million for the years ended March 31, 2024 and 2023, respectively.

15. ASSETS PLEDGED

Assets pledged as collateral as of March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
Time deposits	**¥27**	¥27	**$179**

16. LEASES

The Group leases certain cars, software, and other assets.

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2024		2024	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥20	¥ 808	$132	$ 5,351
Due after one year	43	1,009	285	6,682
Total	¥63	¥1,817	$417	$12,033

The minimum rental commitments under noncancelable operating leases as of March 31, 2024 and 2023 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
Due within one year	**¥ 808**	¥ 595	**$ 5,351**
Due after one year	**1,009**	1,068	**6,682**
Total	**¥1,817**	¥1,663	**$12,033**

17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group purchases or issues financial instruments in order to finance its operations and to manage its surplus cash efficiently according to the Group policy of safe and secure asset management. Mainly short-term bank loans are used to fund its operations considering the cash flow projections. Derivatives, if any, are used only for hedging currency, interest rate, and other risks and not for speculation.

(2) Nature and Extent of Risks Arising from Financial Instruments

Receivables, such as trade notes, electronically-recorded monetary claims and trade accounts, are exposed to customer credit risk.

Short-term investments in securities and investment securities are used mainly for relations with the customers and utilization of surplus funds. Such investment securities are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes, electronically recorded obligations – operating and trade accounts, are mainly less than one year.

Short-term bank loans and long-term debt, excluding finances lease are used mainly for funding the Group's operations. Such bank loans are exposed to market risks from changes in variable interest rates.

(3) Risk Management for Financial Instruments

Credit risk (risk of default of contract) management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal policies, which include performing credit checks when receiving orders and monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage.

Market risk management (foreign currency exchange rate risk and interest rate risk)

With regard to equity securities, the Company periodically monitors the market value and the financial condition of the issuer, and continuously reviews the holding status by taking into account the market conditions and the relationship with the business partners. As for debt securities, in accordance with the fund management rules, the Company trades in bonds with higher ratings than creditworthy financial institutions, and reports the investment status to the Executive Committee on a regular basis.

Liquidity risk management

Based on reports from each department and receipt and payment information data, the Company's Finance Department prepares funding plans in a timely manner and limits borrowings to the minimum necessary amount, and keeps track of funding conditions as needed. In addition, we have secured credit lines from multiple financial institutions, enabling us to procure funds flexibly.

(4) *Fair Values of Financial Instruments*

The amount recorded on the consolidated balance sheet, the market value, and the difference between them are as follows. Stocks without market prices are not listed.

The note for cash is omitted. Deposits, bills receivable, accounts receivable from completed construction, electronically recorded receivables, bills payable, accounts payable for construction, electronically recorded debt, short-term borrowings, income taxes payable, etc. are settled in a short period of time and the carrying amounts approximate fair value. As such, the related notes are omitted.

Fair value of financial instruments

	Millions of Yen		
March 31, 2024	Carrying Amount	Fair Value	Unrealized Gain/Loss
Investment securities Held-to-maturity debt securities	¥ 300	¥ 299	¥(1)
Available-for-sale securities	25,979	25,979	
Total	¥26,279	¥26,278	¥(1)
Long-term debt and current maturities of long-term debt, excluding finance leases	¥ 250	¥ 249	¥(1)
Total	¥ 250	¥ 249	¥(1)
March 31, 2023			
Investment securities	¥21,035	¥21,035	
Total	¥21,035	¥21,035	
Long-term debt and current maturities of long-term debt, excluding finance leases	¥ 416	¥ 416	
Total	¥ 416	¥ 416	

	Thousands of U.S. Dollars		
March 31, 2024	Carrying Amount	Fair Value	Unrealized Gain/Loss
Investment securities Held-to-maturity debt securities	$ 1,987	$ 1,980	$(7)
Available-for-sale securities	$172,046	$172,046	
Total	$174,033	$174,026	$(7)
Long-term debt and current maturities of long-term debt, excluding finance leases	$ 1,656	$ 1,649	$(7)
Total	$ 1,656	$ 1,649	$(7)

Carrying amount of investments in equity instruments that do not have a quoted market price in an active market

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	**2024**
Unlisted equity instruments	**¥953**	¥953	**$6,311**

Notes to Consolidated Financial Statements

Maturity analysis for financial assets and securities with contractual 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 and cash equivalents	¥13,629			
Receivables	65,079			
Electronically-recorded monetary claims	2,449			
Held-to-maturity debt securities		¥300		
Available-for-sale securities with contractual maturities			¥500	
Total	¥81,157	¥300	¥500	
March 31, 2023				
Cash and cash equivalents	¥25,004			
Receivables	51,490			
Electronically-recorded monetary claims	2,788			
Total	¥79,282			

	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	Due after 10 Years
Cash and cash equivalents	$ 90,258			
Receivables	430,987			
Electronically-recorded monetary claims	16,219			
Held-to-maturity debt securities		$1,987		
Available-for-sale securities with contractual maturities			$3,311	
Total	$537,464	$1,987	$3,311	

Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is categorized at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(1) *The financial assets and liabilities measured at the fair values in the consolidated balance sheet*

	Millions of Yen			
March 31, 2024	Level 1	Level 2	Level 3	Total
Investment securities:				
Available-for-sale securities:				
Equity securities	¥25,488			¥25,488
Corporate bonds		¥493		493
Total assets	¥25,488	¥493		¥25,981

March 31, 2023	Millions of Yen Level 1	Level 2	Level 3	Total
Investment securities:				
Available-for-sale securities:				
Equity securities	¥21,035			¥21,035
Total assets	¥21,035			¥21,035

March 31, 2024	Thousands of U.S. Dollars Level 1	Level 2	Level 3	Total
Investment securities:				
Available-for-sale securities:				
Equity securities	$168,795			$168,795
Corporate bonds		$3,265		3,265
Total assets	$168,795	$3,265		$172,060

(2) The financial assets and liabilities not measured at the fair values in the consolidated balance sheet

March 31, 2024	Millions of Yen Level 1	Level 2	Level 3	Total
Investment securities:				
Held-to-maturity debt securities:				
Corporate bonds		¥299		¥299
Total assets		¥299		¥299
Long-term borrowing (including scheduled repayment within one year)		¥249		¥249
Total liabilities		¥249		¥249
March 31, 2023				
Long-term borrowing (including scheduled repayment within one year)		¥416		¥416
Total liabilities		¥416		¥416

March 31, 2024	Thousands of U.S. Dollars Level 1	Level 2	Level 3	Total
Investment securities:				
Held-to-maturity debt securities:				
Corporate bonds		$1,980		$1,980
Total assets		$1,980		$1,980
Long-term borrowing (including scheduled repayment within one year)		$1,649		$1,649
Total liabilities		$1,649		$1,649

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Marketable and Investment Securities

The fair values of listed equity securities are measured at the quoted market prices. Since listed equity securities are traded in active markets, the fair values of listed equity securities are categorized as Level 1. On the other hand, since corporate bonds held by the Company are traded infrequently in the market and cannot be valued at quoted prices in active markets, the fair values of corporate bonds are categorized as Level 2.

Long-Term Borrowing

The fair values of long-term borrowing are measured by using discounted present value techniques considering assumptions including expected future cash flows and discount rates taking into account maturity and credit risk, and are categorized as Level 2.

18. OTHER COMPREHENSIVE INCOME (LOSS)

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

	Millions of Yen 2024	2023	Thousands of U.S. Dollars 2024
Unrealized gain on available-for-sale securities:			
Gain arising during the year	¥ 5,247	¥ 650	$34,748
Reclassification adjustments to profit	(505)		(3,344)
Amount before income tax effect	4,742	650	31,404
Income tax effect	(1,421)	(177)	(9,410)
Total	¥ 3,321	¥ 473	$21,994
Foreign currency translation adjustments—			
Gain arising during the year	¥ 373	¥ 9	$ 2,470
Total	¥ 373	¥ 9	$ 2,470
Total other comprehensive income	¥ 3,694	¥ 482	$24,464

19. NET INCOME PER SHARE

Reconciliation of the Differences between Basic and Diluted Net Income per Share ("EPS")

Reconciliation of the differences between basic and diluted EPS for the years ended March 31, 2024 and 2023, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2024	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥7,169	23,097	¥310.37	$2.06
Effect of dilutive securities—Warrants		53		
Diluted EPS—Net income for computation	¥7,169	23,150	¥309.66	$2.05
Year Ended March 31, 2023				
Basic EPS—Net income available to common shareholders	¥5,597	23,349	¥239.73	
Effect of dilutive securities—Warrants		83		
Diluted EPS—Net income for computation	¥5,597	23,432	¥238.87	

20. SEGMENT INFORMATION

Segment information about sales, profit (loss), assets, liabilities, and other items is not presented because the Group has only one reportable segment, which is the equipment construction segment.

21. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2024, was approved at the Company's shareholders' meeting held on June 21, 2024:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥70 ($0.464) per share	¥1,599	$10,589

* * * * * *

Deloitte.

Deloitte Touche Tohmatsu LLC
Marunouchi Nijubashi Building
3-2-3 Marunouchi
Chiyoda-ku, Tokyo 100-8360
Japan

Tel: +81 (3) 6213 1000
Fax: +81 (3) 6213 1005
www2.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Shin Nippon Air Technologies Co., Ltd.:

<Audit of Consolidated Financial Statements>

Opinion
We have audited the consolidated financial statements of Shin Nippon Air Technologies Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2024, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.
In our opinion, the 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.

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

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter
A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Member of
Deloitte Touche Tohmatsu Limited

Recognition of revenue from construction contracts	
Key Audit Matter Description	**How the Key Audit Matter Was Addressed in the Audit**
As described in Note 2.l, "Summary of Significant Accounting Policies—Revenue recognition" and Note 3, "Significant Accounting Estimate" to the consolidated financial statements, the Group recognizes revenue over time in accounting for transactions from construction contracts in the facility construction business in which performance obligations are satisfied over time. The Group recognized revenues over time in the amount of ¥105,109 million, which were included in revenues from construction contracts amounting to ¥127,978 million for the year ended March 31, 2024. Shin Nippon Air Technologies Co., Ltd. (the "Company") recognized 85% of the Group's revenues recognized over a period of time. The amount of revenue from construction recognized over time is calculated by multiplying total construction revenue by the stage of completion of the contract which is measured using an input method based on the proportion of construction costs incurred by year-end to total construction costs. Significant forecasts and judgments are made by management in estimating the total construction costs and the stage of completion of the contract considering the relevant business environment. In the facility construction business, the Company undertakes air conditioning equipment construction mainly as a part of new construction and renewal of office buildings, and total construction costs may significantly increase due to: • Design or specification changes that are unexpected at the start of construction • Fluctuations in market conditions related to materials and outsourcing costs • Additional outsourcing costs due to process delays, which result in uncertainty associated with these forecasts and estimates If the degree of estimation uncertainty increases, it may take time to review total construction costs and the total construction costs may not be revised or reviewed in a timely manner. In addition, profits may be recognized prematurely by transferring construction costs from original construction contracts to another construction contract with a higher profit margin. If the total construction cost is not reviewed in a timely and appropriate manner, or if the construction cost is transferred, the completed construction amount for each period will not be properly recorded because the degree of progress in satisfying performance obligations is incorrectly calculated. Therefore, we determined revenue recognition for the Company's transactions with performance obligations that are satisfied over time as a key audit matter because the estimation of total construction cost and the reasonableness of the cost of each project significantly affect its consolidated financial statements.	We evaluated the design and operating effectiveness of the Company's internal controls over the estimation process of the total construction costs and the cost accounting process to recognize revenues with performance obligations that are satisfied over time. In particular, we tested the controls over the appropriateness of the work content, estimated costs and working hours for each construction category and the controls over management's determination of whether the total construction costs reflected changes in the situation arising after the start of construction in a timely and appropriate manner by inquiring of the control owners and inspecting materials such as reports to the Management Committee and related supporting documents. We also selected a sample of the Company's construction contracts with a higher degree of estimation uncertainty relating to total construction costs based on the total construction revenue, contract terms, the stage of completion of the contract, profit rate and others, and performed the following procedures for the selected contracts to evaluate whether total construction costs had been developed in a timely and reasonable manner, and whether the construction costs recorded based on the appropriated construction contracts: • We analyzed estimated total construction costs and construction profit or loss with historical trends and compared the stage of completion of the contract based on the trend in actual construction costs incurred with the progress in the work schedule. • We compared the actual amounts of purchase orders and the balance of outstanding purchase orders with the operating budget. • We inspected the list of findings prepared by the head office organization as a result of its monitoring of operations in the construction division and profitability of each construction project, and made inquiries about the appropriateness of decisions on the necessity for changes in the total construction cost. • We evaluated the reasonableness of judgments about whether the total construction costs should be revised based on the progress of construction by making inquiries of relevant responsible personnel and if necessary, observing the construction site. • We inspected patrol reports for each construction project to determine whether there are any concerns about deterioration of its profitability. • We compared construction costs estimated in the prior year with the actual costs incurred to evaluate the reasonableness of accounting estimates included in total construction costs in the prior year. • We tested the occurrence of a selection of the actual construction costs incurred in the Company that met certain criteria based on the degree of risk that construction costs were not properly recorded, including the risk of construction costs may transferred by inspecting related documents such as invoices for outsourcing costs and construction daily reports.

Other Information

Management is responsible for the other information. The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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 and the Audit and Supervisory Committee for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the 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.

Independent Auditor's Report

We communicate with the Audit and Supervisory Committee 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 and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit and Supervisory Committee, 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>

Fees for audit and other services for the year ended March 31, 2024, which were charged by us and our network firms to the Company and its subsidiaries were ¥60 million and ¥7 million, 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.

芳賀 保彦

Yasuhiko Haga
Designated Engagement Partner
Certified Public Accountant

水野 博嗣

Hirotsugu Mizuno
Designated Engagement Partner
Certified Public Accountant

Deloitte Touche Tohmatsu LLC

August 7, 2024

Board of Directors

(As of June 21, 2024)

Chairman
Hiroshi Natsui

President
Masanori Hiroshima*

Directors
Masaki Ito
Kiyoshi Inoue
Hidekatsu Noda
Shinji Maekawa

Outside Director
Shigeki Morinobu

Director, Audit and Supervisory Committee Member
Toshihiko Morimoto

Outside Director, Audit and Supervisory Committee Member
Yasushi Mizuno
Yumiko Umehara
Akiko Nariai

* Representative Director

Corporate Data

(As of March 31, 2024)

Date of Establishment
October 1, 1969

Paid-in Capital
¥5,159 millions

Number of Shares Outstanding
24,282,225 shares

Number of Shareholders
7,718

Number of Employees

Consolidated	1,649
Non-consolidated	1,167

Stock Exchange Listing
Tokyo Stock Exchange, Prime Market

Transfer Agent of Common Stock
Sumitomo Mitsui Trust Bank, Limited

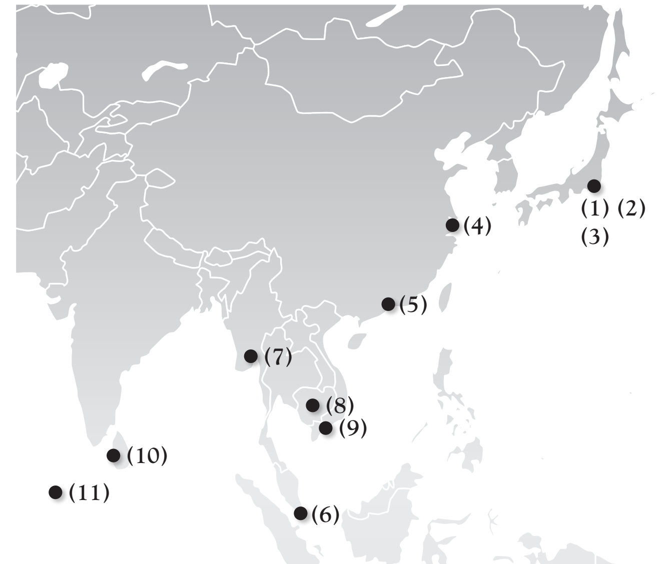
By Type of Shareholder

Financial institutions	19.71%
Individuals & Others	33.71%
Foreign Shareholders	6.54%
Other domestic companies	40.04%

By Number of Shares Held

500,000 shares or more	47.36%
100,000 – 499,999 shares	27.41%
10,000 – 99,999 shares	12.18%
1,000 – 9,999 shares	8.19%
Fewer than 1,000 shares	4.86%

Network



(1) HEAD OFFICE
Hamacho Center Bldg. 2-31-1, Nihonbashi hamacho, Chuo-ku, Tokyo 103-0007, Japan
Phone:81-3-3639-2700 Fax:81-3-3639-2732
URL:https://www.snk.co.jp/

SUBSIDIARIES

(2) SNK SERVICE CO., LTD.
Wakamatsu Bldg. 3-3-6, Nihonbashi honcho, Chuo-ku, Tokyo 103-0023, Japan
Phone:81-3-5200-3940
Fax:81-3-5200-3935

(3) NIPPO ENGINEERING CO., LTD.
6F, Minatomirai Grand Central Tower.4-6-2, Minato Mirai, Nishi-ku, Yokohama, Kanagawa 220-0012, Japan
Phone:81-45-227-7360
Fax:81-45-227-7368

(4) SNK (CHINA) CONSTRUCTION CO., LTD.
2F, 301, Jiang Chang San Road, Shanghai, 200436, P.R.China
Phone:86-21-5106-0068
Fax:86-21-5106-0063

(5) SNK (HONG KONG) CONSTRUCTION CO., LIMITED
Unit No.3, 6F, 909 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong
Phone:852-3153-2298

(6) SNK (ASIA PACIFIC) PTE. LTD.
315 Outram Road, #09-06, Tan Boon Liat Building, Singapore 169074
Phone:65-6227-2300
Fax:65-6227-3122

(7) SNK (ASIA PACIFIC) PTE. LTD. MYANMAR BRANCH
27 Room 001, Aung Zayya Street, Kyauk Kone Yankin Township, Yangon, Myanmar
Phone:95-1-356-0086

(8) SNK (ASIA PACIFIC) PTE. LTD. CAMBODIA BRANCH
Phnom Penh Center 1st Floor, Room No. 115-119, Block North Building, Street Sothearos (3), Phom 1, Sangkat Tonle Bassac, Khan Chamkarmon, Phnom Penh, Cambodia
Phone:855-23-900-550

(9) SNK ASIA PACIFIC VN CO., LTD
8th Floor, Financiat Building, No. 32-32B-34-34A Bach Dang 2 Street, Ward 2, Tan Binh District, Ho Chi Minh City, Vietnam
Phone:84-903-869-877

(10) SHIN NIPPON LANKA (PRIVATE) LIMITED
Office/Factory
309/1, Colombo Road, Welisara, Sri Lanka
Phone:94-11-200-5300
Fax:94-11-223-6599

(11) SHIN NIPPON LANKA (PRIVATE) LIMITED MALDIVES BRANCH
DMK No. 02 Fihaara – 06th Floor Chandhanee Magu, Male, Republic of Maldives
Phone:960-330-0015
Fax:960-330-0014