KANADEVIA CORPORATION
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
Years Ended March 31, 2024 and 2025

Independent auditor's report

To the Board of Directors of Kanadevia Corporation:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Kanadevia Corporation ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2024 and 2025, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024 and 2025, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Reasonableness of the Company’s estimate of total construction costs related to performance obligations satisfied over time</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>
As described in Note 2, “Significant Accounting Policies, y) Significant Accounting Estimates” under ① Revenue recognition of construction contracts to the consolidated financial statements, Kanadevia Corporation (hereinafter, the “Company”) and its consolidated subsidiaries recognize revenue over time for construction contracts for which control of goods or services promised in the contract is transferred to the customer over the contractual period, by estimating each contract’s total construction revenue, total construction costs, and progress towards complete satisfaction of a performance obligation. Net sales recorded from revenue recognized over time for the current fiscal year amounted to ¥434,672 million, representing approximately 71% of net sales in the consolidated financial statements.
Of the estimates described above, the total construction costs are calculated by identifying work contents, and estimating appropriate costs based on the contract terms, such as the specifications and the deadline, stipulated in the contract with the customer. The total construction costs are also revised in a timely manner to reflect any changes in circumstances that occurred subsequent to receiving the construction order. The progress is measured as a percentage of accumulated costs incurred through the reporting date against the total construction costs.
Construction contracts with key customers are subject to a risk of cancellation, incurring additional costs due to factors, such as a disaster and a construction delay, as well as penalties associated with technical or product issues. Accordingly, it is important to revise the estimate of construction costs in a timely manner when any changes in circumstances occur. The revisions to the estimated construction costs involved uncertainty relating to forecasting future events and management’s
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In order to assess the reasonableness of the Company’s estimate of the total construction costs related to performance obligations satisfied over time, we primarily performed the procedures described below.
Then we involved the component auditor of Kanadevia Inova AG, a particularly significant consolidated subsidiary, and performed the audit procedures set out below, including the direction and supervision of the component auditor and the review of its work, among others.
(1) Internal control testing
Test of the design and operating effectiveness of certain internal controls relevant to the estimates of the total construction costs, with a greater focus on controls such as those related to the approval of the revision to a project budget subsequent to the start of construction by an appropriate authorized personnel.
(2) Assessment of the reasonableness of the estimated total construction costs
(i) Inspection of the construction contracts for material construction projects to confirm significant contract terms and any changes in the contract.
(ii) Assessment of whether the total construction costs of material construction projects were revised in a timely manner in response to changes in circumstances that occurred subsequent to the start of construction by inspecting the materials for the project status meetings and inquiring of the personnel responsible for the projects about changes in the project budget; and comparison of the estimated costs with the supporting worksheets that accumulated construction costs.
(iii) Assessment of whether there was a risk of cancellation, incurring additional costs due to factors such as a disaster and a construction delay, as well as penalties associated with technical or product issues with key customers by inspecting the minutes of relevant meetings.
(iv) Evaluation of the accuracy of the Company’s estimates by analyzing the differences between the actual total costs of the construction projects completed in the current fiscal year and the estimated total construction costs of the same projects as of the
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judgment thereon had a significant effect on the estimate of total construction costs. We, therefore, determined that our assessment of the reasonableness of the Company's estimate of the total construction costs related to performance obligations satisfied over time was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	end of the previous fiscal year.

Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We do not perform any work on the other information as we determine such information does not exist.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors 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.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of 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 our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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 an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express 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 presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in "Accounting Fees" included in Notes 31,"Supplemental Information" of the consolidated financial statements.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2025 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

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

We 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.

Kenta Tsujii
Designated Engagement Partner
Certified Public Accountant

Takehiro Nakamura
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Osaka Office, Japan
July 25, 2025

Notes to the Reader of Independent Auditor's Report:
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

CONSOLIDATED BALANCE SHEETS

Kanadevia Corporation and Consolidated Subsidiaries

At March 31, 2024 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2025	2025
ASSETS			
Current assets:			
Cash and deposits (Note 5 and 18)	¥ 71,605	¥ 70,763	$ 473,271
Receivables:			
Trade notes and accounts, contract assets(Note 5):			
Nonconsolidated subsidiaries and affiliates	3,783	5,654	37,816
Other	231,023	222,365	1,487,198
Other	8,949	14,942	99,934
Allowance for doubtful receivables	(1,049)	(889)	(5,949)
	242,705	242,072	1,618,999
Securities (Note 3)	—	1	8
Inventories (Note 4)	19,905	23,083	154,386
Prepaid expenses and other current assets (Note 5)	12,859	21,192	141,738
Total current assets	347,076	357,114	2,388,405
Property, plant and equipment, at cost (Note 5):			
Land (Notes 7 and 26)	40,257	52,414	350,550
Buildings and structures (Note 26)	83,196	96,434	644,959
Machinery and equipment (Note 5)	124,397	129,927	868,965
Lease assets (Note 19)	1,166	1,377	9,211
Right of use assets	12,081	14,978	100,176
Construction in progress	3,067	6,901	46,159
	264,167	302,033	2,020,023
Less accumulated depreciation	(159,689)	(165,973)	(1,110,040)
Property, plant and equipment, net	104,478	136,060	909,983
Intangible assets:			
Goodwill	4,259	14,060	94,034
Other intangible assets	14,999	27,158	181,638
Total intangible assets	19,258	41,218	275,672
Investments and other noncurrent assets:			
Investments in nonconsolidated subsidiaries and affiliates (Notes 3 and 5)	16,751	19,232	128,630
Investments securities (Notes 3 and 5)	6,859	8,338	55,770
Long-term loans receivable (Note 5)	889	3,628	24,268
Net defined benefit assets (Note 22)	8,781	16,192	108,296
Deferred tax assets (Note 23)	17,711	21,341	142,733
Other investments and noncurrent assets	12,450	7,213	48,242
Allowance for doubtful receivables	(705)	(694)	(4,644)
Total investments and other noncurrent assets	62,738	75,252	503,297
Deferred assets	41	20	135
Total assets	¥ 533,593	¥ 609,666	$ 4,077,494

See the accompanying Notes to the Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2025	2025
LIABILITIES			
Current liabilities:			
Notes and accounts payable:			
Nonconsolidated subsidiaries and affiliates	¥ 184	¥ 185	$ 1,242
Other	57,749	65,638	438,993
Short-term borrowings (Note 5)	7,482	31,769	212,477
Current portion of long-term debt	22,106	14,626	97,826
Accrued expenses	84,084	81,803	547,110
Accrued income taxes	2,681	4,966	33,216
Contract liabilities	48,741	40,600	271,537
Provision for share-based payments	—	52	351
Provision for expenses related to quality misconduct	—	1,484	9,928
Reserve for product warranties	18,587	17,394	116,337
Reserve for losses on construction contracts (Note 4)	6,490	7,063	47,239
Provision for demolition and removal	568	—	—
Lease liabilities (Note 19)	1,746	1,661	11,112
Other current liabilities	23,260	27,034	180,811
Total current liabilities	273,682	294,283	1,968,185
Long-term liabilities:			
Long-term debt, less current portion (Note 5)	54,443	80,132	535,934
Asset retirement obligations (Note 25)	3,097	1,125	7,524
Deferred tax liabilities (Note 23)	449	5,820	38,927
Net defined benefit liability (Note 22)	20,985	16,468	110,142
Directors' and corporate auditors' severance and retirement benefits	53	29	197
Provision for loss on liquidation(Note 11)	729	—	—
Provision for loss on litigation	946	946	6,328
Lease liabilities (Note 19)	5,664	7,574	50,658
Provision for demolition and removal	290	858	5,743
Other noncurrent liabilities	4,304	4,532	30,314
Total long-term liabilities	90,964	117,488	785,771
Total liabilities	364,647	411,771	2,753,957
CONTINGENT LIABILITIES (Note 6)			
NET ASSETS (Note 8):			
Common stock			
Authorized —400,000,000 shares			
Issued —170,214,843 shares at March 31, 2024 and 2025	45,442	45,442	303,921
Capital surplus	7,805	7,802	52,181
Retained earnings	100,651	118,870	795,013
Treasury stock, at cost (Note 17) —1,692,716 shares in 2024 —2,026,463 shares in 2025	(1,034)	(1,334)	(8,922)
Net unrealized holding gains (losses) on securities	1,114	1,476	9,876
Net unrealized holding gains (losses) on hedging derivatives	737	528	3,533
Land revaluation difference (Note 7)	(7)	(20)	(138)
Foreign currency translation adjustments	2,194	2,794	18,692
Remeasurements of defined benefit plans	5,755	13,804	92,325
Non-controlling interests in consolidated subsidiaries	6,288	8,530	57,052
Total net assets	168,946	197,895	1,323,536
Total liabilities and net assets	¥ 533,593	¥ 609,666	$ 4,077,494

See the accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

Kanadevia Corporation and Consolidated Subsidiaries

For the Years Ended March 31, 2024 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2025	2025
Net sales	¥ 555,844	¥ 610,523	$ 4,083,220
Cost of sales (Note 9)	460,543	496,338	3,319,544
Gross profit	95,301	114,184	763,676
Selling, general and administrative expenses	70,977	87,238	583,458
Operating income	24,323	26,946	180,218
Other income (expenses):			
Interest and dividend income	976	1,084	7,256
Foreign exchange gain (loss)	1,275	477	3,195
Share of profit of entities accounted for using equity method	1,687	645	4,320
Gain on sale of investments in capital of affiliates	740	—	—
Gain on government grants	344	—	—
Subsidy income	—	337	2,254
Interest expense	(854)	(817)	(5,468)
Loss on net monetary position	(1,345)	(629)	(4,211)
Guarantee commission	(480)	(768)	(5,140)
Arbitration settlements	(317)	—	—
Loss on devaluation of investments securities	(35)	(1,233)	(8,247)
Settlement income (Note 10)	—	2,187	14,630
Reversal of provision for loss on liquidation (Note 11)	—	729	4,876
Impairment loss (Note 12)	(448)	—	—
Provision for reserve on demolition and removal (Note 13)	(858)	—	—
Provision for loss on litigation (Note 14)	(258)	—	—
Expenses related to quality misconduct (Note 15)	—	(3,567)	(23,857)
Other, net	(667)	(1,713)	(11,459)
Total other expenses	(242)	(3,267)	(21,852)
Profit before income taxes and non-controlling interests	24,081	23,678	158,365
Income taxes (Note 23)			
Current	4,123	5,115	34,209
Deferred	877	(3,728)	(24,934)
Profit	19,080	22,291	149,090
Profit (loss) attributable to non-controlling interests	80	188	1,263
Profit attributable to shareholders of Kanadevia	¥ 18,999	¥ 22,103	$ 147,826

	Yen		U.S. dollars (Note 1)
Amounts per share (Note 2)	2024	2025	2025
Net income	¥ 112.74	¥ 131.33	$ 0.87
Cash dividends	23.00	25.00	0.16

See the accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Kanadevia Corporation and Consolidated Subsidiaries
For the Years Ended March 31, 2024 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2025	2025
Profit	¥ 19,080	¥ 22,291	$ 149,090
Other comprehensive income			
Net unrealized holding gains (losses) on securities	(128)	326	2,182
Net unrealized holding gains (losses) on hedging derivatives	633	(179)	(1,197)
Foreign currency translation adjustments	1,327	619	4,144
Remeasurements of defined benefit plans	4,892	7,970	53,305
accounted for using equity method	737	97	649
Total other comprehensive income (Note 18)	7,461	8,834	59,084
Total comprehensive income	26,542	31,126	208,175
Comprehensive income attributable to			
Shareholders of Kanadevia	26,445	30,893	206,620
Non-controlling interests	97	233	1,555

See the accompanying Notes to the Consolidated Financial Statements.

For the year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock (Note 13)	Total shareholders' equity
Balance at beginning of year	¥ 45,442	¥ 8,176	¥ 84,685	¥ (1,029)	¥ 137,274
Changes of items during the period					
Cash dividends			(3,033)		(3,033)
Profit attributable to shareholders of Kanadevia			18,999		18,999
Treasury stock disposed, net					―
Treasury stock purchased, net				(4)	(4)
Change in equity interest		(370)			(370)
Net changes of items other than shareholders' equity					
Total changes during the period	―	(370)	15,966	(4)	15,590
Balance at end of year	¥ 45,442	¥ 7,805	¥ 100,651	¥ (1,034)	¥ 152,865

	Other accumulated comprehensive income						Non-controlling interests in consolidated subsidiaries	Total net assets
	Net unrealized holding gains (losses) on securities	Net unrealized holding gains (losses) on hedging derivatives	Land revaluation difference (Note 7)	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total other accumulated comprehensive income		
Balance at beginning of year	¥ 986	¥ 77	¥ (7)	¥ 426	¥ 863	¥ 2,345	¥ 1,691	¥ 141,311
Changes of items during the period								
Cash dividends								(3,033)
Profit attributable to shareholders of Kanadevia								18,999
Treasury stock disposed, net								―
Treasury stock purchased, net								(4)
Change in equity interest								(370)
Net changes of items other than shareholders' equity	128	659	―	1,767	4,891	7,447	4,596	12,044
Total changes during the period	128	659	―	1,767	4,891	7,447	4,596	27,635
Balance at end of year	¥ 1,114	¥ 737	¥ (7)	¥ 2,194	¥ 5,755	¥ 9,792	¥ 6,288	¥ 168,946

See the accompanying Notes to the Consolidated Financial Statements.

For the year ended March 31, 2025

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock (Note 13)	Total shareholders' equity
Balance at beginning of year	¥ 45,442	¥ 7,805	¥ 100,651	¥ (1,034)	¥ 152,865
Changes of items during the period					
Cash dividends			(3,876)		(3,876)
Profit attributable to shareholders of Kanadevia			22,103		22,103
Treasury stock disposed, net		0		0	0
Treasury stock purchased, net				(299)	(299)
Change in equity interest		(3)	(21)		(24)
Reversal of land revaluation difference			12		12
Net changes of items other than shareholders' equity					
Total changes during the period	—	(3)	18,218	(299)	17,915
Balance at end of year	¥ 45,442	¥ 7,802	¥ 118,870	¥ (1,334)	¥ 170,780

	Other accumulated comprehensive income						Non-controlling interests in consolidated subsidiaries	Total net assets
	Net unrealized holding gains (losses) on securities	Net unrealized holding gains (losses) on hedging derivatives	Land revaluation difference (Note 7)	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total other accumulated comprehensive income		
Balance at beginning of year	¥ 1,114	¥ 737	¥ (7)	¥ 2,194	¥ 5,755	¥ 9,792	¥ 6,288	¥ 168,946
Changes of items during the period								
Cash dividends								(3,876)
Profit attributable to shareholders of Kanadevia								22,103
Treasury stock disposed, net								0
Treasury stock purchased, net								(299)
Change in equity interest								(24)
Reversal of land revaluation difference								12
Net changes of items other than shareholders' equity	362	(208)	(12)	600	8,049	8,790	2,242	11,032
Total changes during the period	362	(208)	(12)	600	8,049	8,790	2,242	28,948
Balance at end of year	¥ 1,476	¥ 528	¥ (20)	¥ 2,794	¥ 13,804	¥ 18,583	¥ 8,530	¥ 197,895

See the accompanying Notes to the Consolidated Financial Statements.

For the year ended March 31, 2025

(Thousands of U.S. dollars (Note 1))

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock (Note 13)	Total shareholders' equity
Balance at beginning of year	$ 303,921	$ 52,204	$ 673,167	$ (6,918)	$ 1,022,374
Changes of items during the period					
Cash dividends			(25,923)		(25,923)
Profit attributable to shareholders of Kanadevia			147,826		147,826
Treasury stock disposed, net		0		0	0
Treasury stock purchased, net				(2,003)	(2,003)
Change in equity interest		(23)	(142)		(165)
Reversal of land revaluation difference			85		85
Net changes of items other than shareholders' equity					
Total changes during the period	—	(23)	121,846	(2,003)	119,820
Balance at end of year	$ 303,921	$ 52,181	$ 795,013	$ (8,922)	$ 1,142,194

	Other accumulated comprehensive income						Non-controlling interests in consolidated subsidiaries	Total net assets
	Net unrealized holding gains (losses) on securities	Net unrealized holding gains (losses) on hedging derivatives	Land revaluation difference (Note 7)	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total other accumulated comprehensive income		
Balance at beginning of year	$ 7,454	$ 4,929	$ (52)	$ 14,675	$ 38,490	$ 65,496	$ 42,056	$ 1,129,927
Changes of items during the period								
Cash dividends								(25,923)
Profit attributable to shareholders of Kanadevia								147,826
Treasury stock disposed, net								0
Treasury stock purchased, net								(2,003)
Change in equity interest								(165)
Reversal of land revaluation difference								85
Net changes of items other than shareholders' equity	2,422	(1,395)	(85)	4,017	53,835	58,793	14,995	73,789
Total changes during the period	2,422	(1,395)	(85)	4,017	53,835	58,793	14,995	193,609
Balance at end of year	$ 9,876	$ 3,533	$ (138)	$ 18,692	$ 92,325	$ 124,289	$ 57,052	$ 1,323,536

See the accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Kanadevia Corporation and Consolidated Subsidiaries
For the Years Ended March 31, 2024 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2025	2025
Cash flows from operating activities:			
Profit before income taxes and non-controlling interests	¥ 24,081	¥ 23,678	$ 158,365
Adjustments to reconcile profit before income taxes and non-controlling interests to net cash provided by operating activities:			
Depreciation	11,134	11,913	79,678
Impairment loss	448	—	—
Increase (decrease) in provision for loss on liquidation	—	(729)	(4,876)
Increase (decrease) in provision for loss on litigation	258	—	—
Increase (decrease) in provision for dismantlement	858	—	—
Amortization of goodwill	350	1,453	9,719
Increase (decrease) of net defined benefit liability	481	366	2,448
Increase (decrease) in allowance for doubtful receivables	(2,817)	(149)	(1,002)
Increase (decrease) in reserve for losses on construction contracts	(424)	569	3,807
Increase (decrease) in provision for product warranty	2,635	(1,346)	(9,002)
Increase (decrease) on provision for expenses related to quality misconduct	—	1,484	9,925
Interest and dividend income	(976)	(1,084)	(7,256)
Interest expense	854	817	5,468
Loss on net monetary position	1,345	629	4,211
Foreign exchange loss (gain)	(1,275)	(477)	(3,195)
Equity in net loss (gain) of nonconsolidated subsidiaries and affiliates	(1,687)	(645)	(4,320)
Gain on sale of investments in capital of affiliates	(740)	—	—
Loss (gain) on valuation of investment securities	—	1,233	8,247
Decrease (increase) in trade receivables and contract assets	(27,643)	15,764	105,436
Decrease (increase) in inventories	(802)	(647)	(4,327)
Decrease (increase) in other current assets	(660)	(11,799)	(78,916)
Increase (decrease) in trade payables	(18,244)	4,325	28,932
Increase (decrease) in accrued expenses	8,705	(3,628)	(24,265)
Increase (decrease) in contract liabilities	3,301	(8,508)	(56,907)
Increase (decrease) in other current liabilities	9,905	(2,669)	(17,850)
Other	(3,426)	(3,997)	(26,735)
Subtotal	5,661	26,552	177,585
Interest and dividends received	1,263	1,543	10,322
Interest paid	(883)	(429)	(2,874)
Income taxes paid	(5,563)	(2,896)	(19,370)
Net cash and cash equivalents provided by operating activities	478	24,769	165,662
Cash flows from investing activities:			
Increase in time deposits	(29,360)	(2,319)	(15,511)
Decrease in time deposits	29,161	2,076	13,888
Purchase of property, plant and equipment	(7,770)	(25,181)	(168,416)
Proceeds from sales of property, plant and equipment	250	223	1,494
Purchase of intangible assets	(4,331)	(3,253)	(21,762)
Purchase of investments in securities	(186)	(2,632)	(17,606)
Proceeds from sales of investments in capital of affiliates	1,078	—	—
Payments for investments in capital of affiliates	(888)	—	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,535)	(25,056)	(167,582)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(15)	(104)
Payments for transfer of business	(6,035)	—	—
Increase in long term loans receivable	(829)	(2,517)	(16,839)
Other	(45)	2,104	14,075
Net cash and cash equivalents used in investing activities	(21,491)	(56,573)	(378,364)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	4,322	23,390	156,440
Proceeds from long-term debt	9,867	34,355	229,771
Payment of long-term debt	(13,290)	(12,627)	(84,455)
Redemption of bonds	—	(10,000)	(66,880)
Cash dividends paid	(3,033)	(3,876)	(25,923)
Payments for changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(24)	(165)
Other	(473)	(1,066)	(7,135)
Net cash and cash equivalents provided by (used in) financing activities	(2,606)	30,150	201,650
Effect of exchange rate changes on cash and cash equivalents	5,019	584	3,911
Net decrease in cash and cash equivalents	(18,599)	(1,067)	(7,139)
Cash and cash equivalents at beginning of year	84,874	69,774	466,659
Increase in cash and cash equivalents resulting from new consolidations	3,500	—	—
Cash and cash equivalents at end of year (Note 18)	¥ 69,774	¥ 68,707	$ 459,520

See the accompanying Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Kanadevia Corporation (“the Company”) and its consolidated subsidiaries (together, “the Companies”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of the Company’s overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. As discussed in Note 2, the accounts of the consolidated overseas subsidiaries for the year ended March 31, 2025 were prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. The accompanying consolidated financial statements have been reformatted and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

Figures are presented in millions of yen and are rounded down to the nearest million yen, unless otherwise indicated. As permitted by the regulations under the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements in yen do not necessarily agree with the sums of the individual amounts.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2025, which was ¥149.52 to U.S. $1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Significant Accounting Policies

a) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company has power of control through majority voting rights or the existence of certain other conditions evidencing control by the Company. Investments in nonconsolidated subsidiaries and affiliates over which the Company has the ability to exercise significant influence over operating and financial policies are accounted for by the equity method.

The consolidated financial statements consist of the accounts of the Company and its 158 significant subsidiaries that meet the control requirements for consolidation. Intercompany transactions and accounts have been eliminated in the consolidation.

Investments in 35 affiliates are accounted for by the equity method.

The consolidated financial statements include the accounts of 17 consolidated subsidiaries with the fiscal year-ends of December 31. Appropriate adjustments were made for significant transactions during the period from December 31 to March 31, the date of the consolidated financial statements.

b) Cash Flow Statements

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and highly liquid debt investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

c) Translation of Foreign Currencies

Foreign currency monetary assets and liabilities are translated into Japanese yen at the year-end rates, and the resulting translation gains and losses are included in the current statement of income.

Assets and liabilities of the consolidated overseas subsidiaries are translated into Japanese yen using the exchange rates prevailing at the end of each fiscal year. Revenue and expenses are translated at the average rates of exchange for the respective years. The resulting foreign currency translation adjustments are shown as a separate component of net assets, net of the non-controlling interests in the consolidated subsidiaries, in the consolidated balance sheets.

d) Revenue Recognition

In "Environmental Systems" "Machinery and Infrastructure" and "Carbon Neutral Solution", which are the main businesses of the Company and its consolidated subsidiaries, the Company and its consolidated subsidiaries carry out construction work and sell products. The main performance obligations and the normal times at which the performance obligations are satisfied (the normal time at which revenue is recognized) are as follows.

(1) Construction contracts

Revenue from construction contracts for engineering, manufacturing and other work is recognized on the basis that the performance obligation is deemed to be satisfied over a certain period of time and that an estimate can be made of the degree of progress made in satisfying that performance obligation to the customer.

In regard to construction contracts a reasonable estimate of the degree of progress made in satisfying the performance obligation can be determined based on costs incurred. The measurement of progress is based on the proportion of costs incurred to the end of the period to the estimated total cost.

Certain consolidated subsidiaries recognize revenue on a cost recovery basis when the degree of completion in meeting performance obligations cannot be reasonably estimated, but the costs incurred are expected to be recovered. When it is probable that certain refund obligations to customers will be incurred, such as damages for late delivery and non-fulfilment of other performance obligations, revenue is reduced by an estimate of the relevant portion. The consideration for transactions is received mainly in stages as progress is made in meeting performance obligations or in accordance with contracts with customers and does not include a significant financial component.

(2) Product sales

Revenue from the sale of products is mainly recognized at the time of delivery of the product when the customer obtains control over the product as the performance obligation is usually deemed to be satisfied at the time of delivery of the product. The consideration received in such transactions is received mainly within one year of satisfaction of the performance obligation and does not include a significant financial element.

e) Allowance for Doubtful Receivables

For receivables from insolvent customers who are undergoing bankruptcy or other collection proceedings or who are in a similar financial condition, the allowance for doubtful accounts is provided based on an evaluation of each customer’s financial condition and an estimation of recoverable amounts due to the existence of security interests or guarantees.

For other receivables, the allowance for doubtful receivables is provided based on the Companies’ actual rate of bad debts in the past.

f) Securities

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for by the equity method are stated at moving average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized holding gains and unrealized holding losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are calculated using moving average cost. Securities with no available fair market value which are classified as available-for-sale securities are stated at moving average cost.

If the market value of held-to-maturity debt securities, equity securities issued by nonconsolidated subsidiaries and affiliated companies or available-for-sale securities declines significantly, the securities are stated at fair market value, and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of equity securities issued by nonconsolidated subsidiaries or affiliated companies not on the equity method is not readily available, the securities are written down to net asset value with a corresponding charge in the statement of income in the event net asset value declines significantly. In these cases, the fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

g) Derivatives and Hedge Accounting

Derivative financial instruments are stated at fair value and changes in the fair values are recognized as gains and losses unless the derivative financial instruments are used for hedging purposes.

(1) Hedge accounting

The Companies defer recognition of gains and losses resulting from changes in the fair value of derivative financial instruments until the related losses and gains on the hedged items are recognized.

If the derivative financial instruments are used as hedges and meet certain hedging criteria, the group defers recognition of gain or loss resulting from changes in the fair value of a derivative financial instrument until the related loss or gain on the corresponding hedged item is recognized ("deferred hedge" method). Deferred gains and losses on these derivative instruments are reported, net of applicable income taxes, as a separate component of accumulated other comprehensive income in net assets.

If foreign currency exchange contracts are used as hedges and meet certain hedging criteria, the hedged items are stated at the forward exchange rates ("assigning" method).

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the asset or liability for which the swap contract was executed.

(2) Hedging instruments and hedged items

Hedging instruments:	Interest rate swap contracts
Hedged items:	Interest on borrowings and bonds payable
Hedging instruments:	Forward foreign exchange contracts and other derivatives
Hedged items:	Trade receivables and expected trade receivables denominated in foreign currencies from exports of products, trade payables and expected trade payables denominated in foreign currencies from imports of materials

(3) Hedging policy

The Companies use derivative financial instruments to hedge future risks of interest rate fluctuations and future risks of foreign exchange fluctuations in accordance with their internal policies and procedures.

(4) Evaluation of hedge effectiveness

The Companies evaluate hedge effectiveness by comparing the cumulative changes in cash flows and foreign currency exchange or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments.

(5) Control over use of derivatives

When the accounting sections of group companies use derivatives, they follow the group companies' basic policies approved at the management strategy conferences and the group companies' administrative rules.

h) Inventories

Work in progress is composed of the accumulated production costs of contracts. The accumulated production costs include direct production costs, factory and engineering overhead and other costs incurred. And it is stated at the lower of the accumulated production costs of contracts or net realizable value at the end of the fiscal year.

Raw materials and supplies are stated at the lower of the costs, which are generally determined by the specific identification method or the moving average method, or net realizable value at the end of the fiscal year.

i) Depreciation and Amortization

Depreciation, except for that of leased assets, is calculated, with minor exceptions, by the declining balance method. However, buildings, excluding facilities attached to buildings, acquired after April 1, 1998 and facilities attached to buildings and structures acquired after April 1, 2016 are depreciated using the straight-line method.

Amortization of intangible assets, except for leased assets, is calculated by the straight-line method based on the useful life of the asset.

Depreciation for leased assets is calculated by the straight-line method over the term of the lease to the residual value of zero.

Depreciation for right-of-use assets is calculated by the straight-line method to the residual value of zero over the shorter of the lease term or the useful life.

j) Software Costs

The Companies include internal use software in intangible assets and depreciate it using the straight-line method over the estimated useful life of five years.

k) Goodwill

Goodwill is amortized by the straight-line method over five or ten years.

l) Deferred Assets

Bond issue expenses are amortized by the straight-line method over the repayment period of the bond.

m) Reserve for Product Warranty

The reserve for product warranty, which is based on the experience of the past two years, is provided to cover possible warranty costs incurred after delivery or completion of construction.

n) Reserve for Losses on Construction Contracts

To provide for losses on construction contracts, the Companies record an estimated amount at the end of the fiscal year.

o) Employees' Severance and Retirement Benefits

In calculating projected benefit obligation, the benefit formula basis is used as the method of attributing expected benefit obligation to the period up to the end of this fiscal year.

Unrecognized past service costs are recognized by the straight-line method over a certain term within the average remaining service period of the employees (from 5 to 12 years).

Unrecognized actuarial differences are recognized as income or expenses from the following fiscal year by the straight-line method over a certain term within the average remaining service period of the employees (from 5 to 12 years) of the respective fiscal years.

p) Directors' and Corporate Auditors' Severance and Retirement Benefits

To provide for payment of retirement benefits to directors and corporate auditors, the Companies record the required amount based on internal regulations for retirement benefits for directors and corporate auditors at the end of the fiscal year.

q) Provision for loss on liquidation

Provision for loss on liquidation is recorded for the expected losses associated with business reorganization.

r) Provision for loss on litigation

Provision for loss on litigation is recorded for the expected losses from ongoing litigations.

s) Provision for demolition and removal

Provision for demolition and removal is recorded for the anticipated future costs of removing fixed assets.

t) Provision for share-based payments

To provide for the delivery of the Company's shares to directors, etc. and payment, the Companies recognize the required amount for delivery and payment based on internal regulations for share-based payments, according to the points allocated to directors, etc.

u) Provision for expenses related to quality misconduct

Provision for expenses related to quality misconduct is recognized for the expected losses due to inappropriate conducts related to quality, etc. and for which the amount can be reasonably estimated.

v) Research and Development Expenses

Research and development expenses are charged to selling, general and administrative expenses and manufacturing costs as incurred. Research and development expenses amounted to ¥11,246 million and ¥12,028 million ($80,445 thousand) for the years ended March 31, 2024 and 2025, respectively.

w) Income Taxes

The provision for income taxes is based on income for financial statement purposes. Deferred income taxes are recognized for loss carryforwards and temporary differences between financial and tax reporting purposes. Income taxes comprise corporation tax, enterprise tax and prefectural and municipal inhabitant taxes.

The Company and some of its domestic consolidated subsidiaries have adopted the group tax sharing system.

From the beginning of the year ending March 31, 2023, the group tax sharing system is applied.

x) Amounts Per Share

Basic net income per share is calculated based on the weighted average number of shares of common stock outstanding during each year.

Diluted net income per share is not shown because there were no dilutive securities.

y) Significant Accounting Estimates

(For the fiscal year ended March 31, 2024)

① Revenue recognition of construction contracts

(1) Amounts recorded in the consolidated financial statements for the fiscal year ended March 31, 2024

For the contracts in which control over the good or services will be transferred to the customer over a period of time, the amount for sales recognized over a period of time was ¥388,602 million.

(2) Information on significant accounting estimates for identified items

The Companies recognize revenue in this fiscal year for the construction contracts in which control over the good or services will be transferred to the customer over a period of time, by estimating the total revenue, the total cost of construction and the percentage of completion in perfectly satisfying the performance obligation per contract.

Of these estimates, the total cost of construction is calculated by specifying the nature of the work and estimating appropriate costs based on the specifications and delivery date stipulated in the contract with the customer. In addition, it is reviewed on a timely basis, and changes in circumstances after the order is received are reflected in the estimate of the total construction cost.

In the event that costs exceed the initially estimated total construction costs due to cancellations of contracts with major customers during the term of the contract, additional costs due to disasters, construction delays, etc., or penalties due to technical or product problems, etc., the business results for the following consolidated fiscal year may be affected.

② Recoverability of deferred tax assets

(1) Amounts recorded in the consolidated financial statements for the fiscal year ended March 31, 2024

The amount of deferred tax assets for the consolidated fiscal year ended March 31, 2024 was ¥17,711 million and the net amount after deducting deferred tax liabilities of ¥449 million was ¥17,261 million. For details, see Notes 23, "Income Taxes".

(2) Information on significant accounting estimates for identified items

Deferred tax assets are evaluated for recoverability based on business plans, future taxable income generation and tax planning. In particular, deferred tax assets for tax loss carryforwards are recognized to the extent that it is probable that they will be offset by future taxable income, taking into consideration projected future taxable income and tax planning.

Business plans, which are the basis for the generation of future taxable income, are formulated by each company based on certain assumptions, taking into account the business environment, such as in the forecast of order intakes and other factors. In previous fiscal year, the deferred tax assets for tax loss carryforwards mainly occurred by Kanadevia Inova AG. The deferred tax assets were recognized due to a significant deterioration in the company's profits in prior years. The deferred tax assets are expected to be recoverable due to the expectation of future taxable income resulting from the receipt of order intakes for large, profitable projects and the implementation of accurate budget management and appropriate construction management.

If, as a result of a review of future taxable income due to changes in the business environment, etc., it is determined that all or part of the deferred tax assets are not recoverable and a reversal of the deferred tax assets becomes necessary, the financial position and business results of the next consolidated fiscal year may be affected.

(For the fiscal year ended March 31, 2025)

① Revenue recognition of construction contracts

(1) Amounts recorded in the consolidated financial statements for the fiscal year ended March 31, 2025

For the contracts in which control over the good or services will be transferred to the customer over a period of time, the amount for sales recognized over a period of time was ¥434,672 million ($2,907,118 thousand).

(2) Information on significant accounting estimates for identified items

The Companies recognize revenue in this fiscal year for the construction contracts in which control over the good or services will be transferred to the customer over a period of time, by estimating the total revenue, the total cost of construction and the percentage of completion in perfectly satisfying the performance obligation per contract.

Of these estimates, the total cost of construction is calculated by specifying the nature of the work and estimating appropriate costs based on the specifications and delivery date stipulated in the contract with the customer. In addition, it is reviewed on a timely basis, and changes in circumstances after the order is received are reflected in the estimate of the total construction cost.

In the event that costs exceed the initially estimated total construction costs due to cancellations of contracts with major customers during the term of the contract, additional costs due to disasters, construction delays, etc., or penalties due to technical or product problems, etc., the business results for the following consolidated fiscal year may be affected.

② Recoverability of deferred tax assets

(1) Amounts recorded in the consolidated financial statements for the fiscal year ended March 31, 2025

The amount of deferred tax assets for the consolidated fiscal year ended March 31, 2025, was ¥21,341 million ($142,733 thousand) and the net amount after deducting deferred tax liabilities of ¥5,820 million ($38,927 thousand) was ¥15,521 million ($103,805 thousand). For details, see Notes 23, "Income Taxes".

(2) Information on significant accounting estimates for identified items

Deferred tax assets are evaluated for recoverability based on business plans, future taxable income generation and tax planning. In particular, deferred tax assets for tax loss carryforwards are recognized to the extent that it is probable that they will be offset by future taxable income, taking into consideration projected future taxable income and tax planning.

Business plans, which are the basis for the generation of future taxable income, are formulated by each company based on certain assumptions, taking into account the business environment, such as in the forecast of order intakes and other factors. The deferred tax assets for tax loss carryforwards mainly occurred by Kanadevia Inova Steinmüller GmbH. The deferred tax assets were recognized due to a significant deterioration in the company's profits in prior years. The deferred tax assets are expected to be recoverable due to the expectation of future taxable income resulting from the receipt of order intakes for large, profitable projects and the implementation of accurate budget management and appropriate construction management.

If, as a result of a review of future taxable income due to changes in the business environment, etc., it is determined that all or part of the deferred tax assets are not recoverable and a reversal of the deferred tax assets becomes necessary, the financial position and business results of the next consolidated fiscal year may be affected.

x) Reclassifications

Certain reclassifications were made to previously reported amounts for the fiscal year ended March 31,2024 to conform to the fiscal year ended March 31, 2025, presentation. These reclassifications had no effect on previously reported net profit or total shareholders' equity.

(Issued accounting standards and interpretations not yet adopted)

-"Accounting Standard for Leases" (ASBJ Statement No.34, issued on September 13, 2024)

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

(a) Overview

The ASBJ considered the development of accounting standard for leases in light of IFRS 16 under which a lessee recognizes all leased assets and the corresponding liabilities on its balance sheet, as part of the convergence efforts align to J-GAAP with IFRS. As a fundamental policy, it decided to integrate the primary provisions of IFRS 16 and issued the accounting standard for leases that aims to apply the provisions of IFRS 16 simply and conveniently in preparation of financial statements and without the need for revision, in principle. The accounting standard for leases applies a single lessee accounting model that recognizes depreciation expenses on the right-of-use assets and interest expense on the lease liabilities with regard to expense recognition of lessees regardless of classification as finance leases or operating leases, consistent with IFRS 16.

(b) Scheduled date of application

It will be applied from the beginning of the fiscal year ending March 31, 2028

(c)Effect of application of the accounting standards, etc.

The effect of application of these accounting standards, etc., on the consolidated financial statements is currently under evaluation.

(Additional information)

The Company have introduced a corporate performance-linked share-based remuneration plan (hereinafter the "Plan") for the Company's Directors and Executive Officers (excluding Outside Directors and those who are non-residents of Japan; hereinafter collectively the "Eligible Directors, etc.") aiming to raise their awareness of contributing to improve the medium- to long-term business performance and enhancing corporate value.

(a) Introduction of the Plan

Under The Plan, the Company's shares are acquired using the money entrusted by the Company through an established Board Incentive Plan ("BIP") trust, and the Company's shares and cash in an amount equivalent to the conversion value of the Company's shares are granted and paid to the Eligible Directors, etc. annually based on the position of the Eligible Directors, etc., the level of performance targets and other factors.

(b) The Company's shares held by the trust

The Company's shares held by the trust were recorded as Treasury shares under Net assets based on their book value in the trust (after deducting the amount of associated expenses). The book value and number of the shares are ¥295 million ($1,972 thousand) and 329,630 share for the fiscal year ended March 31, 2025.

3. Securities

a) Held-to-maturity debt securities in the years ended March 31, 2024 and 2025 were as follows:

Held-to-maturity debt securities:
At March 31, 2024
Securities with book values (fair values) not exceeding acquisition costs:

	Millions of yen		
	Book value	Fair value	Difference
Others	¥ –	¥ –	¥ –

At March 31, 2025
Securities with book values (fair values) not exceeding acquisition costs:

	Millions of yen		
	Book value	Fair value	Difference
Others	¥ 1	¥ 1	¥ –

	Thousands of U.S. dollars		
	Book value	Fair value	Difference
Others	$ 6	$ 6	$ –

b) The following tables summarize acquisition costs, book values and fair values of securities with available fair values as of March 31, 2024 and 2025:

Available-for-sale securities:
At March 31, 2024
Securities with book values (fair values) exceeding acquisition costs:

	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	¥ 2,432	¥ 1,610	¥ 821
Bonds	30	30	0
Total	¥ 2,462	¥ 1,640	¥ 821

Securities with book values (fair values) not exceeding acquisition costs:

	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	¥ 1	¥ 1	¥ (0)
Others	513	534	(21)
Total	¥ 514	¥ 536	¥ (21)

At March 31, 2025

Securities with book values (fair values) exceeding acquisition costs:

	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	¥ 3,190	¥ 1,946	¥ 1,244
Bonds	–	–	–
Total	¥ 3,190	¥ 1,946	¥ 1,244

Securities with book values (fair values) not exceeding acquisition costs:

	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	¥ 598	¥ 605	¥ (6)
Bonds	28	30	(1)
Others	489	534	(45)
Total	¥ 1,116	¥ 1,169	¥ (52)

Securities with book values (fair values) exceeding acquisition costs:

	Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference
Equity securities	$ 21,339	$ 13,015	$ 8,324
Bonds	–	–	–
Total	$ 21,339	$ 13,015	$ 8,324

Securities with book values (fair values) not exceeding acquisition costs:

	Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference
Equity securities	$ 4,005	$ 4,046	$ (40)
Bonds	190	200	(10)
Others	3,271	3,572	(301)
Total	$ 7,467	$ 7,819	$ (352)

Note. There was no available fair market price for non-listed equity securities. As a result, these securities were not included in the table (1) Available-for-sale securities.

c) Sales of available-for-sale securities in the years ended March 31, 2024 and 2025 were as follows:

Year ended March 31, 2024

	Millions of yen		
	Sales	Gains on sales	Losses on sales
Equity securities	¥ 5	¥ —	¥ —
Others	35	18	(0)
Total	¥ 41	¥ 18	¥ (0)

Year ended March 31, 2025

	Millions of yen		
	Sales	Gains on sales	Losses on sales
Equity securities	¥ 57	¥ 7	¥ —
Others	0	—	(0)
Total	¥ 58	¥ 7	¥ (0)

	Thousands of U.S. dollars		
	Sales	Gains on sales	Losses on sales
Equity securities	$ 385	$ 50	$ —
Others	4	—	(0)
Total	$ 389	$ 50	$ (0)

d) Impaired securities
Since the amount of impaired securities for year ended March 31, 2024 was immaterial, the disclosure is omitted. Impaired securities in year ended March 31, 2025 are ¥1,520 million ($10,168 thousand).

4. Inventories

Inventories at March 31, 2024 and 2025 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Merchandise and finished goods	¥ 2,297	¥ 2,049	$ 13,710
Work in progress	7,039	8,261	55,251
Raw material and supplies	10,568	12,772	85,424
Total	¥ 19,905	¥ 23,083	$ 154,386

Inventories for construction contracts with expected losses and a reserve for losses on construction contracts were not offset but individually reported.

The corresponding amounts of inventories for the reserve for losses on construction contracts at March 31, 2024 and 2025 were ¥327 million and ¥275 million ($1,844 thousand), respectively, all of which represented work in progress.

5. Short-term Borrowings and Long-term Debt

Shor-term borrowings that represented bank borrowings bearing average interest rates of 0.43% and 0.80 % as of March 31, 2024 and 2025, respectively, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Secured (or partly secured)	¥ –	¥ –	$ –
Unsecured	7,482	31,769	212,477
Total	¥ 7,482	¥ 31,769	$ 212,477

As of March 31, 2024 and 2025, the Company had line-of-credit agreements for short-term borrowings with financial institutions totaling ¥30,000 million and ¥30,000 million ($200,642 thousand). The used amounts were zero as of March 31, 2024 and zero as of March 31, 2025.

Long-term debt as of March 31, 2024 and 2025 consisted of the followings:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Borrowings from banks and other financial institutions at 1.34% to 1.53%, due through 2082:			
Secured (or partly secured)	¥ 2,079	¥ 2,709	$ 18,119
Unsecured	44,469	72,050	481,880
Straight bonds at 0.57% due 2024	10,000	–	–
Straight bonds at 0.59% due 2025	10,000	10,000	66,880
Straight bonds at 0.43% due 2026	10,000	10,000	66,880
Lease liabilities	7,411	9,236	61,771
Less current portion included in current liabilities	(23,852)	(16,288)	(108,939)
Total	¥ 60,107	¥ 87,707	$ 586,593

The following assets were pledged as collateral mainly for secured long-term debt of ¥2,079 million at March 31, 2024 and ¥2,709 million ($18,119 thousand) at March 31, 2025:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Cash and deposits	¥ –	¥ 2,412	$ 16,131
Marchandise and finished goods	–	305	2,041
Trade notes and accounts	9,484	3,167	21,185
Prepaid expenses and other current assets	1	513	3,437
Property, plant and equipment, net	1,105	4,518	30,217
Investments in nonconsolidated subsidiaries and affiliates	25	25	167
Investments in securities	76	674	4,507
Long-term loans receivable	8	6	43
Other non-current assets	807	1,870	12,507
Total	¥ 11,508	¥ 13,492	$ 90,239

The aggregate annual maturities of long-term debt outstanding at March 31, 2025 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2027	¥ 16,491	$ 110,294
2028	5,289	35,376
2029	13,789	92,227
2030	18,011	120,465
2031 and thereafter	34,125	228,230
Total	¥ 87,707	$ 586,593

6. Contingent Liabilities

Contingent liabilities at March 31, 2024 and 2025 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Guarantees of bank borrowings and other indebtedness	¥ 5,760	¥ 4,149	27,752
Total	¥ 5,760	¥ 4,149	$ 27,752

7. Land Revaluation Difference

Land for operations was revalued by consolidated subsidiaries in accordance with the Land Revaluation Law in the year ended March 31, 2000. The revaluation amount is shown as a separate component of net assets.

At October 1, 2002, the Company merged with HEC Corporation, which was a consolidated subsidiary, and succeeded to the land revaluation difference.

The market value of the land was ¥71 million and ¥71 million ($481 thousand) lower than the revalued book amount at March 31, 2024 and 2025, respectively.

8. Net Assets

Under the Japanese Companies Act ("the law") and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

In cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. However, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the annual shareholders' meeting held on June 24, 2025, the shareholders approved cash dividends of ¥4,212 million ($28,176 thousand), which includes dividends of ¥8 million ($55 thousand) for shares held by the BIP trust established for the remuneration plan for the Company's directors, etc. The appropriation is recognized in the period in which it is approved by the shareholders and has therefore not been accrued in the consolidated financial statements as of March 31, 2025. This type of appropriation is recognized in the period in which it is approved by the shareholders.

9. Provision for Losses on Construction Contracts Included in Cost of Sales

Provision for losses on construction contracts included in cost of sales was ¥1,669 million and ¥3,057 million ($20,448 thousand) for the years ended March 31, 2024 and 2025, respectively.

10. Settlement income

Regarding the insurance claim lawsuit which had been pending in the US courts, a settlement agreement was completed among the US civil construction JV, the Company and insurers in October 2024. The settlement agreement which was reached with the JV in 2019 contained the terms of an agreement with respect to the insurance claim lawsuit and the Company received the settlement based on the 2019 agreement. Settlement income for the fiscal year ended March 31, 2025, was recorded in the amount of ¥2,187 million ($14,630 thousand) after deduction of legal fees etc. related to the insurance claim lawsuit.

11. Reversal of provision for loss on liquidation

Provision for loss on liquidation for the fiscal year ended March 31, 2023, was recorded due to provision for loss of removal of equipment. For the fiscal year ended March 31, 2025, the provision was reversed and reversal of provision for loss on liquidation was recorded in the amount of ¥729 million ($4,876 thousand) due to transfer of the equipment.

12. Impairment loss

The asset on which the Companies recognized impairment loss in the year ended March 31, 2024 was as follows:

Dormitories, welfare facilities

The Company determined that there were indicators of impairment for fixed assets due to the decision to dismantle and remove some of the dormitories and welfare facilities owned by the Company in the future. As a result of examining the future recoverability, the book value of fixed assets was reduced to the recoverable amount, and the reduction of ¥448 million was recorded as impairment loss.

Location	Use	Type of Assets		Millions of yen
		Buildings and structures	¥	296
Japan	Dormitories, welfare facilities	Machinery, equipment and vehicles		4
		Land		147
Total			¥	448

The recoverable amount of these dormitories and welfare facilities was measured based on the net sales value and was evaluated based on the value after reasonably adjusting for the assessed value of fixed asset tax.

13. Provision for reserve on demolition and removal

Provision for reserve on demolition and removal for the fiscal year ended March 31, 2024, was recorded in the amount of ¥858 million for the anticipated future costs of removing fixed assets.

14. Provision for loss on litigation

Provision for loss on litigation for the fiscal year ended March 31, 2024 were recorded in the amount of ¥258 million due to pending litigation.

15. Expenses related to quality misconduct

Regarding the inappropriate conducts in the marine engine business and other businesses of our group, Expenses related to quality misconduct for the fiscal year ended March 31, 2025 were ¥3,567 million ($23,857 thousand) including the investigation costs incurred by the Special Investigation Committee in the year ended March 2025 as well as the expected expenses related to compliance with regulations (such as NOx and CO2 regulations).

16. Comprehensive Income Information

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Net unrealized holding gains (losses) on securities			
Increase (decrease) during the year	¥ (151)	¥ (1,088)	$ (7,280)
Reclassification adjustments	(18)	1,476	9,876
Subtotal before tax	(170)	388	2,595
Tax benefit (expenses)	42	(61)	(412)
Subtotal net of tax	(128)	326	2,182
Net unrealized holding gains (losses) on hedging derivatives			
Increase (decrease) during the year	¥ 1,253	¥ 357	$ 2,388
Reclassification adjustments	(373)	(462)	(3,094)
Subtotal before tax	879	(105)	(706)
Tax benefit (expenses)	(246)	(73)	(491)
Subtotal net of tax	633	(179)	(1,197)
Foreign currency translation adjustments			
Increase (decrease) during the year	¥ 1,341	¥ 619	$ 4,144
Reclassification adjustments	(13)	–	–
Subtotal	1,327	619	4,144
Remeasurements of defined benefit plans			
Increase (decrease) during the year	¥ 8,260	¥ 12,311	$ 82,342
Reclassification adjustments	(2,124)	(2,065)	(13,814)
Subtotal before tax	6,135	10,246	68,527
Tax benefit (expenses)	(1,243)	(2,276)	(15,222)
Subtotal net of tax	4,892	7,970	53,305
Equity of nonconsolidated subsidiaries and affiliates accounted for using equity method			
Increase (decrease) during the year	¥ 737	¥ 97	$ 649
Reclassification adjustments	–	–	–
Subtotal	737	97	649
Total other comprehensive income	¥ 7,461	¥ 8,834	$ 59,084

17. Treasury Stock

Treasury stock for the years ended March 31, 2024 and 2025 consisted of the following:

Year ended March 31, 2024

Number of shares of common stock	Thousands
At March 31, 2023	1,687
Increase	5
Decrease	—
At March 31, 2024	1,692

Year ended March 31, 2025

Number of shares of common stock	Thousands
At March 31, 2024	1,692
Increase	333
Decrease	(0)
At March 31, 2025	2,026

The number of treasury stock at end of period includes the Company's shares held by the BIP trust established for the remuneration plan for the Company's directors, etc. (329,630 shares as of March 31, 2025, - shares as of March 31, 2024).

18. Cash Flow Information

Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows and cash and deposits in the consolidated balance sheets at March 31, 2024 and 2025 were reconciled as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Cash and deposits in the balance sheets	¥ 71,605	¥ 70,763	$ 473,271
Time deposits with maturities over three months	(1,831)	(2,056)	(13,751)
Cash and cash equivalents in cash flow statements	¥ 69,774	¥ 68,707	$ 459,520

Year ended March 31, 2025

The amount of ¥14,158 million ($94,692 thousand) included in the Purchase of shares of subsidiaries resulting in change in scope of consolidation is due to newly consolidation of Babcock & Wilcox Renewable Service A/S.

The assets and liabilities of a newly consolidated subsidiary are as follows:

	Millions of yen		Thousands of U.S. dollars	
	2025		2025	
Current assets	¥	5,041	$	33,714
Noncurrent assets		4,806		32,142
Goodwill		8,222		54,989
Total assets	¥	18,069	$	120,846
Current liabilities		(2,455)		(16,419)
Noncurrent liabilities		(1,338)		(8,948)
Total liabilities	¥	(3,794)	$	(25,374)

The amount of ¥10,506 million ($70,265 thousand) included in the Purchase of shares of subsidiaries resulting in change in scope of consolidation is due to newly consolidation of Iona Capital Ltd and its subsidiaries.

The assets and liabilities of newly consolidated subsidiaries are as follows:

	Millions of yen		Thousands of U.S. dollars	
	2025		2025	
Current assets	¥	4,643	$	31,052
Noncurrent assets		16,399		109,677
Goodwill		2,923		19,549
Total assets	¥	23,965	$	160,279
Current liabilities		(2,640)		(17,656)
Noncurrent liabilities		(7,057)		(47,197)
Total liabilities	¥	(9,697)	$	(64,854)

19. Lease Information

a) Finance leases as lessee

Finance leases which do not transfer ownership and do not have bargain purchase provisions at March 31, 2024 and 2025 consisted of leases for production facilities for the Environmental systems and Industrial plants segment and Machinery segment (machinery, equipment and vehicles) and software. Depreciation was as described in Note 2(i), "Significant Accounting Policies - Depreciation and Amortization."

b) Operating leases as lessee

Future minimum payments for operating leases at March 31, 2024 and 2025 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2024		2025		2025	
Payments due within one year	¥	694	¥	108	$	723
Payments due after one year		9,399		337		2,255
Total	¥	10,094	¥	445	$	2,979

c) Right of use assets as lessee

Right of use assets at March 31, 2024 and 2025 consisted of leases for production facilities in foreign subsidiaries. Depreciation was as described in Note 2(i), "Significant Accounting Policies - Depreciation and Amortization."

d) Finance leases as lessor

Lease investment assets

Current assets as of March 31, 2024 and 2025 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Lease payments receivable	¥ 50	¥ 36	$ 247
Interest	(2)	(1)	(11)
Total	¥ 47	¥ 35	$ 236

Lease investment assets receivable after March 31, 2024 and 2025 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Within one year	¥ 15	¥ 15	$ 104
Over one year but within two years	15	10	69
Over two years but within three years	9	8	57
Over three years but within four years	8	2	14
Over four years but within five years	1	0	3
Over five years	0	—	—

20. Financial Instruments

a) Articles concerning status of financial instruments

(1) Policies for financial instruments

The Companies raise necessary funds for capital investment plans, R&D plans and operation of particular projects mainly through bank borrowings and the issuance of corporate bonds. The Companies invest temporary surplus funds in highly secure financial assets and obtain working capital mainly through bank borrowings. The Companies utilize derivative financial instruments not for speculation but for hedging purposes only.

(2) Substances and risks of financial instruments

Trade and other receivables are exposed to credit risk of customers. Since the Companies operate internationally, foreign currency net cash inflows are exposed to currency fluctuation risks. Forward foreign exchange contracts are used principally to hedge these risks.

Securities and investment securities, mainly held-to-maturity debt securities and the securities of companies with which the Companies have business relationships, are exposed to market fluctuation risk. The Companies have long-term loans with the companies with which the Companies have business relationships.

Almost all of the trade payables are due within six months. Foreign currency trade payables are exposed to currency fluctuation risk, but these trade payables are controlled not to exceed the cash inflows of the same foreign currencies.

Borrowings and corporate bonds are mainly for the purpose of raising funds for capital investment, R&D and operation of particular projects. The longest due date is 57 years after the fiscal year end. Some of the items are exposed to interest rate fluctuation risk.

Derivative transactions mainly consist of forward foreign exchange contracts and currency option contracts made for hedging currency fluctuation risk arising from foreign currency receivables and payables and interest rate swap contracts for hedging interest rate fluctuation risk arising from long-term borrowings. As to the hedging derivative financial instruments used and items hedged, hedging policy and the method of evaluating hedge effectiveness are described in Note 2 (g), "Significant Accounting Policies-Derivatives and Hedge Accounting."

(3) Management of financial instruments

① Management of credit risk (risk of customer default)

The financial department of the Company is subject to internal regulations for the management of trade receivables and long-term loans. To reduce the risk of default associated with these instruments, the Company research the credit standing of customers, monitors due dates and balances by customer at regular intervals through each sales and business administration divisions of each department and recognizes early signs of deterioration in the financial status of its customers. The consolidated subsidiaries are subject to internal regulations for similar management.

Held-to-maturity debt securities are limited to top-ranked securities so as to minimize credit risk.

As to derivative transactions, the Companies deal solely with financial institutions to raise funds and top-ranked financial institutions to reduce credit risk.

② Management of market risk (risk of exchange rate or interest rate fluctuation)

The Company and some consolidated subsidiaries utilize mainly forward foreign exchange contracts and currency option contracts for the purpose of hedging currency fluctuation risk arising from foreign currency receivables and payables and prospective transactions that are highly expected to occur, which are categorized by the type of currency and the monthly due date. The Company utilizes interest rate swap contracts for the purpose of hedging interest rate fluctuation risk arising from long-term borrowings.

As to securities and investment securities, the Companies monitor the fair market value and evaluate the financial status of issuing companies that are important customers. For other than held-to-maturity debt securities, the Companies regularly examine whether the holding position is proper or not while taking the relationships with the issuing companies into consideration.

As to derivative transactions, the Company is subject to internal regulations to administer derivative transactions that provide for trading authority and limit maximum amounts and approves basic policies annually at its management strategy conference. The Company's financial department engages in transactions, records them and monitors the balances. The results of the transactions are reported regularly in its management strategy conference. The consolidated subsidiaries manage derivatives in a similar way.

③ Management of liquidity risk of raising funds (risk of default)

The financial department of the Company makes and updates finance plans based on finance reports from each department. The consolidated subsidiaries manage liquidity risk in a similar way.

(4) Supplementary explanation about fair value of financial instruments

Reasonably estimated fair values of financial instruments may fluctuate because the values depend on estimations based on certain variable assumptions. The contract amounts of derivative transactions of the following Note 23, "Derivative Transactions," do not show the market risk of the derivatives themselves.

b) Articles concerning fair value of financial instruments

Consolidated balance sheet amounts and fair values of financial instruments and the difference between them, if any, for the years ended March 31, 2024 and 2025 are set forth in the tables below.

At March 31, 2024:

	Millions of yen		
	Book value	Fair value	Difference
(1) Trade notes and accounts	117,575		
Allowance for doubtful receivables *2	(689)		
	116,885	116,930	45
(2) Securities and investment securities	6,631	6,313	(317)
Total assets	¥ 123,516	¥ 123,244	¥ (272)
(1) Short-term borrowings	(7,482)	(7,482)	—
(2) Current portion of long-term debt	(22,106)	(21,810)	295
(3) Long-term debt, less current portion	(54,443)	(55,190)	(747)
Total liabilities	¥ (84,031)	¥ (84,482)	¥ (451)
Derivative transactions *3			
Derivative transactions for which hedge accounting has not been applied	(608)	(608)	—
Derivative transactions for which hedge accounting has been applied	1,307	1,307	—
Total derivative transactions	¥ 698	¥ 698	¥ —

*1 "Cash and cash equivalents", "Notes and accounts payable", "Accrued expenses" and "Accrued income taxes" are omitted as the fair values approximate their book value because they are cash or settled in a short period of time.
*2 Allowance for doubtful receivables was deducted from trade notes and accounts.
*3 Liabilities were indicated in parenthesis ( ). Assets and liabilities arising from derivative transactions were offset and indicated by parenthesis ( ) when the offset amount was a liability.

At March 31, 2025:

	Millions of yen		
	Book value	Fair value	Difference
(1) Trade notes and accounts	115,436		
Allowance for doubtful receivables *2	(483)		
	114,953	115,063	109
(2) Securities and investment securities	8,386	8,038	(347)
Total assets	¥ 123,340	¥ 123,102	¥ (237)
(1) Short-term borrowings	(31,769)	(31,769)	—
(2) Current portion of long-term debt	(14,626)	(14,662)	(35)
(3) Long-term debt, less current portion	(80,132)	(80,090)	42
Total liabilities	¥ (126,529)	¥ (126,522)	¥ 7
Derivative transactions *3			
Derivative transactions for which hedge accounting has not been applied	(7)	(7)	—
Derivative transactions for which hedge accounting has been applied	1,121	1,121	—
Total derivative transactions	¥ 1,114	¥ 1,114	¥ —

	Thousands of U.S. dollars		
	Book value	Fair value	Difference
(1) Trade notes and accounts	772,048		
Allowance for doubtful receivables *2	(3,230)		
	768,817	769,552	734
(2) Securities and investment securities	56,089	53,763	(2,325)
Total assets	$ 824,906	$ 823,316	$ (1,590)
(1) Short-term borrowings	(212,477)	(212,477)	—
(2) Current portion of long-term debt	(97,826)	(98,062)	(236)
(3) Long-term debt, less current portion	(535,934)	(535,649)	284
Total liabilities	$ (846,238)	$ (846,189)	$ 48
Derivative transactions *3			
Derivative transactions for which hedge accounting has not been applied	(49)	(49)	—
Derivative transactions for which hedge accounting has been applied	7,503	7,503	—
Total derivative transactions	$ 7,453	$ 7,453	$ —

*1 "Cash and cash equivalents", "Notes and accounts payable", "Accrued expenses" and "Accrued income taxes" are omitted as the fair values approximate their book value because they are cash or settled in a short period of time.

*2 Allowance for doubtful receivables was deducted from trade notes and accounts.

*3 Liabilities were indicated in parenthesis ( ). Assets and liabilities arising from derivative transactions were offset and indicated by parenthesis ( ) when the offset amount was a liability.

*4 The securities which don't have fair value decided in the market

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Stock of nonconsolidated subsidiaries and affiliates	¥ 13,097	¥ 15,155	$ 101,357
Non-listed equity securities, etc.	3,882	4,031	26,963
Total	¥ 16,980	¥ 19,186	$ 128,320

They are not included in "(2) Securities and investment securities". Investments in partnerships and other similar entities in which are recorded the net amount of equity as of March 31, 2024 and 2025 are booked at ¥632 million and ¥859 million ($5,746 thousand), which are included in the above "Non-listed equity securities, etc.".

(Note.1) The expected redemption amounts of financial assets and securities with maturity dates after the consolidated fiscal year-end were as follows:

At March 31, 2024:

	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	¥ 71,605	¥ —	¥ —	¥ —
Trade notes and accounts	115,325	551	721	287
Securities and investment securities				
Available-for-sale securities with maturities				
(1) Bond securities	—	—	30	—
(2) Others	—	—	513	—
Total	¥ 186,931	¥ 551	¥ 1,265	¥ 287

At March 31, 2025:

	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	¥ 70,763	¥ —	¥ —	¥ —
Trade notes and accounts	113,510	789	621	32
Securities and investment securities				
Held-to-maturity debt securities				
(1) Others	1	—	—	—
Available-for-sale securities with maturities				
(1) Bond securities	—	—	28	—
(2) Others	—	—	489	—
Total	¥ 184,275	¥ 789	¥ 1,138	¥ 32

	Thousands of U.S. dollars			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	$ 473,271	$ —	$ —	$ —
Trade notes and accounts	759,166	5,278	4,156	217
Securities and investment securities				
Held-to-maturity debt securities				
(1) Others	8	—	—	—
Available-for-sale securities with maturities				
(1) Bond securities	—	—	190	—
(2) Others	—	—	3,271	—
Total	$ 1,232,446	$ 5,278	$ 7,617	$ 217

(Note.2) The expected redemption amounts of short-term borrowings and long-term debt after the consolidated fiscal year-end were as follows:

At March 31, 2024:

	Millions of yen					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	¥ 7,482	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	22,106	13,154	10,702	471	9,412	20,703
Lease Liabilities	1,746	3,681	606	327	280	768
Total	¥ 31,335	¥ 16,835	¥ 11,308	¥ 798	¥ 9,692	¥ 21,472

At March 31, 2025:

	Millions of yen					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	¥ 31,769	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	14,626	14,944	4,485	13,163	17,514	30,025
Lease Liabilities	1,661	1,546	804	626	497	4,099
Total	¥ 48,058	¥ 16,491	¥ 5,289	¥ 13,789	¥ 18,011	¥ 34,125

	Thousands of U.S. dollars					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	$ 212,477	$ —	$ —	$ —	$ —	$ —
Long-term debt	97,826	99,948	29,998	88,038	117,137	200,811
Lease Liabilities	11,112	10,345	5,377	4,188	3,327	27,418
Total	$ 321,416	$ 110,294	$ 35,376	$ 92,227	$ 120,465	$ 228,230

c) Matters concerning fair value hierarchy by level of financial instruments

The fair value of financial instruments is classified into the following three levels according to the observability and significance of the input used to measure the fair value.

Level 1	Quoted prices in an active market for identical assets or liabilities
Level 2	Observable inputs other than quoted prices
Level 3	Unobservable inputs

In cases where multiple inputs are used that have a significant impact on fair value, the fair value level is classified into the lowest priority level amongst the inputs used in the fair value measurement.

① Financial Instruments booked at fair value on the balance sheets

At March 31, 2024:

	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Equity securities	532	—	1,931	2,463
Total assets	¥ 532	¥ —	¥ 1,931	¥ 2,463
Derivative transactions				
Related to currencies	—	698	—	698
Total assets	¥ —	¥ 698	¥ —	¥ 698

(Notes) Investment trusts are not included in the table above. The amount of such investment trusts in the consolidated balance sheets are ¥513 million.

At March 31, 2025:

	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Equity securities	1,056	—	2,761	3,818
Others	1	—	—	1
Total assets	¥ 1,058	¥ —	¥ 2,761	¥ 3,819
Derivative transactions				
Related to currencies	—	1,114	—	1,114
Total assets	¥ —	¥ 1,114	¥ —	¥ 1,114

	Fair value (Thousands of dollars)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Equity securities	7,067	—	18,467	25,535
Others	8	—	—	8
Total assets	$ 7,076	$ —	$ 18,467	$ 25,544
Derivative transactions				
Related to currencies	—	7,453	—	7,453
Total assets	$ —	$ 7,453	$ —	$ 7,453

(Notes) Investment trusts are not included in the table above. The amount of such investment trusts in the consolidated balance sheets are ¥489 million ($3,271 thousand).

② Financial Instruments booked at fair value on the balance sheets

At March 31, 2024:

	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Trade notes and accounts	—	107,280	9,649	116,930
Investment securities				
Investments in nonconsolidated subsidiaries and affiliates	3,336	—	—	3,336
Total assets	¥ 3,336	¥ 107,280	¥ 9,649	¥ 120,267
Short-term borrowings and Current portion of long-term debt	—	29,292	—	29,292
Long-term debt, less current portion	—	55,190	—	55,190
Total liabilities	¥ —	¥ 84,482	¥ —	¥ 84,482

At March 31, 2025:

	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Trade notes and accounts	—	113,294	1,769	115,063
Investment securities				
Investments in nonconsolidated subsidiaries and affiliates	3,730	—	—	3,730
Total assets	¥ 3,730	¥ 113,294	¥ 1,769	¥ 118,793
Short-term borrowings and Current portion of long-term debt	—	46,431	—	46,431
Long-term debt, less current portion	—	80,090	—	80,090
Total liabilities	¥ —	¥ 126,522	¥ —	¥ 126,522

	Fair value (Thousands of dollars)			
	Level 1	Level 2	Level 3	Total
Trade notes and accounts	—	757,720	11,831	769,552
Investment securities				
Investments in nonconsolidated subsidiaries and affiliates	24,947	—	—	24,947
Total assets	$ 24,947	$ 757,720	$ 11,831	$ 794,500
Short-term borrowings and Current portion of long-term debt	—	310,539	—	310,539
Long-term debt, less current portion	—	535,649	—	535,649
Total liabilities	$ —	$ 846,189	$ —	$ 846,189

(Note 1) Explanation of valuation techniques and inputs used for measurement of fair value

Assets

(1) Trade notes and accounts

The fair values which are settled in a short period of time is measured their book value because the fair values approximate the book value. In case the fair values which is settled in a long period of time is classified as Level 3 fair value. Because the fair value is measured with the present value which we calculate by discounting the future cash flow at the interest rate obtained by adding the credit spread to an appropriate index such as the yield on government bonds.

(2) Investment securities

Listed equity securities are classified as Level 1 fair value, which is exchanged in active market. The non-listed equity carried at the fair value in accordance with IFRS 9 "financial instruments" is classified Level 3 fair value. Because the fair value is measured by discounting the future cash flows expected to be generated by the investee. When fair value is measured using only unobservable inputs, it is classified as Level 3 fair value.

Liabilities

(1) Current portion of long-term debt

The fair value of current portion of long-term borrowing is classified Level 2 fair value. Because the fair value is measured with the present value which we calculate by discounting sum of the principal and interest at the interest rate assumed for a new similar borrowing at this time.

(2) Long-term debt less current portion

The fair value of corporate bonds is classified as Level 2 fair value due to measurement based on market value.

The fair value of borrowing less current portion is classified as Level 2 fair value. Because the fair value is measured with the present value which we calculate by discounting sum of the principal and interest at the interest rate assumed for a new similar borrowing at this time.

Derivative transactions

The fair value of forward exchange contracts is classified as Level 2 fair value because forward exchanges rates are used.

The fair value of interest rate swaps that qualify for special treatment is included in the fair value of the relevant long-term borrowings because they are accounted for as an integral part of the long-term borrowings that are hedged.

(Note 2) Explanation of valuation techniques and inputs used for measurement of Level 3 fair value

(1) Quantitative information on significant unobservable inputs

At March 31, 2024:

Classification	Evaluation methodology	Significant unobservable input	Input range
Securities and investment securities			
Available-for-sale securities			
Equity securities	Discounted present value method	Discount rate	6.85%～8.68%

At March 31, 2025:

Classification	Evaluation methodology	Significant unobservable input	Input range
Securities and investment securities			
Available-for-sale securities			
Equity securities	Discounted present value method	Discount rate	8.10%

(2) Reconciliation of the beginning balance to the end balance, valuation gains/losses recognized in profit/loss for the current fiscal year

The amount of Equity securities increased by ¥829 million ($5,548 thousand). This is due to increasing acquisition cost and measurement of fair value. An increase by ¥408 million ($2,732 thousand) among a decrease due to measurement of fair value is including the "Net unrealized holding gains (losses) on securities" of "Other comprehensive income" in consolidated statements of comprehensive income.

(3) Explanation of the fair value valuation process

In measurement of fair value of equity securities in accordance with general accepted accounting principle, the accounting department in the Company's subsidiaries determines the appropriateness of the discount rate after reviewing the details of similar companies, interest rate index, stock price index and other calculation basis against the discount rate obtained from an external valuation firm.

(4) Explanation of the effect of changes in significant unobservable inputs on fair value

Significant unobservable inputs of the equity securities are discount rate. In measuring the fair value, the fair value increases (decreases) as discount rate decreases (increases).

21. Derivative Transactions

The Companies enter into forward foreign exchange contracts, currency swaps and interest rate swap contracts. Forward foreign exchange contracts and currency swaps are used to reduce the risk of fluctuations in future foreign currency exchange rates with respect to the difference between the foreign trade order balances and the future payments for foreign procurement. Interest rate swap contracts are used to avoid the risk of rising interest rates.

The following tables summarize fair value information as of March 31, 2024 and 2025 for derivative transactions for which hedge accounting had not been applied.

a) Currency related derivatives

At March 31, 2024:

	Millions of yen			
	Notional amount	Over one year	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:				
Type of contracts:				
Sell				
Receive in Japanese yen, pay in Australian dollars	¥ 737	¥ 415	¥ (67)	¥ (67)
Receive in Japanese yen, pay in Canadian dollars	2,283	2,283	(335)	(335)
Receive in Japanese yen, pay in Swiss franc	6,623	–	(64)	(64)
Receive in Japanese yen, pay in Thai bahts	404	213	(22)	(22)
Receive in Japanese yen, pay in Euro	8,835	8,835	(43)	(43)
Receive in Japanese yen, pay in U.S. dollars	1,626	–	(77)	(77)
Receive in Swiss franc, pay in Euro	620	64	(18)	(18)
Receive in U.S. dollars, pay in Euro	51	–	(2)	(2)
Receive in Euro, pay in U.S. dollars	374	–	(5)	(5)
Purchase				
Receive in U.S. dollars, pay in Japanse yen	2,347	39	23	23
Receive in Euro, pay in Japanese yen	116	2	26	26
Receive in CNY, pay in Japanese yen	32	30	2	2
Receive in Canadian dollars, pay in Japanese yen	188	–	31	31
Receive in Euro, pay in Swiss franc	710	–	(56)	(56)
Receive in Euro, pay in U.S. dollars	374	–	5	5
Receive in U.S. dollars, pay in Euro	51	–	2	2
Receive in U.S. dollars, pay in Swiss franc	101	–	4	4
Currency swaps:				
Sell				
Receive in Euro, pay in Canadian dollars	31	–	(1)	(1)
Receive in Swiss franc, pay in Canadian dollars	355	–	(4)	(4)
Receive in Swiss franc, pay in Swedish krona	594	–	1	1
Receive in Swiss franc, pay in U.S. dollars	4,024	–	(59)	(59)
Receive in Euro, pay in U.S. dollars	195	–	(4)	(4)
Receive in Swiss franc, pay in Australian dollars	96	–	(1)	(1)
Purchase				
Receive in Euro, pay in Swiss franc	2,794	–	(10)	(10)
Receive in Euro, pay in Canadian dollars	31	–	1	1
Receive in Euro, pay in U.S. dollars	195	–	5	5
Receive in GBP, pay in Swiss franc	6,921	–	61	61
Total	¥ 40,719	¥ 11,884	¥ (608)	¥ (608)

Note. The fair value of forward foreign exchange contracts is calculated using the forward exchange rate. The fair value of currency swaps is calculated using the price offered by transacting financial institutions.

At March 31, 2025:

	Millions of yen							
	Notional amount		Over one year		Fair value		Unrealized gain (loss)	
Forward foreign exchange contracts:								
Type of contracts:								
Sell								
Receive in Japanese yen, pay in Australian dollars	¥	415	¥	329	¥	(33)	¥	(33)
Receive in Japanese yen, pay in Canadian dollars		2,283		2,098		(380)		(380)
Receive in Japanese yen, pay in Swiss franc		37,273		4,674		999		999
Receive in Japanese yen, pay in Thai bahts		725		157		(37)		(37)
Receive in Japanese yen, pay in Euro		11,024		9,660		(499)		(499)
Receive in Japanese yen, pay in GBP		883		883		(16)		(16)
Receive in Japanese yen, pay in U.S. dollars		1,533		14		(44)		(44)
Receive in Japanese yen, pay in CNY		251		6		(20)		(20)
Receive in Swiss franc, pay in Euro		326		59		(6)		(6)
Purchase								
Receive in U.S. dollars, pay in Japanse yen		1,382		–		(7)		(7)
Receive in Euro, pay in Japanese yen		294		–		12		12
Receive in CNY, pay in Japanese yen		78		–		10		10
Receive in Euro, pay in Swiss franc		159		–		2		2
Receive in U.S. dollars, pay in Swiss franc		1,575		–		(4)		(4)
Currency swaps:								
Sell								
Receive in Euro, pay in Canadian dollars		16		–		0		0
Receive in Swiss franc, pay in Canadian dollars		468		–		(0)		(0)
Receive in Swiss franc, pay in Swedish krona		697		–		(4)		(4)
Receive in Swiss franc, pay in U.S. dollars		4,115		–		(7)		(7)
Receive in Euro, pay in U.S. dollars		280		–		3		3
Receive in Swiss franc, pay in Australian dollars		472		–		5		5
Purchase								
Receive in Euro, pay in Swiss franc		7,610		–		2		2
Receive in Euro, pay in Canadian dollars		16		–		0		0
Receive in Euro, pay in U.S. dollars		599		–		2		2
Receive in AED, pay in Swiss franc		1,411		–		4		4
Receive in GBP, pay in Swiss franc		5,898		–		11		11
Total	¥	79,793	¥	17,883	¥	(7)	¥	(7)

Note. The fair value of forward foreign exchange contracts is calculated using the forward exchange rate. The fair value of currency swaps is calculated using the price offered by transacting financial institutions.

At March 31, 2025:

	Thousands of U.S. dollars							
		Notional amount		Over one year		Fair value		Unrealized gain (loss)
Forward foreign exchange contracts:								
Type of contracts:								
Sell								
Receive in Japanese yen, pay in Australian dollars	$	2,778	$	2,205	$	(221)	$	(221)
Receive in Japanese yen, pay in Canadian dollars		15,271		14,032		(2,542)		(2,542)
Receive in Japanese yen, pay in Swiss franc		249,289		31,260		6,686		6,686
Receive in Japanese yen, pay in Thai bahts		4,851		1,054		(253)		(253)
Receive in Japanese yen, pay in Euro		73,729		64,606		(3,340)		(3,340)
Receive in Japanese yen, pay in GBP		5,910		5,910		(107)		(107)
Receive in Japanese yen, pay in U.S. dollars		10,258		97		(300)		(300)
Receive in Japanese yen, pay in CNY		1,678		45		(138)		(138)
Receive in Swiss franc, pay in Euro		2,186		395		(43)		(43)
Purchase								
Receive in U.S. dollars, pay in Japanse yen		9,246		–		(47)		(47)
Receive in Euro, pay in Japanese yen		1,967		–		86		86
Receive in CNY, pay in Japanese yen		522		–		67		67
Receive in Euro, pay in Swiss franc		1,065		–		18		18
Receive in U.S. dollars, pay in Swiss franc		10,539		–		(27)		(27)
Currency swaps:								
Sell								
Receive in Euro, pay in Canadian dollars		108		–		0		0
Receive in Swiss franc, pay in Canadian dollars		3,130		–		(5)		(5)
Receive in Swiss franc, pay in Swedish krona		4,662		–		(28)		(28)
Receive in Swiss franc, pay in U.S. dollars		27,524		–		(49)		(49)
Receive in Euro, pay in U.S. dollars		1,874		–		22		22
Receive in Swiss franc, pay in Australian dollars		3,160		–		36		36
Purchase								
Receive in Euro, pay in Swiss franc		50,897		–		18		18
Receive in Euro, pay in Canadian dollars		108		–		(1)		(1)
Receive in Euro, pay in U.S. dollars		4,010		–		16		16
Receive in AED, pay in Swiss franc		9,441		–		29		29
Receive in GBP, pay in Swiss franc		39,447		–		75		75
Total	$	533,662	$	119,607	$	(49)	$	(49)

Note. The fair value of forward foreign exchange contracts is calculated using the forward exchange rate. The fair value of currency swaps is calculated using the price offered by transacting financial institutions.

The following tables summarize fair value information as of March 31, 2024 and 2025 for derivative transactions for which hedge accounting had been applied.

a) Currency related derivatives

At March 31, 2024:

	Hedged items	Millions of yen Notional amount	Over one year	Fair value *1
Basic treatment:				
Forward foreign exchange contracts:				
Type of contracts:				
Sell				
Receive in Japanese yen, pay in U.S. dollars	Trade receivable	¥ 4,404	¥ 401	¥ (913)
Receive in Japanese yen, pay in CNY	Trade receivable	830	225	(68)
Receive in Swiss franc, pay in Euro	Trade receivable	5,918	652	241
Purchase				
Receive in U.S. dollars, pay in Japanese yen	Trade payable	3,656	293	501
Receive in Euro, pay in Japanese yen	Trade payable	5,705	3,175	655
Receive in Swiss franc, pay in Japanese yen	Trade payable	1,040	741	183
Receive in CNY, pay in Japanese yen	Trade payable	5,441	1,005	604
Receive in Canadian dollars, pay in Japanese yen	Trade payable	181	—	29
Receive in Euro, pay in Swiss franc	Trade payable	4,196	2,419	(20)
Receive in U.S. dollars, pay in Swiss franc	Trade payable	1,507	—	10
Alternative treatment *2:				
Forward foreign exchange contracts:				
Type of contracts:				
Sell				
Receive in Japanese yen, pay in U.S. dollars	Trade receivable	289	5	(25)
Receive in Japanese yen, pay in CNY	Trade receivable	54	37	(2)
Receive in Japanese yen, pay in Euro	Trade receivable	48	—	(0)
Receive in Japanese yen, pay in Thai Bahts	Trade receivable	108	24	(7)
Total		¥ 33,382	¥ 8,982	¥ 1,186

*1 The fair value of forward foreign exchange contracts is calculated based on the price provided by the financial institutions.

*2 For certain trade receivables and trade payables denominated in foreign currencies for which forward foreign exchange contracts are used to hedge the foreign currency fluctuation risk, the fair value of the derivative financial instruments is included in the fair value of the trade receivables and trade payables as hedged items.

At March 31, 2025:

	Hedged items	Notional amount	Over one year	Fair value *1
		Millions of yen		
Basic treatment:				
Forward foreign exchange contracts:				
Type of contracts:				
Sell				
Receive in Japanese yen, pay in U.S. dollars	Trade receivable	¥ 4,539	¥ 4,395	¥ 75
Receive in Japanese yen, pay in U.S. dollars	Loans	1,328	1,328	3
Receive in Japanese yen, pay in CNY	Trade receivable	634	233	0
Receive in Japanese yen, pay in Euro	Trade receivable	542	―	13
Receive in Swiss franc, pay in Euro	Trade receivable	1,759	161	28
Receive in Swiss franc, pay in U.S. dollars	Trade receivable	16,821	10,880	(101)
Receive in Swiss franc, pay in AED	Trade receivable	1,662	1,422	(9)
Purchase				
Receive in U.S. dollars, pay in Japanese yen	Trade payable	5,146	384	142
Receive in Euro, pay in Japanese yen	Trade payable	4,888	2,971	475
Receive in Swiss franc, pay in Japanese yen	Trade payable	741	691	169
Receive in CNY, pay in Japanese yen	Trade payable	1,822	1,195	116
Receive in Thai Bahts, pay in Japanese yen	Trade payable	902	566	(12)
Receive in Euro, pay in Swiss franc	Trade payable	12,504	3,073	(67)
Receive in U.S. dollars, pay in Swiss franc	Trade payable	3,599	3,013	(18)
Alternative treatment *2:				
Forward foreign exchange contracts:				
Type of contracts:				
Sell				
Receive in Japanese yen, pay in U.S. dollars	Trade receivable	140	16	(4)
Receive in Japanese yen, pay in GBP	Trade receivable	23	―	(0)
Receive in Japanese yen, pay in CNY	Trade receivable	22	13	(0)
Receive in Japanese yen, pay in Euro	Trade receivable	37	―	(0)
Receive in Japanese yen, pay in Thai Bahts	Trade receivable	159	―	(3)
Buy				
Receive in Japanese yen, pay in CNY	Trade payable	33	―	1
Total		¥ 57,310	¥ 30,348	¥ 805

*1 The fair value of forward foreign exchange contracts is calculated based on the price provided by the financial institutions.

*2 For certain trade receivables and trade payables denominated in foreign currencies for which forward foreign exchange contracts are used to hedge the foreign currency fluctuation risk, the fair value of the derivative financial instruments is included in the fair value of the trade receivables and trade payables as hedged items.

	Hedged items	Thousands of U.S. dollars Notional amount	Over one year	Fair value *1
Basic treatment:				
Forward foreign exchange contracts:				
Type of contracts:				
Sell				
Receive in Japanese yen, pay in U.S. dollars	Trade receivable	$ 30,360	$ 29,398	$ 503
Receive in Japanese yen, pay in U.S. dollars	Loans	8,884	8,884	22
Receive in Japanese yen, pay in CNY	Trade receivable	4,246	1,561	1
Receive in Japanese yen, pay in Euro	Trade receivable	3,626	−	89
Receive in Swiss franc, pay in Euro	Trade receivable	11,768	1,083	191
Receive in Swiss franc, pay in U.S. dollars	Trade receivable	112,500	72,771	(675)
Receive in Swiss franc, pay in AED	Trade receivable	11,118	9,512	(65)
Purchase				
Receive in U.S. dollars, pay in Japanese yen	Trade payable	34,419	2,574	953
Receive in Euro, pay in Japanese yen	Trade payable	32,694	19,876	3,179
Receive in Swiss franc, pay in Japanese yen	Trade payable	4,956	4,622	1,131
Receive in CNY, pay in Japanese yen	Trade payable	12,191	7,995	780
Receive in Thai Bahts, pay in Japanese yen	Trade payable	6,036	3,787	(81)
Receive in Euro, pay in Swiss franc	Trade payable	83,633	20,556	(453)
Receive in U.S. dollars, pay in Swiss franc	Trade payable	24,074	20,153	(125)
Alternative treatment *2:				
Forward foreign exchange contracts:				
Type of contracts:				
Sell				
Receive in Japanese yen, pay in U.S. dollars	Trade receivable	940	107	(31)
Receive in Japanese yen, pay in GBP	Trade receivable	159	−	(2)
Receive in Japanese yen, pay in CNY	Trade receivable	150	88	(5)
Receive in Japanese yen, pay in Euro	Trade receivable	248	−	(5)
Receive in Japanese yen, pay in Thai Bahts	Trade receivable	1,065	−	(24)
Buy				
Receive in Japanese yen, pay in CNY	Trade payable	223	−	7
Total		$ 383,299	$ 202,974	$ 5,390

*1 The fair value of forward foreign exchange contracts is calculated based on the price provided by the financial institutions.

*2 For certain trade receivables and trade payables denominated in foreign currencies for which forward foreign exchange contracts are used to hedge the foreign currency fluctuation risk, the fair value of the derivative financial instruments is included in the fair value of the trade receivables and trade payables as hedged items.

b) Interest related derivatives

At March 31, 2024 and 2025:

Since there were no transactions with interest related derivatives, any description has been omitted.

22. Severance and Retirement Benefits

The Companies provide post-employment benefit plans, including unfunded lump-sum payment plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors. The Company and some consolidated subsidiaries provide defined contribution pension plans in addition to defined benefit pension plans.

The Companies occasionally make additional payments to employees for special retirement benefits.

The components of defined benefit plans for the years ended March 31, 2024 and 2025 were as follows:

(a) Movements in projected benefit obligations for the years ended March 31, 2024 and 2025.

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Balance at April 1, 2023 and 2024	¥ 59,957	¥ 74,885	$ 500,842
Service cost	2,553	3,027	20,249
Interest cost	1,103	1,026	6,868
Actuarial differences	5,731	(216)	(1,445)
Past service cost	—	(3,150)	(21,070)
Benefits paid	(1,473)	(2,311)	(15,459)
Other	7,012	5,027	33,623
Balance at March 31, 2024 and 2025	¥ 74,885	¥ 78,289	$ 523,608

Note. Some consolidated subsidiaries have adopted the alternative treatment.

(b) Movements in fair value of pension assets for the years ended March 31, 2024 and 2025.

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Balance at April 1, 2023 and 2024	¥ 54,187	¥ 71,477	$ 478,048
Expected return on pension assets	1,349	1,121	7,499
Actuarial differences	5,616	2,652	17,737
Contributions paid by the employer etc.	1,464	1,659	11,096
Benfits paid	(204)	(1,052)	(7,041)
Other	9,063	2,156	14,421
Balance at March 31, 2024 and 2025	¥ 71,477	¥ 78,013	$ 521,762

Note. Some consolidated subsidiaries have adopted the alternative treatment.

(c) Reconciliation of projected benefit obligations and fair value of pension assets to liability (asset) for retirement benefits

	Millions of yen				Thousands of U.S. dollars	
	2024		2025		2025	
Funded projected benefit obligations	¥	55,727	¥	63,652	$	425,711
Fair value of pension assets		(71,477)		(78,013)		(521,762)
		(15,750)		(14,361)		(96,050)
Unfunded projected benefit obligations		19,158		14,637		97,897
Adjustment due to asset ceiling		8,795		—		—
Total net liability (asset) for projected benefits at March 31, 2024 and 2025	¥	12,203	¥	276	$	1,846
Net defined benefit liability	¥	20,985	¥	16,468	$	110,142
Net defined benefit asset		(8,781)		(16,192)		(108,296)
Total net liability (asset) for projected benefits at March 31, 2024 and 2025	¥	12,203	¥	276	$	1,846

Note. Some consolidated subsidiaries have adopted the alternative treatment.

(d) Severance and pension costs of the Companies included the following components for the years ended March 31, 2024 and 2025.

	Millions of yen				Thousands of U.S. dollars	
	2024		2025		2025	
Service cost	¥	2,495	¥	3,027	$	20,249
Interest cost		1,103		1,026		6,868
Expected return on pension assets		(1,349)		(1,121)		(7,499)
Amortization of actuarial differences		(2,119)		(2,060)		(13,779)
Amortization of past service cost		(5)		(5)		(35)
Severance and retirement benefit expenses based on the alternative treatment		186		173		1,163
Others		375		163		1,093
Severance and retirement benefit expenses	¥	687	¥	1,205	$	8,061

(e) Remeasurements of defined benefit plans (before tax and tax effects) for the years ended March 31, 2024 and 2025.

	Millions of yen				Thousands of U.S. dollars	
	2024		2025		2025	
Past service cost	¥	(5)	¥	3,145	$	21,035
Actuarial differences		17,322		1,029		6,883
Other		(11,181)		6,071		40,609
Total	¥	6,135	¥	10,246	$	68,527

(f) Remeasurements of defined benefit plans (before tax and tax effects) for the years ended March 31, 2024 and 2025.

	Millions of yen		Thousands of U.S. dollars
	2024	2025	2025
Unrecognized past service cost	¥ 15	¥ 3,161	$ 21,141
Unrecognized actuarial differences	16,899	17,928	119,907
Other	(9,502)	(3,430)	(22,946)
Total	¥ 7,412	¥ 17,658	$ 118,103

(g) Pension assets

(1) Pension assets comprise:

	2024	2025
Stocks	30 %	31 %
Bonds	16 %	14 %
Cash and deposits	1 %	5 %
Real estate	45 %	41 %
Other	8 %	9 %
Total	100 %	100 %

(2) Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of pension assets have been considered in determining the long-term expected rate of return.

(h) Actuarial assumptions

The principal actuarial assumptions at March 31, 2024 and 2025 (expressed as weighted averages) were as follows:

	2024	2025
Discount rate	1.35 %	1.38 %
Long-term expected rate of return	1.51 %	1.51 %
Expected rate of increase in salary	2.15 %	1.93 %

(i) Contributions to the defined contributions pension plan

For the years ended March 31, 2024 and 2025, the Companies made contributions to the defined contributions pension plan in the amount of ¥1,165 million and ¥1,564 million ($10,465 thousand), respectively.

23. Income Taxes

The Companies are subject to a number of income taxes which, in the aggregate, indicate a statutory rate in Japan of approximately 30.6% and 30.6% for the years ended March 31, 2024 and 2025, respectively.

The significant differences between the statutory tax rate and the Companies’ effective tax rate for financial statement purposes for the years ended March 31, 2024 and 2025 were as follows:

	2024	2025
Statutory tax rate	30.6 %	30.6 %
Nondeductible expenses	1.8 %	1.1 %
Nontaxable dividend income	(5.6) %	(3.5) %
Fluctuation in deferred tax assets valuation allowance account	(6.0) %	(8.8) %
Book value adjustment for investment in subsidiaries	–	(12.5) %
Elimination of dividend income	3.2 %	3.6 %
Effect of tax credit	(3.9) %	(2.9) %
Difference in effective tax rate between the Companies' and subsidiaries	(3.4) %	(1.1) %
Corporate tax in overseas	3.0 %	0.3 %
Other	1.1 %	(0.9) %
Effective tax rate	20.8 %	5.9 %

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2024 and 2025 were as follows:

	Millions of yen		U.S. dollars
	2024	2025	2025
Deferred tax assets:			
Tax loss carryforwards (*1)	¥ 16,378	¥ 14,614	$ 97,739
Other reserves	5,913	6,927	46,329
Employees' retirement benefits	6,472	5,484	36,677
Impairment loss	5,348	4,674	31,265
Securities	68	3,483	23,295
Research and development expenses	696	1,973	13,199
Allowance for doubtful receivables	1,413	199	1,334
Other	9,752	7,992	53,456
Total deferred tax assets	46,044	45,349	303,298
Valuation allowance due to tax loss carryforwards (*1)	(11,615)	(10,056)	(67,261)
Valuation allowance due to temporary differences between financial and tax reporting purposes other than tax loss carryforwards	(10,166)	(8,355)	(55,885)
Subtotal of valuation allowance	(21,781)	(18,412)	(123,146)
Deferred tax assets, net	24,262	26,936	180,152
Deferred tax liabilities:			
Intangible assets	(1,250)	(3,977)	(26,603)
Prepaid pension assets	(1,902)	(3,389)	(22,672)
Net unrealized holding gains on headging derivatives	(338)	(413)	(2,766)
Land valuation difference	(224)	(231)	(1,548)
Net unrealized holding gains on securities	(78)	(48)	(323)
Asset retirement obligations	(520)	(27)	(184)
Other	(2,687)	(3,326)	(22,248)
Total deferred tax liabilities	(7,000)	(11,415)	(76,346)
Net deferred tax assets	¥ 17,261	¥ 15,521	$ 103,806

(*1) The aggregate annual maturities of tax loss carryforwards, deferred tax assets due to tax loss carryforwards were as followings:

Year ended March 31, 2024

		Millions of yen				
		Tax loss carryforwards (*1)		Valuation allowance		Deferred tax assets	
2025	¥	57	¥	(57)	¥	0	
2026		492		(39)		453	
2027		2,027		(114)		1,912	
2028		375		(375)		–	
2029		95		(95)		0	
2030 and after		13,329		(10,933)		2,396	
Total	¥	16,377	¥	(11,615)	¥	4,762	(*2)

(*1) The amount of loss carryforwards was multiplied by statutory tax rate.
(*2) See Note 2(w) ②, "Significant Accounting Policies - Significant Accounting Estimates - Recoverability of deferred tax assets".

Year ended March 31, 2025

		Millions of yen					
		Tax loss carryforwards (*1)		Valuation allowance		Deferred tax assets	
2026	¥	44	¥	(44)	¥	0	
2027		195		(0)		195	
2028		–		–		–	
2029		2		(0)		1	
2030		1		(0)		0	
2031 and after		14,369		(10,010)		4,358	
Total	¥	14,614	¥	(10,056)	¥	4,557	(*2)

		Thousands of U.S. dollars					
		Tax loss carryforwards (*1)		Valuation allowance		Deferred tax assets	
2026	$	300	$	(296)	$	3	
2027		1,310		(5)		1,304	
2028		—		—		—	
2029		14		(1)		12	
2030		10		(5)		4	
2031 and after		96,105		(66,952)		29,152	
Total	$	97,739	$	(67,261)	$	30,478	(*2)

(*1) The amount of loss carryforwards was multiplied by statutory tax rate.

(*2) See Note 2(w)②, "Significant Accounting Policies - Significant Accounting Estimates - Recoverability of deferred tax assets".

Revision to deferred tax assets and liabilities due to change in corporate tax rate

According to the enactment of "The Act for Partial Amendment of the Income Tax Act etc." (Act No. 13 of 2025) on March 31, 2025, the "Defense Special Corporate Tax" will be imposed starting from the fiscal year beginning on or after April 1, 2026. In line with this, the statutory tax rate used for the calculation of deferred tax assets and liabilities (limited to those which are expected to reverse and after April 1,2026) has been changed from 30.58% to 31.47%. The impact of this change is immaterial.

Accounting for corporation tax and local corporation tax and tax effect accounting

The Company and some of its domestic consolidated subsidiaries applied consolidated taxation system to the group tax sharing system and accounted for and disclosed corporation and local taxes and tax effect accounting under the group tax sharing system according to the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (PITF No. 42, August 12, 2021).

24. Business Combinations

1.Acquisition of Babcock & Wilcox Renewable Service A/S and its subsidiaries
a) Overview of this business combination
(1) Name of acquired company and business of acquired company
a. Name of acquired company
Babcock & Wilcox Renewable Service A/S, and its two subsidiaries
b. Business of acquired company
Aftermarket services for WtE and BtE (Biomass to Energy) CHP plants
(2) Purpose
The acquisition will enable Kanadevia Inova AG. to strengthen its after-sales business for its existing plants throughout Europe.
(3) Acquisition date
June 28, 2024 (Acquisition date)
June 30, 2024 (Deemed consolidated date)
(4) Legal form of acquisition
Acquisition of shares in consideration of cash by the Company
(5) Name of acquired company after business combination
Kanadevia Inova Denmark A/S, and its two subsidiaries Kanadevia Inova Service France SAS, Kanadevia Inova Sverige AB
(6) Ratio of voting rights acquired
Before the Transactions 0%
After the Transactions 100%
(7) Basis for determining an acquiring company
Kanadevia Inova AG. , a wholly-owned subsidiary of the Company acquired in consideration of cash.

b) Period of the acquired company's results included in the consolidated financial results
From July 1, 2024 to March 31, 2025

c) acquisition costs

	Millions of yen		Thousands of U.S. dollars	
Cash	¥	14,275	$	95,473
Total	¥	14,275	$	95,473

d) Details and amount of major acquisition-related expenses

	Millions of yen		Thousands of U.S. dollars	
Due diligence fees, etc.	¥	90	$	607
Total	¥	90	$	607

e) Goodwill

(1) Amount of goodwill recognized
¥8,222 million ($54,989 thousand)
The amount of goodwill had been calculated on a provisional basis because the allocation of acquisition cost was not completed at the end of the second quarter of the fiscal year ended March 31,2025, but it has been finalized at the end of the fiscal year ended March 31, 2025.

(2) Reason for recognition
The reason is excess earning power that is expected from future business development.

(3) Method and period of amortization
Straight-line method over 10 years

f) The assets and liabilities of the acquired company at the acquisition date were as follows:

	Millions of yen		Thousands of U.S. dollars	
Current assets	¥	5,041	$	33,714
Noncurrent assets		4,806		32,142
Total assets	¥	9,847	$	65,857
Current liabilities	¥	2,455	$	16,419
Noncurrent liabilities		1,338		8,948
Total liabilities	¥	3,794	$	25,374

g) Amount allocated to intangible assets others than goodwill, as well as its details and amortization period by major type

Detailed by major type		Millions of yen		Thousand of U.S. dollars	Amotization Period
Customer-related assets	¥	3,603	$	24,103	6 years
Technology-related assets		232		1,551	15 years
Brand		637		4,262	1 years
	¥	4,473	$	29,917	6 years

h) Estimated impact on the consolidated statement of income for the fiscal year ended March 31, 2025, assuming that business combination was completed as of April 1, 2024 and the calculation methods thereof

This information is not provided because it is difficult to calculate the impact on the consolidated statements of income for the fiscal year ended March 31, 2025.

2. Acquisition of Iona Capital Ltd and its subsidiaries

a) Overview of this business combination

(1) Name of acquired company and business of acquired company

a. Name of acquired company

Iona Capital Ltd, and its 17 subsidiaries

b. Business of acquired company

Business development, investment and operation related to renewable energy projects

(2) Purpose

The Companies have expanded into renewable gas business as well as continued to enhance our organizational structure to strengthen our business development and operations through Kanadevia Inova AG. , a wholly-owned subsidiary of the Company. The acquisition will enable Kanadevia Inova AG. to strengthen experts and human resources in business development and plant operations.

(3) Acquisition date

December 23, 2024 (Acquisition date)

December 31, 2024 (Deemed consolidated date)

(4) Legal form of acquisition

Acquisition of shares in consideration of cash by the Company

(5) Name of acquired company after business combination

No changes

(6) Ratio of voting rights acquired

Before the Transactions 0%

After the Transactions 100%

(7) Basis for determining an acquiring company

Kanadevia Inova UK Holdings, a wholly-owned subsidiary of Kanadevia Inova AG. acquired in consideration of cash.

b) Period of the acquired company's results included in the consolidated financial results

From January 1, 2025 to March 31, 2025

c) acquisition costs

		Millions of yen		Thousands of U.S. dollars
Cash	¥	14,267	$	95,423
Total	¥	14,267	$	95,423

(Note)Contingent consideration is included in the acquisition costs.

d) Details and amount of major acquisition-related expenses

	Millions of yen		Thousands of U.S. dollars	
Advisory fees, etc.	¥	255	$	1,707
Total	¥	255	$	1,707

e) Goodwill
(1) Amount of goodwill recognized
¥2,923 million ($19,549 thousand)
(Note)The Company applied the provisional accounting treatment based on information available at the end of this fiscal year because the allocation of acquisition costs has not been completed at this time.
(2) Reason for recognition
The reason is excess earning power that is expected from future business development.
(3) Method and period of amortization
Straight-line method over 10 years

f) The assets and liabilities of the acquired company at the acquisition date were as follows:

	Millions of yen		Thousands of U.S. dollars	
Current assets	¥	4,643	$	31,052
Noncurrent assets		16,399		109,677
Total assets	¥	21,042	$	140,730
Current liabilities	¥	2,640	$	17,656
Noncurrent liabilities		7,057		47,197
Total liabilities	¥	9,697	$	64,854

g) Estimated impact on the consolidated statement of income for the fiscal year ended March 31, 2025, assuming that business combination was completed as of April 1, 2024 and the calculation methods thereof
This information is not provided because it is difficult to calculate the impact on the consolidated statements of income for the fiscal year ended March 31, 2025.

25. Asset Retirement Obligations

a) General information about asset retirement obligations
The Company and some consolidated subsidiaries have recognized asset retirement obligations associated with the removal of asbestos and other harmful substances in the some works and the restoration under certain real estate rental agreements.

b) Basis of measurement for asset retirement obligations
The Company and some consolidated subsidiaries estimate that the period of use is from 2 to 41 years, and calculate the obligations using discount rates of the yield in circulation on government bonds according to the remaining number of years.

Years ended March 31, 2024 and 2025:

	Millions of yen		Thousands of U.S.dollars
	2024	2025	2025
Balance at the beginning of the fiscal year	¥ 3,081	¥ 3,097	$ 20,719
Increase by acquisition	-	53	359
Adjustment with passing of time	16	9	62
Other increases and decreases	—	(2,036)	(13,616)
Balance at the end of the fiscal year	¥ 3,097	¥ 1,125	$ 7,524

26. Investment and Rental Property

The Company and some consolidated subsidiaries own investment and rental property in Osaka and other areas. For the years ended March 31, 2024 and 2025, rental income was ¥170 million and ¥261 million ($1,749 thousand), respectively. Rental income and rental expenses were counterbalanced and described mainly in other income and expenses.

Book value of investment and rental property stated in the consolidated balance sheet, the increase or decrease for the fiscal year and the corresponding fair values were as follows:

	Millions of yen		Thousands of U.S.dollars
	2024	2025	2025
Book value			
Balance at the beginning of the fiscal year	¥ 11,994	¥ 11,978	$ 80,112
Decrease and increase for this fiscal year, net	(15)	(28)	(192)
Balance at the end of the fiscal year	¥ 11,978	¥ 11,949	$ 79,920
Fair value			
at the end of the fiscal year	¥ 8,883	¥ 9,042	$ 60,475

Note. Book value stated in the consolidated balance sheet was net of accumulated depreciation.

For the fiscal year ended March 31, 2024 and 2025, the decrease was due mainly to depreciation (in the amount of ¥93 million and ¥93 million ($622 thousand), respectively).

The fair value of major property at the end of the fiscal year was measured based on values in the appraisal reports prepared by external real estate appraisers. The fair value of other property was measured based on certain assessed values or indicators which could be considered to properly reflect the market price.

27. Revenue Recognition

a) Information on disaggregated revenues arising from contracts with customers

Sales of the Company and its consolidated subsidiaries represent the revenue recognized from contracts with customers. The breakdown of the business by type of goods or services and by geographical area is as follows:

(1) The breakdown of the business by type of goods or services

	Millions of yen				
	2024				
	Environmental systems	Machinery and Infra-structure	Carbon Neutral Solution	Other businesses	Total
EPC(new construction)	¥ 232,515	¥ —	¥ —	¥ —	¥ 232,515
Operation and Maintenance	¥ 174,767	¥ —	¥ —	¥ —	¥ 174,767
Press machines	¥ —	¥ 19,453	¥ —	¥ —	¥ 19,453
Precision equipment	¥ —	¥ 28,016	¥ —	¥ —	¥ 28,016
Infrastructure	¥ —	¥ 30,648	¥ —	¥ —	¥ 30,648
Other machinery	¥ —	¥ 12,869	¥ —	¥ —	¥ 12,869
Marine equipment	¥ —	¥ —	¥ 24,177	¥ —	¥ 24,177
Process equipment	¥ —	¥ —	¥ 21,847	¥ —	¥ 21,847
Carbon neutral equipment	¥ —	¥ —	¥ 4,420	¥ —	¥ 4,420
Wind power	¥ —	¥ —	¥ 4,814	¥ —	¥ 4,814
Other	¥ —	¥ —	¥ —	¥ 2,321	¥ 2,321
Revenue from Contracts with customers	¥ 407,281	¥ 90,984	¥ 55,257	¥ 2,321	¥ 555,844
Net sales to external customers	¥ 407,281	¥ 90,984	¥ 55,257	¥ 2,321	¥ 555,844

	Millions of yen				
	2025				
	Environmental systems	Machinery and Infra-structure	Carbon Neutral Solution	Other businesses	Total
EPC(new construction)	¥ 243,868	¥ —	¥ —	¥ —	¥ 243,868
Operation and Maintenance	¥ 209,606	¥ —	¥ —	¥ —	¥ 209,606
Press machines	¥ —	¥ 21,607	¥ —	¥ —	¥ 21,607
Precision equipment	¥ —	¥ 25,797	¥ —	¥ —	¥ 25,797
Infrastructure	¥ —	¥ 25,956	¥ —	¥ —	¥ 25,956
Other machinery	¥ —	¥ 9,629	¥ —	¥ —	¥ 9,629
Marine equipment	¥ —	¥ —	¥ 26,974	¥ —	¥ 26,974
Process equipment	¥ —	¥ —	¥ 26,707	¥ —	¥ 26,707
Carbon neutral equipment	¥ —	¥ —	¥ 3,934	¥ —	¥ 3,934
Wind power	¥ —	¥ —	¥ 12,632	¥ —	¥ 12,632
Other	¥ —	¥ —	¥ —	¥ 3,814	¥ 3,814
Revenue from Contracts with customers	¥ 453,471	¥ 82,989	¥ 70,247	¥ 3,814	¥ 610,523
Net sales to external customers	¥ 453,471	¥ 82,989	¥ 70,247	¥ 3,814	¥ 610,523

	Thousands of U.S.dollars				
	2025				
	Environmental systems	Machinery and Infra-structure	Carbon Neutral Solution	Other businesses	Total
EPC(new construction)	$ 1,631,000	$ —	$ —	$ —	$ 1,631,000
Operation and Maintenance	$ 1,401,859	$ —	$ —	$ —	$ 1,401,859
Press machines	$ —	$ 144,509	$ —	$ —	$ 144,509
Precision equipment	$ —	$ 172,526	$ —	$ —	$ 172,526
Infrastructure	$ —	$ 173,595	$ —	$ —	$ 173,595
Other machinery	$ —	$ 64,399	$ —	$ —	$ 64,399
Marine equipment	$ —	$ —	$ 180,399	$ —	$ 180,399
Process equipment	$ —	$ —	$ 178,618	$ —	$ 178,618
Carbon neutral equipment	$ —	$ —	$ 26,310	$ —	$ 26,310
Wind power	$ —	$ —	$ 84,483	$ —	$ 84,483
Other	$ —	$ —	$ —	$ 25,512	$ 25,512
Revenue from Contracts with customers	$ 3,032,859	$ 555,029	$ 469,810	$ 25,512	$ 4,083,211
Net sales to external customers	$ 3,032,859	$ 555,029	$ 469,810	$ 25,512	$ 4,083,211

(2) The breakdown of the business by geographical area

	Millions of yen				
	2024				
	Environmental systems	Machinery and Infra-structure	Carbon Neutral Solution	Other businesses	Total
Japan	¥ 196,792	¥ 75,365	¥ 34,432	¥ 1,668	¥ 308,258
Europe	¥ 174,959	¥ 588	¥ 653	¥ —	¥ 176,201
Asia	¥ 3,118	¥ 11,740	¥ 3,135	¥ 652	¥ 18,646
North-America	¥ 8,065	¥ 2,543	¥ 15,769	¥ —	¥ 26,377
Middle East	¥ 15,855	¥ 44	¥ 647	¥ —	¥ 16,546
Other	¥ 8,489	¥ 701	¥ 620	¥ —	¥ 9,811
Revenue from Contracts with customers	¥ 407,281	¥ 90,984	¥ 55,257	¥ 2,321	¥ 555,844
Net sales to external customers	¥ 407,281	¥ 90,984	¥ 55,257	¥ 2,321	¥ 555,844

	Millions of yen									
	2025									
	Environmental systems		Machinery and Infra-structure		Carbon Neutral Solution		Other businesses		Total	
Japan	¥	195,057	¥	68,571	¥	46,972	¥	2,488	¥	313,089
Europe	¥	205,979	¥	661	¥	430	¥	—	¥	207,071
Asia	¥	7,774	¥	10,655	¥	5,791	¥	1,325	¥	25,546
North-America	¥	9,071	¥	2,029	¥	14,681	¥	—	¥	25,782
Middle East	¥	27,314	¥	17	¥	921	¥	—	¥	28,253
Other	¥	8,274	¥	1,054	¥	1,449	¥	—	¥	10,778
Revenue from Contracts with customers	¥	453,471	¥	82,989	¥	70,247	¥	3,814	¥	610,523
Net sales to external customers	¥	453,471	¥	82,989	¥	70,247	¥	3,814	¥	610,523

	Thousands of U.S.dollars									
	2025									
	Environmental systems		Machinery and Infra-structure		Carbon Neutral Solution		Other businesses		Total	
Japan	$	1,304,554	$	458,613	$	314,154	$	16,643	$	2,093,966
Europe	$	1,377,604	$	4,423	$	2,879	$	—	$	1,384,907
Asia	$	51,995	$	71,261	$	38,734	$	8,866	$	170,859
North-America	$	60,672	$	13,571	$	98,192	$	—	$	172,436
Middle East	$	182,682	$	117	$	6,160	$	—	$	188,959
Other	$	55,337	$	7,054	$	9,697	$	—	$	72,089
Revenue from Contracts with customers	$	3,032,847	$	555,041	$	469,820	$	25,510	$	4,083,218
Net sales to external customers	$	3,032,847	$	555,041	$	469,820	$	25,510	$	4,083,218

b) Basic information for understanding revenue

Basic information for understanding revenue is included in "Significant Accounting Policies, Revenue Recognition."

c) Information to help understand the amount of revenue in the current and subsequent financial years

(1) Balances of contract assets and contract liabilities

The breakdown of receivables, contract assets and contract liabilities arising from contracts with customers are broken down as follows:

	Millions of yen		Millions of yen		Thousands of U. S. dollars	
	2024		2025		2025	
Receivables arising from contracts with customers (opening balance)						
Notes	¥	9,912	¥	7,154	$	47,847
Accounts	¥	96,770	¥	110,421	$	738,504
Total	¥	106,682	¥	117,575	$	786,352
Receivables arising from contracts with customers (ending balance)						
Notes	¥	7,154	¥	10,106	$	67,595
Accounts	¥	110,421	¥	105,329	$	704,452
Total	¥	117,575	¥	115,436	$	772,048
Contract assets (opening balance)	¥	91,696	¥	117,231	$	784,049
Contract assets (ending balance)	¥	117,231	¥	112,583	$	752,966
Contract liabilities (opening balance)	¥	41,355	¥	48,741	$	325,985
Contract liabilities (ending balance)	¥	48,741	¥	40,600	$	271,537

Contract assets relate to the rights of the Company and its consolidated subsidiaries to consideration completed but unclaimed at the balance sheet date. The contract asset is transferred to receivables arising from contracts with customers when the rights of the Company and its subsidiaries to the consideration become unconditional. The consideration for a transaction is received principally as progress is made in meeting the performance obligation or in stages in accordance with the contract with the customer. Contract liabilities mainly relate to advances received from customers, which are reversed on the recognition of income.

The amount of revenue recognized in the last financial year that was included in the contract liability balance at the beginning of the period amounted to ¥33,143 million. The change in contract assets mainly resulted from the recognition of revenue (increase in contract assets) and transfers to trade receivables (same, decrease).

The change in contract liabilities mainly arises from the receipt of advance payments (increase in contract liabilities) and from the recognition of revenue (same, decrease).

The amount of revenue recognized in the last financial year from performance obligations satisfied (or partially satisfied) in previous periods amounted to ¥-934 million.

The amount of revenue recognized in the current financial year that was included in the contract liability balance at the beginning of the period amounted to ¥37,478 million ($250,659 thousand). The change in contract assets mainly resulted from the recognition of revenue (increase in contract assets) and transfers to trade receivables (same, decrease).

The change in contract liabilities mainly arises from the receipt of advance payments (increase in contract liabilities) and from the recognition of revenue (same, decrease).

The amount of revenue recognized in the current financial year from performance obligations satisfied (or partially satisfied) in previous periods amounted to ¥10,368 million ($69,342 thousand).

(2) Transaction price allocated to residual performance obligations

The total transaction price allocated to the residual performance obligation is as follows:

	Millions of yen				
	2024				
	Environmental systems	Machinery and Infra-structure	Carbon Neutral Solution	Other businesses	Total
residual performance obligation	¥ 1,363,857	¥ 77,821	¥ 100,809	¥ 988	¥ 1,543,477

Of such performance obligations, approximately 26% will be recognized as revenue within one year after the balance sheet date and approximately 27% within more than one year to three years.

The remaining approximately 47% are long-term operating projects, mainly in the environmental business, which will be recognized as revenue after four years.

	Millions of yen				
	2025				
	Environmental systems	Machinery and Infra-structure	Carbon Neutral Solution	Other businesses	Total
residual performance obligation	¥ 1,623,166	¥ 86,262	¥ 86,505	¥ 565	¥ 1,796,499

	Thousands of U.S.dollars				
	2025				
	Environmental systems	Machinery and Infra-structure	Carbon Neutral Solution	Other businesses	Total
residual performance obligation	$ 10,855,847	$ 576,930	$ 578,553	$ 3,782	$ 12,015,114

Of such performance obligations, approximately 27% will be recognized as revenue within one year after the balance sheet date and approximately 27% within more than one year to three years.

The remaining approximately 46% are long-term operating projects, mainly in the environmental business, which will be recognized as revenue after four years.

28. Segment Information

a) Reportable segments

(1) General Information about reportable segments

The Company's reportable segments are based on the organization into which the Company has classified the active conducting of business in order to evaluate performance by the Board of Directors.

The Company has set up the head offices according to products and services. Each head office has drafted strategies for handling products and services and has developed the active conducting of business.

The Companies' operations are classified into four reportable segments as follows:

Operations in the environmental systems segment include the production of waste incineration power generation and recycling systems, water treatment systems, biomass utilization systems and electricity wholesaling.

Operations in the machinery and infrastructure segment include the production of press machines, boilers, plastic machinery, food filling and packaging systems, the materials business, bridge construction, water gates, steel stacks, marine civil engineering, and shield tunneling machines.

Operations in the carbon neutral solution segment include the production of marine diesel engines, SCR systems, process equipment, nuclear equipment, carbon neutral equipment and wind farms.

Operations in the other businesses segment include the transportation business and warehousing business.

(2) Basis of measurement for reported segment income or loss, segment assets and other material items

The amounts of reported segment income or loss are based on operating income.

Intersegment sales, operating revenue and transfers are made with reference to prevailing market prices.

(3) Information about reported segment income or loss, segment assets and other material items

Information by reported segment of the Companies was as follows:

	Millions of yen 2024						
	Environmental systems	Machinery and Infra-structure	Carbon Neutral Solution	Other businesses	Total	Eliminations and corporate	Consoli-dated
Net sales							
Outside customers	¥ 407,281	¥ 90,984	¥ 55,257	¥ 2,321	¥ 555,844	¥ —	¥ 555,844
Intersegment	211	1,722	291	480	2,707	(2,707)	—
Total	407,492	92,707	55,548	2,802	558,552	(2,707)	555,844
Segment income (loss)	¥ 19,124	¥ 2,973	¥ 1,805	¥ 442	¥ 24,346	¥ (22)	¥ 24,323
Segment assets	¥ 280,379	¥ 103,263	¥ 65,945	¥ 56,916	¥ 506,505	¥ 27,088	¥ 533,593
Others							
Depreciation	¥ 4,462	¥ 2,657	¥ 1,900	¥ 2,113	¥ 11,134	¥ —	¥ 11,134
Investment in affiliates accounted for using equity method	¥ 2,214	¥ 1,985	¥ 5,035	¥ 12,761	¥ 21,997	¥ —	¥ 21,997
Increase in assets and intangible assets	¥ 5,381	¥ 2,219	¥ 2,636	¥ 1,864	¥ 12,101	¥ —	¥ 12,101

	Millions of yen 2025						
	Environmental systems	Machinery and Infra-structure	Carbon Neutral Solution	Other businesses	Total	Eliminations and corporate	Consoli-dated
Net sales							
Outside customers	¥ 453,471	¥ 82,989	¥ 70,247	¥ 3,814	¥ 610,523	¥ —	¥ 610,523
Intersegment	622	8,050	206	588	9,468	(9,468)	—
Total	454,094	91,040	70,453	4,403	619,991	(9,468)	610,523
Segment income (loss)	¥ 25,403	¥ 1,016	¥ 101	¥ 496	¥ 27,018	¥ (72)	¥ 26,946
Segment assets	¥ 335,115	¥ 116,654	¥ 65,710	¥ 59,793	¥ 577,274	¥ 32,392	¥ 609,666
Others							
Depreciation	¥ 5,382	¥ 2,322	¥ 1,957	¥ 2,251	¥ 11,913	¥ —	¥ 11,913
Investment in affiliates accounted for using equity method	¥ 1,397	¥ 2,336	¥ 3,504	¥ 13,879	¥ 21,117	¥ —	¥ 21,117
Increase in assets and intangible assets	¥ 7,678	¥ 16,166	¥ 2,073	¥ 2,516	¥ 28,435	¥ —	¥ 28,435

	Thousands of U.S.dollars						
	2025						
	Environmental systems and industrial plants	Machinery and Infra-structure	Carbon Neutral Solution	Other businesses	Total	Eliminations and corporate	Consoli-dated
Net sales							
Outside customers	$ 3,032,847	$ 555,042	$ 469,819	$ 25,510	$ 4,083,220	$ —	$ 4,083,220
Intersegment	4,164	53,842	1,378	3,937	63,322	(63,322)	—
Total	3,037,012	608,884	471,198	29,448	4,146,543	(63,322)	4,083,220
Segment income (loss)	$ 169,902	$ 6,799	$ 680	$ 3,320	$ 180,703	$ (485)	$ 180,218
Segment assets	$ 2,241,278	$ 780,192	$ 439,476	$ 399,906	$ 3,860,853	$ 216,640	$ 4,077,494
Others							
Depreciation	$ 35,997	$ 15,534	$ 13,090	$ 15,057	$ 79,678	$ —	$ 79,678
Investment in affiliates accounted for using equity method	$ 9,345	$ 15,626	$ 23,437	$ 92,826	$ 141,235	$ —	$ 141,235
Increase in assets and intangible assets	$ 51,356	$ 108,124	$ 13,865	$ 16,832	$ 190,179	$ —	$ 190,179

The amounts of segment income or loss are adjusted to operating income in the Consolidated Statements of Income.

Corporate amounts are mainly the common accounts of the head office that cannot be allocated to each segment. Corporate assets, which include mainly cash and deposits, at March 31, 2024 and 2025 were ¥ 27,088 million and ¥ 32,392 million ($ 216,640 thousand), respectively.

4) Information on Impairment Losses on Goodwill, etc. of Non-current Assets by Reportable Segment
(Material Changes in the Amount of Goodwill)

In "Environment" segment, goodwill has been recognized as a result of the acquisition of all the shares of Babcock & Wilcox Renewable Service A/S (currently Kanadevia Inova Denmark A/S) and Iona Capital Ltd by our consolidated subsidiary, Kanadevia Inova AG.

The increase in goodwill due to these acquisitions was ¥8,222 million ($54,989 thousand), and ¥2,923 million ($19,549 thousand), respectively, in the consolidated fiscal year.

The amount of goodwill resulting from the purchase of all the shares of Iona Capital Ltd is provisional, because the allocation of the acquisition costs has not completed yet at the end of the fiscal year.

b) Related information

(1) Information about products and services

Information about products and services is not shown because the classification of products and services is the same as the classification of reported segments.

(2) Information about geographic areas

Sales by region for the years ended March 31, 2024 and 2025 were as follows:

	Millions of yen		Thousands of U. S. dollars
	2024	2025	2025
Japan	¥ 308,258	¥ 313,089	$ 2,093,966
Asia	18,648	25,546	170,859
North America	26,377	25,782	172,436
Middle East	16,546	28,253	188,961
Europe	176,201	207,071	1,384,907
Other	9,811	10,778	72,089
Total	¥ 555,844	¥ 610,523	$ 4,083,220

(*)In the last fiscal year, sales in the Europe segment include sales of ¥130,083 million in the U.K., which accounts for more than 10% of the sales in the Consolidated Statements of Income. In the current fiscal year, sales in the Europe segment include sales of ¥143,218 million ($957, thousand) in the U.K., which accounts for more than 10% of the sales in the Consolidated Statements of Income.

For the fiscal year ended March 31, 2024 and 2025, tangible fixed assets by region were as follows:

	Millions of yen				Thousands of U. S. dollars	
	2024		2025		2025	
Japan	¥	81,904	¥	94,026	$	628,857
Other		22,574		42,033		281,125
Total	¥	104,478	¥	136,060	$	909,983

(3) Information about major customers

For the year ended March 31, 2024 and 2025, information about major customers is not shown because there were no sales from transactions with a single external customer that amounted to 10% or more of sales in the Consolidated Statements of Income.

29. Related Party Information

Year ended March 31, 2024:

There were no significant transactions with related parties in the year ended March 31, 2024.

Year ended March 31, 2025:

There were no significant transactions with related parties in the year ended March 31, 2025.

30. Subsequent event

Share Transfer and Partial Transfer of Business of Consolidated Subsidiaries

Effective from May 1, 2025, the Company transferred all issued shares of its wholly-owned subsidiary, H&F Corporation (hereinafter "H&F"), to AMADA CO., LTD. (hereinafter "AMADA") (hereinafter the "Share Transfer"), and partially transferred the businesses of its consolidated subsidiaries, Kanadevia Trading (Shanghai) Co., Ltd., Kanadevia India Private Limited, and PT. Kanadevia INDONESIA (hereinafter the "Business Transfer") to AMADA.

Furthermore, due to the Share Transfer, H&F and its wholly-owned subsidiaries, H&F SERVICES U.S.A., INC., H&F EUROPE LIMITED, and H&F Services (Thailand) Co., Ltd., and its affiliated company, HZF Services (Malaysia) Sdn. Bhd. were excluded from its consolidated subsidiaries and affiliated companies.

a) Overview of the Share Transfer and Business Transfer

1) The counterparty of the Share Transfer and Business Transfer

AMADA CO., LTD.

2) Transferred business

Operations related to after-sales services for press machines manufactured by H&F

3) Effective date

May 1, 2025

4)Legal form of business combination

Share Transfer and Business Transfer for which the consideration is cash or other property only

5) Purpose

After its predecessor Fukui Machinery Co., Ltd., which was established in 1964, joined the group in 1999, it merged with the Company's press business and changed its business name to "H&F" and has developed the manufacturing and after-sales services for large press machines mainly for Japanese automobile companies. H&F was listed on the Tokyo Stock Exchange (JASDAQ) in 2006, and since 2017, it has been in the press business of the group as a wholly owned subsidiary.

In recent years, as the demand for production capacity has increased, such as the weight reduction of car bodies in line with the shift to electric vehicles (EVs), the Company has been seeking partnerships to accelerate H&F growth strategy and improve profitability, taking into consideration of further changes in the environment in the future. As a result, the Company has determined that having AMADA become the parent company of H&F would provide significant benefits. These include complementarity with AMADA Group's small to medium press machines, the expansion of business opportunities through leveraging AMADA Group's sales network and processing expertise, strengthening the management foundation, and enhancing corporate value. Accordingly, the Company decided to proceed with the Share Transfer and Business Transfer.

b) Accounting method

1) Gain or loss due to transfer, and assets and liabilities of transferred business

Under calculation

2) Accounting method

This transaction will be treated in accordance with the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, September 13, 2024).

c) Segment

Machinery & Infrastructure

31. Supplemental Information

Accounting Fees

a) Fees of the auditor

	Millions of yen				Thousands of U.S. dollars	
	2024		2025		2025	
	Fees of audit services	Fees of non-audit services	Fees of audit services	Fees of non-audit services	Fees of audit services	Fees of non-audit services
The Company	¥ 106	¥ 52	¥ 113	¥ 48	$ 761	$ 321
Consolidated subsidiaries	73	–	76	–	511	–
Total	¥ 179	¥ 52	¥ 190	¥ 48	$ 1,272	$ 321

b) Fees of the network firms to which the auditor belongs (KPMG), excluding fees of the auditor

	Millions of yen				Thousands of U.S. dollars	
	2024		2025		2025	
	Fees of audit services	Fees of non-audit services	Fees of audit services	Fees of non-audit services	Fees of audit services	Fees of non-audit services
The Company	¥ –	¥ 5	¥ –	¥ 15	$ –	$ 103
Consolidated subsidiaries	151	66	226	67	1,512	452
Total	¥ 151	¥ 72	¥ 226	¥ 83	$ 1,512	$ 556