KANADEVIA CORPORATION
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
Years Ended March 31, 2025 and 2026

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, 2025 and 2026, 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, 2025 and 2026, 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 of public interest entities 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.

Reasonableness of the Company’s estimate of total construction costs related to performance obligations satisfied over time	
The key audit matter	**How the matter was addressed in our audit**
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 ¥485,962 million, representing approximately 75% 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	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

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.	estimated total construction costs of the same projects as of the 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 "Auditors Remuneration" included in Notes 32,"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, 2026 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.

Sungjung Hong
Designated Engagement Partner
Certified Public Accountant

Takehiro Nakamura
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

July 27, 2026

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, 2025 and 2026

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2026	2026
ASSETS			
Current assets:			
Cash and deposits (Note 5 and 19)	¥ 70,763	¥ 78,010	$ 487,930
Receivables:			
Trade notes and accounts, contract assets(Note 5):			
Nonconsolidated subsidiaries and affiliates	5,654	5,004	31,299
Other	222,365	256,160	1,602,207
Other	14,942	22,102	138,246
Allowance for doubtful receivables	(889)	(1,623)	(10,156)
	242,072	281,644	1,761,597
Securities (Note 3)	1	1	8
Inventories (Note 4)	23,083	22,617	141,466
Prepaid expenses and other current assets (Note 5)	21,192	40,879	255,686
Total current assets	357,114	423,152	2,646,689
Property, plant and equipment, at cost (Note 5):			
Land (Notes 7 and 27)	52,414	52,123	326,013
Buildings and structures (Note 27)	96,434	81,236	508,108
Machinery and equipment (Note 5)	129,927	141,212	883,237
Lease assets (Note 20)	1,377	902	5,642
Right of use assets	14,978	15,066	94,236
Construction in progress	6,901	4,681	29,279
	302,033	295,221	1,846,518
Less accumulated depreciation	(165,973)	(151,579)	(948,080)
Property, plant and equipment, net	136,060	143,642	898,438
Intangible assets:			
Goodwill	14,060	31,105	194,553
Other intangible assets	27,158	31,834	199,118
Total intangible assets	41,218	62,940	393,672
Investments and other noncurrent assets:			
Investments in nonconsolidated subsidiaries and affiliates (Notes 3 and 5)	19,232	26,849	167,938
Investments securities (Notes 3 and 5)	8,338	10,316	64,525
Long-term loans receivable (Note 5)	3,628	3,096	19,370
Net defined benefit assets (Note 23)	16,192	14,484	90,599
Deferred tax assets (Note 24)	21,341	25,610	160,185
Other investments and noncurrent assets	7,213	9,231	57,737
Allowance for doubtful receivables	(694)	(744)	(4,658)
Total investments and other noncurrent assets	75,252	88,844	555,697
Deferred assets	20	59	374
Total assets	¥ 609,666	¥ 718,640	$ 4,494,871

See the accompanying Notes to the Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2026	2026
LIABILITIES			
Current liabilities:			
Notes and accounts payable:			
Nonconsolidated subsidiaries and affiliates	¥ 185	¥ 22	$ 143
Other	65,638	67,113	419,774
Short-term borrowings (Note 5)	31,769	58,962	368,793
Current portion of long-term debt	14,626	17,234	107,799
Accrued expenses	81,803	99,162	620,230
Accrued income taxes	4,966	3,750	23,459
Contract liabilities	40,600	54,853	343,091
Provision for share-based payments	52	27	173
Provision for expenses related to quality misconduct	1,484	1,355	8,479
Reserve for product warranties	17,394	19,733	123,424
Reserve for losses on construction contracts (Note 4)	7,063	8,047	50,334
Provision for demolition and removal	—	159	998
Lease liabilities (Note 20)	1,661	1,901	11,894
Other current liabilities	27,034	46,225	289,128
Total current liabilities	294,283	378,551	2,367,725
Long-term liabilities:			
Long-term debt, less current portion (Note 5)	80,132	96,461	603,338
Asset retirement obligations (Note 26)	1,125	1,628	10,187
Deferred tax liabilities (Note 24)	5,820	6,501	40,661
Net defined benefit liability (Note 23)	16,468	14,844	92,849
Directors' and corporate auditors' severance and retirement benefits	29	21	135
Provision for loss on litigation (Note 13)	946	584	3,654
Provision for expenses related to quality misconduct	—	959	5,999
Lease liabilities (Note 20)	7,574	9,496	59,397
Provision for demolition and removal	858	505	3,160
Other noncurrent liabilities	4,532	5,684	35,555
Total long-term liabilities	117,488	136,687	854,940
Total liabilities	411,771	515,239	3,222,666
CONTINGENT LIABILITIES (Note 6)			
NET ASSETS (Note 8):			
Common stock			
Authorized －400,000,000 shares			
Issued －170,214,843 shares at March 31, 2025 and 2026	45,442	45,442	284,227
Capital surplus	7,802	7,802	48,800
Retained earnings	118,870	125,794	786,808
Treasury stock, at cost (Note 18) －2,026,463 shares in 2025 －1,984,270 shares in 2026	(1,334)	(1,298)	(8,121)
Net unrealized holding gains (losses) on securities	1,476	1,448	9,058
Net unrealized holding gains (losses) on hedging derivatives	528	1,943	12,154
Land revaluation difference (Note 7)	(20)	(20)	(129)
Foreign currency translation adjustments	2,794	5,598	35,016
Remeasurements of defined benefit plans	13,804	10,101	63,183
Non-controlling interests in consolidated subsidiaries	8,530	6,588	41,207
Total net assets	197,895	203,400	1,272,205
Total liabilities and net assets	¥ 609,666	¥ 718,640	$ 4,494,871

See the accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

Kanadevia Corporation and Consolidated Subsidiaries
For the Years Ended March 31, 2025 and 2026

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2026	2026
Net sales	¥ 610,523	¥ 645,222	$ 4,035,668
Cost of sales (Note 9)	496,338	536,156	3,353,490
Gross profit	114,184	109,066	682,177
Selling, general and administrative expenses	87,238	96,874	605,919
Operating income	26,946	12,192	76,257
Other income (expenses):			
Interest and dividend income	1,084	3,006	18,805
Foreign exchange gain (loss)	477	(3,329)	(20,826)
Share of profit of entities accounted for using equity method	645	2,717	16,995
Subsidy income	337	204	1,275
Interest expense	(817)	(2,314)	(14,478)
Loss on net monetary position	(629)	(229)	(1,436)
Guarantee commission	(768)	(993)	(6,215)
Loss on devaluation of investments securities	(1,233)	(50)	(314)
Settlement income (Note 10)	2,187	—	—
Reversal of provision for loss on liquidation (Note 11)	729	—	—
Impairment loss (Note 15)	—	(1,908)	(11,934)
Reversal of provision for demolition and removal (Note 14)	—	193	1,212
Reversal of provision for loss on litigation (Note 13)	—	235	1,473
Expenses related to quality misconduct (Note 16)	(3,567)	(2,711)	(16,961)
Gain on bargain purchase (Note 12)	—	1,607	10,056
Other, net	(1,713)	2,419	15,132
Total other expenses	(3,267)	(1,153)	(7,214)
Profit before income taxes and non-controlling interests	23,678	11,038	69,043
Income taxes (Note 24)			
Current	5,115	3,368	21,068
Deferred	(3,728)	(3,693)	(23,104)
Profit	22,291	11,364	71,080
Profit (loss) attributable to non-controlling interests	188	226	1,419
Profit attributable to owners of parent	¥ 22,103	¥ 11,137	$ 69,660

	Yen		U.S. dollars (Note 1)
Amounts per share (Note 2)	2025	2026	2026
Net income	¥ 131.33	¥ 66.20	$ 0.41
Cash dividends	25.00	25.00	0.15

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, 2025 and 2026

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2026	2026
Profit	¥ 22,291	¥ 11,364	$ 71,080
Other comprehensive income			
Net unrealized holding gains (losses) on securities	326	(187)	(1,173)
Net unrealized holding gains (losses) on hedging derivatives	(179)	626	3,920
Foreign currency translation adjustments	619	3,208	20,067
Remeasurements of defined benefit plans	7,970	(3,865)	(24,180)
Share of other comprehensive income of entities accounted for using equity me	97	1,041	6,513
Total other comprehensive income (Note 17)	8,834	822	5,147
Total comprehensive income	31,126	12,187	76,227
Comprehensive income attributable to			
Owners of parent	30,893	11,624	72,708
Non-controlling interests	233	562	3,518

See the accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Kanadevia Corporation and Consolidated Subsidiaries
For the Years Ended March 31, 2025 and 2026

For the year ended March 31, 2025

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock (Note 18)	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 owners of parent			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 owners of parent								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, 2026

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock (Note 18)	Total shareholders' equity
Balance at beginning of year	¥ 45,442	¥ 7,802	¥ 118,870	¥ (1,334)	¥ 170,780
Changes of items during the period					
Cash dividends			(4,212)		(4,212)
Profit attributable to owners of parent			11,137		11,137
Treasury stock disposed, net		0		52	52
Treasury stock purchased, net				(16)	(16)
Change in equity interest					—
Reversal of land revaluation difference					—
Net changes of items other than shareholders' equity					
Total changes during the period	—	0	6,924	35	6,959
Balance at end of year	¥ 45,442	¥ 7,802	¥ 125,794	¥ (1,298)	¥ 177,740

	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	¥ 1,476	¥ 528	¥ (20)	¥ 2,794	¥ 13,804	¥ 18,583	¥ 8,530	¥ 197,895
Changes of items during the period								
Cash dividends								(4,212)
Profit attributable to owners of parent								11,137
Treasury stock disposed, net								52
Treasury stock purchased, net								(16)
Change in equity interest								—
Reversal of land revaluation difference								—
Net changes of items other than shareholders' equity	(28)	1,414	—	2,803	(3,702)	487	(1,942)	(1,454)
Total changes during the period	(28)	1,414	—	2,803	(3,702)	487	(1,942)	5,504
Balance at end of year	¥ 1,448	¥ 1,943	¥ (20)	¥ 5,598	¥ 10,101	¥ 19,071	¥ 6,588	¥ 203,400

See the accompanying Notes to the Consolidated Financial Statements.

For the year ended March 31, 2026

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

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock (Note 18)	Total shareholders' equity
Balance at beginning of year	$ 284,227	$ 48,799	$ 743,498	$ (8,343)	$ 1,068,182
Changes of items during the period					
Cash dividends			(26,350)		(26,350)
Profit attributable to owners of parent			69,660		69,660
Treasury stock disposed, net		0		328	328
Treasury stock purchased, net				(106)	(106)
Change in equity interest					–
Reversal of land revaluation difference					–
Net changes of items other than shareholders' equity					
Total changes during the period	–	0	43,309	222	43,532
Balance at end of year	$ 284,227	$ 48,800	$ 786,808	$ (8,121)	$ 1,111,714

	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	$ 9,236	$ 3,304	$ (129)	$ 17,481	$ 86,342	$ 116,235	$ 53,355	$ 1,237,773
Changes of items during the period								
Cash dividends								(26,350)
Profit attributable to owners of parent								69,660
Treasury stock disposed, net								328
Treasury stock purchased, net								(106)
Change in equity interest								–
Reversal of land revaluation difference								–
Net changes of items other than shareholders' equity	(178)	8,849	–	17,535	(23,159)	3,047	(12,148)	(9,100)
Total changes during the period	(178)	8,849	–	17,535	(23,159)	3,047	(12,148)	34,431
Balance at end of year	$ 9,058	$ 12,154	$ (129)	$ 35,016	$ 63,183	$ 119,283	$ 41,207	$ 1,272,205

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, 2025 and 2026

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2026	2026
Cash flows from operating activities:			
Profit before income taxes and non-controlling interests	¥ 23,678	¥ 11,038	$ 69,043
Adjustments to reconcile profit before income taxes and non-controlling interests to net cash provided by operating activities:			
Depreciation	11,913	15,635	97,796
Impairment loss	—	1,908	11,934
Gain on bargain purchase	—	(1,607)	(10,056)
Increase (decrease) in provision for loss on litigation	—	(235)	(1,473)
Increase (decrease) in provision for dismantlement	—	(193)	(1,212)
Increase (decrease) in provision for loss on liquidation	(729)	—	—
Amortization of goodwill	1,453	2,401	15,018
Increase (decrease) of net defined benefit liability	366	(1,035)	(6,479)
Increase (decrease) in allowance for doubtful receivables	(149)	(384)	(2,403)
Increase (decrease) in reserve for losses on construction contracts	569	1,429	8,941
Increase (decrease) in provision for product warranty	(1,346)	1,112	6,957
Increase (decrease) on provision for expenses related to quality misconduct	1,484	830	5,194
Interest and dividend income	(1,084)	(3,006)	(18,805)
Interest expense	817	2,314	14,478
Loss on net monetary position	629	209	1,312
Foreign exchange loss (gain)	(477)	3,329	20,826
Equity in net loss (gain) of nonconsolidated subsidiaries and affiliates	(645)	(2,717)	(16,995)
Loss (gain) on valuation of investment securities	1,233	50	314
Decrease (increase) in trade receivables and contract assets	15,764	(32,963)	(206,173)
Decrease (increase) in inventories	(647)	291	1,826
Decrease (increase) in other current assets	(11,799)	(18,025)	(112,741)
Increase (decrease) in trade payables	4,325	481	3,013
Increase (decrease) in accrued expenses	(3,628)	10,412	65,129
Increase (decrease) in contract liabilities	(8,508)	13,483	84,337
Increase (decrease) in other current liabilities	(2,669)	16,989	106,261
Other	(3,997)	(6,692)	(41,857)
Subtotal	26,552	15,058	94,186
Interest and dividends received	1,543	3,389	21,199
Interest paid	(429)	(2,303)	(14,409)
Income taxes paid	(2,896)	(4,496)	(28,125)
Net cash and cash equivalents provided by operating activities	24,769	11,647	72,851
Cash flows from investing activities:			
Increase in time deposits	(2,319)	(678)	(4,244)
Decrease in time deposits	2,076	639	3,999
Purchase of property, plant and equipment	(25,181)	(21,694)	(135,693)
Proceeds from sales of property, plant and equipment	223	98	617
Purchase of intangible assets	(3,253)	(3,579)	(22,391)
Purchase of investments in securities	(2,632)	(763)	(4,776)
Payments for investments in capital of affiliates	—	(343)	(2,149)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(25,056)	(19,064)	(119,241)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	5,025	31,435
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(15)	(658)	(4,119)
Payments for transfer of business	—	(4,726)	(29,560)
Increase in long term loans receivable	(2,517)	(214)	(1,341)
Other	2,104	(2,075)	(12,982)
Net cash and cash equivalents used in investing activities	(56,573)	(48,035)	(300,447)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	23,390	27,670	173,067
Proceeds from long-term debt	34,355	32,824	205,306
Payment of long-term debt	(12,627)	(4,322)	(27,034)
Redemption of bonds	(10,000)	(10,000)	(62,546)
Cash dividends paid	(3,876)	(4,212)	(26,350)
Payments for changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(24)	—	—
Other	(1,066)	(414)	(2,594)
Net cash and cash equivalents provided by (used in) financing activities	30,150	41,544	259,847
Effect of exchange rate changes on cash and cash equivalents	584	3,440	21,520
Net decrease in cash and cash equivalents	(1,067)	8,597	53,771
Cash and cash equivalents at beginning of year	69,774	68,707	429,743
Cash and cash equivalents at end of year (Note 19)	¥ 68,707	¥ 77,304	$ 483,515

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, 2026 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, 2026, which was ¥159.88 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 168 significant subsidiaries that meet the control requirements for consolidation. Intercompany transactions and accounts have been eliminated in the consolidation.

Investments in 37 affiliates are accounted for by the equity method.

The consolidated financial statements include the accounts of 10 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.

During the current fiscal year, the consolidated subsidiaries Kanadevia U.S.A. Ltd, Kanadevia HOLDINGS U.S.A. INC., NAC International Inc., NAC LPT LLC, NAC Philotechnics, Ltd., and NIAGARA ENERGY PRODUCTS, Inc. changed their fiscal year-end from December 31 to March 31, which now coincides with the consolidated balance sheet date. Due to this change in fiscal year-end, the accounting period of these consolidated subsidiaries for the current fiscal year is 15 months.

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 accounted for by 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 ("exceptional" method).

(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 ¥12,028 million and ¥12,581 million ($78,694 thousand) for the years ended March 31, 2025 and 2026, 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, 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) 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 and the net amount after deducting deferred tax liabilities of ¥5,820 million was ¥15,521 million. For details, see Notes 24. “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 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.

(For the fiscal year ended March 31, 2026)

① Revenue recognition of construction contracts

(1) Amounts recorded in the consolidated financial statements for the fiscal year ended March 31, 2026

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 ¥485,962 million ($3,039,546 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, 2026

The amount of deferred tax assets for the consolidated fiscal year ended March 31, 2026 was ¥25,610 million ($160,185 thousand) and the net amount after deducting deferred tax liabilities of ¥6,501 million ($40,661 thousand) was ¥19,109 million ($119,523 thousand). For details, see Notes 24. "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 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.

(Issued accounting standards and interpretations not yet adopted)

-"Accounting Standard for Leases" (Accounting Standards Board of Japan (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, 329,630 share and ¥242 million ($1,513 thousand), 271,016 share for the fiscal year ended March 31, 2025 and 2026, respectively.

3. Securities

a) Held-to-maturity debt securities in the years ended March 31, 2025 and 2026 were as follows:

Held-to-maturity debt securities:
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	¥ —

At March 31, 2026
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, 2025 and 2026:

Available-for-sale securities:
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	—	—	—
Others	—	—	—
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)

At March 31, 2026

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

	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	¥ 3,329	¥ 2,153	¥ 1,175
Bonds	—	—	—
Others	—	—	—
Total	¥ 3,329	¥ 2,153	¥ 1,175

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

	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	¥ 1,062	¥ 1,157	¥ (94)
Bonds	—	—	—
Others	—	—	—
Total	¥ 1,062	¥ 1,157	¥ (94)

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

	Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference
Equity securities	$ 20,827	$ 13,472	$ 7,354
Bonds	—	—	—
Others	—	—	—
Total	$ 20,827	$ 13,472	$ 7,354

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

	Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference
Equity securities	$ 6,648	$ 7,239	$ (590)
Bonds	—	—	—
Others	—	—	—
Total	$ 6,648	$ 7,239	$ (590)

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, 2025 and 2026 were as follows:

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)

Year ended March 31, 2026

	Millions of yen		
	Sales	Gains on sales	Losses on sales
Equity securities	¥ 70	¥ 32	¥ (107)
Others	—	—	—
Total	¥ 70	¥ 32	¥ (107)

	Thousands of U.S. dollars		
	Sales	Gains on sales	Losses on sales
Equity securities	$ 442	$ 201	$ (671)
Others	—	—	—
Total	$ 442	$ 201	$ (671)

d) Impaired securities
Since the amount of impaired securities for year ended March 31, 2026 was immaterial, the disclosure is omitted. Impaired securities in year ended March 31, 2025 are ¥1,520 million.

4. Inventories

Inventories at March 31, 2025 and 2026 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Merchandise and finished goods	¥ 2,049	¥ 2,442	$ 15,274
Work in progress	8,261	7,935	49,631
Raw material and supplies	12,772	12,240	76,560
Total	¥ 23,083	¥ 22,617	$ 141,466

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, 2025 and 2026 were ¥275 million and ¥120 million ($754 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 0.80% and 1.06 % as of March 31, 2025 and 2026, respectively, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Secured (or partly secured)	¥ —	¥ 68	$ 428
Unsecured	31,769	58,894	368,364
Total	¥ 31,769	¥ 58,962	$ 368,793

As of March 31, 2025 and 2026, the Company had line-of-credit agreements for short-term borrowings with financial institutions totaling ¥30,000 million and ¥30,000 million ($187,640 thousand). The used amounts were zero as of March 31, 2025 and zero as of March 31, 2026.

Long-term debt as of March 31, 2025 and 2026 consisted of the followings:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Borrowings from banks and other financial institutions at 1.69% to 2.01%, due through 2082:			
Secured (or partly secured)	¥ 2,709	¥ 2,108	$ 13,187
Unsecured	72,050	101,588	635,403
Straight bonds at 0.59% due 2025	10,000	—	—
Straight bonds at 0.43% due 2026	10,000	10,000	62,546
	—	—	—
	—	—	—
Lease liabilities	9,236	11,398	71,291
Less current portion included in current liabilities	(16,288)	(19,136)	(119,693)
Total	¥ 87,707	¥ 105,958	$ 662,735

The following assets were pledged as collateral mainly for secured long-term debt of ¥2,709 million at March 31, 2025 and ¥2,108 million ($13,187 thousand) at March 31, 2026:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Cash and deposits	¥ 2,412	¥ 6,236	$ 39,008
Marchandise and finished goods	305	—	—
Work in Process	—	175	1,097
Trade notes and accounts	3,167	5,935	37,124
Prepaid expenses and other current assets	513	242	1,515
Property, plant and equipment, net	4,518	2,180	13,635
Investments in nonconsolidated subsidiaries and affiliates	25	32	200
Investments in securities	674	719	4,499
Long-term loans receivable	6	4	29
Other non-current assets	1,870	2,612	16,337
Total	¥ 13,492	¥ 18,138	$ 113,448

The aggregate annual maturities of long-term debt outstanding at March 31, 2026 were as follows:

Year ending March 31,	Millions of yen		Thousands of U.S. dollars	
2028	¥	13,957	$	87,298
2029		17,137		107,188
2030		21,046		131,639
2031		9,378		58,661
2032 and thereafter		44,438		277,947
Total	¥	105,958	$	662,735

6. Contingent Liabilities

Contingent liabilities at March 31, 2025 and 2026 consisted of the following:

	Millions of yen				Thousands of U.S. dollars	
	2025		2026		2026	
Guarantees of bank borrowings and other indebtedness	¥	4,149	¥	6,350		39,721
Total	¥	4,149	¥	6,350	$	39,721

Note. Regarding bridge components manufactured by the Company, quality and specification nonconformities were identified, and a reasonable estimate of the costs for repairs and other remedial measures has been recorded in the consolidated financial statements for the year ended March 31, 2026. With respect to addressing these nonconformities, customers are requesting that the Company bear the costs, and negotiations are currently ongoing.

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 ($449 thousand) lower than the revalued book amount at March 31, 2025 and 2026, 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 23, 2026, the shareholders approved cash dividends of ¥4,212 million ($26,348 thousand), which includes dividends of ¥6 million ($42 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, 2026. 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 ¥3,057 million and ¥3,439 million ($21,513 thousand) for the years ended March 31, 2025 and 2026, 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 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 ($4,559 thousand) due to transfer of the equipment.

12. Gain on bargain purchase

The gain on bargain purchase arose from the acquisition of shares in Kanadevia Inova Biogas Wardley Limited and Kanadevia Inova Biogas Lower Drayton Limited by Kanadevia Inova UK Holding Ltd., a consolidated subsidiary of the Company for the fiscal year ended March 31, 2026.

13. Reversal of provision for loss on litigation

Provision for loss on litigation was reversed, and ¥235 million ($1,473 thousand) was recognized as income for the fiscal year ended March 31, 2026.

14. Reversal of provision for demolition and removal

Provision for demolition and removal was reversed following a revision of estimates, and ¥193 million ($1,212 thousand) was recognized as income for the fiscal year ended March 31, 2026.

15. Impairment loss

The Companies recognized impairment loss in the year ended March 31, 2026 as follows:
Mukaishima Works

In the bridge business, including that of the Mukaishima Works, the Company determined that there were indications of impairment of fixed assets due to a significant deterioration in the business environment. As a result of examining the future recoverability, the book value of fixed assets was reduced to the recoverable amount and the amount of the reduction was recorded as impairment loss (¥1,887 million ($11,808 thousand)) under extraordinary loss.

Location	Use	Type of Assets		Millions of yen
Mukaishima Works		Buildings and structures	¥	364
(Onomichi-city,	Bridge business	Machinery, equipment and vehicles	¥	1,173
Hiroshima Prefecture)		Land	¥	349
Total			¥	1,887

The recoverable amounts of the Mukaishima Works were mainly measured based on the valuation performed by a qualified real estate appraiser. Assets that are difficult to sell or repurpose are evaluated at a nominal value.

16. 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 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). Expenses related to quality misconduct for the fiscal year ended March 31, 2026 were ¥2,711 million ($16,961 thousand), including customer response costs, bridge monitoring costs and litigation expenses.

17. 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
	2025	2026	2026
Net unrealized holding gains (losses) on securities			
Increase (decrease) during the year	¥ (1,088)	¥ (308)	$ (1,932)
Reclassification adjustments	1,476	94	589
Subtotal before tax	388	(214)	(1,343)
Tax benefit (expenses)	(61)	27	169
Subtotal net of tax	326	(187)	(1,173)
Net unrealized holding gains (losses) on hedging derivatives			
Increase (decrease) during the year	¥ 357	¥ 1,148	$ 7,186
Reclassification adjustments	(462)	(479)	(2,997)
Subtotal before tax	(105)	669	4,188
Tax benefit (expenses)	(73)	(42)	(267)
Subtotal net of tax	(179)	626	3,920
Foreign currency translation adjustments			
Increase (decrease) during the year	¥ 619	¥ 3,640	$ 22,772
Reclassification adjustments	—	(432)	(2,705)
Subtotal	619	3,208	20,067
Remeasurements of defined benefit plans			
Increase (decrease) during the year	¥ 12,311	¥ (804)	$ (5,031)
Reclassification adjustments	(2,065)	(3,934)	(24,606)
Subtotal before tax	10,246	(4,738)	(29,638)
Tax benefit (expenses)	(2,276)	872	5,458
Subtotal net of tax	7,970	(3,865)	(24,180)
Equity of nonconsolidated subsidiaries and affiliates accounted for using equity method			
Increase (decrease) during the year	¥ 97	¥ 1,041	$ 6,513
Reclassification adjustments	—	—	—
Subtotal	97	1,041	6,513
Total other comprehensive income	¥ 8,834	¥ 822	$ 5,147

18. Treasury Stock

Treasury stock for the years ended March 31, 2025 and 2026 consisted of the following:

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

Year ended March 31, 2026

Number of shares of common stock	Thousands
At March 31, 2025	2,026
Increase	16
Decrease	(58)
At March 31, 2026	1,984

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, 271,016 shares as of March 31, 2026).

19. 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, 2025 and 2026 were reconciled as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Cash and deposits in the balance sheets	¥ 70,763	¥ 78,010	$ 487,930
Time deposits with original maturities over three months	(2,056)	(705)	(4,414)
Cash and cash equivalents in cash flow statements	¥ 68,707	¥ 77,304	$ 483,515

Year ended March 31, 2025

The amount of ¥14,158 million 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
		2025
Current assets	¥	5,041
Noncurrent assets		4,806
Goodwill		8,222
Total assets	¥	18,069
Current liabilities		(2,455)
Noncurrent liabilities		(1,338)
Total liabilities	¥	(3,794)

The amount of ¥10,506 million 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
		2025
Current assets	¥	4,643
Noncurrent assets		16,399
Goodwill		2,923
Total assets	¥	23,965
Current liabilities		(2,640)
Noncurrent liabilities		(7,057)
Total liabilities	¥	(9,697)

Year ended March 31, 2026

The amount of ¥11,943 million ($74,703 thousand) included in the Purchase of shares of subsidiaries resulting in change in scope of consolidation is due to newly consolidation of Encyclis Ireland Operations Ltd.

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

		Millions of yen		Thousands of U.S. dollars
		2026		2026
Current assets	¥	3,466	$	21,683
Noncurrent assets		0		3
Goodwill		11,310		70,742
Total assets	¥	14,777	$	92,429
Current liabilities		(2,834)		(17,726)
Noncurrent liabilities		—		—
Total liabilities	¥	(2,834)	$	(17,726)

The amount of ¥5,025 million ($31,435 thousand) included in the Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation is due to newly deconsolidation of H&F and its subsidiaries.

The breakdown of its assets and liabilities at the time of sale are as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 22,992	$ 143,813
Noncurrent assets	5,555	34,747
Total assets	¥ 28,548	$ 178,561
Current liabilities	¥ (9,391)	$ (58,740)
Noncurrent liabilities	(1,559)	(9,755)
Total liabilities	¥ (10,951)	$ (68,496)

The amount of ¥658 million ($4,119 thousand) included in the payments for sales of shares of subsidiaries resulting in change in scope of consolidation is due to newly deconsolidation of HZME.
The breakdown of its assets and liabilities at the time of sale are as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 16,321	$ 102,083
Noncurrent assets	4,529	28,327
Total assets	¥ 20,850	$ 130,411
Current liabilities	¥ (9,842)	$ (61,562)
Noncurrent liabilities	(14)	(90)
Total liabilities	¥ (9,857)	$ (61,652)

20. Lease Information

a) Finance leases as lessee
Finance leases which do not transfer ownership and do not have bargain purchase provisions at March 31, 2025 and 2026 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, 2025 and 2026 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Payments due within one year	¥ 108	¥ 71	$ 445
Payments due after one year	337	99	620
Total	¥ 445	¥ 170	$ 1,065

c) Right of use assets as lessee
Right of use assets at March 31, 2025 and 2026 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, 2025 and 2026 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2025		2026		2026	
Lease payments receivable	¥	36	¥	88	$	554
Interest		(1)		(4)		(28)
Total	¥	35	¥	84	$	525

Lease investment assets receivable after March 31, 2025 and 2026 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2025		2026		2026	
Within one year	¥	15	¥	36	$	228
Over one year but within two years		10		29		186
Over two years but within three years		8		15		97
Over three years but within four years		2		5		34
Over four years but within five years		0		1		6
Over five years		—		—		—

21. 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, 2025 and 2026 are set forth in the tables below.

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	¥	—

*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, 2026:

	Millions of yen					
	Book value		Fair value		Difference	
(1) Trade notes and accounts		111,131				
Allowance for doubtful receivables *2		(146)				
		110,984		111,046		61
(2) Securities and investment securities		9,516		13,329		3,813
Total assets	¥	120,500	¥	124,375	¥	3,875
(1) Short-term borrowings		(58,962)		(58,962)		—
(2) Current portion of long-term debt		(17,234)		(17,415)		(180)
(3) Long-term debt, less current portion		(96,461)		(96,337)		124
Total liabilities	¥	(172,659)	¥	(172,715)	¥	(56)
Derivative transactions *3						
Derivative transactions for which hedge accounting has not been applied		(7,785)		(7,785)		—
Derivative transactions for which hedge accounting has been applied		1,829		1,829		—
Total derivative transactions	¥	(5,956)	¥	(5,956)	¥	—

	Thousands of U.S. dollars		
	Book value	Fair value	Difference
(1) Trade notes and accounts	695,093		
Allowance for doubtful receivables *2	(919)		
	694,174	694,560	386
(2) Securities and investment securities	59,519	83,370	23,851
Total assets	$ 753,693	$ 777,931	$ 24,238
(1) Short-term borrowings	(368,793)	(368,793)	—
(2) Current portion of long-term debt	(107,799)	(108,930)	(1,131)
(3) Long-term debt, less current portion	(603,338)	(602,560)	778
Total liabilities	$ (1,079,930)	$ (1,080,284)	$ (353)
Derivative transactions *3			
Derivative transactions for which hedge accounting has not been applied	(48,696)	(48,696)	—
Derivative transactions for which hedge accounting has been applied	11,440	11,440	—
Total derivative transactions	$ (37,255)	$ (37,255)	$ —

*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
	2025	2026	2026
Stock of nonconsolidated subsidiaries and affiliates	¥ 15,155	¥ 21,728	$ 135,903
Non-listed equity securities, etc.	4,031	5,923	37,050
Total	¥ 19,186	¥ 27,651	$ 172,953

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, 2025 and 2026 are booked at ¥859 million and ¥1,250 million ($7,821 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, 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

At March 31, 2026:

	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	¥ 78,010	¥ —	¥ —	¥ —
Trade notes and accounts	107,409	2,838	654	82
Securities and investment securities				
Held-to-maturity debt securities				
(1) Others	1	—	—	—
Available-for-sale securities with maturities				
(1) Bond securities	—	—	—	—
(2) Others	—	—	—	—
Total	¥ 185,420	¥ 2,838	¥ 654	¥ 82

	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	$ 487,930	$ —	$ —	$ —
Trade notes and accounts	671,810	17,756	4,091	515
Securities and investment securities				
Held-to-maturity debt securities				
(1) Others	8	—	—	—
Available-for-sale securities with maturities				
(1) Bond securities	—	—	—	—
(2) Others	—	—	—	—
Total	$ 1,159,749	$ 17,756	$ 4,091	$ 515

(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, 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

At March 31, 2026:

	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	¥ 58,962	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	17,234	12,926	16,575	20,708	9,104	37,147
Lease Liabilities	1,901	1,030	562	338	274	7,290
Total	¥ 78,099	¥ 13,957	¥ 17,137	¥ 21,046	¥ 9,378	¥ 44,438

	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	$	368,793	$	—	$	—	$	—	$	—	$	—
Long-term debt		107,799		80,851		103,672		129,523		56,945		232,345
Lease Liabilities		11,894		6,446		3,515		2,115		1,715		45,602
Total	$	488,486	$	87,298	$	107,188	$	131,639	$	58,661	$	277,947

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, 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 liabilities	¥	—	¥	1,114	¥	—	¥	1,114

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

At March 31, 2026:

	Fair value (Millions of yen)							
	Level 1		Level 2		Level 3		Total	
Investment securities								
Equity securities		1,447		—		2,945		4,392
Others		1		—		—		1
Total assets	¥	1,448	¥	—	¥	2,945	¥	4,394
Derivative transactions								
Related to currencies		—		5,956		—		5,956
Total liabilities	¥	—	¥	5,956	¥	—	¥	5,956

	Fair value (Thousands of dollars)							
	Level 1		Level 2		Level 3		Total	
Investment securities								
Equity securities		9,052		—		18,423		27,475
Others		8		—		—		8
Total assets	$	9,061	$	—	$	18,423	$	27,484
Derivative transactions								
Related to currencies		—		37,255		—		37,255
Total liabilities	$	—	$	37,255	$	—	$	37,255

② Financial Instruments booked at fair value on the balance sheets

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

At March 31, 2026:

	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Trade notes and accounts	—	108,200	2,845	111,046
Investment securities				
Investments in nonconsolidated subsidiaries and affiliates	8,935	—	—	8,935
Total assets	¥ 8,935	¥ 108,200	¥ 2,845	¥ 119,981
Short-term borrowings and Current portion of long-term debt	—	76,378	—	76,378
Long-term debt, less current portion	—	96,337	—	96,337
Total liabilities	¥ —	¥ 172,715	¥ —	¥ 172,715

	Fair value (Thousands of dollars)			
	Level 1	Level 2	Level 3	Total
Trade notes and accounts	—	676,762	17,798	694,560
Investment securities				
Investments in nonconsolidated subsidiaries and affiliates	55,886	—	—	55,886
Total assets	$ 55,886	$ 676,762	$ 17,798	$ 750,447
Short-term borrowings and Current portion of long-term debt	—	477,723	—	477,723
Long-term debt, less current portion	—	602,560	—	602,560
Total liabilities	$ —	$ 1,080,284	$ —	$ 1,080,284

(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, 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%

At March 31, 2026:

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

(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 ¥184million ($1,152 thousand). This is due to measurement of fair value and gains from foreign currency translation. A decrease by ¥286 million ($1,792 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).

22. 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, 2025 and 2026 for derivative transactions for which hedge accounting had not been applied.

a) Currency related derivatives

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, 2026:

	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 Canadian dollars	¥ 2,098	¥ 1,650	¥ (649)	¥ (649)
Receive in Japanese yen, pay in Swiss franc	26,889	18,687	(2,942)	(2,942)
Receive in Japanese yen, pay in Thai bahts	872	104	(74)	(74)
Receive in Japanese yen, pay in Euro	31,270	23,490	(2,567)	(2,567)
Receive in Japanese yen, pay in GBP	15,882	883	(1,036)	(1,036)
Receive in Japanese yen, pay in U.S. dollars	9,193	2,351	(621)	(621)
Receive in Japanese yen, pay in CNY	100	52	(20)	(20)
Receive in Swiss franc, pay in Euro	155	—	(0)	(0)
Receive in Swiss franc, pay in U.S. dollars	108	—	(1)	(1)
Purchase				
Receive in Thai bahts, pay in Japanese yen	11	—	(0)	(0)
Receive in U.S. dollars, pay in Japanse yen	496	6	35	35
Receive in Euro, pay in Japanese yen	315	—	8	8
Receive in CNY, pay in Japanese yen	18	—	2	2
Receive in Swiss franc, pay in Japanese yen	74	7	5	5
Receive in U.S. dollars, pay in Swiss franc	1,397	(268)	27	27
Currency swaps:				
Sell				
Receive in Swiss franc, pay in Canadian dollars	517	—	1	1
Receive in Swiss franc, pay in Swedish krona	928	—	4	4
Receive in Swiss franc, pay in U.S. dollars	4,565	—	(67)	(67)
Receive in Euro, pay in U.S. dollars	2,303	481	(14)	(14)
Receive in Swiss franc, pay in Australian dollars	278	—	3	3
Purchase				
Receive in Euro, pay in Swiss franc	11,479	—	98	98
Receive in Euro, pay in U.S. dollars	2,303	(481)	(12)	(12)
Receive in AED, pay in Swiss franc	2,280	—	34	34
Receive in GBP, pay in Swiss franc	1,057	—	0	0
Total	¥ 114,597	¥ 46,965	¥ (7,785)	¥ (7,785)

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, 2026:

	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 Canadian dollars	$ 13,123	$ 10,323	$ (4,062)	$ (4,062)
Receive in Japanese yen, pay in Swiss franc	168,186	116,885	(18,402)	(18,402)
Receive in Japanese yen, pay in Thai bahts	5,458	652	(465)	(465)
Receive in Japanese yen, pay in Euro	195,588	146,925	(16,059)	(16,059)
Receive in Japanese yen, pay in GBP	99,337	5,527	(6,480)	(6,480)
Receive in Japanese yen, pay in U.S. dollars	57,504	14,705	(3,889)	(3,889)
Receive in Japanese yen, pay in CNY	628	329	(128)	(128)
Receive in Swiss franc, pay in Euro	971	—	(3)	(3)
Receive in Swiss franc, pay in U.S. dollars	680	—	(7)	(7)
Purchase				
Receive in Thai bahts, pay in Japanese yen	73	—	(0)	(0)
Receive in U.S. dollars, pay in Japanse yen	3,103	37	223	223
Receive in Euro, pay in Japanese yen	1,970	—	51	51
Receive in CNY, pay in Japanese yen	118	—	14	14
Receive in Swiss franc, pay in Japanese yen	463	47	35	35
Receive in U.S. dollars, pay in Swiss franc	8,742	(1,679)	171	171
Currency swaps:				
Sell				
Receive in Swiss franc, pay in Canadian dollars	3,236	—	8	8
Receive in Swiss franc, pay in Swedish krona	5,805	—	26	26
Receive in Swiss franc, pay in U.S. dollars	28,553	—	(420)	(420)
Receive in Euro, pay in U.S. dollars	14,405	3,013	(89)	(89)
Receive in Swiss franc, pay in Australian dollars	1,739	—	19	19
Purchase				
Receive in Euro, pay in Swiss franc	71,800	—	618	618
Receive in Euro, pay in U.S. dollars	14,405	(3,013)	(80)	(80)
Receive in AED, pay in Swiss franc	14,261	—	217	217
Receive in GBP, pay in Swiss franc	6,613	—	5	5
Total	$ 716,772	$ 293,755	$ (48,696)	$ (48,696)

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, 2025 and 2026 for derivative transactions for which hedge accounting had been applied.

a) Currency related derivatives

At March 31, 2025:

	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	¥ 4,539	¥ 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.

At March 31, 2026:

	Hedged items	Notional amount (Millions of yen)	Over one year (Millions of yen)	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	¥ 8,407	¥ 6,810	¥ (422)
Receive in Japanese yen, pay in CNY	Trade receivable	875	110	(49)
Receive in Japanese yen, pay in Euro	Trade receivable	1,061	719	(5)
Receive in Swiss franc, pay in Euro	Trade receivable	779	—	32
Receive in Swiss franc, pay in U.S. dollars	Trade receivable	12,806	4,525	707
Receive in Swiss franc, pay in AED	Trade receivable	1,674	1,142	90
Purchase				
Receive in U.S. dollars, pay in Japanese yen	Trade payable	2,331	1,315	132
Receive in Euro, pay in Japanese yen	Trade payable	7,307	4,458	963
Receive in Swiss franc, pay in Japanese yen	Trade payable	761	—	307
Receive in CNY, pay in Japanese yen	Trade payable	3,651	1,789	396
Receive in Thai Bahts, pay in Japanese yen	Trade payable	769	79	71
Receive in Indian Rupee, pay in Japanese yen	Trade payable	1,101	1,101	(40)
Receive in Euro, pay in Swiss franc	Trade payable	4,272	733	(112)
Receive in U.S. dollars, pay in Swiss franc	Trade payable	3,718	2,573	(241)
Total		¥ 49,518	¥ 25,359	¥ 1,829

*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	Notional amount (Thousands of U.S. dollars)	Over one year (Thousands of U.S. dollars)	Fair value *1 (Thousands of U.S. dollars)
Basic treatment:				
Forward foreign exchange contracts:				
Type of contracts:				
Sell				
Receive in Japanese yen, pay in U.S. dollars	Trade receivable	$ 52,585	$ 42,600	$ (2,641)
Receive in Japanese yen, pay in CNY	Trade receivable	5,473	691	(307)
Receive in Japanese yen, pay in Euro	Trade receivable	6,638	4,500	(35)
Receive in Swiss franc, pay in Euro	Trade receivable	4,877	—	200
Receive in Swiss franc, pay in U.S. dollars	Trade receivable	80,099	28,303	4,425
Receive in Swiss franc, pay in AED	Trade receivable	10,470	7,145	564
Purchase				
Receive in U.S. dollars, pay in Japanese yen	Trade payable	14,582	8,230	828
Receive in Euro, pay in Japanese yen	Trade payable	45,707	27,885	6,029
Receive in Swiss franc, pay in Japanese yen	Trade payable	4,762	—	1,924
Receive in CNY, pay in Japanese yen	Trade payable	22,841	11,190	2,478
Receive in Thai Bahts, pay in Japanese yen	Trade payable	4,815	496	445
Receive in Indian Rupee, pay in Japanese yen	Trade payable	6,887	6,887	(256)
Receive in Euro, pay in Swiss franc	Trade payable	26,722	4,585	(702)
Receive in U.S. dollars, pay in Swiss franc	Trade payable	23,258	16,098	(1,512)
Total		$ 309,722	$ 158,615	$ 11,440

*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, 2025 and 2026:
Since there were no transactions with interest related derivatives, any description has been omitted.

23. 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, 2025 and 2026 were as follows:

(a) Movements in projected benefit obligations for the years ended March 31, 2025 and 2026.

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Balance at April 1, 2024 and 2025	¥ 74,885	¥ 78,289	$ 489,679
Service cost	3,027	3,145	19,671
Interest cost	1,026	1,207	7,555
Actuarial differences	(216)	2,100	13,139
Past service cost	(3,150)	(167)	(1,049)
Benefits paid	(2,311)	(1,305)	(8,163)
Decrease due to deconsolidation	—	(1,442)	(9,025)
Other	5,027	17,406	108,869
Balance at March 31, 2025 and 2026	¥ 78,289	¥ 99,233	$ 620,677

Note. Some consolidated subsidiaries have adopted the alternative treatment.

(b) Movements in fair value of pension assets for the years ended March 31, 2025 and 2026.

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Balance at April 1, 2024 and 2025	¥ 71,477	¥ 78,013	$ 487,952
Expected return on pension assets	1,121	1,130	7,068
Actuarial differences	2,652	2,841	17,769
Contributions paid by the employer etc.	1,659	1,885	11,793
Benfits paid	(1,052)	(581)	(3,639)
Other	2,156	15,585	97,481
Balance at March 31, 2025 and 2026	¥ 78,013	¥ 98,874	$ 618,427

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
	2025	2026	2026
Funded projected benefit obligations	¥ 63,652	¥ 86,793	$ 542,863
Fair value of pension assets	(78,013)	(98,874)	(618,427)
	(14,361)	(12,081)	(75,563)
Unfunded projected benefit obligations	14,637	12,440	77,814
Total net liability (asset) for projected benefits at March 31, 2025 and 2026	¥ 276	¥ 359	$ 2,250
Net defined benefit liability	¥ 16,468	¥ 14,844	$ 92,849
Net defined benefit asset	(16,192)	(14,484)	(90,599)
Total net liability (asset) for projected benefits at March 31, 2025 and 2026	¥ 276	¥ 359	$ 2,250

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, 2025 and 2026.

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Service cost	¥ 3,027	¥ 3,145	$ 19,671
Interest cost	1,026	1,207	7,555
Expected return on pension assets	(1,121)	(1,130)	(7,068)
Amortization of actuarial differences	(2,060)	(3,288)	(20,566)
Amortization of past service cost	(5)	(646)	(4,040)
Severance and retirement benefit expenses based on the alternative treatment	173	221	1,388
Others	163	46	289
Severance and retirement benefit expenses	¥ 1,205	¥ (443)	$ (2,770)

(e) Remeasurements of defined benefit plans (before tax) for the years ended March 31, 2025 and 2026

	Millions of yen				Thousands of U.S. dollars	
	2025		2026		2026	
Past service cost	¥	3,145	¥	(559)	$	(3,500)
Actuarial differences		1,029		180		1,128
Other		6,071		(4,359)		(27,266)
Total	¥	10,246	¥	(4,738)	$	(29,638)

(f) Remeasurements of defined benefit plans (before tax) at the years ended March 31, 2025 and 2026

	Millions of yen				Thousands of U.S. dollars	
	2025		2026		2026	
Unrecognized past service cost	¥	3,161	¥	2,601	$	16,270
Unrecognized actuarial differences		17,928		18,109		113,266
Other		(3,430)		(7,790)		(48,725)
Total	¥	17,658	¥	12,920	$	80,811

(g) Pension assets

(1) Pension assets comprise:

	2025	2026
Stocks	31 %	33 %
Bonds	14 %	16 %
Cash and deposits	5 %	2 %
Real estate	41 %	39 %
Other	9 %	10 %
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, 2025 and 2026 (expressed as weighted averages) were as follows:

	2025	2026
Discount rate	1.38 %	1.50 %
Long-term expected rate of return	1.51 %	1.52 %
Expected rate of increase in salary	1.93 %	1.72 %

(i) Contributions to the defined contributions pension plan

For the years ended March 31, 2025 and 2026, the Companies made contributions to the defined contributions pension plan in the amount of ¥1,564 million and ¥1,314 million ($8,224 thousand), respectively.

24. Income Taxes

The significant differences between the statutory tax rate and the Companies' effective tax rate for financial statement purposes for the years ended March 31,2025 and 2026 were as follows:

	2025	2026
Statutory tax rate	30.6 %	30.6 %
Nondeductible expenses	1.1 %	3.3 %
Nontaxable dividend income	(3.5) %	(7.5) %
Fluctuation in deferred tax assets valuation allowance account	(8.8) %	(26.1) %
Book value adjustment for investment in subsidiaries	(12.5) %	1.3 %
Elimination of dividend income	3.6 %	8.5 %
Equity in earnings of affiliates	(2.0) %	(8.0)
Effect of tax credit	(2.9) %	(2.9) %
Difference in effective tax rate between the Companies' and subsidiaries	(1.1) %	1.0 %
Corporate tax in overseas	0.3 %	2.1 %
Other	1.1 %	(5.2) %
Effective tax rate	5.9 %	(2.9) %

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2025 and 2026 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Deferred tax assets:			
Tax loss carryforwards (*1)	¥ 14,614	¥ 18,594	$ 116,303
Other reserves	6,927	7,440	46,535
Impairment loss	4,674	5,044	31,550
Employees' retirement benefits	5,484	4,786	29,939
Research and development expenses	1,973	2,526	15,803
Loss on devaluation of securities	3,483	1,244	7,781
Allowance for doubtful receivables	199	211	1,321
Other	7,992	8,646	54,081
Total deferred tax assets	45,349	48,494	303,315
Valuation allowance due to tax loss carryforwards (*1)	(10,056)	(9,567)	(59,844)
Valuation allowance due to temporary differences between financial and tax reporting purposes other than tax loss carryforwards	(8,355)	(6,561)	(41,037)
Subtotal of valuation allowance	(18,412)	(16,128)	(100,881)
Deferred tax assets, net	26,936	32,365	202,433
Deferred tax liabilities:			
Intangible assets	(3,977)	(3,268)	(20,444)
Prepaid pension assets	(3,389)	(3,045)	(19,050)
Net unrealized holding gains on headging derivatives	(413)	(542)	(3,395)
Land valuation difference	(231)	(130)	(815)
Net unrealized holding gains on securities	(48)	(88)	(552)
Asset retirement obligations	(27)	(54)	(339)
Other	(3,326)	(6,125)	(38,312)
Total deferred tax liabilities	(11,415)	(13,255)	(82,910)
Net deferred tax assets	¥ 15,521	¥ 19,109	$ 119,524

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

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)

(*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, 2026

	Millions of yen		
	Tax loss carryforwards (*1)	Valuation allowance	Deferred tax assets
2027	¥ 275	¥ (45)	¥ 229
2028	—	—	—
2029	2	(0)	2
2030	1	(0)	1
2031	1	—	1
2032 and after	18,313	(9,522)	8,791
Total	¥ 18,594	¥ (9,567)	¥ 9,026 (*2)

	Thousands of U.S. dollars		
	Tax loss carryforwards (*1)	Valuation allowance	Deferred tax assets
2027	$ 1,720	$ (282)	$ 1,438
2028	—	—	—
2029	14	(0)	13
2030	11	(1)	9
2031	9	—	9
2032 and after	114,547	(59,559)	54,988
Total	$ 116,301	$ (59,842)	$ 56,457 (*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".

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).

25. Business Combinations

1. Transfer of Shares of a Consolidated Subsidiary and Business Divestiture

On May 1, 2025, the Company transferred all issued shares of its consolidated subsidiary, H&F Co., Ltd. ("H&F"), to Amada Co., Ltd. ("Amada") (the "Share Transfer"). In addition, the Company executed a partial transfer of the business operations of its consolidated subsidiaries, Kanadevia Trading (Shanghai) Co., Ltd., Kanadevia India Private Limited, and PT. Kanadevia Indonesia (the "Divestiture").

As a result of the Divestiture, H&F, along with its wholly owned subsidiaries H&F SERVICES U.S.A., INC., H&F EUROPE LIMITED, and H&F Services (Thailand) Co., Ltd., as well as its affiliate HZF Services (Malaysia) Sdn. Bhd., have been excluded from the Company's consolidated subsidiaries and affiliates.

a) Overview of the Divestiture

(1) Name of the Transferee

Amada Co., Ltd.

(2) Description of the Divested Business

Manufacture, sale, and after-sales services of press machines, various automation equipment, and control systems, as well as operations ancillary to the after-sales services related to press machines manufactured by H&F Co., Ltd.

(3) Date of the Divestiture

May 1, 2025

(4) Legal form of business combination

A share transfer and a business transfer in which the consideration received consists solely of cash and other monetary assets.

(5) Reasons for the Divestiture

H&F Co., Ltd. originated from Fukui Machinery Co., Ltd., established in 1964, and has been part of the Company's group since that time. In 1999, it was integrated with the Company's press business and renamed H&F Co., Ltd., thereafter developing operations in the manufacture and after-sales service of large press machines for the automotive industry, primarily serving Japanese automobile manufacturers. During this period, H&F was listed on the JASDAQ market of the Tokyo Stock Exchange (as it was then) in 2006, and since 2017 has operated as a wholly owned subsidiary of the Company, undertaking the Group's press business.

In recent years, amid significant changes in the automotive industry, including the shift toward electric vehicles and increasing demand for lightweight vehicle bodies, required production capabilities have continued to rise. In anticipation of further future changes in the business environment, the Company has explored partnerships to accelerate its growth strategy and improve profitability.

As a result, the Company determined that making H&F part of the Amada Group would enable the realization of synergies, including complementarity with the Amada Group's small- and medium-sized press machines, utilization of its sales network and processing know-how, expansion of business opportunities, strengthening of the management base, and enhancement of corporate value. Accordingly, the Company resolved to execute the Divestiture.

b) Summary of Accounting Treatment
(1) Amount of Gain or Loss on Transfer
A gain on the sale of shares of an affiliated company of ¥932 million ($5,830 thousand) has been recognized.
(2) Carrying Amounts of Assets and Liabilities Transferred
The appropriate carrying amounts of the assets and liabilities related to the transferred business and a breakdown thereof.

	Millions of yen		Thousands of U.S. dollars	
Current assets	¥	22,992	$	143,813
Noncurrent assets		5,555		34,747
Total assets	¥	28,548	$	178,561
Current liabilities	¥	9,391	$	58,740
Noncurrent liabilities		1,559		9,755
Total liabilities	¥	10,951	$	68,496

(3) Accounting Treatment
The accounting treatment has been performed in accordance with the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013) and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2024).

c) Reportable Segment Including the Divested Business
Machinery and Infrastructure Segment

d) Amount of Gain or Loss Related to the Divested Business Recorded in the Consolidated Statement of Income for the Fiscal Year
Disclosure has been omitted due to immateriality.

2. Partial Transfer of Shares of a Consolidated Subsidiary

At a meeting of the Board of Directors held on February 5, 2026, the Company resolved to transfer a portion of its shareholding in Hitachi Zosen Marine Engine Co., Ltd. ("HZME"), a consolidated subsidiary of the Company, to Imabari Shipbuilding Co., Ltd. ("Imabari Shipbuilding"), which is also a shareholder of HZME (the "Share Transfer"). The Share Transfer was completed on March 31, 2026.
As a result of the Share Transfer, HZME changed its status from a consolidated subsidiary of the Company to an affiliate accounted for using the equity method.

a) Overview of the Share Transfer
(1) Name of the Transferee
Imabari Shipbuilding Co., Ltd.
(2) Name of the Subsidiary Transferred and Description of Its Business

Name of Subsidiary	Hitachi Zosen Marine Engine Co., Ltd.
Business Description	Manufacture and after-sales service of marine diesel engines

(3) Reasons for the Share Transfer
HZME was established as a consolidated subsidiary of the Company in 2022 through the incorporation of the Company's marine engine business, with Imabari Shipbuilding Co., Ltd. as a joint investor. In 2023, HZME succeeded to the Company's marine engine business through an absorption-type company split, and on the same date the Company received a capital contribution from Imabari Shipbuilding through a third-party allotment.
The Japanese government has identified the shipbuilding industry as an important sector from the

perspective of economic security and has formulated the Shipbuilding Industry Revitalization Roadmap, which aims to promote investments of approximately ¥1 trillion and expand annual shipbuilding capacity to 18 million gross tons by 2035, nearly double the current level. Against this backdrop, the business environment surrounding the shipbuilding industry is expected to undergo further significant changes. The Company recognizes that prompt capital investment and business expansion will be essential to respond effectively to these changes.

Accordingly, from the standpoint of promoting the growth of HZME and enhancing its corporate value, the Company transferred a portion of its shareholding in HZME to Imabari Shipbuilding, whose principal business is shipbuilding.

(4) Date of the Share Transfer

March 31, 2026

(5) Legal form of business combination

A share transfer in which the consideration received consists solely of cash and other monetary assets.

b) Summary of Accounting Treatment

(1) Amount of Gain or Loss on Transfer

A loss on the sale of shares of an affiliated company of ¥250 million ($1,565 thousand) has been recognized.

(2) Carrying Amounts of Assets and Liabilities Transferred

The appropriate carrying amounts of the assets and liabilities related to the transferred business and a breakdown thereof.

	Millions of yen		Thousands of U.S. dollars	
Current assets	¥	16,321	$	102,083
Noncurrent assets		4,529		28,327
Total assets	¥	20,850	$	130,411
Current liabilities	¥	9,842	$	61,562
Noncurrent liabilities		14		90
Total liabilities	¥	9,857	$	61,652

(3) Accounting Treatment

The accounting treatment has been performed in accordance with the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013) and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2024).

c) Reportable Segment in Which the Subsidiary Was Included

Carbon neutral Segment

d) Amount of Gain or Loss Related to the Transferred Subsidiary Included in the Consolidated Statement of Income for the Fiscal Year

	Millions of yen		Thousands of U.S. dollars	
Net sales	¥	28,288	$	176,933
Operating income (loss)		(692)		(4,330)

3. Acquisition of Encyclis Ireland Operations Ltd. and its subsidiary

a) Overview of this business combination

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

a. Name of acquired company

Encyclis Ireland Operations Ltd. (“EIOL”) and its subsidiary
b. Business of acquired company
Waste-to-energy plant operations
(2) Reasons for the Business Combination
EIOL operates a waste-to-energy plant in Dublin, Poolbeg, which was designed and constructed by Kanadevia Inova AG (“Inova”) and has been in operation since 2017. The operating concession extends until 2062, providing a remaining operating period of approximately 38 years. Since operations commenced, the plant has maintained stable performance.
At the time of the acquisition, the plant owner had commissioned an upgrade project to increase waste processing capacity by 15%, from 600,000 tons per year to 690,000 tons per year. In addition, a further upgrade project was planned to increase waste processing capacity by approximately 15%, from 690,000 tons per year to approximately 800,000 tons per year. The plant is currently capable of supplying electricity to approximately 115,000 households and district heating to approximately 50,000 households. These figures are expected to increase further as a result of the enhancement of the plant's power generation capacity associated with the expansion project.The plant is currently capable of supplying electricity to approximately 115,000 households and district heating to approximately 50,000 households. These figures are expected to increase further as a result of the enhancement of the plant's power generation capacity associated with the expansion project.
Plant upgrades are one of Inova's core strengths. The acquisition of EIOL was therefore undertaken with the objective of enhancing the value of the plant owner's assets and reducing operational risks associated with asset management.
(3) Acquisition date

March 18, 2026	(Acquisition date)
March 31, 2026	(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 Ireland Ltd., and its subsidiary Kanadevia Inova Ireland Holdco Ltd.
(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) Matters Relating to the Determination of Acquisition Cost
(1) Acquisition Cost of the Acquired Company and Breakdown by Type of Consideration

	Millions of yen	Thousands of U.S. dollars
Cash	¥ 11,943	$ 74,703
Total	¥ 11,943	$ 74,703

(2) Major Acquisition-Related Costs and Amount

	Millions of yen	Thousands of U.S. dollars
Advisory fees, etc.	¥ 715	$ 4,477
Total	¥ 715	$ 4,477

c) Goodwill
(1) Amount of goodwill recognized
¥11,310 million ($70,742 thousand)
Note. As the purchase price allocation has not yet been completed as of the end of the current fiscal

year, provisional accounting treatment has been applied based on the information available at that 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

d) 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	¥	3,466	$	21,683
Noncurrent assets		0		3
Total assets	¥	3,467	$	21,687
Current liabilities	¥	2,834	$	17,726
Noncurrent liabilities		—		—
Total liabilities	¥	2,834	$	17,726

e) Estimated impact on the consolidated statement of income for the fiscal year ended March 31, 2026, assuming that business combination was completed as of April 1, 2025 and the calculation methods thereof

This information is not provided because it is difficult to caluclate the impact on the consolidated statements of income for the fiscal year ended March 31, 2026.

4. Finalization of Provisional Accounting Treatment for a Business Combination

(Acquisition of Shares of Iona Capital Ltd Group)

As a result of the finalization of the provisional accounting treatment, the allocation of the acquisition cost was revised, resulting in an increase of ¥336 million ($2,103 thousand) in goodwill from the provisional amount of ¥2,923 million to ¥3,259 million ($20,385 thousand).

26. 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, 2025 and 2026:

	Millions of yen		Thousands of U.S.dollars
	2025	2026	2026
Balance at the beginning of the fiscal year	¥ 3,097	¥ 1,125	$ 7,037
Increase by acquisition	53	501	3,134
Adjustment with passing of time	9	4	30
Other increases and decreases	(2,036)	(2)	(14)
Balance at the end of the fiscal year	¥ 1,125	¥ 1,628	$ 10,187

27. 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, 2025 and 2026, rental income was ¥261 million and ¥251 million ($1,573 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
	2025	2026	2026
Book value			
Balance at the beginning of the fiscal year	¥ 11,978	¥ 11,949	$ 74,741
Decrease and increase for this fiscal year, net	(28)	123	769
Balance at the end of the fiscal year	¥ 11,949	¥ 12,072	$ 75,510
Fair value			
at the end of the fiscal year	¥ 9,042	¥ 9,221	$ 57,675

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

For the fiscal year ended March 31, 2025, the decrease was attributable primarily to depreciation of ¥93 million. For the fiscal year ended March 31, 2026, the increase was attributable primarily to a change in the scope of consolidation in the amount of ¥101 million ($632 thousand).

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.

28. 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				
	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

	Millions of yen				
	2026				
	Environmental systems	Machinery and Infra-structure	Carbon Neutral Solution	Other businesses	Total
EPC(new construction)	¥ 256,023	¥ —	¥ —	¥ —	¥ 256,023
Operation and Maintenance	¥ 249,207	¥ —	¥ —	¥ —	¥ 249,207
Press machines	¥ —	¥ 882	¥ —	¥ —	¥ 882
Precision equipment	¥ —	¥ 34,211	¥ —	¥ —	¥ 34,211
Infrastructure	¥ —	¥ 21,920	¥ —	¥ —	¥ 21,920
Other machinery	¥ —	¥ 11,455	¥ —	¥ —	¥ 11,455
Marine equipment	¥ —	¥ —	¥ 30,277	¥ —	¥ 30,277
Process equipment	¥ —	¥ —	¥ 26,092	¥ —	¥ 26,092
Carbon neutral equipment	¥ —	¥ —	¥ 3,889	¥ —	¥ 3,889
Wind power	¥ —	¥ —	¥ 8,982	¥ —	¥ 8,982
Other	¥ —	¥ —	¥ —	¥ 2,284	¥ 2,284
Revenue from Contracts with customers	¥ 505,230	¥ 68,468	¥ 69,238	¥ 2,284	¥ 645,222
Net sales to external customers	¥ 505,230	¥ 68,468	¥ 69,238	¥ 2,284	¥ 645,222

	Thousands of U.S.dollars				
	2026				
	Environmental systems	Machinery and Infra-structure	Carbon Neutral Solution	Other businesses	Total
EPC(new construction)	$ 1,601,344	$ —	$ —	$ —	$ 1,601,344
Operation and Maintenance	$ 1,558,712	$ —	$ —	$ —	$ 1,558,712
Press machines	$ —	$ 5,516	$ —	$ —	$ 5,516
Precision equipment	$ —	$ 213,979	$ —	$ —	$ 213,979
Infrastructure	$ —	$ 137,102	$ —	$ —	$ 137,102
Other machinery	$ —	$ 71,647	$ —	$ —	$ 71,647
Marine equipment	$ —	$ —	$ 189,373	$ —	$ 189,373
Process equipment	$ —	$ —	$ 163,197	$ —	$ 163,197
Carbon neutral equipment	$ —	$ —	$ 24,324	$ —	$ 24,324
Wind power	$ —	$ —	$ 56,179	$ —	$ 56,179
Other	$ —	$ —	$ —	$ 14,291	$ 14,291
Revenue from Contracts with customers	$ 3,160,057	$ 428,250	$ 433,067	$ 14,291	$ 4,035,668
Net sales to external customers	$ 3,160,057	$ 428,250	$ 433,067	$ 14,291	$ 4,035,668

(2) The breakdown of the business by geographical area

	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

	Millions of yen				
	2026				
	Environmental systems	Machinery and Infra-structure	Carbon Neutral Solution	Other businesses	Total
Japan	¥ 208,331	¥ 59,390	¥ 47,862	¥ 1,831	¥ 317,416
Europe	¥ 246,362	¥ 158	¥ 506	¥ —	¥ 247,027
Asia	¥ 2,142	¥ 8,253	¥ 4,386	¥ 453	¥ 15,236
North-America	¥ 7,339	¥ 598	¥ 14,219	¥ —	¥ 22,158
Middle East	¥ 25,622	¥ 2	¥ 1,239	¥ —	¥ 26,864
Other	¥ 15,430	¥ 64	¥ 1,024	¥ —	¥ 16,519
Revenue from Contracts with customers	¥ 505,230	¥ 68,468	¥ 69,238	¥ 2,284	¥ 645,222
Net sales to external customers	¥ 505,230	¥ 68,468	¥ 69,238	¥ 2,284	¥ 645,222

	Thousands of U.S.dollars				
	2026				
	Environmental systems	Machinery and Infra-structure	Carbon Neutral Solution	Other businesses	Total
Japan	$ 1,303,048	$ 371,472	$ 299,366	$ 11,457	$ 1,985,344
Europe	$ 1,540,921	$ 990	$ 3,166	$ —	$ 1,545,078
Asia	$ 13,402	$ 51,625	$ 27,436	$ 2,834	$ 95,298
North-America	$ 45,907	$ 3,746	$ 88,941	$ —	$ 138,594
Middle East	$ 160,261	$ 16	$ 7,751	$ —	$ 168,029
Other	$ 96,515	$ 401	$ 6,404	$ —	$ 103,321
Revenue from Contracts with customers	$ 3,160,057	$ 428,250	$ 433,067	$ 14,291	$ 4,035,668
Net sales to external customers	$ 3,160,057	$ 428,250	$ 433,067	$ 14,291	$ 4,035,668

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	
	2025		2026		2026	
Receivables arising from contracts with customers (opening balance)						
Notes	¥	7,154	¥	10,106	$	63,215
Accounts	¥	110,421	¥	105,329	$	658,805
Total	¥	117,575	¥	115,436	$	722,020
Receivables arising from contracts with customers (ending balance)						
Notes	¥	10,106	¥	5,957	$	37,261
Accounts	¥	105,329	¥	105,174	$	657,831
Total	¥	115,436	¥	111,131	$	695,093
Contract assets (opening balance)	¥	117,231	¥	112,583	$	704,174
Contract assets (ending balance)	¥	112,583	¥	150,033	$	938,413
Contract liabilities (opening balance)	¥	48,741	¥	40,600	$	253,942
Contract liabilities (ending balance)	¥	40,600	¥	54,853	$	343,091

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 ¥37,478 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 ¥10,368 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 ¥36,982 million ($231,312 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 ¥1,259 million ($7,879 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									
	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

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.

	Millions of yen									
	2026									
	Environmental systems		Machinery and Infra-structure		Carbon Neutral Solution		Other businesses		Total	
residual performance obligation	¥	2,142,689	¥	83,307	¥	58,306	¥	464	¥	2,284,768

	Thousands of U.S.dollars									
	2026									
	Environmental systems		Machinery and Infra-structure		Carbon Neutral Solution		Other businesses		Total	
residual performance obligation	$	13,401,857	$	521,059	$	364,686	$	2,902	$	14,290,517

Of such performance obligations, approximately 25% 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 48% are long-term operating projects, mainly in the environmental business, which will be recognized as revenue after four years.

29. 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 plastic machinery, food filling and packaging systems, the materials business, bridge construction, water gates, steel stacks, marine civil engineering, and shield tunneling machines, boilers, press 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						
	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

	Millions of yen						
	2026						
	Environmental systems	Machinery and Infra-structure	Carbon Neutral Solution	Other businesses	Total	Eliminations and corporate	Consoli-dated
Net sales							
Outside customers	¥ 505,230	¥ 68,468	¥ 69,238	¥ 2,284	¥ 645,222	¥ —	¥ 645,222
Intersegment	477	4,609	74	476	5,638	(5,638)	—
Total	505,707	73,078	69,313	2,761	650,860	(5,638)	645,222
Segment income (loss)	¥ 16,707	¥ (2,416)	¥ (2,467)	¥ 412	¥ 12,236	¥ (44)	¥ 12,192
Segment assets	¥ 451,664	¥ 99,448	¥ 61,342	¥ 67,219	¥ 679,675	¥ 38,965	¥ 718,640
Others							
Depreciation	¥ 9,141	¥ 2,204	¥ 2,669	¥ 1,620	¥ 15,635	¥ —	¥ 15,635
Investment in affiliates accounted for using equity method	¥ 2,249	¥ 2,971	¥ 9,825	¥ 15,469	¥ 30,516	¥ —	¥ 30,516
Increase in assets and intangible assets	¥ 15,816	¥ 4,883	¥ 2,085	¥ 2,489	¥ 25,274	¥ —	¥ 25,274

	Thousands of U.S.dollars						
	2026						
	Environmental systems and industrial plants	Machinery and Infra-structure	Carbon Neutral Solution	Other businesses	Total	Eliminations and corporate	Consoli-dated
Net sales							
Outside customers	$ 3,160,057	$ 428,250	$ 433,067	$ 14,291	$ 4,035,668	$ —	$ 4,035,668
Intersegment	2,987	28,830	468	2,978	35,265	(35,265)	—
Total	3,163,045	457,081	433,536	17,269	4,070,933	(35,265)	4,035,668
Segment income (loss)	$ 104,500	$ (15,114)	$ (15,431)	$ 2,580	$ 76,535	$ (278)	$ 76,257
Segment assets	$ 2,825,024	$ 622,018	$ 383,677	$ 420,436	$ 4,251,157	$ 243,714	$ 4,494,871
Others							
Depreciation	$ 57,176	$ 13,790	$ 16,694	$ 10,135	$ 97,796	$ —	$ 97,796
Investment in affiliates accounted for using equity method	$ 14,072	$ 18,586	$ 61,455	$ 96,758	$ 190,873	$ —	$ 190,873
Increase in assets and intangible assets	$ 98,929	$ 30,542	$ 13,041	$ 15,570	$ 158,084	$ —	$ 158,084

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, 2025 and 2026 were ¥ 32,392 million and ¥ 38,965 million ($ 243,714 thousand), respectively.

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, 2025 and 2026 were as follows:

	Millions of yen		Thousands of U. S. dollars
	2025	2026	2026
Japan	¥ 313,089	¥ 317,416	$ 1,985,344
Asia	25,546	15,236	95,298
North America	25,782	22,158	138,594
Middle East	28,253	26,864	168,029
Europe	207,071	247,027	1,545,078
Other	10,778	16,519	103,321
Total	¥ 610,523	¥ 645,222	$ 4,035,668

(*)In the last fiscal year, sales in the Europe segment include sales of ¥143,218 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 ¥146,642 million ($917,203 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, 2025 and 2026, tangible fixed assets by region were as follows:

	Millions of yen		Thousands of U. S. dollars
	2025	2026	2026
Japan	¥ 94,026	¥ 87,218	$ 545,521
Other	42,033	56,424	352,916
Total	¥ 136,060	¥ 143,642	$ 898,438

(*)In the current fiscal year, tangible fixed assets in other include the balance of ¥ 17,781 million ($111,215 thousand) in the U.K., which accounts for more than 10% of the tangible fixed assets in the Consolidated Balance sheets.

(3) Information about major customers

For the year ended March 31, 2025 and 2026, 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.

30. Related Party Information

Year ended March 31, 2025:

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

Year ended March 31, 2026:

There were no significant transactions with related parties in the year ended March 31, 2026.

31. Subsequent event

Share Transfer of Business of a Consolidated Subsidiary

Effective from June 1, 2026, the Company transferred all issued shares of its wholly-owned subsidiary, VTEX Corporation (hereinafter "VTEX"), to KITZ Corporation. (hereinafter "KITZ") (hereinafter the "Share Transfer").

Furthermore, due to the Share Transfer, VTEX and its wholly-owned subsidiaries, VTEX Korea Co., Ltd., VTEX America Inc., V TEX Shanghai Co., Ltd, and Vtex (Suzhou) Vacuum Technology Co., Ltd to KITZ were excluded from its consolidated subsidiaries and affiliated companies.

a) Overview of the Share Transfer

1) Name of the Transferee

KITZ Corporation

2) Description of the Divested Business

Development and manufacture of special valves

3) Date of the Divestiture

June 1, 2026

4) Legal form of business combination

A share transfer in which the consideration received consists solely of cash and other monetary assets.

5) Reasons for the Divestiture

Since its establishment, VTEX has been engaged in the development and manufacture of special valves across various fields, particularly in the IT sector, including the semiconductor, fine chemicals and hydrogen energy businesses. VTEX's special valves are characterized by high functionality centered on unique sealing technologies, in addition to highly clean valve performance, and the company has established a strong track record as a diaphragm valve manufacturer in the semiconductor manufacturing process industry.

While technological innovation in the semiconductor market continues to accelerate and competition intensifies, certain companies are expanding their market share. Demand for second suppliers is increasing from the perspective of stable supply by semiconductor manufacturing equipment manufacturers. Under these circumstances, and against the backdrop of active overseas investments in recent years and the promotion of domestic industrial policies, there is also a growing trend toward business expansion through cooperation among domestic companies.

Taking these circumstances into consideration, the Company determined that enhancing VTEX's sustainable growth and strengthening its business operations, as well as further increasing future technological development investments, would be best achieved by integrating its valve-centered flow control equipment and systems business with KITZ. Accordingly, the Company decided to transfer all shares of VTEX to KITZ.

b) Summary of Accounting Treatment
1) Gain or loss due to transfer, and assets and liabilities of transferred business
Under calculation
2) Accounting Treatment
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) Reportable Segment Including the Divested Business
Machinery & Infrastructure

32. Supplemental Information

Auditors Remuneration

a) Fees of the auditor

	Millions of yen				Thousands of U.S. dollars	
	2025		2026		2026	
	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	¥ 113	¥ 48	¥ 115	¥ 14	$ 720	$ 92
Consolidated subsidiaries	76	—	69	—	436	—
Total	¥ 190	¥ 48	¥ 185	¥ 14	$ 1,157	$ 92

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	
	2025		2026		2026	
	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	¥ —	¥ 15	¥ —	¥ 21	$ —	$ 135
Consolidated subsidiaries	226	67	164	82	1,026	519
Total	¥ 226	¥ 83	¥ 164	¥ 104	$ 1,026	$ 654