Consolidated Financial Statements

KRAFTIA CORPORATION

Year ended March 31, 2026

KRAFTIA CORPORATION and Consolidated Subsidiaries

Consolidated Financial Statements

Year ended March 31, 2026

Contents

Consolidated Financial Statements

KRAFTIA CORPORATION and Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2026

	March 31,		
	2025	2026	2026
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Assets			
Current assets:			
Cash on hand and in banks *(Notes 17, 19 and 22)*	¥ 71,693	**¥ 51,939**	**$ 324,864**
Notes receivable, accounts receivable on completed construction contracts and other accounts receivable *(Notes 19 and 24)*	163,446	**177,386**	**1,109,497**
Short-term investments	4	–	–
Costs on uncompleted construction contracts	8,789	**8,153**	**50,996**
Real estate for sale	156	**3,049**	**19,073**
Costs on real estate business	199	**589**	**3,685**
Merchandise	864	**656**	**4,103**
Raw materials and supplies	36,681	**36,652**	**229,250**
Other current assets *(Note 17)*	17,675	**20,482**	**128,110**
Allowance for doubtful accounts *(Note 19)*	(240)	**(605)**	**(3,786)**
Total current assets	299,268	**298,303**	**1,865,795**
Fixed assets:			
Property and equipment:			
Buildings and structures *(Notes 3, 4 and 17)*	76,153	**79,436**	**496,849**
Machinery, vehicles, tools, furniture and fixtures *(Notes 3, 4 and 17)*	46,319	**53,205**	**332,781**
Land *(Notes 4 and 17)*	30,445	**31,287**	**195,693**
Leased assets	8,462	**9,896**	**61,898**
Construction in progress	1,106	**1,347**	**8,425**
Accumulated depreciation	(83,912)	**(89,912)**	**(562,376)**
Total property and equipment	78,575	**85,259**	**533,272**
Intangible assets:			
Goodwill *(Notes 4 and 23)*	522	**331**	**2,072**
Customer-related intangible assets	1,022	**801**	**5,011**
Other intangible assets	2,911	**3,718**	**23,258**
Total intangible assets	4,455	**4,851**	**30,342**
Investments and other assets:			
Investments in securities *(Notes 17, 19 and 20)*	55,879	**74,345**	**465,009**
Investments in unconsolidated subsidiaries and affiliates *(Notes 17 and 20)*	24,273	**23,526**	**147,150**
Long-term loans receivable *(Note 17)*	5	**187**	**1,172**
Asset for retirement benefits *(Note 6)*	18,682	**24,839**	**155,361**
Deferred tax assets *(Note 14)*	1,441	**1,364**	**8,537**
Other *(Note 17)*	7,016	**11,787**	**73,724**
Allowance for doubtful accounts	(1,125)	**(1,196)**	**(7,481)**
Total investments and other assets	106,172	**134,854**	**843,474**
Total fixed assets	189,203	**224,965**	**1,407,089**
Total assets	¥488,472	**¥523,268**	**$ 3,272,885**

KRAFTIA CORPORATION and Consolidated Subsidiaries

Consolidated Balance Sheet (continued)

March 31, 2026

	March 31,		
	2025	2026	2026
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Liabilities			
Current liabilities:			
Notes payable, accounts payable on construction contracts and other accounts payable *(Note 19)*	¥ 68,166	**¥ 65,050**	**$ 406,870**
Electronically recorded obligations *(Note 19)*	22,418	**9,012**	**56,367**
Short-term borrowings *(Notes 5 and 17)*	1,351	**1,366**	**8,548**
Current portion of long-term debt *(Notes 5, 17 and 19)*	569	**14,971**	**93,638**
Lease obligations *(Note 5)*	1,247	**1,573**	**9,843**
Income taxes payable and other *(Note 14)*	8,139	**10,468**	**65,478**
Advances received on uncompleted construction contracts *(Note 25)*	28,947	**26,546**	**166,041**
Provision for loss on construction contracts	2,756	**4,783**	**29,917**
Other current liabilities	13,932	**12,934**	**80,899**
Total current liabilities	147,529	**146,706**	**917,605**
Long-term liabilities:			
Long-term debt *(Notes 5, 17 and 19)*	16,779	**8,876**	**55,519**
Lease obligations *(Note 5)*	3,775	**4,547**	**28,442**
Provision for retirement benefits for directors and audit and supervisory board members	278	**224**	**1,402**
Liability for retirement benefits *(Note 6)*	3,771	**3,675**	**22,986**
Provision for share-based payments	165	**237**	**1,482**
Provision for loss on business of subsidiaries and affiliates	165	**–**	**–**
Other long-term liabilities *(Note 7)*	3,853	**7,357**	**46,015**
Total long-term liabilities	28,789	**24,917**	**155,850**
Total liabilities	176,319	**171,624**	**1,073,455**
Commitments and contingencies *(Note 16)*			
Net assets *(Note 8)*			
Shareholders' equity:			
Common stock:			
Authorized – 250,000,000 shares			
Issued – 70,864,961 shares in 2025 and 2026	12,561	**12,561**	**78,568**
Capital surplus	13,220	**13,220**	**82,688**
Retained earnings	273,660	**301,661**	**1,886,800**
Treasury stock, at cost	(486)	**(469)**	**(2,938)**
Total shareholders' equity	298,955	**326,973**	**2,045,119**
Accumulated other comprehensive income			
Unrealized holding gain on securities	7,539	**14,416**	**90,170**
Unrealized gain on hedging instruments	245	**626**	**3,921**
Translation adjustments	1,091	**956**	**5,982**
Retirement benefit liability adjustments *(Note 6)*	2,272	**4,722**	**29,538**
Total accumulated other comprehensive income	11,148	**20,722**	**129,613**
Non-controlling interests	2,048	**3,948**	**24,697**
Total net assets	312,152	**351,644**	**2,199,429**
Total liabilities and net assets	¥ 488,472	**¥ 523,268**	**$ 3,272,885**

See accompanying notes to consolidated financial statements.

KRAFTIA CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Income

Year ended March 31, 2026

	Year ended March 31,		
	2025	2026	2026
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Net sales *(Notes 9, 23 and 25)*:			
Construction contracts	¥ 454,373	**¥ 457,524**	**$ 2,861,676**
Other	19,580	**18,598**	**116,330**
Total net sales	473,954	**476,123**	**2,978,006**
Cost of sales *(Notes 10 and 12)*:			
Construction contracts	388,635	**375,403**	**2,348,034**
Other	14,617	**13,645**	**85,350**
Total cost of sales	403,253	**389,049**	**2,433,385**
Gross profit:			
Construction contracts	65,738	**82,120**	**513,641**
Other	4,963	**4,953**	**30,980**
Total gross profit	70,701	**87,074**	**544,621**
Selling, general and administrative expenses *(Notes 11 and 12)*	29,313	**32,473**	**203,110**
Operating income *(Note 23)*	41,388	**54,600**	**341,511**
Non-operating income (expenses):			
Interest income	162	**132**	**829**
Dividend income	1,239	**1,103**	**6,899**
Interest expenses	(515)	**(649)**	**(4,064)**
Equity in earnings of affiliates	493	**494**	**3,095**
Gain on investments in partnership	1,463	**1,719**	**10,752**
Rent income	335	**338**	**2,120**
Extra retirement payments	(119)	**(111)**	**(694)**
Provision of allowance for doubtful accounts of subsidiary	(160)	**–**	**–**
Provision of allowance for doubtful accounts	(241)	**(338)**	**(2,114)**
Other, net	389	**866**	**5,420**
Ordinary income	44,434	**58,157**	**363,755**
Extraordinary income (loss):			
Gain on sales of property and equipment	181	**19**	**122**
Loss on disposal and sales of fixed assets	(268)	**(375)**	**(2,350)**
Gain on sales of investments in securities *(Note 20)*	464	**1,041**	**6,513**
Reversal of provision for loss on business of subsidiaries and affiliates	497	**–**	**–**
Impairment loss on investments in securities *(Note 20)*	–	**(985)**	**(6,161)**
Impairment loss *(Note 4)*	(277)	**(728)**	**(4,553)**
Loss on sales of investments in securities *(Note 20)*	(527)	**–**	**–**
Loss on liquidation of subsidiaries and affiliates	(45)	**–**	**–**
Provision for loss on business of subsidiaries and affiliates *(Note 13)*	(165)	**–**	**–**
Profit before income taxes	44,293	**57,129**	**357,326**
Income taxes *(Note 14)*:			
Current	15,100	**17,960**	**112,337**
Deferred	136	**(1,133)**	**(7,091)**
Profit	29,056	**40,302**	**252,080**
Profit attributable to:			
Non-controlling interests	172	**249**	**1,560**
Owners of parent	¥ 28,883	**¥ 40,053**	**$ 250,519**

See accompanying notes to consolidated financial statements.

KRAFTIA CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

Year ended March 31, 2026

	Year ended March 31		
	2025	**2026**	**2026**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Profit	¥ 29,056	**¥ 40,302**	**$ 252,080**
Other comprehensive income *(Note 15)*:			
Unrealized holding gain (loss) on securities	(277)	**6,848**	**42,835**
Unrealized gain on hedging instruments	–	**215**	**1,345**
Translation adjustments	218	**(134)**	**(842)**
Retirement benefit liability adjustments *(Note 6)*	1,215	**2,450**	**15,326**
Share of other comprehensive income of entities accounted for using equity method	180	**316**	**1,979**
Total other comprehensive income	1,336	**9,695**	**60,643**
Comprehensive income	¥ 30,392	**¥ 49,998**	**$ 312,723**
Comprehensive income attributable to:			
Owners of parent	¥ 30,203	**¥ 49,627**	**$ 310,404**
Non-controlling interests	189	**370**	**2,319**

KRAFTIA CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2026

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized holding gain on securities	Unrealized gain on hedging instruments	Translation adjustments	Retirement benefit liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
						(Millions of yen)						
Balance at April 1, 2024	¥ 12,561	¥ 13,069	¥ 253,824	¥ (493)	¥ 278,962	¥ 7,810	¥ 61	¥ 890	¥ 1,056	¥ 9,818	¥ 2,344	¥ 291,125
Cash dividends paid	–	–	(9,212)	–	(9,212)	–	–	–	–	–	–	(9,212)
Profit attributable to owners of parent for the period	–	–	28,883	–	28,883	–	–	–	–	–	–	28,883
Purchase of treasury stock	–	–	–	(3)	(3)	–	–	–	–	–	–	(3)
Disposal of treasury stock	–	–	–	9	9	–	–	–	–	–	–	9
Purchase of shares of consolidated subsidiaries	–	150	–	–	150	–	–	–	–	–	–	150
Increase in retained earnings due to change in accounting period of subsidiaries	–	–	164	–	164	–	–	–	–	–	–	164
Net changes in items other than those in shareholders' equity	–	–	–	–	–	(270)	183	201	1,215	1,329	(295)	1,034
Net changes during the year	–	150	19,835	6	19,993	(270)	183	201	1,215	1,329	(295)	21,027
Balance at April 1, 2025	**12,561**	**13,220**	**273,660**	**(486)**	**298,955**	**7,539**	**245**	**1,091**	**2,272**	**11,148**	**2,048**	**312,152**
Cash dividends paid	**–**	**–**	**(11,692)**	**–**	**(11,692)**	**–**	**–**	**–**	**–**	**–**	**–**	**(11,692)**
Profit attributable to owners of parent for the period	**–**	**–**	**40,053**	**–**	**40,053**	**–**	**–**	**–**	**–**	**–**	**–**	**40,053**
Purchase of treasury stock	**–**	**–**	**–**	**(3)**	**(3)**	**–**	**–**	**–**	**–**	**–**	**–**	**(3)**
Disposal of treasury stock	**–**	**–**	**–**	**19**	**19**	**–**	**–**	**–**	**–**	**–**	**–**	**19**
Change in scope of consolidation	**–**	**–**	**(359)**	**–**	**(359)**	**–**	**–**	**–**	**–**	**–**	**–**	**(359)**
Net changes in items other than those in shareholders' equity	**–**	**–**	**–**	**–**	**–**	**6,876**	**381**	**(134)**	**2,450**	**9,574**	**1,899**	**11,473**
Net changes during the year	**–**	**–**	**28,001**	**16**	**28,017**	**6,876**	**381**	**(134)**	**2,450**	**9,574**	**1,899**	**39,491**
Balance at March 31, 2026	**¥ 12,561**	**¥ 13,220**	**¥ 301,661**	**¥ (469)**	**¥ 326,973**	**¥14,416**	**¥ 626**	**¥ 956**	**¥ 4,722**	**¥20,722**	**¥ 3,948**	**¥ 351,644**

KRAFTIA CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets (continued)

Year ended March 31, 2026

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized holding gain on securities	Unrealized gain on hedging instruments	Translation adjustments	Retirement benefit liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	(Thousands of U.S. dollars) (Note 1)											
Balance at April 1, 2025	**$ 78,568**	**$ 82,688**	**$ 1,711,661**	**$ (3,042)**	**$ 1,869,875**	**$ 47,157**	**$ 1,533**	**$ 6,825**	**$ 14,212**	**$ 69,728**	**$ 12,815**	**$ 1,952,420**
Cash dividends paid	–	–	**(73,131)**	–	**(73,131)**	–	–	–	–	–	–	**(73,131)**
Profit attributable to owners of parent for the period	–	–	**250,519**	–	**250,519**	–	–	–	–	–	–	**250,519**
Purchase of treasury stock	–	–	–	**(19)**	**(19)**	–	–	–	–	–	–	**(19)**
Disposal of treasury stock	–	–	–	**124**	**124**	–	–	–	–	–	–	**124**
Change in scope of consolidation	–	–	**(2,249)**	–	**(2,249)**	–	–	–	–	–	–	**(2,249)**
Net changes in items other than those in shareholders' equity	–	–	–	–	–	**43,012**	**2,388**	**(842)**	**15,326**	**59,884**	**11,881**	**71,765**
Net changes during the year	–	–	**175,138**	**104**	**175,243**	**43,012**	**2,388**	**(842)**	**15,326**	**59,884**	**11,881**	**247,009**
Balance at March 31, 2026	**$ 78,568**	**$ 82,688**	**$ 1,866,800**	**$ (2,938)**	**$ 2,045,119**	**$ 90,170**	**$ 3,921**	**$ 5,982**	**$ 29,538**	**$129,613**	**$ 24,697**	**$ 2,199,429**

KRAFTIA CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

Year ended March 31, 2026

	2025	2026	2026
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Cash flows from operating activities			
Profit before income taxes	¥ 44,293	**¥ 57,129**	**$ 357,326**
Depreciation and amortization	6,454	**6,922**	**43,299**
Impairment loss	277	**728**	**4,553**
Increase in allowance for doubtful accounts	361	**450**	**2,819**
Increase in retirement benefit asset	(3,853)	**(6,156)**	**(38,508)**
Increase in liability for retirement benefits and provision for retirement benefits for directors and audit and supervisory board members	1,637	**3,411**	**21,340**
Increase in provision for loss on construction contracts	2,493	**1,900**	**11,886**
Decrease in provision for loss on business of subsidiaries and affiliates	(2,095)	**–**	**–**
Gain on investments in partnership	(1,463)	**(1,719)**	**(10,752)**
Interest and dividend income	(1,401)	**(1,235)**	**(7,728)**
Interest expenses	515	**649**	**4,064**
Foreign exchange gain	(114)	**(440)**	**(2,753)**
Share of (profit) loss of entities accounted for using equity method	(138)	**943**	**5,902**
(Gain) loss on sales of property and equipment, net	(112)	**0**	**0**
Loss on disposal of fixed assets	198	**330**	**2,067**
Impairment loss on investments in securities	–	**985**	**6,161**
Loss (gain) on sales of investments in securities, net	63	**(1,041)**	**(6,513)**
Decrease (increase) in notes and accounts receivable on completed construction contracts and contract assets	2,530	**(13,559)**	**(84,807)**
Decrease in costs on uncompleted construction contracts	909	**635**	**3,976**
Increase in inventories	(3,711)	**(573)**	**(3,589)**
Decrease in notes and accounts payable on construction contracts	(29,510)	**(16,756)**	**(104,809)**
Increase (decrease) in advances received on uncompleted construction contracts	7,215	**(2,452)**	**(15,340)**
(Decrease) increase in long-term accounts payable	(39)	**35**	**222**
Decrease in consumption taxes payable, net	(1,414)	**(2,399)**	**(15,006)**
Other, net	3,104	**(730)**	**(4,569)**
Subtotal	26,200	**27,058**	**169,240**
Interest and dividend income received	1,327	**1,150**	**7,193**
Interest expenses paid	(515)	**(649)**	**(4,064)**
Income taxes paid	(18,355)	**(15,226)**	**(95,236)**
Net cash provided by operating activities	¥ 8,656	**¥ 12,332**	**$ 77,134**

KRAFTIA CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Cash Flows (continued)

Year ended March 31, 2026

	2025	2026	2026
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Cash flows from investing activities			
Payments into time deposits	¥ (2,884)	**¥ (1,003)**	**$ (6,278)**
Proceeds from withdrawal of time deposits	5,992	**886**	**5,547**
Purchase of property and equipment	(3,791)	**(4,837)**	**(30,255)**
Proceeds from sales of property and equipment	512	**107**	**673**
Payments of disposal of property and equipment	(61)	**(282)**	**(1,765)**
Purchase of investments in securities	(6,164)	**(10,466)**	**(65,467)**
Proceeds from sales of investments in securities	1,533	**2,375**	**14,855**
Payments for purchase of investments in subsidiaries resulting in changes in scope of consolidation	(504)	**–**	**–**
Proceeds from purchase of subsidiaries' shares resulting in change in scope of consolidation	–	**373**	**2,339**
Collection of long-term loans receivable	74	**9**	**61**
Other, net	(3,616)	**(5,306)**	**(33,193)**
Net cash used in investing activities	(8,910)	**(18,143)**	**(113,483)**
Cash flows from financing activities			
Net decrease in short-term borrowings	(72)	**(110)**	**(688)**
Proceeds from long-term debt	14,000	**–**	**–**
Repayments of long-term debt	(27,599)	**(975)**	**(6,101)**
Purchase of treasury stock	(3)	**(3)**	**(19)**
Proceeds from sale of treasury shares	5	**8**	**55**
Cash dividends paid	(9,204)	**(11,679)**	**(73,049)**
Cash dividends paid to non-controlling shareholders	(4)	**(4)**	**(29)**
Capital contribution from non-controlling interests	–	**1**	**9**
Repayments to non-controlling shareholders	(20)	**(20)**	**(130)**
Purchase of subsidiaries' shares not resulting in changes in scope of consolidation	(309)	**–**	**–**
Other, net	(1,344)	**(1,524)**	**(9,532)**
Net cash used in financing activities	(24,552)	**(14,307)**	**(89,487)**
Effect of exchange rate changes on cash and cash equivalents	326	**143**	**899**
Net decrease in cash and cash equivalents	(24,479)	**(19,974)**	**(124,936)**
Cash and cash equivalents at the beginning of the year	94,588	**70,437**	**440,562**
Increase in cash and cash equivalents resulting from new consolidation of a subsidiary	–	**86**	**537**
Increase in cash and cash equivalents resulting from changes in accounting period of consolidated subsidiaries	328	**–**	**–**
Cash and cash equivalents at the end of the year *(Note 22)*	¥ 70,437	**¥ 50,548**	**$ 316,162**

KRAFTIA CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2026

1. Basis of Presentation

KRAFTIA CORPORATION (the "Company") and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements of the Company and consolidated subsidiaries (the "Group") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements have been translated from yen amounts solely for the convenience of the reader, as a matter of arithmetic computation only, at ¥159.88 = U.S.$1.00, the rate of exchange prevailing on March 31, 2026. This translation should not be construed as a representation that the yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen for the years ended March 31, 2026 and 2025 have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements for the years ended March 31, 2026 and 2025 (both in yen and in U.S. dollars) do not necessarily agree with the sum of the individual amounts.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and any significant companies controlled directly or indirectly by the Company

Investments in companies over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method.

2. Summary of Significant Accounting Policies (continued)

(a) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates (continued)

As of March 31, 2026, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 56 and 10 (52 and 9 in 2025), respectively.

During the year ended March 31, 2026, the following events and/or transactions have occurred, which resulted in changes in the scope of consolidation.

GREEN BIOMASS FACTORY Co., Ltd. has been included in the scope of consolidation from the current fiscal year due to its increased importance. Due to our acquisition of additional shares of KATSURAO FURYOKU Co., Ltd., it has also been included in the scope of consolidation from the current fiscal year. Furthermore, as a result of being newly established, the KRAFTIA Innovation Fund Investment Limited Partnership and ASIA PROJECTS ENGINEERING VIETNAM Co., Ltd. have been included in the scope of consolidation from the current fiscal year.

All significant intercompany balances and transactions have been eliminated in consolidation.

Certain subsidiaries were excluded from the scope of consolidation because the effect of their net sales, profit or loss, total assets and retained earnings on the accompanying consolidated financial statements was immaterial. Such unconsolidated subsidiaries and affiliates are accounted for by the equity method, unless they are clearly immaterial.

HAKONE SENGOKUHARA Special Purpose Company has been included in the scope of equity-method affiliates from the current fiscal year due to a new investment.

Certain unconsolidated subsidiaries and affiliates were excluded from the scope of application of the equity method because their profit or loss and retained earnings attributable to the Company's interests were not material either individually or in aggregate to the consolidated financial statements.

Unrealized intercompany gains among the Group have been eliminated and the portion attributable to non-controlling interests has been charged to non-controlling interests.

Investments in subsidiaries and affiliates which are neither consolidated nor accounted for by the equity method are carried at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written down the investments.

2. Summary of Significant Accounting Policies (continued)

(b) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except that receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding contract rates. All other assets and liabilities denominated in foreign currencies are translated at their historical rates. Gain or loss on each translation is credited or charged to profit (loss).

The balance sheet accounts and income statement accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of net assets excluding non-controlling interests which are translated at their historical exchange rates. Differences arising from the translation are presented as translation adjustments and non-controlling interests in the consolidated financial statements.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(d) Inventories

Costs on uncompleted construction contracts, Costs on real estate business, and Real estate for sale are stated at cost determined on an individual project basis. Merchandise and raw materials and supplies are stated principally at the lower of cost or market, cost being determined principally by the periodic average method.

(e) Short-term investments and investments in securities

Securities other than equity securities are classified into three categories: trading, held-to-maturity or other securities. Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. When securities are sold, the carrying amount of such securities is determined by the moving-average method. In cases where an embedded derivative in a compound financial instrument cannot be separately measured, the entire compound financial instrument is measured at fair value with changes in value charged or credited to profit or loss.

2. Summary of Significant Accounting Policies (continued)

(e) Short-term investments and investments in securities (continued)

Non-marketable securities classified as other securities are carried at cost determined by the moving-average method. Investments in limited liability partnerships and other similar partnerships, which are deemed to be securities under Article 2, Clause 2 of the Financial Instruments and Exchange Act of Japan, are valued at the amount of the underlying equity in their net assets based on the latest financial statements available as of the closing date stipulated in the partnership agreement.

(f) Property and equipment and depreciation (excluding leased assets)

Depreciation of property and equipment (excluding leased assets) of the Group is calculated principally by the declining-balance method based on the estimated useful lives and the residual value in accordance with the Corporation Tax Law of Japan, except for certain buildings of the Company and domestic consolidated subsidiaries, which are depreciated by the straight-line method. However, the straight-line method is applied to structures acquired on or after April 1, 2016, to building facilities of domestic consolidated subsidiaries acquired on or after the same date, and by certain consolidated subsidiaries.

(g) Intangible assets (excluding leased assets)

Intangible assets (excluding leased assets) are amortized by the straight-line method. Computer software for internal use is amortized by the straight-line method over the estimated useful life of five years.

(h) Goodwill

Goodwill is amortized by the straight-line method over reasonable periods, considering each individual condition.

(i) Leases

Leased assets under finance lease contracts which do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method over the respective lease terms. Leased assets mainly consist of construction vehicles (machinery, vehicles, tools, furniture and fixtures) in the utilities engineering service segment.

(j) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on past experience for normal receivables and on an estimate of collectability of receivables from companies in financial difficulty.

2. Summary of Significant Accounting Policies (continued)

(k) Provision for loss on construction contracts

Provision for loss on construction contracts is provided in relation to projects for which it is considered likely that losses will be incurred in the future and a reasonable estimate of the anticipated loss amount can be made.

(l) Provision for retirement benefits for directors and audit and supervisory board members

Certain consolidated subsidiaries recognize a provision for retirement benefits for directors and audit and supervisory board members based on the amount payable under their internal regulations.

(m) Provision for share-based payments

Provision for share-based payments is recorded in order to prepare for the issuance of shares to the Company's Directors and Executive Officers, based on the points allocated to them under the Share Issuance Regulations.

(n) Provision for loss on business of subsidiaries and affiliates

Provision for loss on business of subsidiaries and affiliates is recorded in consideration of the financial condition of the affiliated companies.

(o) Retirement benefits

Asset and liability for retirement benefits for employees have been provided at an amount calculated based on the retirement benefit obligation after the fair value of the pension plan assets are deducted. Retirement benefits are attributed to each period by the benefit formula method over the estimated years of service of the eligible employees.

Prior service cost is amortized on a straight-line basis over a period within the estimated average remaining years of service of the eligible employees.

Actuarial gain or loss is amortized in the years following the year in which the gain or loss is recognized primarily by the straight-line method over periods within the estimated average remaining years of service of the eligible employees.

All of the consolidated subsidiaries use a simplified method for calculating retirement benefit expenses and liabilities mainly based on the assumption that the benefits payable, which are mainly calculated as if all eligible employees voluntarily terminated their employment at fiscal year-end, approximate the retirement benefit obligation at year-end. In addition, provision for retirement benefits for directors and audit and supervisory board members of certain consolidated subsidiaries is provided at the amount payable at year-end in accordance with each company's internal regulations.

2. Summary of Significant Accounting Policies (continued)

(p) Income taxes

Income taxes are calculated based on taxable income and charged to income on an accrual basis. Deferred tax assets and liabilities are computed based on the temporary differences between the financial reporting and the tax bases of the assets and liabilities that will result in taxable or deductible amounts in the future. Computations of deferred tax assets and liabilities are based on the tax rates which have been enacted as of the balance sheet date.

(q) Research and development costs

Research and development costs are charged to profit or loss as incurred.

(r) Basis for recording significant revenues and expenses

Revenue arising from contracts with customers.
The following five-step model is applied to revenues from customers:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The Group is mainly engaged in the utilities engineering services. In the utilities engineering service business, the Group enters into construction contracts with customers. For such contracts, control of the goods or services is considered to have been transferred to the customer over a certain period of time if the performance obligation meets the requirements. Therefore, the Group recognizes revenue over the construction period based on the degree of completion related to the fulfillment of performance obligations measured at the end of the current fiscal year. Since there is a direct relationship between cost elements such as material and labor costs invested by the Group over the construction period and the transfer of control of goods or services to the customer, the percentage-of-completion measurement is based on the ratio of the cost incurred to the estimated total cost (total construction cost) using the input method. However, if the degree of progress toward satisfying the performance obligation cannot be reasonably estimated, but the costs incurred are expected to be recovered, revenue shall be recognized on a cost recovery basis. For utility engineering services for which the time between the transaction commencement date and the point in time when the contractual performance obligation is expected to be fully satisfied is very short, revenue is recognized when the performance obligation is fully satisfied.

2. Summary of Significant Accounting Policies (continued)

(r) Basis for recording significant revenues and expenses (continued)

In addition, the Group sells construction-related materials and equipment. For sales of construction-related materials and equipment for which the Group acts as an agent, the Group recognizes revenue based on the judgment that control over the materials and equipment is transferred to the customer at the time of delivery and that the performance obligation (arrangements for delivery of materials and equipment) has been satisfied.

(s) Derivative financial instruments

The Company and certain subsidiaries enter into interest-rate swaps in order to hedge the risk arising from fluctuations in interest rates on certain loans from financial institutions. The Group does not enter into derivative transactions for speculative purposes.

Hedging instruments are interest-rate swaps. Hedged items are interest payments on loans.

Derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to profit or loss, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as a component of net assets.

Deferral hedge accounting is adopted for derivatives which qualify as hedges, under which unrealized gain or loss is deferred.

Hedge effectiveness is not assessed if the substantial terms and conditions of the hedging instruments and the hedged items are the same.

2. Summary of Significant Accounting Policies (continued)

(t) Significant accounting estimates

Estimating the total cost of construction in revenue recognized when performance obligations are satisfied over a specified period of time

(1) Amounts recognized in the consolidated financial statements for the years ended March 31, 2025 and 2026, respectively

Revenue arising from construction contracts accounted for by the percentage-of-completion method was ¥268,181 million and ¥265,383 million ($1,659,890 thousand) for the years ended March 31, 2025 and 2026, respectively.

(2) Other information that enhances the understanding of users of the consolidated financial statements

1. Method used to calculate the amounts recognized

Revenue recognized by the method of satisfying performance obligations and recognizing revenue over a specified period of time is measured based on the degree of completion of the performance obligation, and which is determined based on the ratio of actual costs incurred for a project up to the end of the fiscal year to the estimated total costs of the construction project. The estimates of total cost of construction are based on operating budgets prepared by incorporating the latest status of construction under internal controls established by the Company. The operating budgets are prepared by construction personnel who identify the details and quantity of materials required, the quantity of work required based on the work schedule, etc., considering basic specifications and work details as instructed by customers, and are determined after obtaining the approval of management with appropriate authority other than the construction personnel.

2. Key assumptions

The estimates of the total cost of construction for revenue recognized when performance obligations are satisfied over a period of time are subject to specific assumptions and determinations made by construction personnel with specialized knowledge and construction experience. Further, given that construction is generally long-term in nature, there may be fluctuations in unit costs of materials and labor, etc., due to modifications of the construction contracts or modification of the construction period while construction is still in progress, as a result of, for example, suspensions or significant delays in construction because of natural disasters or pandemics, etc.

2. Summary of Significant Accounting Policies (continued)

(t) Significant accounting estimates (continued)

(2) Other information that enhances the understanding of users of the consolidated financial statements (continued)

3. Impacts on the consolidated financial statements for the following fiscal period

The estimates of unit costs for materials and labor, etc., described in “2. Key assumptions,” may be revised as construction progress, as a result, may have impacts on the consolidated financial statements for the following fiscal period.

(u) Accounting standards issued but not yet effective

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

(1) Overview
As part of the efforts taken by the ASBJ to align Japanese accounting standards with international standards, discussions have been held regarding the development of accounting standards for leases that require the recognition of assets and liabilities for all lessee leases, taking international accounting standards into consideration. The guiding principle is to base these standards on a single accounting model for lessees as outlined in IFRS 16; however, rather than adopting all the provisions of IFRS 16, the aim is to primarily incorporate the key provisions. This approach seeks to create a lease accounting standard that is simple, convenient, and, in principle, does not require modifications when applying the provisions of IFRS 16 to stand-alone financial statements.
For the accounting treatment of lessees concerning lease expense allocation, a single accounting model is applied for all leases, regardless of whether they are finance leases or operating leases, as outlined in IFRS 16. This model requires the recording of depreciation expense related to the right-of-use assets and interest expense related to the lease liability.

(2) Scheduled date of adoption
The Company expects to adopt the accounting standard and related implementation guidance from the beginning of the fiscal year ending March 31, 2028.

(3) Impact of adoption
The Company is currently evaluating the effect of the adoption of the Accounting Standard for Leases and related implementation guidance on its consolidated financial statements.

2. Summary of Significant Accounting Policies (continued)

(u) Accounting standards issued but not yet effective (continued)

・Practical Guidelines on Accounting for Financial Instruments (ASBJ Transferred Guidance No. 9, March 11, 2025)

(1) Overview
The guidance stipulates the review of the accounting treatment of investment equity in venture capital funds held by listed companies to ensure that useful information is provided to investors by measuring stocks without quoted market prices that are included in venture capital funds, etc. at fair value.

(2) Scheduled date of adoption
The Company expects to adopt the guidance from the beginning of the fiscal year ending March 31, 2027.

(3) Impact of adoption
The Company is currently evaluating the effect of the adoption of the Practical Guidelines on Accounting for Financial Instruments on its consolidated financial statements.

・Accounting Standard for Subsequent Events (ASBJ Statement No. 41, January 9, 2026)
・Implementation Guidance on Accounting Standard for Subsequent Events (ASBJ Guidance No. 35, January 9, 2026)

(1) Overview
The "Accounting Standard for Subsequent Events" and related guidance establish comprehensive accounting standards covering the definition, accounting treatment, and disclosure of subsequent events as a priority issue. As a basic policy, the standards incorporate, in principle, the accounting-related content presented in the Japanese Institute of Certified Public Accountants (JICPA) Auditing Standards Committee Statement No. 560, Practical Guidance No. 1, "Audit Considerations Relating to Subsequent Events," and transfer such content to the Accounting Standards Board of Japan (ASBJ).
In addition, the standards revise certain wording, clarify the evaluation period for subsequent events, and newly require disclosure regarding the approval of the issuance of financial statements, thereby prescribing the accounting treatment and disclosure of subsequent events.

(2) Scheduled date of adoption
The Company expects to adopt the accounting standard and related implementation guidance from the beginning of the fiscal year ending March 31, 2028.

2. Summary of Significant Accounting Policies (continued)

(v) Change in presentation

(Consolidated balance sheet)

In the fiscal year ended March 31, 2025, “Costs on real estate business” were included in “Costs on uncompleted construction contracts” under “Current assets”. However, due to an increase in materiality, they are presented separately from the fiscal year ended March 31, 2026. To reflect this change in presentation, the consolidated financial statements for the fiscal year ended March 31, 2025, have been reclassified accordingly.

As a result, “Costs on uncompleted construction contracts” under “Current assets” in the amount of ¥8,988 million previously presented in the consolidated balance sheet as of March 31, 2025 has been reclassified as “Costs on uncompleted construction contracts” of ¥8,789 million and “Costs on real estate business” of ¥199 million.

In the fiscal year ended March 31, 2025, “Real estate for sale” was included in “Merchandise” under “Current assets”. However, due to an increase in materiality, it is presented separately from the fiscal year ended March 31, 2026. To reflect this change in presentation, the consolidated financial statements for the fiscal year ended March 31, 2025, have been reclassified accordingly.

As a result, “Merchandise” under “Current assets” in the amount of ¥1,020 million previously presented in the consolidated balance sheet as of March 31, 2025 has been reclassified as “Real estate for sale” of ¥156 million and “Merchandise” of ¥864 million.

(Consolidated statement of income)

In the fiscal year ended March 31, 2025, “Commission expenses” under “Non-operating income (expenses)” were presented separately. However, as they have decreased to less than 10% of the total amount of non-operating income (expenses), they are included in “Other” from the fiscal year ended March 31, 2026. To reflect this change in presentation, the consolidated financial statements for the fiscal year ended March 31, 2025, have been reclassified accordingly.

As a result, in the consolidated statement of income for the fiscal year ended March 31, 2025, the previously presented “Commission expenses” of ¥171 million and “Other, net” of ¥560 million previously presented in the consolidated statement of income for the fiscal year ended March 31, 2025 have been reclassified as “Other, net” of ¥389 million.

(w) Additional information

The Company has implemented a share-based compensation system (hereinafter referred to as “the System”) for directors (excluding independent directors and those serving as audit and supervisory committee members, hereinafter referred to as “Directors”) and executive officers (hereinafter referred to as “Directors, etc.”) based on the resolution of the 95th Ordinary General Meeting of Shareholders.

The accounting treatment for the System is in accordance with the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (ASBJ Practical Issues Task Force (PITF) Report No.30, March 26, 2015).

(1) The system is a share-based compensation program whereby a trust (hereinafter referred to as “the Trust”), established by the Company through monetary contributions, acquires the Company’s shares and grants each of Directors, etc. a number of Company shares equivalent to the number of points they are awarded by the Company.

2. Summary of Significant Accounting Policies (continued)

(w) Additional information (continued)

(2) Company's shares held by the Trust

The Company's shares held by the Trust are recorded as treasury stock in net assets at the carrying amount recorded in the Trust (excluding incidental expenses). The carrying amount and number of shares of the relevant treasury stock are ¥449 million ($2,814 thousand) and 108,800 shares as of March 31, 2026, and ¥469 million and 113,600 shares as of March 31, 2025, respectively.

3. Reductions in Acquisition Costs Due to Subsidies and Capital Gains

The amounts of the Company received from the Japanese national government and capital gains recognized upon the expropriation by the government and the exchange for similar transactions and deducted from the acquisition costs of property and equipment at March 31, 2025 and 2026 are as follows:

	2025	2026	2026
	(Millions of yen)		*(Thousands of U.S. dollars)*
Structures	¥ 283	**¥ 317**	**$ 1,984**
Machinery	2,584	**3,387**	**21,186**
	¥2,867	**¥3,704**	**$ 23,171**

4. Impairment Loss

The Group determines whether to recognize an impairment loss by grouping business assets mainly based on the management accounting unit of each branch office and consolidated subsidiaries, and by grouping property for rent and idle assets individually. The Group recognized the impairment loss of the following group for the years ended March 31, 2025 and 2026.

Location	Classification	2025 *(Millions of yen)*
Saito city and Nishiusuki District, Miyazaki prefecture	Building and structures	¥ 33
	Land	203

Location	Classification	2026 *(Millions of yen)*	2026 *(Thousands of U.S. dollars)*
Koyu District, Miyazaki prefecture	Machinery, vehicles, tools, furniture, fixtures and others	**¥ 728**	**$ 4,553**

4. Impairment Loss (continued)

For the year ended March 31, 2026, due to declining profitability, the book value of the tangible fixed assets was reduced to the recoverable amount, and an impairment loss of ¥728 million ($4,553 thousand) was recognized in the consolidated statement of income.

The recoverable amount is measured by its value in use, and others are calculated by discounting future cash flows at a fixed discount rate (5.4%).

5. Short-Term Borrowings, Long-Term Debt and Lease Obligations

The annual weighted-average interest rates applicable to short-term borrowings (excluding the current portion of long-term debt) were 1.14% and 1.14% for the years ended March 31, 2025 and 2026, respectively.

Long-term debt and lease obligations at March 31, 2025 and 2026 consisted of the following:

	2025	2026	2026
	(Millions of yen)		*(Thousands of U.S. dollars)*
Loans from banks due through 2044 with interest rates ranging from 0.000% to 2.125%	¥ 17,349	**¥ 23,847**	**$ 149,158**
Lease obligations due through 2036	5,023	**6,121**	**38,285**
	22,372	**29,968**	**187,444**
Less current portion	(1,817)	**(16,544)**	**(103,482)**
	¥ 20,555	**¥ 13,423**	**$ 83,962**

The aggregate annual maturities of long-term debt and lease obligations as of March 31, 2026, are summarized as follows:

Years ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2027	¥ 16,544	$ 103,482
2028	2,449	15,318
2029	2,133	13,345
2030	1,800	11,263
2031	1,248	7,807
2032 and thereafter	5,791	36,226
	¥ 29,968	$ 187,444

6. Retirement Benefit Plans

The Company has defined benefit plans (corporate pension plans), defined contribution plans (corporate pension plans) and lump-sum payment plans, and the consolidated subsidiaries also have defined benefit plans (multiple-employer pension plans), defined contribution plans (corporate pension plans) and lump-sum payment plans. The Group may pay additional retirement benefits under certain circumstances.

For the defined benefit plans and lump-sum payment plans of most of consolidated subsidiaries, liabilities and expenses for retirement benefits are calculated using the simplified method.

(a) Defined benefit plans (excluding the retirement benefit obligation calculated by the simplified method)

1) The changes in the retirement benefit obligation for the years ended March 31, 2025 and 2026 were as follows:

	2025	2026	2026
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance at the beginning of the year	¥ 39,744	**¥ 38,426**	**$ 240,343**
Service cost	1,779	**1,691**	**10,576**
Interest cost	636	**922**	**5,766**
Actuarial gain and loss	(1,852)	**(2,071)**	**(12,953)**
Retirement benefit paid	(1,880)	**(1,576)**	**(9,863)**
Prior service cost	–	**–**	**–**
Balance at the end of the year	¥ 38,426	**¥ 37,391**	**$ 233,870**

2) The changes in the plan assets for the years ended March 31, 2025 and 2026 were as follows:

	2025	2026	2026
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance at the beginning of the year	¥ 50,950	**¥ 53,473**	**$ 334,458**
Expected return on plan assets	1,019	**1,069**	**6,686**
Actuarial gain and loss	(228)	**1,428**	**8,933**
Contributions by the Company	3,478	**3,532**	**22,092**
Retirement benefit paid	(1,805)	**(1,507)**	**(9,430)**
Other	58	**61**	**383**
Balance at the end of the year	¥ 53,473	**¥ 58,056**	**$ 363,123**

6. Retirement Benefit Plans (continued)

(a) Defined benefit plans (excluding the retirement benefit obligation calculated by the simplified method) (continued)

3) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets at March 31, 2025 and 2026 for the Group's defined benefit plans:

	2025	2026	2026
	(Millions of yen)		*(Thousands of U.S. dollars)*
Funded retirement benefit obligation	¥ 35,824	**¥ 34,799**	**$ 217,659**
Plan assets at fair value	(53,473)	**(58,056)**	**(363,123)**
	(17,648)	**(23,256)**	**(145,463)**
Unfunded retirement benefit obligation	2,601	**2,591**	**16,210**
Net liability for retirement benefits in the consolidated balance sheet	(15,047)	**(20,664)**	**(129,252)**
Liability for retirement benefits	2,601	**2,591**	**16,210**
Asset for retirement benefits	(17,648)	**(23,256)**	**(145,463)**
Net liability for retirement benefits in the consolidated balance sheet	¥(15,047)	**¥ (20,664)**	**$(129,252)**

4) The components of retirement benefit expenses for the years ended March 31, 2025 and 2026 were as follows:

	2025	2026	2026
	(Millions of yen)		*(Thousands of U.S. dollars)*
Service cost	¥ 1,720	**¥ 1,629**	**$ 10,193**
Interest cost	636	**922**	**5,766**
Expected return on plan assets	(1,019)	**(1,069)**	**(6,686)**
Amortization of actuarial gain and loss	(365)	**(461)**	**(2,886)**
Amortization of prior service cost	531	**531**	**3,327**
Other	119	**111**	**694**
Retirement benefit expenses	¥ 1,623	**¥ 1,664**	**$ 10,409**

Contributions from employees of ¥58 million and ¥61 million ($383 thousand) for the years ended March 31, 2025 and 2026, respectively, are excluded from the above service cost.

6. Retirement Benefit Plans (continued)

(a) Defined benefit plans (excluding the retirement benefit obligation calculated by the simplified method) (continued)

5) The components of retirement benefit liability adjustments included in other comprehensive income (before deduction of income taxes and tax effects) for the years ended March 31, 2025 and 2026 were as follows:

	2025	2026	2026
	(Millions of yen)		*(Thousands of U.S. dollars)*
Prior service cost	¥ (531)	**¥ (531)**	**$ (3,327)**
Actuarial gain and loss	(1,258)	**(3,037)**	**(19,000)**
Total	¥ (1,790)	**¥ (3,569)**	**$ (22,328)**

6) The components of retirement benefit liability adjustments included in accumulated other comprehensive income (before deduction of income taxes and tax effects) as of March 31, 2025 and 2026 were as follows:

	2025	2026	2026
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrecognized prior service cost	¥ 5,269	**¥ 4,737**	**$ 29,629**
Unrecognized actuarial gain and loss	(8,579)	**(11,617)**	**(72,663)**
Total	¥(3,310)	**¥ (6,880)**	**$(43,034)**

7) The fair value of plan assets, by major category, as a percentage of total plan assets at March 31, 2025 and 2026 was as follows:

	2025	2026
Bonds	39%	**35%**
Stocks	20%	**22%**
General accounts of life insurance	4%	**4%**
Alternative investments	35%	**38%**
Other	2%	**1%**
Total	100%	**100%**

The expected rates of return on plan assets have been estimated based on the present and anticipated allocation to each pension asset and the expected long-term returns on pension assets consist of each category asset at present and in the future.

6. Retirement Benefit Plans (continued)

(a) Defined benefit plans (excluding the retirement benefit obligation calculated by the simplified method) (continued)

8) Weighted average assumptions used in accounting for the above plans were as follows:

	2025	2026
Discount rates	2.4%	**3.4%**
Expected rates of return on plan assets	2.0%	**2.0%**

(b) Defined benefit plans accounted for using the simplified method

1) The changes in liability for retirement benefits calculated using the simplified method for the years ended March 31, 2025 and 2026 were as follows:

	2025	2026	2026
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance at the beginning of the year	¥ 150	**¥ 135**	**$ 849**
Retirement benefit expenses	583	**(34)**	**(213)**
Retirement benefit paid	(147)	**(160)**	**(1,002)**
Contributions	(470)	**(468)**	**(2,928)**
Other	18	**27**	**173**
Balance at the end of the year	¥ 135	**¥(499)**	**$(3,121)**

2) The following table sets forth the funded status of the plans accounted for using the simplified method and the amounts recognized in the consolidated balance sheet at March 31, 2025 and 2026 for the defined benefit plans:

	2025	2026	2026
	(Millions of yen)		*(Thousands of U.S. dollars)*
Funded retirement benefit obligation	¥ 5,430	**¥ 5,775**	**$ 36,122**
Plan assets at fair value	(5,681)	**(6,734)**	**(42,119)**
	(251)	**(958)**	**(5,996)**
Unfunded retirement benefit obligation	387	**459**	**2,875**
Net liability for retirement benefits in the consolidated balance sheet	135	**(499)**	**(3,121)**
Liability for retirement benefits	1,169	**1,083**	**6,776**
Asset for retirement benefits	(1,033)	**(1,582)**	**(9,897)**
Net liability for retirement benefits in the consolidated balance sheet	¥ 135	**¥ (499)**	**$ (3,121)**

6. Retirement Benefit Plans (continued)

(b) Defined benefit plans accounted for using the simplified method (continued)

3) Retirement benefit expenses calculated using the simplified method amounted to ¥583 million and ¥(34) million ($(213) thousand) for the years ended March 31, 2025 and 2026, respectively

(c) Defined contribution plans

Contributions made to defined contribution plans by the Company for the years ended March 31, 2025 and 2026 were ¥552 million and ¥575 million ($3,602 thousand), respectively.

7. Asset Retirement Obligations

Asset retirement obligations which are included in the other long-term liabilities mainly represent future obligations to restore leased property to its original condition affiliated with the removal of the consolidated subsidiaries' renewable energy generation facilities.

The asset retirement obligations are measured at the present value of the future liabilities applying discount rates of 0.286% to 2.202% corresponding with 5 years, 17 years, 20 years or 24 years, which is the estimated useful life of those facilities from the acquisition date.

The following table indicates the changes in asset retirement obligations included in "Other long-term liabilities" for the years ended March 31, 2025 and 2026:

	2025	2026	2026
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance at the beginning of the year	¥ 1,696	**¥ 1,769**	**$ 11,069**
Increase due to acquisition of fixed assets	20	**–**	**–**
Increase due to change in estimate	68	**–**	**–**
Increase due to acquisition of subsidiary	–	**197**	**1,232**
Adjustment due to passage of time	25	**27**	**174**
Decrease due to fulfillment of asset retirement obligations	(40)	**(71)**	**(449)**
Balance at the end of the year	¥ 1,769	**¥ 1,922**	**$ 12,026**

8. Net Assets

Under the Companies Act of Japan (the "Companies Act"), the entire amount paid for new shares is required to be designated as common stock, in principle. However, a company may designate an amount not exceeding 50% of the proceeds of the issuance of new shares as additional paid-in-capital, which is included in capital surplus.

The Companies Act provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than capital reserve) and retained earnings (other than legal reserve) be transferred to capital reserve and legal reserve, respectively, until the sum of capital reserve and legal reserve equals 25% of the stated common stock. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors, if certain conditions are met, but neither capital reserve nor legal reserve is available for distributions.

The Company's capital reserve included in capital surplus at March 31, 2025 and 2026 amounted to ¥12,543 million ($78,458 thousand).

There was no legal reserve for the years ended March 31, 2025, and 2026.

(a) Shares issued and outstanding / Treasury shares

For the year ended March 31, 2025:

Types of shares	*Number of shares at April 1, 2024*	*Increase*	*Decrease*	*Number of shares at March 31, 2025*
		(Number of Shares)		
Shares issued:				
Common stock	70,864,961	–	–	70,864,961
Treasury stock:				
Common stock	136,282	591	2,400	134,473

Details of the increase and decrease in treasury stock are as follows:

Increase due to purchase of shares of less than one standard unit	591 shares
Decrease due to grant of Company shares in the stock grant trust for officers	2,400 shares

(b) Share subscription rights

No share subscription rights were outstanding.

8. Net Assets (continued)

(a) Shares issued and outstanding / Treasury shares

For the year ended March 31, 2026:

Types of shares	*Number of shares at April 1, 2025*	*Increase*	*Decrease*	*Number of shares at March 31, 2026*
		(Number of Shares)		
Shares issued:				
Common stock	**70,864,961**	**–**	**–**	**70,864,961**
Treasury stock:				
Common stock	**134,473**	**463**	**4,800**	**130,136**

Details of the increase and decrease in treasury stock are as follows:

Increase due to purchase of shares of less than one standard unit	463 shares
Decrease due to grant of Company shares in the stock grant trust for officers	4,800 shares

(b) Share subscription rights

No share subscription rights were outstanding.

(c) Dividends

1) Dividends paid

For the year ended March 31, 2025:

	Total dividends	*Record date*	*Effective date*
	(Millions of yen)		
Resolution: Meeting of the Board of Directors on April 26, 2024 Cash dividends (¥65.00 per share)	**¥ 4,606**	March 31, 2024	June 6, 2024
Resolution: Meeting of the Board of Directors on October 30, 2024 Cash dividends (¥65.00 per share)	**4,606**	September 30, 2024	December 2, 2024

8. Net Assets (continued)

(c) Dividends (continued)

1) Dividends paid (continued)

For the year ended March 31, 2026:

	Total dividends		*Record date*	*Effective date*
	(Millions of yen)	*(Thousands of U.S. dollars)*		
Resolution: Meeting of the Board of Directors on April 28, 2025				
Cash dividends (¥75.00 ($0.47) per share)	**¥ 5,314**	**$ 33,241**	March 31, 2025	June 4, 2025
Resolution: Meeting of the Board of Directors on October 31, 2025				
Cash dividends (¥90.00 ($0.56) per share)	**6,377**	**39,890**	September 30, 2025	December 1, 2025

9. Net Sales

Revenues are not presented separately for revenues arising from contracts with customers and other revenues. Revenue arising from contracts with customers is shown on Note 25.

10. Provision (Reversal of Provision) for Loss on Construction Contracts

Provision for loss on construction contracts included in cost of sales for the years ended March 31, 2025 and 2026 represents a provision of ¥2,493 million and ¥2,027 million ($12,679 thousand), respectively.

11. Selling, General and Administrative Expenses

Major items included in selling, general and administrative expenses for the years ended March 31, 2025 and 2026 were as follows:

	2025	2026	2026
	(Millions of yen)		*(Thousands of U.S. dollars)*
Salaries and wages	¥ 11,604	**¥ 12,555**	**$ 78,529**
Rent expenses on land and buildings	2,196	**3,777**	**23,629**
Retirement benefit expenses	427	**409**	**2,564**
Provision of allowance for doubtful accounts	(5)	**213**	**1,334**
Retirement benefits expenses for directors and audit and supervisory board members	50	**33**	**206**
Depreciation and amortization	2,064	**1,971**	**12,334**

"Rent expenses on land and buildings" and "Provision of allowance for doubtful accounts" were not previously presented separately as major expense items as of March 31, 2025. Due to an increase in materiality, these items have been presented as separately as major expense items from March 31, 2026. To reflect this change in presentation, the information as of March 31, 2025, has been reclassified accordingly.

12. Research and Development Costs

Research and development costs included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2025, and 2026 amounted to ¥346 million and ¥383 million ($2,400 thousand), respectively.

13. Provision for and Reversal of Provision for Loss on Business of Subsidiaries and Affiliates

Fiscal Year Ended March 31, 2025
Taking into consideration the financial position of a non- consolidated subsidiary involved in the renewable energy power generation business, the Company recorded "Provision for loss on business of subsidiaries and affiliates" under extraordinary loss corresponding to the estimated amount of losses that will potentially be incurred.
Taking into consideration the financial position of a non-equity method affiliate in the renewable energy power generation business, the Company recorded "Reversal of provision for loss on business of subsidiaries and affiliates" as extraordinary income to the anticipated losses are no longer expected.

Fiscal Year Ended March 31, 2026
Not applicable.

14. Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in a statutory rate of approximately 30.46% for the years ended March 31, 2025, and 2026, respectively. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The reconciliation between the effective tax rates reflected in the consolidated statement of income and the effective statutory tax rates for year ended March 31, 2025, is as follows. The reconciliation for the year ended March 31, 2026, has been omitted as the difference was less than 5% of the statutory tax rate.

	2025	**2026**
Effective statutory tax rate	30.46%	–
Effect of:		
Permanently non-tax-deductible expenses	0.98	–
Permanently non-taxable income	(0.53)	–
Per capita inhabitant tax	0.46	–
Valuation allowance	0.64	–
Impact of tax rate change	0.17	–
Other	2.22	–
Effective tax rate	34.40%	–

14. Income Taxes (continued)

The significant components of deferred tax assets and liabilities as of March 31, 2025, and 2026 were as follows:

	2025	2026	2026
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Accrued bonuses	¥ 3,421	**¥ 3,787**	**$ 23,689**
Loss carryforwards	1,158	**1,783**	**11,154**
Provision for loss on construction contracts	539	**1,556**	**9,733**
Unrealized profits on fixed assets	1,012	**976**	**6,107**
Liability for retirement benefits	1,196	**953**	**5,962**
Other	6,861	**7,044**	**44,058**
Gross deferred tax assets	14,189	**16,100**	**100,705**
Valuation allowance	(2,018)	**(2,605)**	**(16,295)**
Total deferred tax assets	12,171	**13,495**	**84,409**
Deferred tax liabilities:			
Asset for retirement benefits	(5,841)	**(7,600)**	**(47,536)**
Unrealized holding gain on other securities	(3,493)	**(6,580)**	**(41,155)**
Reserve for deductions in acquisition costs of property and equipment	(1,163)	**(1,147)**	**(7,175)**
Other	(1,557)	**(1,480)**	**(9,259)**
Total deferred tax liabilities	(12,056)	**(16,807)**	**(105,126)**
Net deferred tax assets (liabilities)	¥ 115	**¥ (3,312)**	**$ (20,717)**

15. Other Comprehensive Income

Reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2025 and 2026 were as follows:

	2025	2026	2026
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrealized holding gain (loss) on securities:			
Amount arising during the year	¥ 176	**¥10,369**	**$ 64,857**
Reclassification adjustments for gain and loss included in profit attributable to owners of parent	(394)	**(384)**	**(2,407)**
Amount before income taxes and tax effect	(218)	**9,984**	**62,449**
Income taxes and tax effect	(59)	**(3,135)**	**(19,613)**
Unrealized holding gain (loss) on securities	(277)	**6,848**	**42,835**
Unrealized gain on hedging instruments:			
Amount arising during the year	–	**303**	**1,896**
Reclassification adjustments for gain and loss included in profit attributable to owners of parent	–	**0**	**0**
Amount before income taxes and tax effect	–	**303**	**1,896**
Income taxes and tax effect	–	**(88)**	**(551)**
Unrealized gain on hedging instruments	–	**215**	**1,345**
Translation adjustments:			
Amount arising during the year	218	**(134)**	**(842)**
Retirement benefit liability adjustments:			
Amount arising during the year	1,624	**3,499**	**21,887**
Reclassification adjustments for gain and loss included in profit attributable to owners of parent	166	**70**	**440**
Amount before income taxes and tax effect	1,790	**3,569**	**22,328**
Income taxes and tax effect	(575)	**(1,119)**	**(7,002)**
Retirement benefit liability adjustments	1,215	**2,450**	**15,326**

15. Other Comprehensive Income (continued)

	2025	**2026**	**2026**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Share of other comprehensive income of entities accounted for using equity method:			
Amount arising during the year	180	**316**	**1,979**
Total other comprehensive income	¥ 1,336	**¥ 9,695**	**$ 60,643**

16. Commitments and Contingencies

At March 31, 2025 and 2026, the Group was contingently liable for guarantees as follows:

Commitments for non-consolidated companies, affiliates not accounted for by the equity method and third parties

	2025	2026	2026
	(Millions of yen)		*(Thousands of U.S. dollars)*
Debt guarantee:			
The Hokuriku Bank, Ltd. and others (Matusima Furyoku Co.)	¥ 1,401	**¥ 1,256**	**$ 7,857**

Endorsement for transfer of notes receivable

2025	2026	2026
(Millions of yen)		*(Thousands of U.S. dollars)*
¥ 2	–	–

The Company has entered into subordinated loan commitment contracts as a subordinated creditor in joint financing for companies involved in the PFI business. (PFI is a private finance initiative which is a method of providing funds for major capital investments, where by private firms are contracted to complete and manage public projects.)

At March 31, 2025 and 2026, the Company had loan commitment contracts with 4 companies and 3 companies, respectively. The unused balances under the loan commitment contracts at March 31, 2025 and 2026 were as follows:

	2025	2026	2026
	(Millions of yen)		*(Thousands of U.S. dollars)*
Total loan commitments	¥ 51	**¥ 36**	**$ 227**
Aggregated borrowings	–	**–**	**–**
Unused balances	¥ 51	**¥ 36**	**$ 227**

17. Pledged Assets

The assets pledged as collateral for short-term borrowings of ¥384 million and ¥719 million ($4,498 thousand) and long-term debt of ¥2,013 million and ¥7,586 million ($47,453 thousand) of the Company's investees involved in the renewable energy generation business, PFI business, and real estate business at March 31, 2025 and 2026, respectively, were as follows:

	2025	2026	2026
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash on hand and in banks	¥ 529	**¥ 1,619**	**$ 10,131**
Accounts receivable - trade	–	**64**	**401**
Real estate for sale	–	**140**	**877**
Short-term loans receivable included in Other current assets	2	**1**	**8**
Buildings and structures	200	**1,173**	**7,341**
Machinery, vehicles, tools, furniture and fixtures	1,270	**5,939**	**37,152**
Land	722	**190**	**1,193**
Investments in securities	14,024	**13,874**	**86,777**
Long-term loans receivable	4	**3**	**22**
Investments and other assets - other	–	**547**	**3,424**
Total	¥ 16,755	**¥ 23,555**	**$ 147,329**

Of the above assets, the following assets are pledged as collateral under a factory foundation mortgage:

	2025	2026	2026
	(Millions of yen)		*(Thousands of U.S. dollars)*
Buildings and structures	¥ –	**¥ 181**	**$ 1,132**
Machinery, vehicles, tools, furniture and fixtures	–	**4,761**	**29,779**
Total	¥ –	**¥ 4,942**	**$ 30,911**

18. Amounts Per Share

Per share information as of March 31, 2025 and 2026 and for the years then ended is as follows:

	2025	2026	2026
	(Yen)		*(U.S. dollars)*
Profit attributable to owners of parent:			
Basic	¥ 408.36	**¥ 566.25**	**$ 3.54**
Net assets	4,384.30	**4,915.49**	**30.74**

Basic profit attributable to owners of parent per share is computed based on the profit attributable to owners of parent available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year. Net assets per share are computed based on the net assets excluding non-controlling interests and the number of shares of common stock outstanding at the year end.

(a) The bases for the calculation of basic profit attributable to owners of parent per share are as follows:

	2025	2026
	(Thousands of shares)	
Weighted average number of shares for basic profit attributable to owners of parent	70,730	**70,733**

The entire amounts of profit attributable to owners of parent of ¥28,883 million and ¥40,053 million ($250,519 thousand) for the years ended March 31, 2025 and 2026 were attributable to common shareholders.

In the calculation of basic profit attributable to owners of parent per share, the Company’s shares remaining in the Trust for the Delivery of Company Shares to Directors are included as treasury stock that is excluded from the weighted average number of shares during the period. The weighted average number of such treasury stock is 113,900 shares and 110,223 shares for the years ended March 31, 2025 and 2026, respectively.

(b) The bases for the calculation of net assets per share are as follows:

	2025	2026	2026
	(Millions of yen)		*(Thousands of U.S. dollars)*
Total net assets	¥ 312,152	**¥ 351,644**	**$ 2,199,429**
Amounts deducted from total net assets:			
Non-controlling interests	(2,048)	**(3,948)**	**(24,697)**
Net assets attributable to shares of common stock	¥ 310,104	**¥ 347,696**	**$ 2,174,732**

18. Amounts Per Share (continued)

(b) The bases for the calculation of net assets per share are as follows: (continued)

	2025	2026
	(Thousands of shares)	
Number of shares of common stock in issue	70,864	**70,864**
Less: Number of shares of treasury stock	(134)	**(130)**
Number of shares of common stock used for the calculation of net assets per share	70,730	**70,734**

In the calculation of net assets per share, the Company's shares remaining in the Trust for the Delivery of Company Shares to Directors are included as treasury stock that is excluded from the total number of issued shares at the end of the period. The number of such treasury stock is 113,600 shares and 108,800 shares as of March 31, 2025 and 2026, respectively.

19. Financial Instruments

Overview

(a) Policy for financial instruments

The Group utilizes highly secure financial assets for short-term fund management. In addition, it obtains borrowings from financial institutions such as banks for short-term operating funds and capital expenditures. Derivative transactions are only used to reduce risks arising from future fluctuations in foreign currency exchange rates and interest rates, except for certain highly secure embedded derivatives in compound financial instruments used for surplus funds. The Group does not enter into derivative transactions for speculative purposes.

Furthermore, the Group regularly examines their utilization based on internal rules and regulations.

19. Financial Instruments (continued)

Overview (continued)

(b) Details of financial instruments, related risk and risk management system

Trade receivables, such as notes receivable, accounts receivable on completed construction contracts and other accounts receivable, are exposed to credit risk in relation to customers. With regard to this risk, the Group monitors the due dates and outstanding balances per customer and makes efforts to identify at an early point and mitigate risks of bad debts from customers who have financial difficulties.

Securities and Investments in securities mainly consist of equity securities and are exposed to market price fluctuation risk. The Group reviews the fair values of equity securities and the financial condition of the issuing entities regularly.

Trade payables, such as notes payable, accounts payable on construction contracts and other accounts payable, and electronically recorded obligations, have payment due dates mainly within one year.

Short-term borrowings are taken out mainly to obtain funds for operating activities.

Long-term debt is used mainly for the purposes of capital investments.

Trade payables, short-term borrowings and long-term debt are exposed to liquidity risk. The Group manages the risk by preparing and updating its cash flow plans monthly. In order to avoid interest rate fluctuation risk and foreign exchange fluctuation risk, the Company uses interest rate swaps for certain loans borrowed from financial institutions, interest rate and currency swaps are used for all loans denominated in foreign currencies from financial institutions. Furthermore, the Group examines the utilization of each hedge transaction based on internal rules and regulations.

19. Financial Instruments (continued)

Overview (continued)

(c) Supplemental explanation on estimated fair value of financial instruments

Since variable factors are incorporated in the estimation of the fair value of financial instruments, such values may change due to the adoption of different assumptions and other factors.

Estimated fair value of financial instruments

The carrying value of financial instruments on the consolidated balance sheet as of March 31, 2025 and 2026, the estimated fair value and the difference between them are shown in the following table. The table does not include financial instruments for which it is extremely difficult to determine the fair value:

	2025		
	Carrying value	Estimated fair value	Difference
		(Millions of yen)	
Cash on hand and in banks	¥ 71,693	¥ 71,693	¥ –
Notes receivable, accounts receivable on completed construction contracts and other accounts receivable	163,446	163,446	–
Less: Allowance for doubtful accounts (*1)	(0)	(0)	–
	163,445	163,445	–
Investments in securities	29,268	29,268	–
Total assets	¥ 264,406	¥ 264,406	¥ –
Notes payable, accounts payable on construction contracts and other accounts payable	68,166	68,166	–
Electronically recorded obligations	22,418	22,418	–
Long-term debt (*2)	17,349	17,229	(119)
Total liabilities	¥ 107,934	¥ 107,815	¥ (119)
Derivatives	¥ –	¥ –	¥ –

19. Financial Instruments (continued)

Estimated fair value of financial instruments (continued)

	2026					
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
		(Millions of yen)			(Thousands of U.S. dollars)	
Cash on hand and in banks	¥ 51,939	¥ 51,939	¥ –	$ 324,864	$ 324,864	$ –
Notes receivable, accounts receivable on completed construction contracts and other accounts receivable	177,386	177,386	–	1,109,497	1,109,497	–
Less: Allowance for doubtful accounts (*1)	(14)	(14)	–	(90)	(90)	–
	177,371	177,371	–	1,109,406	1,109,406	–
Investments in securities	39,104	39,104	–	244,588	244,588	–
Total assets	¥ 268,416	¥ 268,416	¥ –	$ 1,678,859	$ 1,678,859	$ –
Notes payable, accounts payable on construction contracts and other accounts payable	65,050	65,050	–	406,870	406,870	–
Electronically recorded obligations	9,012	9,012	–	56,367	56,367	–
Long-term debt (*2)	23,847	23,659	(188)	149,158	147,981	(1,177)
Total liabilities	¥ 97,910	¥ 97,721	¥(188)	$ 612,397	$ 611,220	$(1,177)
Derivatives	¥ 547	¥ 547	¥ –	$ 3,424	$ 3,424	$ –

(*1) The allowance for doubtful accounts was deducted from the notes receivable, accounts receivable on completed construction contracts and other accounts receivable.
(*2) The balances include the current portion of long-term debt.

Note 1: Unlisted equity securities of ¥30,414 million and ¥30,228 million ($189,071 thousand) and investment in investment partnership and others of ¥20,473 million and ¥28,538 million ($178,499 thousand) as of March 31, 2025 and 2026, respectively, were not included in investments in securities in the above table.

19. Financial Instruments (continued)

Estimated fair value of financial instruments (continued)

Note 2: Redemption schedule for receivables and marketable securities with maturities at March 31, 2025 and 2026 were as follows:

	2025			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	(Millions of yen)			
Cash on hand and in banks	¥ 71,693	¥ –	¥ –	¥ –
Notes receivable, accounts receivable on completed construction contracts and other accounts receivable	163,446	–	–	–
Short-term investments and investments in securities:				
Other securities with maturities (debt securities)	4	–	–	32
Other securities with maturities (Other)	–	668	1,847	24,000
Total	¥235,143	¥ 668	¥1,847	¥ 24,033

	2026			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	(Millions of yen)			
Cash on hand and in banks	**¥ 51,939**	**¥ –**	**¥ –**	**¥ –**
Notes receivable, accounts receivable on completed construction contracts and other accounts receivable	**177,386**	**–**	**–**	**–**
Short-term investments and investments in securities:				
Other securities with maturities (debt securities)	**–**	**–**	**–**	**32**
Other securities with maturities (Other)	**–**	**5,201**	**2,438**	**26,602**
Total	**¥229,325**	**¥ 5,201**	**¥ 2,438**	**¥ 26,634**

19. Financial Instruments (continued)

Estimated fair value of financial instruments (continued)

	2026			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
		(Thousands of U.S. dollars)		
Cash on hand and in banks	**$ 324,864**	**$ –**	**$ –**	**$ –**
Notes receivable, accounts receivable on completed construction contracts and other accounts receivable	**1,109,497**	**–**	**–**	**–**
Short-term investments and investments in securities:				
Other securities with maturities (debt securities)	**–**	**–**	**–**	**201**
Other securities with maturities (Other)	**–**	**32,535**	**15,252**	**166,391**
Total	**$ 1,434,362**	**$ 32,535**	**$ 15,252**	**$ 166,592**

The redemption schedule for long-term debt is disclosed in Note 5.

19. Financial Instruments (continued)

Breakdown of fair value of financial instruments by level

The fair value of financial instruments is classified into the following three levels, depending on the observability and materiality of the inputs used to determine fair value

Fair value (Level 1): Fair value calculated based on quoted market prices (unadjusted) in active markets for identical assets or liabilities.
Fair value (Level 2): Fair value calculated using directly or indirectly observable inputs other than Level 1 inputs.
Fair value (Level 3): Fair value calculated using significant unobservable inputs.

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is classified to the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

(a) Financial instruments carried on the consolidated balance sheet at fair value

	2025			
	Level 1	Level 2	Level 3	Total
	(Millions of yen)			
Securities and investments in securities				
Other securities:				
Stocks	¥ 29,222	¥ –	¥ –	¥ 29,222
Government and corporate bonds	–	46	–	46

	2026			
	Level 1	Level 2	Level 3	Total
	(Millions of yen)			
Securities and investments in securities				
Other securities:				
Stocks	**¥ 39,062**	**¥ –**	**¥ –**	**¥ 39,062**
Government and corporate bonds	**–**	**41**	**–**	**41**
Derivatives				
Interest rate derivatives	**–**	**547**	**–**	**547**

19. Financial Instruments (continued)

Breakdown of fair value of financial instruments by level (continued)

	2026			
	Level 1	Level 2	Level 3	Total
	(Thousands of U.S. dollars)			
Securities and investments in securities				
Other securities:				
Stocks	**$ 244,326**	**$ –**	**$ –**	**$ 244,326**
Government and corporate bonds	**–**	**261**	**–**	**261**
Derivatives				
Interest rate derivatives	**–**	**3,424**	**–**	**3,424**

(b) Financial instruments other than financial instruments carried on the consolidated balance sheet at fair value

	2025			
	Level 1	Level 2	Level 3	Total
	(Millions of yen)			
Long-term debt	¥ –	¥ 17,229	¥ –	¥ 17,229

	2026			
	Level 1	Level 2	Level 3	Total
	(Millions of yen)			
Long-term debt	**¥ –**	**¥ 23,659**	**¥ –**	**¥ 23,659**

	2026			
	Level 1	Level 2	Level 3	Total
	(Thousands of U.S. dollars)			
Long-term debt	**$ –**	**$ 147,981**	**$ –**	**$ 147,981**

Description of valuation methods and inputs used in the calculation of fair value.

(a) Securities and Investments in securities

Listed stocks are valued using quoted market prices. Since listed stocks are traded in active markets, their fair value is classified as Level 1 fair value. The fair values of government and corporate bonds are measured based on prices obtained from third parties and are classified into Level 2 if inputs used for the obtained prices are observable or the impact of unobservable inputs is immaterial.

19. Financial Instruments (continued)

Breakdown of fair value of financial instruments by level (continued)

(b) Long-term debt

The fair value of long-term debt is calculated using the discounted present value method based on the total amount of principal and interest, and an interest rate that takes into account the remaining term of the debt and credit risk and is classified as Level 2 fair value.

(c) Derivative transactions

The fair value of interest rate swaps is determined using the discounted present value technique based on observable market inputs, including interest rates, and is categorized within Level 2 of the fair value hierarchy.

20. Securities

(a) Information regarding marketable securities classified as other securities as of March 31, 2025, and 2026 is as follows:

	2025		
	Carrying value	Acquisition cost	Difference
		(Millions of yen)	
Securities whose carrying value exceeds their acquisition cost			
Equity securities	¥ 27,553	¥ 16,326	¥11,226
Debt securities:			
Corporate bonds	–	–	–
Others	42	32	10
Others	1	1	0
Subtotal	27,597	16,360	11,237
Securities whose carrying value does not exceed their acquisition cost			
Equity securities	1,667	1,820	(153)
Debt securities:			
Corporate bonds	4	4	–
Others	–	–	–
Others	–	–	–
Subtotal	1,671	1,824	(153)
Total	¥ 29,268	¥ 18,184	¥11,083

	2026					
	Carrying value	Acquisition cost	Difference	Carrying value	Acquisition cost	Difference
		(Millions of yen)			*(Thousands of U.S. dollars)*	
Securities whose carrying value exceeds their acquisition cost						
Equity securities	**¥ 39,060**	**¥ 17,997**	**¥ 21,062**	**$ 244,308**	**$ 112,569**	**$ 131,738**
Debt securities:						
Corporate bonds	–	–	–	–	–	–
Others	**41**	**32**	**9**	**261**	**201**	**59**
Others	–	–	–	–	–	–
Subtotal	**39,101**	**18,029**	**21,072**	**244,569**	**112,771**	**131,798**
Securities whose carrying value does not exceed their acquisition cost						
Equity securities	**2**	**3**	**(1)**	**18**	**24**	**(6)**
Debt securities:						
Corporate bonds	–	–	–	–	–	–
Others	–	–	–	–	–	–
Others	–	–	–	–	–	–
Subtotal	**2**	**3**	**(1)**	**18**	**24**	**(6)**
Total	**¥ 39,104**	**¥ 18,033**	**¥ 21,070**	**$ 244,588**	**$ 112,795**	**$ 131,792**

20. Securities (continued)

(b) Information regarding sales of securities classified as other securities for the years ended March 31, 2025, and 2026 was as follows:

	2025		
	Proceeds from sales	Gain on sales	Loss on sales
	(Millions of yen)		
Equity securities	¥ 810	¥ 464	¥ 69
Debt securities:			
Corporate bonds	–	–	–
Others	–	–	–
Others	–	–	–
	¥ 810	¥ 464	¥ 69

	2026					
	Proceeds from sales	Gain on sales	Loss on sales	Proceeds from sales	Gain on sales	Loss on sales
	(Millions of yen)			(Thousands of U.S. dollars)		
Equity securities	**¥ 1,227**	**¥ 1,041**	**¥ –**	**$ 7,678**	**$ 6,513**	**$ –**
Debt securities:						
Corporate bonds	**–**	**–**	**–**	**–**	**–**	**–**
Others	**–**	**–**	**–**	**–**	**–**	**–**
Others	**–**	**–**	**–**	**–**	**–**	**–**
	¥ 1,227	**¥ 1,041**	**¥ –**	**$ 7,678**	**$ 6,513**	**$ –**

(c) Impairment losses on securities classified as other securities of nil and ¥594 million ($3,721 thousand) were recognized for the years ended March 31, 2025, and 2026, respectively. Also, impairment losses on securities classified as investments in unconsolidated subsidiaries and affiliates of nil and ¥390 million ($2,439 thousand) were recognized for the years ended March 31, 2025, and 2026, respectively.

An impairment loss is recognized on securities whose fair value has declined by 50% or more, or whose fair value has declined by 30% or more, but less than 50%, if the decline is deemed to be irrecoverable. An impairment loss is recognized on securities whose fair value is difficult to determine if the decline is deemed to be irrecoverable considering the financial position of the securities' issuers.

21. Derivative Transactions

Summarized below are the notional amounts and the estimated fair value of the derivative instruments outstanding on March 31, 2025, and 2026, for which hedge accounting has been applied.

Interest-related transactions

				2025		
Method of hedge accounting	*Hedging instruments*		*Hedged items*	Notional amounts	Due after one year	Fair value
					(Millions of yen)	
Principle method	Interest rate swap	Pay: fixed Receive: floating	Long-term debt	¥ 8,354	¥ 7,671	¥ 344

				2026		
Method of hedge accounting	*Hedging instruments*		*Hedged items*	Notional amounts	Due after one year	Fair value
					(Millions of yen)	
Principle method	Interest rate swap	Pay: fixed Receive: floating	Long-term debt	**¥12,284**	**¥ 11,436**	**¥ 1,292**

				2026		
Method of hedge accounting	*Hedging instruments*		*Hedged items*	Notional amounts	Due after one year	Fair value
					(Thousands of U.S. dollars)	
Principle method	Interest rate swap	Pay: fixed Receive: floating	Long-term debt	**$ 76,837**	**$ 71,533**	**$ 8,084**

The principle method was applied to the interest rate swaps used to hedge long-term debt of an affiliate accounted for by the equity method, and the notional amount and the fair value were based on the Company's proportionate share.

22. Supplemental Information on Consolidated Statement of Cash Flows

(a) Cash and cash equivalents in the consolidated statement of cash flows for the years ended March 31, 2025 and 2026 are reconciled to cash on hand and in banks in the consolidated balance sheet as follows:

	2025	2026	2026
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash on hand and in banks	¥71,693	**¥51,939**	**$324,864**
Time deposits with maturities of more than three months	(1,238)	**(1,357)**	**(8,487)**
Officer stock delivery trust deposit	(17)	**(34)**	**(213)**
Cash and cash equivalents	¥70,437	**¥50,548**	**$316,162**

(b) Major breakdown of assets and liabilities of the newly consolidated companies
Information on the newly consolidated companies, SHINSEI AIR CONDITIONING Co.,Ltd. as a result of a share acquisition for the year ended March 31, 2025 is as follows:

	2025
	(Millions of yen)
Current assets	¥ 739
Fixed assets	478
Goodwill	336
Current liabilities	(329)
Fixed liabilities	(313)
Acquisition cost of shares	912
Cash and cash equivalents	(407)
Difference: Expenditures for acquisition (Negative amount indicates cash inflows)	¥ 504

Information on the newly consolidated companies, KATSURAO FURYOKU Co., Ltd. as a result of a share acquisition for the year ended March 31, 2026 is as follows:

	2026	2026
	(Millions of yen)	*(Thousands of U.S. dollars)*
Current assets	**¥ 1,762**	**$ 11,022**
Fixed assets	**7,379**	**46,154**
Goodwill	**41**	**261**
Current liabilities	**(268)**	**(1,681)**
Fixed liabilities	**(6,024)**	**(37,681)**
Non-controlling interests	**(1,552)**	**(9,713)**
Acquisition-date fair value of equity interest previously held	**(27)**	**(168)**
Acquisition cost of shares	**1,310**	**8,193**
Cash and cash equivalents	**(1,683)**	**(10,532)**
Difference: Expenditures for acquisition (Negative amount indicates cash inflows)	**¥ (373)**	**$ (2,339)**

22. Supplemental Information on Consolidated Statement of Cash Flows (continued)

(c) Information regarding details of significant non-monetary transactions for the years ended March 31, 2025 and 2026 is as follows:

Leased assets and lease obligations related to new finance lease transactions recorded for the years ended March 31, 2025 and 2026 amounted to ¥1,667 million and ¥2,406 million ($15,050 thousand), respectively.

23. Segment Information

(a) Business segment information

(1) Outline of reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions on resource allocation and to assess performance.

The Group is primarily engaged in the integrated utilities engineering service business, based on mid- to long-term business plans developed in the head office of the Company. The Company's regional offices mainly offer services in cooperation with each company of the Group.

Also, some consolidated subsidiaries operate as independent management units and are involved in other industries such as sales business of construction-related materials and equipment, real estate sales business and renewable energy generation business.

Thus, the Group consists of the segments based on business activities, with several businesses that have essentially identical financial characteristics and contents of services combined into "Utilities engineering service" as a reportable segment for the purpose of disclosing appropriate information.

The "Utilities engineering service" segment primarily offers services for the design and construction of electrical works such as power distribution lines, indoor wiring, and electronic communication, and of heating ventilation and air conditioning mechanical installation works, including the installation of air conditioning, heating and cooling, water treatment and sanitation equipment.

23. Segment Information (continued)

(a) Business segment information (continued)

(2) Method used to calculate net sales, profit or loss, assets, liabilities and other items by reportable segment

The accounting policies of the reportable segments are substantially the same as those described in "Note 2. Summary of Significant Accounting Policies." Segment performance is evaluated based on operating profit or loss. Intersegment sales and transfers are determined by reference to actual market price.

(3) Information as to net sales, income or loss and other items for each reportable segment for the years ended March 31, 2025 and 2026 are summarized as follows:

	2025				
	Utilities engineering service	Others	Total	Adjustments and eliminations	Consolidated
			(Millions of yen)		
Net sales:					
Sales to third parties	¥ 454,373	¥ 19,580	¥ 473,954	¥ –	¥ 473,954
Intersegment sales and transfers	1,200	6,809	8,009	(8,009)	–
Total	¥ 455,573	¥ 26,390	¥ 481,964	¥ (8,009)	¥ 473,954
Segment income	¥ 37,993	¥ 3,040	¥ 41,033	¥ 354	¥ 41,388
Other items:					
Depreciation and amortization	4,349	1,987	6,336	(103)	6,233
Amortization of goodwill	268	–	268	–	268
Amortization of customer related intangible assets	220	–	220	–	220

23. Segment Information (continued)

(a) Business segment information (continued)

(3) Information as to net sales, income or loss and other items for each reportable segment for the years ended March 31, 2025 and 2026 are summarized as follows: (continued)

	2026				
	Utilities engineering service	Others	Total	Adjustments and eliminations	Consolidated
			(Millions of yen)		
Net sales:					
Sales to third parties	**¥ 457,524**	**¥ 18,598**	**¥ 476,123**	**¥ –**	**¥ 476,123**
Intersegment sales and transfers	**1,049**	**6,946**	**7,996**	**(7,996)**	**–**
Total	**¥ 458,574**	**¥ 25,545**	**¥ 484,120**	**¥ (7,996)**	**¥ 476,123**
Segment income	**¥ 51,219**	**¥ 3,292**	**¥ 54,511**	**¥ 89**	**¥ 54,600**
Other items:					
Depreciation and amortization	**4,637**	**2,185**	**6,822**	**(120)**	**6,701**
Amortization of goodwill	**190**	**41**	**232**	**–**	**232**
Amortization of customer related intangible assets	**220**	**–**	**220**	**–**	**220**

	2026				
	Utilities engineering service	Others	Total	Adjustments and eliminations	Consolidated
			(Thousands of U.S. dollars)		
Net sales:					
Sales to third parties	**$ 2,861,676**	**$ 116,330**	**$ 2,978,006**	**$ –**	**$ 2,978,006**
Intersegment sales and transfers	**6,566**	**43,448**	**50,015**	**(50,015)**	**–**
Total	**$ 2,868,242**	**$ 159,779**	**$ 3,028,022**	**$ (50,015)**	**$ 2,978,006**
Segment income	**$ 320,361**	**$ 20,591**	**$ 340,952**	**$ 558**	**$ 341,511**
Other items:					
Depreciation and amortization	**29,004**	**13,667**	**42,672**	**(753)**	**41,918**
Amortization of goodwill	**1,192**	**261**	**1,454**	**–**	**1,454**
Amortization of customer related intangible assets	**1,380**	**–**	**1,380**	**–**	**1,380**

23. Segment Information (continued)

(a) Business segment information (continued)

(3) Information as to net sales, income or loss and other items by reportable segment for the years ended March 31, 2025 and 2026 are summarized as follows: (continued)

Note 1: “Others” consisted of business segments that were not included in reportable segments, such as sales business of construction-related materials and equipment for third parties, real estate sales business, renewable energy generation business, temporary staffing service, software development business, environmental analysis / measurement business, medical-related business, golf course management, business hotel management, planning and operation of commercial facilities and other businesses.

Note 2: Details of adjustments and eliminations were as follows:
(i) Segment assets and segment liabilities are not described since these are not allocated to each segment
(ii) Adjustments and eliminations of segment income of ¥354 million and ¥89 million ($558 thousand) for the years ended March 31, 2025 and 2026, respectively, reflect the elimination of transactions between segments.
(iii) Segment income or loss is reconciled to operating income on the consolidated statement of income.

(b) Related information

(1) Geographical information

The disclosure of geographical segment information has been omitted as net sales to third parties and property and equipment in Japan constituted more than 90% of the consolidated sales for the years ended March 31, 2025 and 2026.

23. Segment Information (continued)

(b) Related information (continued)

(2) Information by major customers

The following table presents major customer information for the years ended March 31, 2025 and 2026:

	2025	2026	2026
	(Millions of yen)		*(Thousands of U.S. dollars)*
Name of customers:			
Kyushu Electric Power Transmission and Distribution Co., Inc.			
Reportable segment:			
Utilities engineering service and Others			
Net sales	¥ 51,039	**¥ 55,104**	**$ 344,660**

(c) Amortization of goodwill and remaining balance of goodwill by reportable segment

The following table presents the amortization and balance of goodwill as of and for the years ended March 31, 2025 and 2026 by reportable segment: Information on amortization of goodwill is omitted because the same information is disclosed in Note 23 (a) (3). The "Others" segment represents the renewable energy generation business.

	2025			
	Utilities engineering service	Others	Adjustments and eliminations	Consolidated
	(Millions of yen)			
Balance as of March 31	¥ 522	¥ –	¥ –	¥ 522

	2026			
	Utilities engineering service	Others	Adjustments and eliminations	Consolidated
	(Millions of yen)			
Balance as of March 31	**¥ 331**	**¥ –**	**¥ –**	**¥ 331**
	(Thousands of U.S. dollars)			
Balance as of March 31	**$ 2,072**	**$ –**	**$ –**	**$ 2,072**

(d) Gain on bargain purchase by reportable segment

No gain on bargain purchase was recorded for the years ended March 31, 2025 and 2026.

24. Related Party Transactions

Transactions and balances with related parties as of and for the years ended March 31, 2025 and 2026 were as follows:

(1) Parent company and major shareholders (limited to corporate shareholders) of the company filing the consolidated financial statements

	2025	2026	2026
	(Millions of yen)		*(Thousands of U.S. dollars)*
Kyushu Electric Power Co., Inc.			
Construction order	¥ 1,900	**¥ 947**	**$ 5,926**
Electricity sales	1,130	**178**	**1,114**
Accounts receivable on completed construction contracts	740	**463**	**2,901**
Accounts receivable	1	**1**	**8**
Kyushu Electric Power Transmission and Distribution Co., Inc.			
Construction order	45,610	**48,752**	**304,929**
Electricity sales	2,506	**3,313**	**20,724**
Accounts receivable on completed construction contracts and other accounts receivable	7,569	**7,147**	**44,704**
Accounts receivable	87	**83**	**519**

The transaction amounts do not include consumption taxes. The balances include consumption taxes.

Kyushu Electric Power Co., Inc. (located in Fukuoka City, with a capital amount of ¥237,304 million ($1,484,268 thousand) engaged in the business of sales of electric power and contracting and related construction work) is a related company which owned 22.75% of the shares of the Company as of March 31, 2025 and 2026.

Kyushu Electric Power Transmission and Distribution Co., Inc. (located in Fukuoka City, with a capital amount of ¥20,075 million ($125,566 thousand) engaged in the business of sales of electric power and contracting and related construction work) is a subsidiary of a related company which owned no shares of the Company as of March 31, 2025 and 2026.

The terms of the transactions referred to above were negotiated and determined on an arm's-length basis similar to third party transactions.

Electricity sales prices are based on the feed-in tariff system and others.

24. Related Party Transactions (continued)

(2) Unconsolidated subsidiaries and affiliates of the company filing the consolidated financial statements

	2025	2026	2026
	(Millions of yen)		(Thousands of U.S. dollars)
Kushima Windhill Co.			
Provision of collateral	¥ –	**¥ 1,603**	**$ 10,028**
Ukujima Mirai Energy GK			
Construction order	–	**18,065**	**112,991**
Accounts receivable on completed construction contracts and other accounts receivable	–	**60,237**	**376,764**

The transaction amounts do not include consumption taxes. The balances include consumption taxes.

Kushima Windhill Co.(located in Kushima City, with a capital amount of ¥2,821 million ($17,644 thousand) operates a renewable energy business) is a subsidiary of a related company which owned no shares of the Company as of March 31, 2025 and 2026.

Ukujima Mirai Energy GK (located in Sasebo City, with a capital amount of ¥0 million ($1 thousand) operates a renewable energy business) is a subsidiary of a related company which owned no shares of the Company as of March 31, 2025 and 2026.

The terms of the transactions referred to above were negotiated and determined on an arm's-length basis similar to third party transactions.

The Company has pledged its shares in the related company as collateral for borrowings by the related company from financial institutions.

25. Revenue Recognition

Disaggregation of revenue arising from contracts with customers

A disaggregation of revenue by type of goods or services for the years ended March 31, 2025 and 2026 was as follows:

	2025		
	Utilities engineering service	Others	Total
	(Millions of yen)		
Power distribution line work	¥ 51,380	¥ –	¥ 51,380
Electrical work	238,022	–	238,022
HVAC and sanitary facility work	164,970	–	164,970
Others	–	19,580	19,580
Revenue arising from contracts with customers	454,373	19,580	473,954
Revenue to external customers	¥454,373	¥ 19,580	¥473,954

	2026		
	Utilities engineering service	Others	Total
	(Millions of yen)		
Power distribution line work	**¥ 56,595**	**¥ –**	**¥ 56,595**
Electrical work	**238,543**	**–**	**238,543**
HVAC and sanitary facility work	**162,385**	**–**	**162,385**
Others	**–**	**17,952**	**17,952**
Revenue arising from contracts with customers	**457,524**	**17,952**	**475,477**
Other revenue	**–**	**646**	**646**
Revenue to external customers	**¥457,524**	**¥ 18,598**	**¥476,123**

	2026		
	Utilities engineering service	Others	Total
	(Thousands of U.S. dollars)		
Power distribution line work	**$ 353,987**	**$ –**	**$ 353,987**
Electrical work	**1,492,017**	**–**	**1,492,017**
HVAC and sanitary facility work	**1,015,671**	**–**	**1,015,671**
Others	**–**	**112,290**	**112,290**
Revenue arising from contracts with customers	**2,861,676**	**112,290**	**2,973,966**
Other revenue	**–**	**4,040**	**4,040**
Revenue to external customers	**$ 2,861,676**	**$ 116,330**	**$ 2,978,006**

Note: Other segment is a business segment not included in the reportable segments.

25. Revenue Recognition (continued)

Information that serves as a basis for understanding of revenue arising from contracts with customers

Information that serves as a basis for understanding of revenue arising from contracts with customers is disclosed in Note 2 (q) Basis for recording significant revenues and expenses.

Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers that existed at the end of the current fiscal year and are expected to be recognized in the following fiscal year or later

(a) Contract assets and contract liabilities outstanding

Beginning and ending balances of contract assets and contract liabilities outstanding for the years ending March 31, 2025 and 2026 were as follows:

	Beginning balance for fiscal year ended March 31, 2025	Ending balance for fiscal year ended March 31, 2025
	(Millions of yen)	
Receivables arising from contracts with customers		
Notes receivable	¥ 2,474	¥ 1,318
Electronically recorded receivables	25,703	21,923
Accounts receivable	68,054	64,412
Other accounts receivable	8,980	11,902
	¥ 105,212	¥ 99,556
Contract assets	¥ 59,675	¥ 63,889
Contract liabilities	21,676	29,110

	Beginning balance for fiscal year ended March 31, 2026	Ending balance for fiscal year ended March 31, 2026
	(Millions of yen)	
Receivables arising from contracts with customers		
Notes receivable	**¥ 1,318**	**¥ 323**
Electronically recorded receivables	**21,923**	**25,279**
Accounts receivable	**64,412**	**68,681**
Other accounts receivable	**11,902**	**5,629**
	¥ 99,556	**¥ 99,914**
Contract assets	**¥ 63,889**	**¥ 77,472**
Contract liabilities	**29,110**	**26,697**

25. Revenue Recognition (continued)

Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers that existed at the end of the current fiscal year and are expected to be recognized in the following fiscal year or later (continued)

(a) Contract assets and contract liabilities outstanding (continued)

	Beginning balance for fiscal year ended March 31, 2026	Ending balance for fiscal year ended March 31, 2026
	(Thousands of U.S. dollars)	
Receivables arising from contracts with customers		
Notes receivable	**$ 8,245**	**$ 2,025**
Electronically recorded receivables	**137,125**	**158,115**
Accounts receivable	**402,879**	**429,579**
Other accounts receivable	**74,447**	**35,212**
	$ 622,698	**$ 624,932**
Contract assets	**$ 399,606**	**$ 484,564**
Contract liabilities	**182,078**	**166,987**

Contract assets are rights to consideration received in exchange for the satisfaction of performance obligations, measured based on the percentage of completion as of the end of the fiscal year for construction contracts in utilities engineering service, excluding receivables arising from contracts with customers.

Contract assets are transferred to receivables arising from contracts with customers when the rights of the Group to the consideration become unconditional. The consideration for such construction is mainly received within one year from the time the Group's performance obligation is satisfied.

Contract liabilities consist primarily of advances received from customers on construction contracts. Contract liabilities are included in advances received on uncompleted construction contracts and other liabilities in the consolidated balance sheet and are reversed upon revenue recognition.

The amount of revenue recognized in the current fiscal year ended March 31, 2026 that was included in the contract liability balance at the beginning of the period was ¥26,890 million ($168,194 thousand).

The amount of revenue recognized in the current period from performance obligations satisfied (or partially satisfied) in prior periods was not material.

25. Revenue Recognition (continued)

Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers that existed at the end of the current fiscal year and are expected to be recognized in the following fiscal year or later (continued)

(b) Transaction price allocated to remaining performance obligations

The transaction price allocated to the remaining performance obligation recorded for the years ended March 31, 2025 and 2026 amounted to ¥454,059 million and ¥476,049 million ($2,977,544 thousand), respectively. The remaining performance obligation relates to a construction contract in the Utilities engineering service and is expected to be recognized as revenue primarily within five years as the construction progresses.

26. Subsequent Events

Appropriation of retained earnings

The following appropriation of retained earnings of the Company, which has not been reflected in the consolidated financial statements for the year ended March 31, 2026, was approved at the meeting of the Board of Directors held on April 28, 2026:

	Total dividends paid		Record date	Effective date
	(Millions of yen)	*(Thousands of U.S. dollars)*		
Cash dividends (¥130.00 = $0.81 per share)	**¥ 9,212**	**$ 57,618**	March 31, 2026	June 3, 2026