JGC Annual Financial Results FY2024

JGC Holdings Corporation

KPMG AZSA LLC

C O N T E N T S

I) Consolidated Financial Statements

i) Consolidated Balance Sheet

March 31	Millions of yen				Millions of U.S. dollars
		2024		2025	2025
Assets					
Current assets					
Cash and deposits	*3	324,964	*3	333,701	2,232
Notes receivable, trade receivables, contract assets and	*1,*3	200,819	*1,*3	154,314	1,032
Costs on construction contracts in progress	*7	25,304	*7	15,212	102
Merchandise and finished goods		7,474		8,149	55
Work in process		3,731		3,887	26
Raw materials and supplies	*3	4,411	*3	5,162	35
Accounts receivable - other		28,167		30,175	202
Other		9,242		11,460	77
Allowance for doubtful accounts		(553)		(796)	(5)
Total current assets		603,563		561,267	3,754
Non-current assets					
Property, plant and equipment					
Buildings and structures	*3	79,968	*3	84,191	563
Machinery, vehicles, tools, furniture and fixtures	*3	79,639	*3	84,371	564
Land		24,862	*3	24,993	167
Leased assets	*3	3,055	*3	2,917	20
Construction in progress		3,392		3,220	22
Accumulated depreciation		(106,505)		(111,396)	(745)
Total property, plant and equipment		84,411		88,296	591
Intangible assets					
Software		13,060	*3	14,034	94
Other		268		200	1
Total intangible assets		13,328		14,234	95
Investments and other assets					
Investment securities	*2	56,073	*2	80,386	538
Long-term loans receivable		11,869		11,248	75
Retirement benefit asset		1,600		7,134	48
Deferred tax assets		22,834		24,756	166
Other	*2	22,985	*2	21,236	142
Allowance for doubtful accounts		(24,369)		(24,385)	(163)
Total investments and other assets		90,993		120,376	805
Total non-current assets		188,733		222,907	1,491
Total assets		792,296		784,175	5,245

March 31	Millions of yen 2024		Millions of yen 2025		Millions of U.S. dollars 2025
Liabilities					
Current liabilities					
Notes payable, accounts payable for construction contracts and other		147,309		126,436	846
Short-term borrowings		3,817		250	2
Current portion of bonds payable		–		10,000	67
Current portion of long-term borrowings	*3	741	*3	752	5
Income taxes payable		5,480		2,556	17
Contract liabilities		95,855		105,097	703
Provision for bonuses		8,281		8,996	60
Provision for bonuses for directors (and other officers)		209		209	1
Provision for loss on construction contracts	*7	48,072	*7	35,707	239
Provision for warranties for completed construction		1,249		1,236	8
Other		39,719		55,685	372
Total current liabilities		350,736		346,928	2,320
Non-current liabilities					
Bonds payable		20,000		10,000	67
Long-term borrowings	*3	14,717	*3	13,887	93
Retirement benefit liability		11,486		12,439	83
Provision for retirement benefits for directors (and other officers)		1,059		212	1
Deferred tax liabilities		2,231		3,730	25
Deferred tax liabilities for land revaluation		1,014		1,028	7
Other		3,163		3,686	25
Total non-current liabilities		53,674		44,985	301
Total liabilities		404,410		391,914	2,621
Net assets					
Shareholders' equity					
Share capital		23,798		23,885	160
Capital surplus		25,378		25,465	170
Retained earnings		350,511		340,488	2,277
Treasury shares		(25,485)		(25,486)	(170)
Total shareholders' equity		374,202		364,353	2,437
Accumulated other comprehensive income					
Valuation difference on available-for-sale securities		7,410		19,886	133
Deferred gains or losses on hedges		3,072		1,180	8
Revaluation reserve for land		(10,891)		(10,955)	(73)
Foreign currency translation adjustment		11,082		12,141	81
Remeasurements of defined benefit plans		1,278		4,050	27
Total accumulated other comprehensive income		11,952		26,303	176
Non-controlling interests		1,730		1,604	11
Total net assets		387,885		392,260	2,623
Total liabilities and net assets		792,296		784,175	5,245

ii) Consolidated Statement of Operations and Consolidated Statement of Comprehensive Income

Consolidated Statement of Operations

	Millions of yen				Millions of U.S. dollars
Year ended March 31	2024		2025		2025
Net sales	*1	832,595	*1	858,082	5,739
Cost of sales	*3,*4	821,931	*3,*4	839,156	5,612
Gross profit		10,663		18,926	127
Selling, general and administrative expenses	*2,*3	29,659	*2,*3	30,400	203
Operating loss		(18,995)		(11,474)	(77)
Non-operating income					
Interest income		15,749		16,780	112
Dividend income		1,021		4,132	28
Share of profit of entities accounted for using equity method		–		5,058	34
Foreign exchange gains		3,602		–	–
Other		2,343		992	7
Total non-operating income		22,717		26,962	180
Non-operating expenses					
Interest expenses		1,364		1,220	8
Foreign exchange losses		–		2,213	15
Share of loss of entities accounted for using equity method		1,366		–	–
Other		631		734	5
Total non-operating expenses		3,362		4,167	28
Ordinary loss		358		11,320	76
Extraordinary income					
Gain on sale of investment securities		2,384		274	2
Gain on liquidation of subsidiaries and associates		828		–	–
Total extraordinary income		3,212		274	2
Extraordinary losses					
Impairment losses		–		169	1
Loss on retirement of non-current assets		100		175	1
Loss on valuation of investments in capital		600		–	–
Business restructuring expenses of subsidiaries		–		1,497	10
Loss on arbitration ruling		–		1,489	10
Other		61		–	–
Total extraordinary losses		762		3,331	22
Profit before income taxes		2,809		8,263	55
Income taxes - current		19,097		8,327	56
Income taxes for prior periods		(696)		1,002	7
Income taxes - deferred		(7,738)		(606)	(4)
Total income taxes		10,662		8,722	58
Net loss		(7,852)		(459)	(3)
Loss attributable to non-controlling interests		(22)		(61)	(0)
Loss attributable to owners of parent		(7,830)		(398)	(3)

Consolidated Statement of Comprehensive Income

	Millions of yen		Millions of U.S. dollars
Year ended March 31	2024	2025	2025
Net loss	(7,852)	(459)	(3)
Other comprehensive income			
Valuation difference on available-for-sale securities	1,256	(612)	(4)
Deferred gains or losses on hedges	902	(2,112)	(14)
Revaluation reserve for land	–	(29)	(0)
Foreign currency translation adjustment	4,218	337	2
Remeasurements of defined benefit plans	556	2,687	18
Share of other comprehensive income of entities accounted for using equity method	(318)	14,070	94
Total other comprehensive income	*1,*2 6,615	*1,*2 14,341	96
Comprehensive income	(1,236)	13,881	93
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	(1,331)	13,986	94
Comprehensive income attributable to non-controlling interests	95	(105)	(1)

iii) Consolidated Statement of Changes in Net Assets

Millions of yen

Year ended March 31, 2024	Shareholders' equity					Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	23,733	25,831	369,066	(26,741)	391,889	7,219	2,359	(10,891)	6,089	677	5,454	637	397,981
Changes during period													
Issuance of new shares	65	65			131								131
Dividends of surplus			(9,142)		(9,142)								(9,142)
Loss attributable to owners of parent			(7,830)		(7,830)								(7,830)
Purchase of treasury shares				(0)	(0)								(0)
Disposal of treasury shares		(1,256)		1,256	0								0
Change in scope of consolidation		(487)	(347)		(835)				(220)		(220)		(1,055)
Change in scope of equity method			(9)		(9)								(9)
Transfer from retained earnings to capital surplus		1,225	(1,225)		–								–
Net changes in items other than shareholders'					–	191	712	–	5,212	601	6,718	1,093	7,811
Total changes during period	65	(453)	(18,555)	1,255	(17,687)	191	712	–	4,992	601	6,498	1,093	(10,095)
Balance at end of period	23,798	25,378	350,511	(25,485)	374,202	7,410	3,072	(10,891)	11,082	1,278	11,952	1,730	387,885

Millions of yen

Year ended March 31, 2025	Shareholders' equity					Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	23,798	25,378	350,511	(25,485)	374,202	7,410	3,072	(10,891)	11,082	1,278	11,952	1,730	387,885
Changes during period													
Issuance of new shares	86	86			173								173
Dividends of surplus			(9,661)		(9,661)								(9,661)
Reversal of revaluation reserve for land			34		34								34
Loss attributable to owners of parent			(398)		(398)								(398)
Purchase of treasury shares				(0)	(0)								(0)
Change in scope of consolidation			2		2								2
Net changes in items other than shareholders'					-	12,475	(1,891)	(64)	1,059	2,771	14,350	(126)	14,223
Total changes during period	86	86	(10,022)	(0)	(9,849)	12,475	(1,891)	(64)	1,059	2,771	14,350	(126)	4,374
Balance at end of period	23,885	25,465	340,488	(25,486)	364,353	19,886	1,180	(10,955)	12,141	4,050	26,303	1,604	392,260

Millions of U.S. dollars

Year ended March 31, 2025	Shareholders' equity					Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	159	170	2,344	(170)	2,503	50	21	(73)	74	9	80	12	2,594
Changes during period													
Issuance of new shares	1	1			1								1
Dividends of surplus			(65)		(65)								(65)
Reversal of revaluation reserve for land			0		0								0
Loss attributable to owners of parent			(3)		(3)								(3)
Purchase of treasury shares				(0)	(0)								(0)
Change in scope of consolidation			0		0								0
Net changes in items other than shareholders'					–	83	(13)	(0)	7	19	96	(1)	95
Total changes during period	1	1	(67)	(0)	(66)	83	(13)	(0)	7	19	96	(1)	29
Balance at end of period	160	170	2,277	(170)	2,437	133	8	(73)	81	27	176	11	2,623

iv) Consolidated Statement of Cash Flows

Year ended March 31	Millions of yen 2024	Millions of yen 2025	Millions of U.S. dollars 2025
Cash flows from operating activities			
Profit before income taxes	2,809	8,263	55
Depreciation	9,702	10,584	71
Impairment losses	–	169	1
Increase (decrease) in allowance for doubtful accounts	2,038	62	0
Interest and dividend income	(16,771)	(20,912)	(140)
Interest expenses	1,364	1,220	8
Foreign exchange losses (gains)	(7,319)	1,654	11
Share of loss (profit) of entities accounted for using equity method	1,366	(5,058)	(34)
Decrease (increase) in notes receivable, trade receivables, contract assets and other	(56,474)	48,771	326
Decrease (increase) in inventories	(7,315)	9,209	62
Increase (decrease) in notes and accounts payable -	54,175	(22,530)	(151)
Loss (gain) on sale of investment securities	(2,384)	(274)	(2)
Increase (decrease) in retirement benefit liability	(1,601)	680	5
Increase (decrease) in provision for loss on construction contracts	47,214	(13,895)	(93)
Loss on valuation of investments in capital	600	–	–
Gain on liquidation of subsidiaries and associates	(828)	–	–
Increase (decrease) in contract liabilities	(19,176)	8,051	54
Decrease (increase) in accounts receivable - other	(2,270)	(1,683)	(11)
Increase (decrease) in accounts payable - other	2,594	8,604	58
Other, net	(3,690)	8,260	55
Subtotal	4,033	41,177	275
Interest and dividends received	19,889	18,783	126
Interest paid	(1,249)	(1,081)	(7)
Income taxes paid	(11,583)	(12,118)	(81)
Cash flows from operating activities	11,090	46,761	313
Cash flows from investing activities			
Purchase of property, plant and equipment	(13,520)	(9,581)	(64)
Purchase of investment securities	(7,899)	(7,885)	(53)
Proceeds from sale of investment securities	4,095	513	3
Purchase of intangible assets	(5,467)	(4,830)	(32)
Proceeds from capital reduction of investments	1,308	405	3
Proceeds from liquidation of subsidiaries and associates	871	–	–
Other, net	409	207	1
Cash flows from investing activities	(20,201)	(21,172)	(142)
Cash flows from financing activities			
Repayments of long-term borrowings	(664)	(759)	(5)
Proceeds from issuance of bonds	10,000	–	–
Redemption of bonds	(10,000)	–	–
Purchase of treasury shares	(0)	(0)	(0)
Dividends paid	(9,136)	(9,676)	(65)
Dividends paid to non-controlling interests	(51)	(18)	(0)
Net increase (decrease) in short-term borrowings	1,826	(3,721)	(25)
Other, net	(867)	(872)	(6)
Cash flows from financing activities	(8,894)	(15,049)	(101)
Effect of exchange rate change on cash and cash equivalents	8,938	(2,351)	(16)
Net increase (decrease) in cash and cash equivalents	(9,067)	8,188	55
Cash and cash equivalents at beginning of period	332,755	324,507	2,170
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	818	65	0
Cash and cash equivalents at end of period	*1 324,507	*1 332,761	2,226

Notes to Consolidated Financial Statements

(Basis of presentation)

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

The accounts of overseas consolidated subsidiaries are prepared in accordance with either IFRS or U.S. generally accepted accounting principles ("U.S. GAAP"), with adjustments for a limited number of certain items based on their materiality.

The accompanying consolidated financial statements are an English translation of an excerpt of the annual securities report prepared in Japanese under the Financial Instruments and Exchange Act of Japan except for the figures in U.S. dollars.

The figures in Japanese yen are rounded down to the nearest million, except for per share data. As a result, the total amounts in Japanese yen shown in the financial statements do not necessarily coincide with the sum of the individual figures.

The translation of the Japanese yen amounts into U.S. dollars, using the prevailing exchange rate at March 31, 2025 of ¥149.52 to U.S.$1, is included solely for the convenience of readers outside Japan. The convenience translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at this or any other rate of exchange.

(Material basis for the preparation of consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries and names of the principal consolidated subsidiaries

Number of consolidated subsidiaries: 31

The names of the principal consolidated subsidiaries are as follows:

Consolidated subsidiary	Location	Percentage of voting rights held by the Company as of March 31, 2025
JGC CORPORATION	Japan	100
JGC JAPAN CORPORATION	Japan	100
JGC PLANTECH AOMORI CO., LTD.	Japan	100 (100)
JGC Catalysts and Chemicals Ltd.	Japan	100
JAPAN FINE CERAMICS CO., LTD.	Japan	100
JFC Materials Co., Ltd.	Japan	100 (100)
NIKKI BUSINESS SERVICES CO., LTD.	Japan	100
JAPAN NUS CO., LTD.	Japan	88
JGC ASIA PACIFIC PTE. LTD.	Singapore	100 (100)
JGC PHILIPPINES, INC.	Philippines	100
JGC Gulf International Co., Ltd.	Saudi Arabia	100 (100)
JGC OCEANIA PTY LTD	Australia	100
JGC America, Inc.	U.S.A.	100
JGC Gulf Engineering Co., Ltd.	Saudi Arabia	75 (75)
PT. JGC INDONESIA	Indonesia	48 (48)
JGC (GULF COAST), LLC	U.S.A.	100

		(100)
JGC Exploration Eagle Ford LLC	U.S.A.	100 (100)
JGC EXPLORATION CANADA LTD.	Canada	100
JGC Construction International Pte. Ltd.	Singapore	100 (100)
JGC ASIA PACIFIC (M) Sdn. Bhd.	Malaysia	100 (100)
Al Asilah Desalination Company S.A.O.C.	Oman	75
JGC Vietnam Co., Ltd.	Vietnam	100 (62)
JGC INDIA EPC PRIVATE LIMITED	India	100 (100)
JGC Corporation Oceania Pty Ltd	Australia	100 (100)
Sunrise Healthcare Service Co., Ltd	Cambodia	98 (98)
JGC France SAS	France	100 (100)
Others: 5		

Note: The figures in parentheses presented under "Percentage of voting rights held by the Company as of March 31, 2025" indicate the percentage of indirect ownership.

JGC France SAS has been included in the scope of consolidation in the consolidated fiscal year under review as its importance has increased.

(2) Names of the principal non-consolidated subsidiaries, etc.

JGC KOREA CORPORATION

(Reason for excluding the subsidiary from the scope of consolidation)

Because all non-consolidated subsidiaries are small companies, which do not have a significant impact on the consolidated financial statements in terms of the aggregated total assets, net sales, net profit or net loss (amount corresponding to the Company's equity) and retained earnings (amount corresponding to the Company's equity), etc.

2. Application of equity method

(1) Number of companies accounted for using equity method, names of the principal companies accounted for using equity method, etc.

Non-consolidated subsidiaries: 0

Associates: 10

The names of associates accounted for using equity method are as follows:

Associates accounted for using equity method	Location	Percentage of voting rights held by the Company as of March 31, 2025
Nikki-Universal Co., Ltd.	Japan	50
Swing Corporation	Japan	33
Swing AM Corporation	Japan	-

		[100]
Swing Engineering Corporation	Japan	- [100]
SAFFAIRE SKY ENERGY LCC	Japan	47
A.R.C.H. WLL	Bahrain	30
Japan Sankofa Offshore Production Pte. Ltd.	Singapore	26
ASH SHARQIYAH OPERATION AND MAINTENANCE COMPANY LLC	Saudi Arabia	29
Japan NuScale Innovation, LLC	U.S.A.	29 (29)
TAKADA CORPORATION	Japan	20 (20)

Note: The figures in parentheses presented under "Percentage of voting rights held by the Company as of March 31, 2025" indicate the percentage of indirect ownership, while the figures in brackets [ ], which are stated for reference, refer to the percentage of ownership of persons with whom the Company has a close relationship or who have agreed to exercise the same voting rights as the Company.

TAKADA CORPORATION has been included in the scope of application of equity method in the consolidated fiscal year under review as the Company acquired shares of TAKADA CORPORATION.

(2) Names of the principal non-consolidated subsidiaries and associates not accounted for using equity method, etc.

Names of the principal non-consolidated subsidiaries not accounted for using equity method

JGC KOREA CORPORATION

Names of the principal associates not accounted for using equity method

MODS MANAGEMENT LIMITED

(Reason for not applying the equity method)

Because the non-consolidated subsidiaries and associates not accounted for using equity method do not have a significant impact on net profit or net loss (amount corresponding to the Company's equity) and retained earnings (amount corresponding to the Company's equity), etc. and are immaterial as a whole.

3. Fiscal year of consolidated subsidiaries

The fiscal closing date of consolidated subsidiaries except for JGC OCEANIA PTY LTD, Al Asilah Desalination Company S.A.O.C., JGC INDIA EPC PRIVATE LIMITED and JGC France SAS is December 31. In preparing the consolidated financial statements, the financial statements as of the same closing date are used. However, adjustments necessary for consolidation are made for significant transactions that occurred between January 1 and the consolidated fiscal year-end of March 31.

4. Accounting policies

(1) Valuation standards and methods for significant assets

(a) Securities

Held-to-maturity bonds

Carried at cost

Available-for-sale securities:

Securities other than equity securities, etc. with no available market values

Carried at fair value (unrealized gains and losses are directly included in net assets, and the cost of securities sold is determined by the moving-average method).

Equity securities, etc. with no available market values

Carried at cost based on the moving-average method.

Investments in investment limited partnerships and other similar partnerships (items that are deemed as securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act)

Stated at the net value of equity interests based on the most recent financial statements available according to the financial reporting date stipulated in the respective partnership agreements.

(b) Net receivables (and payables) arising from derivative transactions

Carried at fair value

(c) Inventories

Costs on construction contracts in progress

Carried at cost based on the specific identification method.

Other

Primarily carried at cost based on the moving-average method (book value is written down based on a decline in profitability).

(2) Depreciation method of significant depreciable assets

(a) Property, plant and equipment (excluding leased assets)

Buildings for business use and structures acquired on or after April 1, 2016 are depreciated primarily using the straight-line method, while other property, plant and equipment are depreciated primarily using the declining-balance method.
Estimates of useful lives and residual values of assets are based on the same standard as stipulated in the Corporation Tax Act of Japan, except for certain consolidated subsidiaries whose estimate of useful lives of the assets, including water desalination plants, are based on economic useful lives.

(b) Intangible assets (excluding leased assets)

Straight-line method

Software for internal use is amortized using the straight-line method over the estimated useful life within the Group (5 years).

(c) Leased assets

Leased assets related to finance lease transactions which do not transfer the ownership of the leased property to the lessee are depreciated using the straight-line method with the lease term as the useful life and a residual value of zero.

(d) Long-term prepaid expenses

Straight-line method

(3) Accounting standards for significant provisions and allowances

(a) Allowance for doubtful accounts

In order to provide for possible credit losses on notes receivable, trade receivables, contract assets and other as well as loans and other receivables, the Group records the estimated amount of non-recoverable receivables based on the historical loss rate for general receivables and individual collectability for specific doubtful receivables.

(b) Provision for bonuses

In order to provide for payments of bonuses to the employees, the Group records the estimated payable amount attributable to the consolidated fiscal year under review.

(c) Provision for bonuses for directors (and other officers)

In order to provide for payments of bonuses to directors and other officers, the Group records the estimated payable amount attributable to the consolidated fiscal year under review.

(d) Provision for loss on construction contracts

In order to provide for losses on construction contracts that have not been delivered as of the end of the consolidated fiscal year under review and for which losses are expected to be incurred and the amount of such losses can be reasonably estimated, the Group records a provision for losses expected to be incurred in the following consolidated fiscal year or later.

(e) Provision for warranties for completed construction

In order to provide for liability for defect warranty in connection with construction contracts recorded as net sales, the Group records an amount mainly based on certain calculation criteria in accordance with historical experience ratios.

(f) Provision for retirement benefits for directors (and other officers)

Some consolidated subsidiaries provide for the payment of retirement benefits to directors (and other officers) based on the amount payable at the end of the fiscal year in accordance with internal regulations.

(4) Accounting method for retirement benefits

(a) Period attribution method for estimated retirement benefits

In calculating retirement benefit obligations, the method of attributing the estimated amount of retirement benefits to periods up to the end of the consolidated fiscal year under review is based on the benefit formula basis.

(b) Accounting method for actuarial differences and past service costs

Actuarial differences are primarily recognized from the fiscal year following the year in which the differences are recognized based on the declining-balance method over a fixed period (12 years), which is no longer than the estimated average remaining service years of employees at the time of occurrence of the differences.

Past service costs are primarily recognized based on the straight-line method over a fixed period (12 years), which is no longer than the estimated average remaining service years of employees at the time of occurrence of the differences.

However, certain consolidated subsidiaries recognize all actuarial differences and past service costs as incurred.

(5) Standards for recognizing significant revenue and expense

The details of the main performance obligations in the major businesses related to revenue from contracts with customers and the timing at which the Group typically satisfies these performance obligations (when it typically recognizes revenue) are described below.

Regarding the receipt of transaction consideration in the major businesses, for construction contracts, the Group normally receives consideration of a transaction from customers generally in stages by measuring its progress toward complete satisfaction of that performance obligation in accordance with the terms of the respective construction contracts. For sales of goods, the Group normally receives consideration of a transaction from customers within one year after the performance obligations are satisfied. Both contracts do not include a significant financing component.

(a) Construction contracts

In total engineering business, the Group engages in EPC business mainly by making construction contracts to provide planning, engineering, procurement, construction, commissioning and related services for various types of equipment and facilities. For construction contracts, the Group determines that performance obligations are mainly satisfied over time, and it recognizes revenue over time in line with the satisfaction of performance obligations. The measurement of the progress toward satisfaction of performance obligations is based on the ratio of the construction costs incurred by the end of the reporting period to the estimated total construction costs (input method) as the construction costs are deemed to incur in proportion to the progress toward satisfaction of performance obligations. The Group recognizes revenue by the cost recovery method when it is not possible to reasonably estimate the progress toward satisfaction of performance obligations, but it is probable that the costs incurred will be recovered. The Group applies the alternative treatment determined in Paragraph 95 of “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021) for construction contracts for which the period from the transaction commencement date to the point in time at which performance obligations are expected to be fully satisfied is extremely short. For such contracts, the Group recognizes revenue at the point in time when performance obligations are fully satisfied. In addition, regarding variable consideration with customers, in the case that construction contracts include terms such as provisional payments that vary with the quantity or market price of a particular item or penalties based on delays in delivery, the Group includes the variable consideration in the expected construction revenue to the extent it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty related to the variable consideration is subsequently resolved.

(b) Sales of goods

In functional materials manufacturing business, the Group mainly manufactures and sells catalysts, fine chemicals and fine ceramics products. For the sale of these products, the Group applies the alternative treatment determined in Paragraph 98 of "Guidance on Revenue Recognition Accounting Standard" and recognizes revenue when they are shipped.

(6) Significant hedge accounting method

(a) Hedge accounting method

Hedge accounting for forecasted transactions denominated in foreign currencies is accounted for using the allocation method if it meets the criteria for the allocation method. Otherwise, it is accounted for using the deferral hedge accounting method. Interest rate swap transactions that meet the criteria for exceptional treatment are accounted for by applying the exceptional treatment, while other interest rate swap transactions are accounted for using the deferral hedge accounting method.

(b) Hedging instruments and hedged items

The Group uses foreign exchange forward contracts and foreign currency deposits to hedge the risk of exchange rate fluctuations associated with monetary receivables and payables and forecasted transactions denominated in foreign currencies.

The Group also uses interest rate swaps to hedge the risk of interest rate fluctuations associated with borrowings, etc.

(c) Hedging policy

Companies that apply hedge accounting establish internal rules for derivative transactions and execute and manage transactions in accordance with such rules, transaction authority, and transaction limits. Hedged items are identified for each transaction whenever hedge accounting is applied.

(d) Assessment of hedge effectiveness

The Group generally evaluates the hedge effectiveness semi-annually by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the corresponding changes in the hedging instruments.

However, where the principal conditions underlying the hedging instruments and the hedged assets or liabilities or forecasted transactions are the same, the evaluation of hedge effectiveness is not performed.

(7) Cash and cash equivalents in the consolidated statement of cash flows

Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand, readily-available deposits, and short-term investments with a maturity of three months or less that are readily convertible into cash and exposed to insignificant risk of changes in value.

(8) Other significant matters for the preparation of consolidated financial statements

(a) Accounting method for lease transactions

Finance lease transactions, which do not transfer ownerships of the leased property to the lessee, are accounted for as ordinary sales transactions.

(b) Standards for converting foreign currency denominated assets or liabilities into Japanese currency

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates prevailing on the fiscal closing date, with translation differences recognized as gains or losses. Assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen at the spot exchange rate prevailing on the fiscal closing date, while income and expenses are translated into Japanese yen at the average exchange rate during the period. Translation differences are included in foreign currency translation adjustment under net assets.

(c) Accounting principles and procedures adopted when the related accounting standards are not defined

i) Accounting treatment on construction contracts for which orders are received by forming joint ventures

For the Company and its domestic consolidated subsidiaries, the share of sales and costs of joint ventures is recorded in each account on the consolidated statement of operations and the share of net assets of joint ventures is recorded in the consolidated balance sheet. In the case of overseas consolidated subsidiaries, they are accounted for primarily in accordance with IFRS or U.S. GAAP.

ii) Accounting treatment on repurchase of treasury shares through Fully Committed Share Repurchase (FCSR)

The Company’s shares acquired through ToSTNeT-3 are recorded as “Treasury shares” under net assets in the consolidated balance sheet at the acquisition cost. The Company’s shares acquired through this method are included in the treasury shares deduction in the calculation of the average number of shares during the period for the purpose of calculating earnings per share and diluted earnings per share.

(Significant accounting estimates)

1. Recognition of revenue on construction contracts

(1) Amount recorded in the consolidated financial statements for the consolidated fiscal year under review

The following is the amount of construction contracts revenue, which is recognized over time in line with the satisfaction of performance obligations. The amount includes constructions completed during each fiscal year.

(Millions of yen)

Year ended March 31, 2024	Year ended March 31, 2025
720,366	712,104

(2) Information on significant accounting estimates for the identified items

For construction contracts, the Group determines that performance obligations are mainly satisfied over time, and recognizes revenue over time in line with the satisfaction of performance obligations except for construction projects with extremely short duration. The measurement of the progress toward satisfaction of performance obligations is based on the ratio of the construction costs incurred by the end of the reporting period to the estimated total construction costs (input method) as the construction costs are deemed to incur in proportion to the progress toward satisfaction of performance obligations. The Group recognizes revenue by the cost recovery method when it is not possible to reasonably estimate the progress toward satisfaction of performance obligations, but it is probable that the costs incurred will be recovered. In addition, regarding variable consideration with customers, the Group includes the variable consideration in the expected construction revenue to the extent it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty related to the variable consideration is subsequently resolved.

The estimated total construction revenue and the estimated total construction costs are estimated in accordance with the information that management has determined to be the best at that time based on the expertise, experience and track record that the Group accumulated in the past EPC projects.

Risks in receiving orders and project execution, country risks, natural disasters, infectious diseases, insufficient construction workers, risks in rising wages and materials prices for equipment, fuel and raw materials and other risks may affect the estimation to pose a negative impact on the Group’s consolidated financial performance.

2. Provision for loss on construction contracts

(1) Amount recorded in the consolidated financial statements for the consolidated fiscal year under review

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Provision for loss on construction contracts	48,072	35,707

(2) Information on significant accounting estimates for the identified items

In order to provide for losses on construction contracts that have not been delivered as of the end of the consolidated fiscal year under review and for which losses are expected to be incurred and the amount of such losses can be reasonably estimated, a provision is recorded for losses expected to be incurred in the following consolidated fiscal year or later.

Provision for loss on construction contracts is estimated in accordance with the information that management has determined to be the best at that time based on the expertise, experience and track record that the Group accumulated in the past EPC projects.

Risks in receiving orders and project execution, country risks, natural disasters, infectious diseases, insufficient construction workers, risks in rising wages and materials prices for equipment, fuel and raw materials and other risks may affect the estimation to pose a negative impact on the amount of provision for loss on construction contracts.

3. Deferred tax assets

(1) Amount recorded in the consolidated financial statements for the consolidated fiscal year under review

The recorded amount of deferred tax assets as of the end of the consolidated fiscal year under review is the same as the amount stated in 1. under “(Tax effect accounting).”

(2) Information on significant accounting estimates for the identified items

Deferred tax assets are recognized in accordance with the reasonably estimated future taxable income based on the future business plans and the usage schedule of the deductible temporary difference. As a result, valuation allowance is provided for deferred tax assets that are deemed not recoverable.

The addition or reduction of the costs not expected at the time of estimation may affect the estimated amount of the future taxable income. This may result in a negative impact on the amount of valuation allowance and deferred tax assets.

4. Allowance for doubtful accounts

(1) Amount recorded in the consolidated financial statements for the consolidated fiscal year under review

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Allowance for doubtful accounts	24,922	25,181

(2) Information on significant accounting estimates for the identified items

In order to provide for possible credit losses on notes receivable, trade receivables, contract assets and other as well as loans and other receivables, the Group records the estimated amount of non-recoverable receivables based on the historical loss rate for general receivables and individual collectability for specific doubtful receivables.

In cases in which the debtors' financial condition worsens, resulting in diminished capacity for repayment, additional allowance may be necessary or additional bad debt expenses may be incurred.

5. Retirement benefit liability, retirement benefit asset, and retirement benefit expenses

(1) Amount recorded in the consolidated financial statements for the consolidated fiscal year under review

The recorded amounts of retirement benefit liability and retirement benefit asset as of the end of the consolidated fiscal year under review and the amount of retirement benefit expenses related to the defined benefit plan in the consolidated fiscal year under review are the same as the amounts stated in 2. under "(Retirement benefit plan)."

(2) Information on significant accounting estimates for the identified items

The Company and some of its consolidated subsidiaries have a contract-type defined benefit corporate pension plan as a defined benefit plan. The Group calculates its retirement benefit asset and liability and retirement benefit expenses, based on certain assumptions used for actuarial calculations, including discount rate, long-term expected rate of return and expected rate of salary increase.

In principle, the discount rate is determined based on the rates of return of Japanese government bonds at the fiscal year-end, which corresponded the estimated term of the retirement benefit liability. The expected long-term rate of return on pension plan assets is determined based on the current and projected pension asset allocations and current and expected long-term rate of returns on various categories of plan assets. The expected rate of salary increase is determined based on the average salary for each age group of employees enrolled as of the base date of the fiscal recalculation.

The changes in these estimates and assumptions used for the actuarial calculations may affect the retirement benefit asset and liability and retirement benefit expenses in the future.

6. Impairment losses on non-current assets

(1) Amount recorded in the consolidated financial statements for the consolidated fiscal year under review

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Property, plant and equipment	84,411	88,296
Intangible assets	13,328	14,234
Impairment losses	–	169

(2) Information on significant accounting estimates for the identified items

For an asset or asset group where there is an indication of impairment, if the recoverable amount is less than the sum of the carrying amounts at the time of the impairment loss determination, the Group recognizes the difference between the sum of the carrying amounts at the time of the impairment loss determination and the recoverable amount as an impairment loss.

The recoverable amount is the higher of net realizable value or value in use. Net realizable value is calculated based on estimated sales price or appraisal value, while value in use is calculated based on management's best estimate and assumptions at the time based on its future business plans and future cash flows, as well as the Group's accumulated expertise, experience and track record.

Changes in these estimates and assumptions could have a significant impact on the Group's business results and the amount of recorded non-current assets.

(Accounting standards not yet applied, etc.)

・"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)

and related revisions to Accounting Standards, Implementation Guidance on Accounting Standard, Practical Solutions, and Transferred Guidance

(1) Overview

The above standard and guidance stipulate the treatment of leases, including the recording of assets and liabilities for all leases of lessees, in line with international accounting standards.

(2) Planned date of application

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

(3) Impact of the application of the accounting standards, etc.

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

(Changes in presentation method)

(Consolidated statement of operations)

"Income taxes for prior periods," which was included in "income taxes - current" in the previous consolidated fiscal year, is separately presented in the consolidated fiscal year under review as its importance in value has increased. Reclassification has been made to the consolidated financial statements for the previous consolidated fiscal year to incorporate this change in the presentation method.

As a result, ¥18,401 million presented as "income taxes - current" in the previous consolidated fiscal year has been reclassified as "income taxes - current" of ¥19,097 million and "income taxes for prior periods" of ¥(696) million.

(Consolidated balance sheet)

*1 The amounts of receivables and contract assets arising from contracts with customers, which are included in notes receivable, trade receivables, contract assets and other, are as follows.

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Notes receivable	852	277
Trade receivables	67,726	66,233
Contract assets	131,949	87,376

*2 Amounts corresponding to non-consolidated subsidiaries and associates are as follows.

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Investment securities (equity securities)	28,170	48,355
(Of which, amount of investments in jointly controlled entities)	2,774	16,353
Investment securities (bonds)	3,546	7,126
Other (investments in capital)	1,804	3,969

*3 Assets pledged as collateral

As of March 31, 2024

The following assets are pledged as collateral for the current portion of long-term borrowings (¥618 million) and long-term borrowings (¥13,036 million).

	(Millions of yen)
Cash and deposits	970
Notes receivable, trade receivables, contract assets and other	247
Raw materials and supplies	167
Buildings and structures	11,968
Machinery, vehicles, tools, furniture and fixtures	8,889
Leased assets	109
Total	22,352

As of March 31, 2025

The following assets are pledged as collateral for the current portion of long-term borrowings (¥702 million) and long-term borrowings (¥12,679 million).

	(Millions of yen)
Cash and deposits	2,764
Notes receivable, trade receivables, contract assets and other	313
Raw materials and supplies	464
Buildings and structures	13,330
Machinery, vehicles, tools, furniture and fixtures	9,020
Land	897
Leased assets	102
Software	28
Total	26,921

4 Application of the Act on Revaluation of Land

The Company revaluated land for business use in accordance with the “Act on Revaluation of Land” (Act No. 34 promulgated on March 31, 1998) and the “Act on Partial Revision of the Act on Revaluation of Land” (revised on March 31, 2001). The tax effect portion of the valuation difference was recorded as “deferred tax liabilities for land revaluation” under liabilities, and the amount for which the tax effect portion was deducted was recorded as “revaluation reserve for land” under net assets.

The fair value is calculated by making reasonable adjustments (e.g., taking into account publicly announced prices in surrounding areas) to the assessed value of property tax as stipulated in Article 2, Item 3 of “Order for Enforcement of the Act on Revaluation of Land” (Cabinet Order No. 119 promulgated on March 31, 1998).

Date of revaluation: March 31, 2002

As the fair value of the revalued land exceeded the book value after revaluation as of the end of the previous consolidated fiscal year and the end of the consolidated fiscal year under review, the difference between the two amounts has not been stated.

5 Contingent liabilities

(a) The Group has guaranteed other companies’ loans and others from financial institutions as follows:

(Millions of yen)

As of March 31, 2024		As of March 31, 2025	
Power Cogeneration Plant Company	418	Power Cogeneration Plant Company	455
	(2,762 thousand USD)		(3,043 thousand USD)
ASH SHARQIYAH OPERATION AND MAINTENANCE COMPANY LLC	214	ASH SHARQIYAH OPERATION AND MAINTENANCE COMPANY LLC	211
	(1,414 thousand USD)		(1,414 thousand USD)
1 other case	56	1 other case	59
(Of which, foreign currency guarantees)	(374 thousand USD)	(Of which, foreign currency guarantees)	(400 thousand USD)
Total	689	Total	726

The above guarantee obligations include joint guarantees with multiple guarantors, but the amount of the Group’s own guarantees is stated as the solvency of those joint guarantors is sufficient and their share of the guarantees is clearly stated.

(b) The Group has guaranteed employees’ housing loans and others from financial institutions as follows:

(Millions of yen)

As of March 31, 2024	As of March 31, 2025
0	–

6 The Group has concluded commitment line contracts with seven banks in order to efficiently procure working capital.

The unused balance and others related to loan commitments as of the end of the consolidated fiscal years are as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Total amount of loan commitments	30,000	30,000
Outstanding loans payable	–	–
Balance	30,000	30,000

*7 Costs on construction contracts in progress and provision for loss on construction contracts related to construction contracts on which loss is expected to be incurred are presented separately without offsetting each other.

The amount of costs on construction contracts in progress that corresponds to provision for loss on construction contracts

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Costs on construction contracts in progress	13,491	7,288
Total	13,491	7,288

(Consolidated statement of operations)

*1 Revenue from contracts with customers

The Group does not disaggregate revenues from contracts with customers and other sources of revenue.

The amount of revenue from contracts with customers is presented in “Notes to Consolidated Financial Statements (Revenue recognition), 1. Disaggregation of revenue from contracts with customers.”

*2 The main expense items and amounts of selling, general and administrative expenses are as follows:

(Millions of yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Salaries and allowances	6,322	7,203
Provision for bonuses	1,440	1,248
Provision for bonuses for directors (and other officers)	123	218
Retirement benefit expenses	15	111
Provision for retirement benefits for directors (and other officers)	836	10
Provision of allowance for doubtful accounts	(30)	(117)
Research and development expenses	8,550	7,601
Other expenses	12,400	14,123

*3 Research and development expenses included in general and administrative expenses and cost of sales

(Millions of yen)

Year ended March 31, 2024	Year ended March 31, 2025
10,454	9,770

*4 Provision for loss on construction contracts included in cost of sales (the figures indicated in parentheses are reversal of provision for loss on construction contracts)

(Millions of yen)

Year ended March 31, 2024	Year ended March 31, 2025
47,214	(13,895)

(Consolidated statement of comprehensive income)

*1 Reclassification adjustments related to other comprehensive income

(Millions of yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Valuation difference on available-for-sale securities:		
Amounts accrued during the year	3,847	(414)
Reclassification adjustments	(2,037)	(274)
Total	1,810	(689)
Deferred gains or losses on hedges:		
Amounts accrued during the year	2,268	(1,702)
Reclassification adjustments	(1,112)	(1,313)
Total	1,155	(3,016)
Foreign currency translation adjustment:		
Amounts accrued during the year	4,218	337
Reclassification adjustments	–	–
Total	4,218	337
Remeasurements of defined benefit plans:		
Amounts accrued during the year	1,113	4,440
Reclassification adjustments	(255)	(551)
Total	858	3,889
Share of other comprehensive income of entities accounted for using equity method:		
Amounts accrued during the year	(4,944)	14,207
Reclassification adjustments	4,626	(136)
Total	(318)	14,070
Amount before income taxes and tax effects	7,724	14,592
Income taxes and tax effects	(1,108)	(250)
Total other comprehensive income	6,615	14,341

*2 Income taxes and tax effects related to other comprehensive income

(Millions of yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Valuation difference on available-for-sale securities:		
Amount before income taxes and tax effects	1,810	(689)
Income taxes and tax effects	(554)	77
Amount after income taxes and tax effects	1,256	(612)
Deferred gains or losses on hedges:		
Amount before income taxes and tax effects	1,155	(3,016)
Income taxes and tax effects	(253)	903
Amount after income taxes and tax effects	902	(2,112)
Revaluation reserve for land		
Income taxes and tax effects	–	(29)
Amount after income taxes and tax effects	–	(29)
Foreign currency translation adjustment:		
Amount before income taxes and tax effects	4,218	337
Income taxes and tax effects	–	–
Amount after income taxes and tax effects	4,218	337
Remeasurements of defined benefit plans:		
Amount before income taxes and tax effects	858	3,889
Income taxes and tax effects	(301)	(1,201)
Amount after income taxes and tax effects	556	2,687
Share of other comprehensive income of entities accounted for using equity method:		
Amount before income taxes and tax effects	(318)	14,070
Income taxes and tax effects	–	–
Amount after income taxes and tax effects	(318)	14,070
Total other comprehensive income		
Amount before income taxes and tax effects	7,724	14,592
Income taxes and tax effects	(1,108)	(250)
Amount after income taxes and tax effects	6,615	14,341

(Consolidated statement of changes in net assets)

Year ended March 31, 2024

1. Class and total number of shares issued and treasury shares

(Thousands of shares)

	At the beginning of the year	Increase	Decrease	At the end of the year
Shares issued (Note 1)				
Common shares	259,409	71	–	259,481
Treasury shares (Note 2, 3)				
Common shares	18,820	0	880	17,940

Notes: 1. The increase of 71 thousand shares in the number of common shares issued is due to the issuance of restricted shares.
2. The increase of 0 thousand shares in treasury shares of common shares is due to the purchase of odd-lot shares.
3. Of the decrease of 880 thousand shares in treasury shares of common shares, 880 thousand shares are due to the exercise of share acquisition rights and 0 thousand shares are due to the sale of odd-lot shares.

2. Dividends

(1) Dividends paid

(Resolution)	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual General Meeting of the Shareholders on June 29, 2023	Common shares	9,142	38.00	March 31, 2023	June 30, 2023

(2) Dividends whose record date is in the year ended March 31, 2024 but whose effective date is in the year ended March 31, 2025

(Resolution)	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Annual General Meeting of the Shareholders on June 27, 2024	Common shares	9,661	Retained earnings	40.00	March 31, 2024	June 28, 2024

Year ended March 31, 2025

1. Class and total number of shares issued and treasury shares

(Thousands of shares)

	At the beginning of the year	Increase	Decrease	At the end of the year
Shares issued (Note 1)				
Common shares	259,481	136	–	259,618
Treasury shares (Note 2)				
Common shares	17,940	0	–	17,940

Notes: 1. Of the increase of 136 thousand shares in the number of common shares issued, 99 thousand shares are due to the issuance of restricted shares and 37 thousand shares are due to the issuance of shares for performance share units.
2. The increase of 0 thousand shares in treasury shares of common shares is due to the purchase of odd-lot shares.

2. Dividends

(1) Dividends paid

(Resolution)	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual General Meeting of the Shareholders on June 27, 2024	Common shares	9,661	40.00	March 31, 2024	June 28, 2024

(2) Dividends whose record date is in the year ended March 31, 2025 but whose effective date is in the year ending March 31, 2026

(Resolution)	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Annual General Meeting of the Shareholders on June 27, 2025	Common shares	9,667	Retained earnings	40.00	March 31, 2025	June 30, 2025

(Consolidated statement of cash flows)

*1 Reconciliation of cash and cash equivalents as of the year end and items in the consolidated balance sheet was as follows:

(Millions of yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Cash and deposits	324,964	333,701
Time deposits with maturities of more than three months	(456)	(939)
Cash and cash equivalents	324,507	332,761

(Lease transactions)

Operating lease transactions

(Lessors' accounting)

Future minimum lease payments under non-cancelable operating lease transactions

(Millions of yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Within one year	2,337	2,305
Over one year	39,191	36,338
Total	41,529	38,644

(Financial instruments)

1. Status of financial instruments

(1) Policies on financial instruments

The Group manages surplus capital using financial instruments that are short term and carry low risk, and procures funds through bank loans and issuance of bonds. The Group uses derivatives to mitigate the risks that are described below, and does not use derivatives for speculative transactions.

(2) Nature and risk of financial instruments

Notes receivable, trade receivables and other expose the Group to customer credit risk and risk of exchange rate fluctuations. Investment securities are mainly related to the business and capital alliance with client companies and expose the Group to the risk of fluctuations in market prices. Loans receivable are mainly related to subsidiaries and associates.

Most notes payable, accounts payable for construction contracts and other are due within one year. Some accounts payable associated with purchasing machines and construction contracts are denominated in foreign currencies, which expose the Group to the risks of exchange rate fluctuations. Bonds and bank loans are mainly used to finance operating transactions. Some bonds and bank loans have floating rates and therefore expose the Group to interest rate fluctuation risk.

The Group uses derivative transactions including foreign exchange forward contracts to hedge the risk of exchange rate fluctuations associated with receivables and payables denominated in foreign currencies, commodity swaps to hedge the risk of price fluctuations associated with commodities used in the EPC business and interest rate swaps to hedge the risk of interest rate fluctuations associated with borrowings. The information on the treatment of hedge accounting, etc. is stated in "(Material basis for the preparation of consolidated financial statements), 4. Accounting policies, (6) Significant hedge accounting method."

(3) Risk management system for financial instruments

(a) Credit risk management (counter-party risk)

The Group has established internal procedures for trade receivables and loans receivable under which the related departments in each business are responsible for periodically monitoring the status of the major counter-parties. The department manages amounts and settlement dates by counter-party and works to quickly identify and mitigate payment risk that may result from situations including deterioration of the financial condition of counter-parties.

In using derivative transactions, the Group conducts transactions with highly creditworthy financial institutions.

(b) Market risk management (risk of exchange rate, interest rate and commodity price fluctuations)

The Group monitors the balance of the contract amounts, etc. denominated in foreign currency by each currency and every month and utilizes foreign currency forward contracts and foreign currency deposits to hedge the risk of exchange rate fluctuations. The Group uses interest rate swaps to mitigate the risk of fluctuation in interest expenses associated with floating-rate debt and commodity swaps to mitigate the risk of price fluctuations associated with commodities used in the EPC business.

Regarding investment securities, the Group periodically examines the fair value and the financial condition of the issuing entities and revises its portfolio based on its relationships with issuing entities.

Derivative transactions are executed and managed by the Finance & Accounting Department in accordance with internal operating rules that stipulate operating standards, transaction authority, and other matters. The department periodically provides administrative reports on the results to the financial director and treasurer.

(c) Management of liquidity risk associated with capital procurement (payment default risk)

The Group manages liquidity risk by having the responsible department create and update financing plans as appropriate based on reports from each department.

(4) Supplemental information on the fair value of financial instruments

Estimates of fair value of financial instruments are subject to fluctuation because they employ variable factors and assumptions. In addition, the contractual amounts of the derivative transactions discussed in “2. Fair values of financial instruments” are not an indicator of the market risk associated with derivative transactions.

2. Fair values of financial instruments

Carrying amounts on the consolidated balance sheet, fair values and their differences are as follows. Equity securities, etc. with no available market values are not included in the table below (please see Note 1).

As of March 31, 2024 (Millions of yen)

	Carrying amount	Fair value	Difference
(1) Securities and investment securities			
(i) Held-to-maturity bonds	3,546	3,505	(40)
(ii) Available-for-sale securities	17,823	17,823	–
(2) Long-term loans receivable	11,869		
Allowance for doubtful accounts (*2)	(10,438)		
Long-term loans receivable (net)	1,430	1,424	(6)
Total assets	22,799	22,753	(46)
(1) Bonds payable	20,000	19,928	(71)
(2) Long-term borrowings (*3)	15,459	15,483	23
Total liabilities	35,459	35,411	(47)
Derivative transactions (*4)	1,211	1,211	–

(*1) Notes on the following items have been omitted.

・Cash and deposits; notes receivable, trade receivables and other; short-term loans receivable; accounts receivable – other; notes payable, accounts payable for construction contracts and other; and short-term borrowings, which are settled within a short period of time and thus have a fair value approximating their book value.

・Investments in partnerships for which the net amount of their equity interest is recorded on the consolidated balance sheet. The amount of such investment on the consolidated balance sheet is ¥2,703 million.

(*2) Allowance for doubtful accounts recorded individually is deducted.

(*3) Long-term borrowings include current portion of long-term borrowings.

(*4) Receivables and payables incurred as a result of derivative transactions are presented on a net basis, and any item for which the total becomes a net liability is indicated in parentheses.

As of March 31, 2025 (Millions of yen)

	Carrying amount	Fair value	Difference
(1) Securities and investment securities			
(i) Held-to-maturity bonds	7,126	7,000	(125)
(ii) Shares of subsidiaries and associates	3,070	2,175	(895)
(iii) Available-for-sale securities	16,925	16,925	–
(2) Long-term loans receivable (*3)	11,248		
Allowance for doubtful accounts (*2)	(10,547)		
Long-term loans receivable (net)	700	691	(8)
Total assets	27,822	26,793	(1,029)
(1) Bonds payable (*3)	20,000	19,735	(264)
(2) Long-term borrowings (*3)	14,640	14,593	(47)
Total liabilities	34,640	34,329	(311)
Derivative transactions (*4)	947	947	—

(*1) Notes on the following items have been omitted.
・Cash and deposits; notes receivable, trade receivables and other; accounts receivable – other; notes payable, accounts payable for construction contracts and other; short-term borrowings; and income taxes payable, which are settled within a short period of time and thus have a fair value approximating their book value.
・Investments in partnerships for which the net amount of their equity interest is recorded on the consolidated balance sheet. The amount of such investment on the consolidated balance sheet is ¥4,214 million.
(*2) Allowance for doubtful accounts recorded individually is deducted.
(*3) Long-term loans receivable, bonds payable, and long-term borrowings include current portion of long-term loans receivable, current portion of bonds payable, and current portion of long-term borrowings.
(*4) Receivables and payables incurred as a result of derivative transactions are presented on a net basis, and any item for which the total becomes a net liability is indicated in parentheses.

Note 1: Carrying amounts on the consolidated balance sheet of equity securities, etc. with no available market values

(Millions of yen)

Classification	As of March 31, 2024	As of March 31, 2025
Shares of subsidiaries and associates	28,170	45,284
Unlisted equity securities	3,810	3,827
Subscription certificate	19	19
Investments in capital	2,594	4,000

Note 2: Redemption schedule of monetary receivables and securities with maturity dates after the balance sheet date

As of March 31, 2024 (Millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
Cash and deposits	324,964	–	–	–
Securities and investment securities				
(i) Held-to-maturity bonds	–	–	–	3,546
(ii) Available-for-sale securities	–	648	1,707	–
Notes receivable, trade receivables and other	68,869	–	–	–
Accounts receivable – other	28,167	–	–	–
Long-term loans receivable (*1, 2)	–	796	82	551
Total	422,001	1,445	1,789	4,097

(*1) Allowance for doubtful accounts recorded individually is deducted.

(*2) The redemption schedule for certain long-term loans receivable has been omitted because there is no redemption date stipulated.

As of March 31, 2025 (Millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
Cash and deposits	333,701	–	–	–
Securities and investment securities				
(i) Held-to-maturity bonds	–	–	–	7,126
(ii) Available-for-sale securities	130	700	890	640
Notes receivable, trade receivables and other	67,531	–	–	–
Accounts receivable – other	30,175	–	–	–
Long-term loans receivable (*1, 2, 3)	0	12	140	547
Total	431,539	712	1,030	8,314

(*1) Allowance for doubtful accounts recorded individually is deducted.

(*2) Includes current portion of long-term loans receivable.

(*3) The redemption schedule for certain long-term loans receivable has been omitted because there is no redemption date stipulated.

Note 3: Repayment schedule of short-term borrowings, bonds payable, and long-term borrowings after the balance sheet date

As of March 31, 2024 (Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Short-term borrowings	3,817	–	–	–	–	–
Bonds payable	–	10,000	–	–	10,000	–
Long-term borrowings (*1, 2)	741	761	800	859	907	10,505
Total	4,558	10,761	800	859	10,907	10,505

(*1) Includes current portion of long-term borrowings.

(*2) The repayment schedule for certain long-term borrowings has been omitted because there is no fixed repayment date.

As of March 31, 2025 (Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Short-term borrowings	250	–	–	–	–	–
Bonds payable (*1)	10,000	–	–	10,000	–	–
Long-term borrowings (*1, 2)	752	790	848	896	946	9,542
Total	11,002	790	848	10,896	946	9,542

(*1) Bonds payable and long-term borrowings include current portion of bonds payable and current portion of long-term borrowings.

(*2) The repayment schedule for certain long-term borrowings has been omitted because there is no fixed repayment date.

3. Breakdown by level of fair value of financial instruments

Fair value of financial instruments is categorized into three levels as below on the basis of the observability and the materiality of the valuation inputs used in fair value measurements.

Level 1 fair value: Fair value measured by observable valuation inputs which are quoted prices in active market for identical assets or liabilities

Level 2 fair value: Fair value measured by observable valuation inputs other than those included within Level 1

Level 3 fair value: Fair value measured by unobservable valuation inputs

When more than one input that have a significant impact on fair value measurement are used and those inputs are categorized into different levels, the fair value is categorized into the lowest priority level for fair value measurement among the levels in which each of the inputs belongs to.

(1) Financial instruments booked at fair value on the consolidated balance sheet

As of March 31, 2024 (Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity securities	15,467	–	–	15,467
Bonds	–	2,355	–	2,355
Total assets	15,467	2,355	–	17,823
Derivative transactions (*1)				
Currency-related transactions	–	78	–	78
Interest-related transactions	–	1,132	–	1,132
Total derivative transactions	–	1,211	–	1,211

(*1) Receivables and payables incurred as a result of derivative transactions are presented on a net basis, and any item for which the total becomes a net liability is indicated in parentheses.

As of March 31, 2025 (Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity securities	15,369	–	–	15,369
Bonds	–	1,555	–	1,555
Total assets	15,369	1,555	–	16,925
Derivative transactions (*1)				
Currency-related transactions	–	4	–	4
Interest-related transactions	–	943	–	943
Total derivative transactions	–	947	–	947

(*1) Receivables and payables incurred as a result of derivative transactions are presented on a net basis, and any item for which the total becomes a net liability is indicated in parentheses.

(2) Financial instruments other than financial instruments booked at fair value on the consolidated balance sheet

As of March 31, 2024 (Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Held-to-maturity bonds	–	3,505	–	3,505
Long-term loans receivable (*1)	–	1,424	–	1,424
Total assets	–	4,930	–	4,930
Bonds payable	–	19,928	–	19,928
Long-term borrowings (*2)	–	15,483	–	15,483
Total liabilities	–	35,411	–	35,411

(*1) Allowance for doubtful accounts recorded individually is deducted.
(*2) Long-term borrowings include current portion of long-term borrowings.

As of March 31, 2025 (Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Held-to-maturity bonds	–	7,000	–	7,000
Shares of subsidiaries and associates	2,175	–	–	2,175
Long-term loans receivable (*1, 2)	–	691	–	691
Total assets	2,175	7,692	–	9,868
Bonds payable (*2)	–	19,735	–	19,735
Long-term borrowings (*2)	–	14,593	–	14,593
Total liabilities	–	34,329	–	34,329

(*1) Allowance for doubtful accounts recorded individually is deducted.

(*2) Long-term loans receivable, bonds payable, and long-term borrowings include current portion of long-term loans receivable , current portion of bonds payable, and current portion of long-term borrowings.

Note: Explanation of fair value measurement and valuation inputs used to measure fair value

Securities and investment securities

Listed equity securities are valued using quoted market prices. Since listed equity securities are traded in active markets, their fair value is classified as Level 1. Fair value of bonds receivable and bonds of subsidiaries and associates receivable owned by the Group is measured at the present value of future cash flows discounted using market interest rates and is classified as Level 2.

Derivative transactions

Fair value of derivatives is measured mainly by using the discounted cash flow method based on observable inputs, such as interest rates and exchange rates, and is classified as Level 2.

Long-term loans receivable

The carrying amount is used as the fair value of floating-rate long-term loans receivable as the fair value approximates the carrying amount. This is because floating-rate long-term loans receivable reflect market interest rates in the short term and the creditworthiness of borrowers has not changed significantly since they assumed the long-term loans receivable. Fair value of fixed-rate long-term loans receivable is measured at the present value of total principal and interest discounted using assumed interest rates for equivalent new loans and is classified as Level 2.

Bonds payable

Fair value of bonds payable issued by the Group is measured at the present value of future cash flows discounted using market interest rates and is classified as Level 2.

Long-term borrowings

The carrying amount is used as the fair value of floating-rate long-term borrowings as the fair value approximates the carrying amount. This is because floating-rate long-term borrowings reflect market interest rates in the short term and the creditworthiness of the Company and some of its consolidated subsidiaries has not changed significantly since they assumed the long-term borrowings. Fair value of fixed-rate long-term borrowings is measured by the discounted cash flow method based on the total amount of principal and interest plus an interest rate that takes into account the remaining term of the debt and credit risk. Accordingly, fair value of long-term borrowings is classified as Level 2.

(Securities)

1. Held-to-maturity bonds

As of March 31, 2024 (Millions of yen)

Classification	Carrying amount	Fair value	Difference
Securities whose fair value does not exceed their carrying amount	3,546	3,505	(40)
Total	3,546	3,505	(40)

As of March 31, 2025 (Millions of yen)

Classification	Carrying amount	Fair value	Difference
Securities whose fair value does not exceed their carrying amount	7,126	7,000	(125)
Total	7,126	7,000	(125)

2. Available-for-sale securities

As of March 31, 2024 (Millions of yen)

Classification	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost			
Equity securities	15,225	5,681	9,544
Subtotal	15,225	5,681	9,544
Securities whose carrying amount does not exceed their acquisition cost			
Equity securities	241	274	(32)
Bonds	2,355	2,360	(4)
Subtotal	2,597	2,634	(36)
Total	17,823	8,315	9,507

Note: Investments in equity securities, etc. with no available market values, limited liability investment partnerships and other similar partnerships are not included in the above table of “available-for-sale securities.” Their carrying amounts are shown in “(Financial instruments).”

As of March 31, 2025 (Millions of yen)

Classification	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost			
Equity securities	15,112	5,451	9,660
Subtotal	15,112	5,451	9,660
Securities whose carrying amount does not exceed their acquisition cost			
Equity securities	257	274	(16)
Bonds	1,555	2,360	(804)
Subtotal	1,813	2,634	(820)
Total	16,925	8,085	8,839

Note: Investments in equity securities, etc. with no available market values, limited liability investment partnerships and other similar partnerships are not included in the above table of "available-for-sale securities." Their carrying amounts are shown in "(Financial instruments)."

3. Available-for-sale securities sold

Year ended March 31, 2024 (Millions of yen)

Classification	Sales amount	Total gains on sales	Total losses on sales
Equity securities	4,095	2,384	–
Total	4,095	2,384	–

Year ended March 31, 2025 (Millions of yen)

Classification	Sales amount	Total gains on sales	Total losses on sales
Equity securities	513	274	–
Total	513	274	–

4. Securities for which impairment losses were recognized

For the previous consolidated fiscal year, impairment losses of ¥661 million (¥18 million for available-for-sale securities, ¥600 million for investments in capital, and ¥43 million for investments in capital of subsidiaries and associates) were recognized on securities.

For the consolidated fiscal year under review, no impairment loss was recognized on securities.

In the case of impairment of equity securities, etc. with no available market values, the Group recognizes impairment losses when there is a deterioration in financial condition and the net asset value per share declines by 50% or more compared to the acquisition cost, but the Group determines the necessity of recognizing impairment losses by assessing the recoverability on a case-by-case basis.

(Derivative transactions)

1. Derivative transactions to which hedge accounting is not applied

(1) Currency-related transactions

As of March 31, 2024 (Millions of yen)

Classification	Type of derivatives	Contract amount, etc.	Contract amount, etc. due after one year	Fair value	Unrealized gain (loss)
Non-market transactions	Foreign exchange forward contracts				
	Sell				
	USD	29,214	–	(38)	(38)
	EUR	5,734	1,022	654	654
	CAD	1,607	–	(36)	(36)
	AUD	9,797	–	17	17
	Buy				
	USD	1,609	–	21	21
	EUR	5,734	1,022	(654)	(654)
	CAD	1,607	–	36	36
Total		55,303	2,045	1	1

As of March 31, 2025 (Millions of yen)

Classification	Type of derivatives	Contract amount, etc.	Contract amount, etc. due after one year	Fair value	Unrealized gain (loss)
Non-market transactions	Foreign exchange forward contracts				
	Sell				
	USD	17,960	–	(8)	(8)
	EUR	660	–	19	19
	Buy				
	EUR	660	–	(19)	(19)
Total		19,282	–	(8)	(8)

(2) Commodity-related transactions

As of March 31, 2024 (Millions of yen)

Classification	Type of derivatives	Contract amount, etc.	Contract amount, etc. due after one year	Fair value	Unrealized gain (loss)
Non-market transactions	Commodity swaps				
	Sell				
	Petroleum-related products	39	–	(1)	(1)
	Buy				
	Petroleum-related products	39	–	1	1
Total		79	–	–	–

As of March 31, 2025

Not applicable.

2. Derivative transactions to which hedge accounting is applied

(1) Currency-related transactions

As of March 31, 2024 (Millions of yen)

Hedge accounting method	Type of derivatives	Major hedged item	Contract amount, etc.	Contract amount, etc. due after one year	Fair value
Allocation method	Foreign exchange forward contracts				
	Sell				
	USD	Trade receivables, contract assets and other	3,033	–	(335)
	EUR	Trade receivables, contract assets and other	404	–	(28)
	Buy				
	USD	Accounts payable for construction contracts	58	–	1
	EUR	Accounts payable for construction contracts	1,988	–	439
Total			5,485	–	77

As of March 31, 2025 (Millions of yen)

Hedge accounting method	Type of derivatives	Major hedged item	Contract amount, etc.	Contract amount, etc. due after one year	Fair value
Allocation method	Foreign exchange forward contracts				
	Buy				
	EUR	Accounts payable for construction contracts	292	–	12
Total			292	–	12

(2) Interest-related transactions

As of March 31, 2024 (Millions of yen)

Hedge accounting method	Type of derivatives	Major hedged item	Contract amount, etc.	Contract amount, etc. due after one year	Fair value
Deferral hedge accounting method	Interest rate swaps Receive floating and pay fixed	Long-term borrowings	12,715	12,285	1,132

As of March 31, 2025 (Millions of yen)

Hedge accounting method	Type of derivatives	Major hedged item	Contract amount, etc.	Contract amount, etc. due after one year	Fair value
Deferral hedge accounting method	Interest rate swaps Receive floating and pay fixed	Long-term borrowings	12,113	11,655	943

(Retirement benefit plan)

1. Description of retirement benefit plans adopted

The Company and some of its consolidated subsidiaries mainly have a contract-type defined benefit corporate pension plan and a lump-sum severance allowance plan, which are defined benefit plans, and a defined contribution corporate pension plan, which is a defined contribution plan.

2. Defined benefit plan

(1) Reconciliation between the beginning balance and ending balance of retirement benefit obligations

(Millions of yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Beginning balance of retirement benefit obligations	48,336	48,594
Service costs	1,903	2,563
Interest costs	557	570
Actuarial differences	468	(5,257)
Retirement benefits paid	(2,962)	(3,664)
Past service costs	(148)	(140)
Increase due to inclusion of subsidiaries in consolidation	130	–
Other	308	514
Ending balance of retirement benefit obligations	48,594	43,179

Note: Some consolidated subsidiaries adopt the simplified method to calculate retirement benefit obligations.

(2) Reconciliation between the beginning balance and ending balance of plan assets

(Millions of yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Beginning balance of plan assets	36,810	38,708
Expected return on plan assets	632	640
Actuarial differences	2,103	(567)
Contributions paid by the employer	941	1,210
Retirement benefits paid	(1,962)	(2,305)
Other	182	187
Ending balance of plan assets	38,708	37,873

(3) Reconciliation between the ending balance of retirement benefit obligations and plan assets and retirement benefit liability (asset) recorded in the consolidated balance sheet

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Funded retirement benefit obligations	36,434	31,923
Plan assets	(38,708)	(37,873)
	(2,273)	(5,950)
Unfunded retirement benefit obligations	12,159	11,256
Net retirement benefit liability (asset) recorded in the consolidated balance sheet	9,886	5,305
Retirement benefit liability	11,486	12,439
Retirement benefit asset	(1,600)	(7,134)
Net liability (asset) recorded in the consolidated balance sheet	9,886	5,305

(4) Components of retirement benefit costs

(Millions of yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Service costs (Note)	1,911	2,563
Interest costs	557	570
Expected return on plan assets	(632)	(640)
Amortization of actuarial differences	(540)	(497)
Amortization of past service costs	(353)	(359)
Total retirement benefit expenses related to defined benefit plans	942	1,636

Note: Retirement benefit expenses of consolidated subsidiaries adopting the simplified method are included in "Service costs."

(5) Remeasurements of defined benefit plans reported under other comprehensive income

The components of remeasurements of defined benefit plans (before income taxes and tax effects) reported under other comprehensive income are as follows:

(Millions of yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Past service costs	(203)	(224)
Actuarial differences	1,089	4,192
Others	(27)	(78)
Total	858	3,889

(6) Remeasurements of defined benefit plans reported under accumulated other comprehensive income

The components of remeasurements of defined benefit plans (before income taxes and tax effects) reported under accumulated other comprehensive income are as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Past service costs that are yet to be recognized	833	609
Actuarial differences that are yet to be recognized	1,335	5,391
Total	2,169	6,000

(7) Plan assets

(a) Major components of plan assets

The percentage of each component of plan assets is as follows:

	As of March 31, 2024	As of March 31, 2025
Bonds	56 %	56 %
Equity securities	26	26
Cash and deposits	1	1
Other	17	17
Total	100	100

(b) Method of determining the long-term expected rate of return

Current and expected asset allocations and current and expected long-term returns on various categories of plan assets have been considered in determining the long-term expected rate of return on those plan assets.

(8) Assumptions used in actuarial calculations

Principal assumptions used in actuarial calculations

	As of March 31, 2024	As of March 31, 2025
Discount rate	Principally 0.80 %	Principally 2.0 %
Long-term expected rate of return	Principally 1.5 %	Principally 1.5 %
Expected rate of salary increase	Principally 4.6 %	Principally 4.6 %

3. Defined contribution pension plans

The amounts of required contribution to the defined contribution pension plans of the Company and some of its consolidated subsidiaries are ¥584 million and ¥632 million for the previous consolidated fiscal year and the consolidated fiscal year under review, respectively.

(Tax effect accounting)

1. Major components of deferred tax assets and liabilities

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
(Deferred tax assets		
Accounts payable for construction contracts	6,873	5,218
Loss on valuation of investment securities	39,121	46,215
Provision for loss on construction contracts	10,675	8,561
Retirement benefit liability	3,451	2,315
Tax loss carryforwards (Note 1)	25,318	37,567
Allowance for doubtful accounts	7,960	6,142
Provision for bonuses	2,376	2,591
Foreign tax credit carried forward	9,464	–
Adjustment for percentage-of-completion method (Net sales)	4,525	1,432
Depreciation	956	1,222
Provision for warranties for completed construction	586	326
Loss on valuation of non-current assets	115	119
Deferred gains or losses on hedges	–	385
Accrued enterprise tax (including factor based tax)	166	338
Provision for loss on business	3,869	3,903
Other	1,784	2,215
Subtotal	117,246	118,556
Valuation allowance for tax loss carryforwards (Note 1)	(25,219)	(28,901)
Valuation allowance for deductible temporary differences	(64,860)	(60,830)
Total valuation allowance	(90,079)	(89,732)
Total deferred tax assets	27,166	28,824
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(3,399)	(3,264)
Undistributed earnings of overseas consolidated subsidiaries and overseas associates accounted for using equity method	(1,068)	(1,644)
Retirement benefit asset	(479)	(1,185)
Unrealized gains (losses) on non-current assets	(253)	(675)
Unrealized foreign exchange losses (gains)	(4)	(605)
Deferred gains or losses on hedges	(764)	(151)
Reserve for advanced depreciation of non-current assets, etc.	(124)	(115)
Depreciation	(319)	(8)
Other	(148)	(147)
Total deferred tax liabilities	(6,563)	(7,798)
Net deferred tax assets	20,603	21,026

Note 1: The breakdown of tax loss carryforwards and the corresponding deferred tax assets by expiry date are as follows:

As of March 31, 2024 (Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years	Total
Tax loss carryforwards (*1)	–	174	117	325	884	23,816	25,318
Valuation allowance	–	(174)	(117)	(325)	(884)	(23,717)	(25,219)
Deferred tax assets (*2)	–	–	–	–	–	99	99

(*1) The amount of tax loss carryforwards is an amount multiplied by the statutory tax rate.

(*2) The amount of tax loss carryforwards (amount measured using the effective statutory tax rate) of ¥25,318 million was mainly due to the recording of loss before income taxes at some overseas consolidated subsidiaries by the consolidated fiscal year under review. Regarding the deferred tax assets of ¥99 million for the tax loss carryforwards, a valuation allowance was not recognized for the portion deemed to be recoverable based on projected future taxable income.

As of March 31, 2025 (Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years	Total
Tax loss carryforwards (*3)	176	120	330	948	1,360	34,631	37,567
Valuation allowance	(176)	(120)	(330)	(948)	(1,360)	(25,965)	(28,901)
Deferred tax assets (*4)	–	–	–	–	–	8,666	8,666

(*3) The amount of tax loss carryforwards is an amount multiplied by the statutory tax rate.

(*4) The amount of tax loss carryforwards (amount measured using the effective statutory tax rate) of ¥37,567 million was mainly due to the recording of loss before income taxes at some overseas consolidated subsidiaries by the consolidated fiscal year under review. Regarding the deferred tax assets of ¥8,666 million for the tax loss carryforwards, a valuation allowance was not recognized for the portion deemed to be recoverable based on projected future taxable income.

2. Reconciliation between the statutory tax rate and the actual effective tax rate reflected in the consolidated statement of operations

	As of March 31, 2024	As of March 31, 2025
Statutory tax rate	30.6 %	30.6 %
(Reconciliations)		
Non-deductible permanent differences	140.2	9.0
Non-taxable permanent differences	(7.6)	(11.9)
Tax credit for research and development expenses	(92.1)	–
Excess of foreign corporate tax credit limit	298.4	–
Valuation allowance	(34.2)	38.8
Differences in tax bases of the enterprise tax	(52.1)	9.3
Deductible foreign corporate tax	–	45.3
Differences in statutory tax rates applicable to consolidated subsidiaries	91.8	12.6
Equity in earnings of associates	6.4	(17.2)
The effect of the adaption of reduced tax rate	–	(4.9)
The effect of the adjustments due to change in tax rate	–	(5.1)
Other	(1.9)	(0.9)
Effective tax rate	379.5	105.6

3. Accounting for corporate and local income taxes or tax effect accounting related to these taxes

The Company and some of its consolidated subsidiaries in Japan have adopted the group tax sharing system. In line with this, the Company and some of its consolidated subsidiaries in Japan shall follow the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No. 42, August 12, 2021) for the accounting treatment and disclosure of corporate and local income taxes and tax effect accounting.

4. Adjustments to the amounts of deferred tax assets and deferred tax liabilities due to income tax rate change

With the "Act for Partial Amendment to the Income Tax Act, etc. (Act No. 13 of 2025)" enacted by the Diet on March 31, 2025, special defense corporate tax will be imposed from the consolidated fiscal year beginning on and after April 1, 2026.

Accordingly, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities related to temporary differences expected to be reversed in or after the consolidated fiscal year beginning on or after April 1, 2026 has been changed from 30.6% to 31.5%.

This tax rate change has resulted in an increase of ¥391 million in deferred tax assets (after deducting deferred tax liabilities) and a decrease of ¥420 million in income taxes - deferred for the consolidated fiscal year under review.

(Revenue recognition)

1. Disaggregation of revenue from contracts with customers

Year ended March 31, 2024 (Millions of yen)

	Net sales		
	Japan	Overseas	Total
Total Engineering	185,015	588,091	773,106
Energy Transition			
Oil and Gas	24,209	298,133	322,343
LNG	12	203,615	203,628
Chemical	30,126	61,513	91,640
Clean Energy	64,146	3,675	67,821
Others	4,703	4,754	9,458
Total	123,199	571,692	694,891
Healthcare & Life Sciences	59,348	13,392	72,741
Industrial & Urban Infrastructure	1,776	2,513	4,289
Others	690	492	1,183
Functional Materials Manufacturing	32,888	19,123	52,012
Other (*1)	4,601	84	4,685
Revenue from contracts with customers	222,505	607,299	829,805
Revenue from other sources (*2)	25	2,764	2,789
Net sales to external customers	222,531	610,063	832,595

(*1) "Other" includes business activities related to consulting, management of real estate, and production and sale of oil and gas.

(*2) "Revenue from other sources" refers to lease revenue.

Year ended March 31, 2025 (Millions of yen)

	Net sales		
	Japan	Overseas	Total
Total Engineering	168,673	626,304	794,977
Energy Transition			
Oil and Gas	25,281	278,905	304,186
LNG	–	212,309	212,309
Chemical	31,244	105,374	136,618
Clean Energy	67,739	6,231	73,971
Others	2,870	9,708	12,578
Total	127,135	612,528	739,663
Healthcare & Life Sciences	37,952	10,356	48,308
Industrial & Urban Infrastructure	3,328	3,151	6,480
Others	255	267	523
Functional Materials Manufacturing	37,949	16,694	54,643
Other (*1)	5,306	84	5,391
Revenue from contracts with customers	211,928	643,083	855,012
Revenue from other sources (*2)	40	3,030	3,070
Net sales to external customers	211,969	646,113	858,082

(*1) "Other" includes business activities related to consulting, management of real estate, and production and sale of oil and gas.
(*2) "Revenue from other sources" refers to lease revenue.

2. Basic information to understand revenue from contracts with customers

Please see "(Material basis for the preparation of consolidated financial statements), 4. Accounting policies, (5) Standards for recognizing significant revenue and expense" for the basic information to understand revenue from contracts with customers.

3. Reconciliation of satisfaction of performance obligations within contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue arising from contracts with customers existing at the end of the consolidated fiscal year under review expected to be recognized in and after the following consolidated fiscal year

(1) The balance of contract assets and liabilities, etc.

(Millions of yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Receivables from contracts with customers (beginning balance)	58,215	68,579
Receivables from contracts with customers (ending balance)	68,579	66,511
Contract assets (beginning balance)	83,180	131,949
Contract assets (ending balance)	131,949	87,376
Contract liabilities (beginning balance)	113,989	95,855
Contract liabilities (ending balance)	95,855	105,097

Contract assets mainly relate to the right to consideration for construction contracts but not billed at the account closing date. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are mainly advance payments received under contracts with customers, which are transferred to revenue as the Group satisfies performance obligations based on such contracts.

Revenue recognized for the previous consolidated fiscal year that was included in the beginning balance of contract liabilities was ¥105,770 million. In addition, the change in contract assets is mainly due to revenue recognition (increase in contract assets) and transfer to trade receivables (decrease in contract assets) and the change in contract liabilities is mainly due to the receipt of advance payments (increase in contract liabilities) and revenue recognition (decrease in contract liabilities) in the previous consolidated fiscal year.

The amount of revenue recognized in the previous consolidated fiscal year for performance obligations satisfied (or partially satisfied) in previous periods is immaterial.

Revenue recognized for the consolidated fiscal year under review that was included in the beginning balance of contract liabilities was ¥90,045 million. In addition, the change in contract assets is mainly due to revenue recognition (increase in contract assets) and transfer to trade receivables (decrease in contract assets) and the change in contract liabilities is mainly due to the receipt of advance payments (increase in contract liabilities) and revenue recognition (decrease in contract liabilities) in the consolidated fiscal year under review.

The amount of revenue recognized in the consolidated fiscal year under review for performance obligations satisfied (or partially satisfied) in previous periods is immaterial.

(2) Transaction prices allocated to the remaining performance obligations

Transaction prices allocated to the remaining performance obligations are as follows:

As of March 31, 2024 (Millions of yen)

	Reportable segment			Other	Total
	Total Engineering	Functional Materials Manufacturing	Subtotal		
Remaining performance obligations	1,243,957	8,660	1,252,617	835	1,253,452

The transaction price allocated to the remaining performance obligations is expected to be recognized as revenue as follows:

・Total Engineering: within 5 years

・Functional Materials Manufacturing: within 1 year

・Other: within 1 year

As of March 31, 2025 (Millions of yen)

	Reportable segment			Other	Total
	Total Engineering	Functional Materials Manufacturing	Subtotal		
Remaining performance obligations	1,404,603	7,167	1,411,771	1,080	1,412,852

The transaction price allocated to the remaining performance obligations is expected to be recognized as revenue as follows:

・Total Engineering: within 5 years

・Functional Materials Manufacturing: within 1 year

・Other: within 1 year

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

Reportable segments of the Group are those components for which discrete financial information is available and regularly examined by Chief Executive Officer for making decisions on the allocation of resources and for assessing performance.

The Company and its domestic and overseas consolidated subsidiaries are mainly engaged in total engineering business and functional materials manufacturing business.

Accordingly, the Group consists of service and product segments based on the Company and each consolidated subsidiary, and consists of two reportable segments, “Total Engineering” and “Functional Materials Manufacturing.”

Major activities in “Total Engineering” are EPC business including planning, design, procurement, construction and commissioning services of machinery, facilities and plants for petroleum, petroleum refining, petrochemicals, gas, LNG, etc. Major activities in “Functional Materials Manufacturing” are manufacture and distribution of products in catalysts, nanoparticle technology, hygiene and safety, electronic materials and high-performance ceramics, and next-generation energy sectors.

2. Calculation methods for net sales, profit or loss, assets and other items by reportable segment

The accounting methods of the reportable segments follow the same policies adopted in the consolidated financial statements. Profits or losses of reportable segments are based on operating profit (loss). Inter-segment sales and transfers are based on prevailing market prices.

3. Information on net sales, profit or loss, assets and other items by reportable segment

Year ended March 31, 2024 (Millions of yen)

	Reportable segment			Other	Total	Adjustment	Consolidated
	Total Engineering	Functional Materials Manufacturing	Subtotal				
Net sales:							
Sales to external customers	773,106	52,012	825,119	7,475	832,595	–	832,595
Inter-segment sales or transfers	12	5	18	3,937	3,955	(3,955)	–
Total	773,119	52,018	825,137	11,413	836,550	(3,955)	832,595
Segment profit (loss)	(22,094)	7,251	(14,843)	2,010	(12,832)	(6,163)	(18,995)
Segment assets	516,835	73,225	590,061	32,604	622,666	169,630	792,296
Others:							
Depreciation	2,696	3,349	6,046	633	6,680	3,022	9,702
Increase in property, plant and equipment and intangible assets	2,647	7,597	10,244	50	10,295	7,877	18,172

Notes: 1. “Other” includes business activities of consulting, management of real estate, water desalination, and production and sale of oil and gas.

2. “Adjustment” is as follows:

(1) Adjustment for segment profit (loss) of ¥(6,163) million represents elimination of inter-segment transactions of ¥89 million and corporate expenses unallocated to any reportable segment of ¥(6,252) million. Adjustment for depreciation of ¥3,022 million represents corporate expenses unallocated to any reportable segment. Corporate expenses are mainly the general and administrative expenses not attributable to any reportable segment and the group administrative expenses of the Company.

(2) Adjustment for segment assets of ¥169,630 million represents elimination of inter-segment transactions of ¥(62,314) million and corporate assets unallocated to any reportable segment of ¥231,944 million. Corporate assets are mainly cash and deposits, investment securities and non-current assets (buildings and land, etc.) of the Company.

(3) Adjustment for increase in property, plant and equipment and intangible assets of ¥7,877 million represents corporate assets unallocated to any reportable segment. Depreciation pertaining to the increase in property, plant and

equipment and intangible assets is also included in the adjustment as a part of the corporate expenses unallocated to any reportable segment.

3. Segment profit (loss) is reconciled to operating loss on the consolidated statement of operations.

Year ended March 31, 2025 (Millions of yen)

	Reportable segment			Other	Total	Adjustment	Consolidated
	Total Engineering	Functional Materials Manufacturing	Subtotal				
Net sales:							
Sales to external customers	794,977	54,643	849,620	8,462	858,082	–	858,082
Inter-segment sales or transfers	4	374	378	3,629	4,008	(4,008)	–
Total	794,981	55,017	849,999	12,091	862,091	(4,008)	858,082
Segment profit (loss)	(14,591)	8,197	(6,393)	2,405	(3,987)	(7,487)	(11,474)
Segment assets	571,164	84,655	655,820	32,657	688,477	95,697	784,175
Others:							
Impairment losses	169	–	169	–	169	–	169
Depreciation	3,226	3,728	6,954	611	7,566	3,018	10,584
Increase in property, plant and equipment and intangible assets	5,218	8,409	13,628	13	13,641	1,794	15,436

Notes: 1. “Other” includes business activities of consulting, management of real estate, water desalination, and production and sale of oil and gas.

2. “Adjustment” is as follows:

(1) Adjustment for segment profit (loss) of ¥(7,487) million represents elimination of inter-segment transactions of ¥61 million and corporate expenses unallocated to any reportable segment of ¥(7,548) million. Adjustment for depreciation of ¥3,018 million represents corporate expenses unallocated to any reportable segment. Corporate expenses are mainly the general and administrative expenses not attributable to any reportable segment and the group administrative expenses of the Company.

(2) Adjustment for segment assets of ¥95,697 million represents elimination of inter-segment transactions of ¥(131,939) million and corporate assets unallocated to any reportable segment of ¥227,636 million. Corporate assets are mainly cash and deposits, investment securities and non-current assets (buildings and land, etc.) of the Company.

(3) Adjustment for increase in property, plant and equipment and intangible assets of ¥1,794 million represents corporate assets unallocated to any reportable segment. Depreciation pertaining to the increase in property, plant and equipment and intangible assets is also included in the adjustment as a part of the corporate expenses unallocated to any reportable segment.

3. Segment profit (loss) is reconciled to operating loss on the consolidated statement of operations.

[Related information]

Year ended March 31, 2024

1. Information by region

(1) Net sales

(Millions of yen)

Japan	Southeast Asia	Middle East (Note 2)	Africa	North America (Note 3)	Other	Total
222,531	110,834	286,753	22,479	162,971	27,025	832,595

Notes: 1. Net sales are classified by country or region based on the customer’s location.
2. Middle East includes Iraq (¥169,066 million) and Saudi Arabia (¥114,417 million).
3. North America includes Canada (¥127,375 million).

(2) Property, plant and equipment

(Millions of yen)

Japan	Middle East (Note)	Other	Total
56,347	21,453	6,611	84,411

Note: Middle East includes Oman (¥20,967 million).

2. Information by major customer

(Millions of yen)

Name of customer	Net sales	Related segment
South Refineries Company	169,066	Total Engineering
LNG Canada	127,374	Total Engineering

Year ended March 31, 2025

1. Information by region

(1) Net sales

(Millions of yen)

Japan	Southeast Asia	Middle East (Note 2)	Africa	North America (Note 3)	Other	Total
211,969	133,981	292,612	34,209	163,009	22,300	858,082

Notes: 1. Net sales are classified by country or region based on the customer’s location.
2. Middle East includes Saudi Arabia (¥150,320 million) and Iraq (¥121,279 million).
3. North America includes Canada (¥93,857 million).

(2) Property, plant and equipment

(Millions of yen)

Japan	Middle East (Note)	Other	Total
60,796	20,444	7,055	88,296

Note: Middle East includes Oman (¥20,286 million).

2. Information by major customer

(Millions of yen)

Name of customer	Net sales	Related segment
Saudi Arabian Oil Company	146,664	Total Engineering
South Refineries Company	121,279	Total Engineering
LNG Canada	93,857	Total Engineering

[Information about impairment losses on non-current assets by reportable segment]

Year ended March 31, 2024

Not applicable.

Year ended March 31, 2025

This information is omitted since the same information is stated in the above segment information.

[Information about amortization and unamortized balance of goodwill by reportable segment]

Not applicable.

[Information about gain on negative goodwill by reportable segment]

Not applicable.

[Information on related party transactions]

1. Transactions of the Company with related parties

Not applicable.

2. Transactions of consolidated subsidiaries of the Company with related parties

Not applicable.

(Per share information)

(Yen)

	Year ended March 31, 2024	Year ended March 31, 2025
Net assets per share	1,598.71	1,616.43
Loss per share	(32.48)	(1.65)
Diluted earnings per share	–	–

Notes: 1. Diluted earnings per share is not disclosed due to a loss per share for the current year even though dilutive shares exist.
2. The basis for calculation of loss per share and diluted earnings per share is as follows:

	Year ended March 31, 2024	Year ended March 31, 2025
Loss per share		
Loss attributable to owners of parent (Millions of yen)	(7,830)	(398)
Amount not attributable to common shareholders (Millions of yen)	–	–
Loss attributable to owners of parent related to common shares (Millions of yen)	(7,830)	(398)
Average number of common shares during the period (Thousands of shares)	241,107	241,625
Diluted earnings per share		
Adjustment for profit attributable to owners of parent (Millions of yen)	–	–
Increase in the number of common shares (Thousands of shares)		
Performance Share Unit	–	–
Summary of residual shares not included in the calculation of diluted earnings per share due to the absence of dilutive effects	–	–

(Significant subsequent events)

Not applicable.

v) Consolidated supplemental schedules

[Schedule of bonds payable]

(Millions of yen)

Company	Series	Date of issuance	Beginning balance as of April 1, 2024	Ending balance as of March 31, 2025	Interest rate (%)	Collateral	Maturity
The Company	7th Series Unsecured Bonds (with limited inter-bond pari passu clause) (5-year bond)	July 16, 2020	10,000	10,000 (10,000)	0.230	None	July 16, 2025
The Company	8th Series Unsecured Bonds (with limited inter-bond pari passu clause) (green bond) (5-year bond)	September 19, 2023	10,000	10,000	0.603	None	September 19, 2028
Total	–	–	20,000	20,000 (10,000)	–	–	–

Notes: 1. The figures in parentheses presented under "Ending balance as of March 31, 2025" indicate the amount of the current portion of bonds payable.

2. The redemption schedule of bonds within five years after March 31, 2025 is as follows:

(Millions of yen)

Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
10,000	–	–	10,000	–

[Schedule of borrowings]

(Millions of yen)

Classification	Beginning balance as of April 1, 2024	Ending balance as of March 31, 2025	Average interest rate (%)	Maturity
Short-term borrowings	3,817	250	0.77	–
Current portion of long-term borrowings	741	752	6.43	–
Current portion of lease obligations	863	675	–	–
Long-term borrowings, less current portion	14,717	13,887	6.93	From June 10, 2030 to undetermined
Lease obligations, less current portion	1,473	1,063	–	–
Total	21,613	16,628	–	–

Notes: 1. The average interest rate represents the weighted-average rate applicable to the year-end balance.

2. The average interest rate on lease obligations is omitted since lease obligations are recorded in the consolidated balance sheet at the amount before deducting the amount equivalent to interest included in the total lease payments.

3. The following table shows the aggregate annual maturities of long-term borrowings and lease obligations (excluding the current portion and those with no fixed term) within five years after March 31, 2025.

(Millions of yen)

Classification	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
Long-term borrowings	790	848	896	946
Lease obligations	359	317	71	11

[Schedule of asset retirement obligations]

The schedule of asset retirement obligations is omitted because the amounts of asset retirement obligations at the beginning and the end of the consolidated fiscal year under review were 1% or less of the amounts of total liabilities and net assets at the beginning and the end of the consolidated fiscal year under review.

II) Other

(Semi-annual financial information for the consolidated fiscal year under review)

(Millions of yen, unless otherwise indicated)

Cumulative period	Half year	Full year
Net sales	406,708	858,082
Profit before income taxes	19,329	8,263
Profit (loss) attributable to owners of parent	12,772	(398)
Earnings (loss) per share (Yen)	52.87	(1.65)

Independent auditor's report

To the Board of Directors of JGC Holdings Corporation:

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Reasonableness of the Group's estimate of total construction revenue, total construction costs, and provision for loss on construction contracts related to construction contracts

The key audit matter	How the matter was addressed in our audit
As described in Note, "(Significant accounting estimates) 1. Recognition of revenue on construction contracts," to the consolidated	In order to assess the reasonableness of the Group's estimate of total construction revenue, total construction costs, and provision for loss on

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financial statements, the Group recognizes revenue from construction contracts for performance obligations that are determined to be satisfied over time based on the progress towards complete satisfaction of performance obligations, except revenue from very short-term construction contracts or constructions for which the Group is not able to reasonably estimate the progress of completion of construction contracts. In the current fiscal year, net sales from construction contracts for which revenue was recognized based on the progress towards complete satisfaction of performance obligations, including constructions completed in the year, amounted to ¥712,104 million, representing 83.0% of the total net sales in the consolidated financial statements.

The progress towards complete satisfaction of performance obligations is estimated based on a percentage of costs incurred by the end of the reporting period against the expected total construction costs. The amount of the variable portion of consideration promised to a customer is included in the expected total construction revenue unless it is likely that the amount of consideration is significantly reduced.

As described in Note, “(Significant accounting estimates) 2. Provision for loss on construction contracts,” to the consolidated financial statements, the Group provided for losses expected to arise in or after the following fiscal year on construction projects that had not been delivered at the end of the current fiscal year for which the total construction cost was likely to exceed the total construction revenue and for which the amount could be reasonably estimated, amounting to ¥35,707 million for the current fiscal year.

The construction contracts of the Group were mainly related to the EPC projects of various plants in the total engineering business. Total construction revenue and total construction costs were estimated based on the knowledge and experience acquired from the implementation of EPC projects in the past.
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construction contracts related to construction contracts, we primarily performed the audit procedures set out below. These audit procedures included those performed by the component auditors of consolidated subsidiaries we involved, including the direction and supervision of the component auditors and the review of their work, among others.

(1) Internal control testing

We tested the design and operating effectiveness of certain of the Group’s internal controls relevant to the estimation of total construction revenue, total construction costs, and provision for loss on construction contracts. In this assessment, we focused our testing on the controls over the following:

・initial estimate of total construction costs;
・updates to the estimated total construction revenue and total construction costs; and
・provision for loss on construction contracts.

(2) Assessment of the reasonableness of the estimate of total construction revenue, total construction costs, and provision for loss on construction contracts

We selected construction contracts which could be significantly impacted by updates to the estimated total construction revenue and total construction costs. In addition, in order to assess the appropriateness of key assumptions, we:

・assessed whether total construction revenue was estimated only for the portion for which consideration could not be significantly reduced and whether all the activities required to complete construction contracts were identified and their estimated costs were included in the breakdown schedule of total construction costs by inspecting the construction contracts and other relevant documents;
・assessed the accuracy of the estimated total construction revenue and total construction costs by comparing the preliminary estimate of the total construction revenue and total construction costs with its fixed amount or revised estimates per item;
・inquired of personnel responsible for a project regarding the overview and progress of the construction and assessed whether the information in the schedule of the construction management
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However, adjustments to transaction prices for projects which took a long time from the signing of a contract to delivery of a plant may have been required due to revisions of work plans to respond to changes in construction environments which had not been expected in the initial plans or price fluctuations in equipment and materials, whereby the estimated total construction revenue and total construction costs may have significantly changed. Therefore, management's judgment had a significant effect on the estimated total construction revenue and total construction costs at the end of the reporting periods. We, therefore, determined that our assessment of the reasonableness of the Group's estimate of total construction revenue, total construction costs, and provision for loss on construction contracts related to construction contracts for which revenue was recognized based on the progress towards complete satisfaction of performance obligations was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	was consistent with estimate of the progress towards complete satisfaction of performance obligations; ・inspected the relevant documents and inquired of personnel responsible for a project about any changes in circumstances that occurred after the start of construction and their judgment on the updates of estimated total construction revenue and total construction costs, as well as assessed whether any impacts from the changes in the related work plans and delays in construction schedules were reflected in the estimated total construction revenue and total construction costs in a timely and appropriate manner, if any; ・assessed the accuracy of the provision for loss on construction contracts related to construction contracts for which the estimated total construction cost was likely to exceed the estimated total construction revenue and these amounts could be reasonably estimated; and ・inquired of personnel responsible for a project about the estimated total construction costs in light of price fluctuations in equipment and materials, and obtained information on the prices of main raw materials published by external institutions to assess whether the assumptions used were consistent with such information.

Other Information

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

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

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are 233 million yen and 67 million yen, respectively.

Convenience Translation

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

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

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

永田 篤

Atsushi Nagata
Designated Engagement Partner
Certified Public Accountant

関口 男也

Danya Sekiguchi
Designated Engagement Partner
Certified Public Accountant

井上 喬

Takashi Inoue
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Yokohama Office, Japan
June 27, 2025