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# ***TECHNO RYOWA LTD. and Consolidated Subsidiaries***

*Consolidated Financial Statements for  
the Year Ended March 31, 2025, and  
Independent Auditor's Report*

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of TECHNO RYOWA LTD.:

### <Audit of Consolidated Financial Statements>

#### Opinion

We have audited the consolidated financial statements of TECHNO RYOWA LTD. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2025, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

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

#### Convenience Translation

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

#### Basis for Opinion

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

#### Key Audit Matter

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

| Key Audit Matter Description  | How the Key Audit Matter Was Addressed in the Audit   |
|---|---|
| <p>Estimate of total construction costs.</p> <p>The Group mainly applies the method of recognizing revenue over time as it satisfies a performance obligation in the facility construction business using the method stated in Note 2.o. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Construction Contracts.</p> <p>The Group recognized revenues of 82,829 million yen on the consolidated statement of income for the year ended March 31, 2025, which included 65,081 million yen of construction projects recognized using the method stated in Note 3. SIGNIFICANT ACCOUNTING ESTIMATES to the consolidated financial statements.</p> <p>Regarding progress towards complete satisfaction of performance obligations, the Group estimates total construction costs per contract, which needs to be approved by a construction manager, and then calculates construction revenues by determining the ratio between construction costs incurred for the contract as of year-end and estimates total construction costs for the contract.</p> <p>Consequently, construction revenues are highly dependent upon the accuracy of the estimated total construction cost for each contract.</p> <p>The total construction costs are calculated by an estimation method that accumulates for each type of cost, such as the quantity and unit price of equipment materials, outsourced construction costs, and labor man-hours and unit prices.</p> <p>Additionally, in estimating total construction costs, there is no specific methodology that applies to every construction contract and as such, judgment is required by persons with expert knowledge and practical experience regarding construction contracts in the facility construction business, changes of external circumstances such as remain high regarding market conditions for construction materials and outsourcing costs and changes due to price negotiations and fluctuations due to changes in specifications.</p> | <p>In evaluating the reasonableness of total construction costs, we assigned audit team members with ample knowledge, skill and ability concerning the method of recognizing revenue over time as the Group satisfies a performance obligation, and performed the following audit procedures, among others:</p> <ol style="list-style-type: none"> <li>(1) We obtained an understanding and evaluated the design and operating effectiveness of the controls over the estimation and approval of total construction costs by making inquiries of the construction managers and corroborating their responses, and minutes of related meetings on selected construction contracts.</li> <li>(2) We determined whether the total construction costs were calculated in a timely and reasonable manner on selected specified construction contracts focusing on changes in total construction revenues and profit margins, and correlation between period progress rate and cost progress rate and performing the following audit procedures, among others:</li> </ol> <p style="padding-left: 40px;">&lt; Consideration of estimation methods &gt;</p> <p>In order to understand the process of preparing the design, estimation, and forecast costs, which are the assumptions for estimating the total construction cost, questions were asked to the responsible persons in the Engineering Headquarters, etc. and basic data on design, estimation, and forecast costs were inspected.</p> <p>In addition, the construction manager was asked how the total construction cost was estimated based on the situation of the construction site, and related documents such as the contract, the construction budget, and the schedule were inspected, and the results of the answers and the consistency between documents were tested.</p> <p style="padding-left: 40px;">&lt; Consideration of important assumptions &gt;</p> <p>Regarding the outsourced construction cost identified as an important assumption, after considering the effects of changes in the external environment such as the construction content, past results, and remain at high order price, we questioned the construction manager and inspected the source material, and confirmed that there is a rational basis for the important assumption.</p> |



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|--|--|
| <p>In particular, the estimate of outsourced construction costs was identified as an important assumption because it is largely influenced by individual factors such as the content and status of the construction contract.</p> <p>As the estimate of total construction costs involves judgments made by management and construction managers, and as the total construction cost can fluctuate significantly due to unforeseen changes in design and specifications of the construction project, changes of external circumstances such as increase in market conditions for materials and outsourcing costs and the results of price negotiations as the construction progresses, we determined the estimate of total construction costs as a key audit matter.</p> | <p>&lt; Consideration of data &gt;</p> <p>In order to evaluate whether the appropriateness and reliability of the construction budget document, which is the basic data for calculating the total construction cost, were maintained, the recalculation of the basic data which totaled the detailed work by construction type and the consistency with the construction budget document were confirmed. In addition, it was confirmed that the quantity was estimated from detailed design drawings.</p> <p>We compared total construction costs estimated in the prior year with either the actual costs incurred or the re-estimated costs to confirm the reasonableness of the estimates. Additionally, we confirmed the reasonableness for above differences, and confirmed whether there were any factors should be reflected in the estimated other total construction costs in the current year based on the differences identified between prior year's estimates and actual costs.</p> <p>In addition to the above, the following procedures were carried out:</p> <p>We compared profit ratios among construction contracts including previous year transaction. For those construction contracts with significantly high or low profit ratios, we investigated further to understand the reasons why the applicable contracts had significantly high or low profit ratios compared to others considering the effects of changes in external environment such as high material prices and outsourcing expenses.</p> <p>We tested whether the total construction costs of each contract were updated appropriately and in a timely manner to reflect any changes in the contents of the contracts by comparing changes in the contracts with the revisions made to the estimated materials and outsourcing costs included in the estimated total construction costs.</p> |
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## Other Information

Other information comprises the information included in the Group's disclosure documents accompanying the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.



## **Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements**

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

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

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units 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 purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

#### **<Fee-Related Information>**

Audit fees for the year ended March 31, 2025, which were charged by us and our network firms to TECHNO RYOWA LTD. and its subsidiaries were ¥49 million. There were no fees other than audit for the year then ended.

#### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

*Deloitte Touche Tohmatsu LLC*

July 30, 2025



**TECHNO RYOWA LTD. and Consolidated Subsidiaries**
**Consolidated Balance Sheet  
March 31, 2025**

| ASSETS   | Millions of Yen |                | Thousands of<br>U.S. Dollars<br>(Note 1) | LIABILITIES AND EQUITY                                      | Millions of Yen |                | Thousands of<br>U.S. Dollars<br>(Note 1) |
|--|-----------------|----------------|--|---|-----------------|----------------|--|
|  | 2025            | 2024           | 2025                                     |   | 2025            | 2024           | 2025                                     |
| <b>CURRENT ASSETS:</b>                               |                 |                |  | <b>CURRENT LIABILITIES:</b>                                 |                 |                |  |
| Cash and cash equivalents                            | ¥11,533         | ¥ 8,847        | \$ 77,134                                | Current portion of long-term debt (Notes 8 and 17)          | ¥ 60            | ¥ 60           | \$ 401                                   |
| Short-term investments (Notes 5, 15 and 17)          | 1,138           | 1,174          | 7,611                                    | Payables (Note 17):   |                 |                |  |
| Receivables (Note 17):                               |                 |                |  | Trade notes   | 4,939           | 4,990          | 33,030                                   |
| Trade notes  | 5,149           | 7,373          | 34,435                                   | Trade accounts  | 9,883           | 8,434          | 66,097                                   |
| Trade accounts                                       | 36,371          | 31,331         | 243,255                                  | Unconsolidated subsidiaries                                 | 28              | 23             | 188                                      |
| Unconsolidated subsidiaries                          | 15              | 15             | 100                                      | Income taxes payable (Notes 12 and 17)                      | 2,066           | 1,528          | 13,816                                   |
| Allowance for doubtful receivables                   | (4)             | (4)            | (27)                                     | Advances received on construction work in progress (Note 9) | 2,986           | 2,528          | 19,970                                   |
| Marketable securities (Note 5)                       | 99              |                | 664                                      | Accrued expenses  | 2,388           | 2,025          | 15,973                                   |
| Inventories (Note 6)                                 | 186             | 328            | 1,241                                    | Allowance for loss on construction contracts                |                 | 9              |  |
| Other current assets                                 | 1,729           | 1,283          | 11,564                                   | Accrued consumption taxes (Note 2)                          | 92              | 2,261          | 618                                      |
|  |                 |                |  | Other current liabilities                                   | 1,422           | 1,237          | 9,509                                    |
| Total current assets                                 | 56,216          | 50,347         | 375,977                                  | Total current liabilities                                   | 23,864          | 23,095         | 159,602                                  |
| <b>PROPERTY, PLANT AND EQUIPMENT:</b>                |                 |                |  | <b>LONG-TERM LIABILITIES:</b>                               |                 |                |  |
| Land (Note 7)  | 1,762           | 1,768          | 11,786                                   | Long-term debt (Notes 8 and 17)                             | 5               | 65             | 34                                       |
| Buildings and structures                             | 4,751           | 4,574          | 31,773                                   | Deferred tax liabilities (Note 12)                          | 2,536           | 3,317          | 16,958                                   |
| Machinery, equipment, tools, furniture and fixtures  | 1,519           | 1,447          | 10,162                                   | Deferred tax liabilities on revaluation surplus of land     |                 |                |  |
| Total  | 8,032           | 7,789          | 53,721                                   | (Notes 7 and 12)  | 107             | 104            | 717                                      |
| Accumulated depreciation                             | (3,906)         | (3,684)        | (26,121)                                 | Liability for retirement benefits (Note 10)                 | 325             | 296            | 2,173                                    |
|  |                 |                |  | Other long-term liabilities                                 | 378             | 165            | 2,532                                    |
| Net property, plant and equipment                    | 4,126           | 4,105          | 27,600                                   | Total long-term liabilities                                 | 3,351           | 3,947          | 22,414                                   |
| <b>INVESTMENTS AND OTHER ASSETS:</b>                 |                 |                |  | <b>EQUITY (Note 11):</b>                                    |                 |                |  |
| Investment securities (Notes 5 and 17)               | 10,221          | 11,345         | 68,359                                   | Common stock—authorized, 79,994,522 shares;                 |                 |                |  |
| Investments in unconsolidated subsidiaries (Note 17) | 11              | 11             | 70                                       | issued, 21,228,604 shares in 2025 and                       |                 |                |  |
| Assets for retirement benefits (Note 10)             | 7,145           | 8,098          | 47,787                                   | 22,888,604 shares in 2024                                   | 2,747           | 2,747          | 18,371                                   |
| Deferred tax assets (Note 12)                        | 153             | 122            | 1,024                                    | Capital surplus   | 2,498           | 2,498          | 16,710                                   |
| Allowance for doubtful receivables                   | (12)            | (12)           | (78)                                     | Retained earnings   | 42,259          | 38,467         | 282,634                                  |
| Other assets   | 2,303           | 2,212          | 15,399                                   | Treasury stock—at cost, 9,200 shares in 2025 and            |                 |                |  |
|  |                 |                |  | 1,849,100 shares in 2024                                    | (269)           | (1,999)        | (1,801)                                  |
| Total investments and other assets                   | 19,821          | 21,776         | 132,561                                  | Accumulated other comprehensive income:                     |                 |                |  |
|  |                 |                |  | Unrealized gain on available-for-sale securities            | 4,663           | 5,388          | 31,189                                   |
|  |                 |                |  | Land revaluation difference (Note 7)                        | (137)           | (134)          | (919)                                    |
|  |                 |                |  | Foreign currency translation adjustments                    | (1)             | (3)            | (7)                                      |
|  |                 |                |  | Defined retirement benefit plans                            | 1,185           | 2,220          | 7,925                                    |
|  |                 |                |  | Total   | 5,710           | 7,471          | 38,188                                   |
|  |                 |                |  | Non-controlling interests                                   | 3               | 2              | 20                                       |
|  |                 |                |  | Total equity  | 52,948          | 49,186         | 354,122                                  |
| <b>TOTAL</b>   | <b>¥80,163</b>  | <b>¥76,228</b> | <b>\$ 536,138</b>                        | <b>TOTAL</b>  | <b>¥80,163</b>  | <b>¥76,228</b> | <b>\$ 536,138</b>                        |

See notes to consolidated financial statements.



# TECHNO RYOWA LTD. and Consolidated Subsidiaries

## Consolidated Statement of Income Year Ended March 31, 2025

|   | Millions of Yen |                | Thousands of<br>U.S. Dollars<br>(Note 1) |
|---|-----------------|----------------|--|
|   | 2025            | 2024           | 2025                                     |
| REVENUES:   |                 |                |  |
| Construction projects   | ¥82,829         | ¥72,522        | \$ 553,966                               |
| Others  | <u>1,362</u>    | <u>1,166</u>   | <u>9,107</u>                             |
| Total revenues  | <u>84,191</u>   | <u>73,688</u>  | <u>563,073</u>                           |
| COST OF REVENUES:   |                 |                |  |
| Construction projects   | 65,676          | 60,100         | 439,249                                  |
| Others  | <u>1,089</u>    | <u>900</u>     | <u>7,278</u>                             |
| Total cost of revenues  | <u>66,765</u>   | <u>61,000</u>  | <u>446,527</u>                           |
| Gross profit  | 17,426          | 12,688         | 116,546                                  |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES<br>(Notes 10 and 14) | <u>7,796</u>    | <u>6,895</u>   | <u>52,140</u>                            |
| Operating income  | <u>9,630</u>    | <u>5,793</u>   | <u>64,406</u>                            |
| OTHER INCOME (EXPENSES):  |                 |                |  |
| Interest and dividend income                                      | 285             | 241            | 1,902                                    |
| Interest expense  | (18)            | (12)           | (117)                                    |
| Other—net   | <u>223</u>      | <u>469</u>     | <u>1,492</u>                             |
| Other income—net  | <u>490</u>      | <u>698</u>     | <u>3,277</u>                             |
| INCOME BEFORE INCOME TAXES  | <u>10,120</u>   | <u>6,491</u>   | <u>67,683</u>                            |
| INCOME TAXES (Note 12):   |                 |                |  |
| Current   | 2,929           | 2,002          | 19,591                                   |
| Deferred  | <u>(66)</u>     | <u>(19)</u>    | <u>(446)</u>                             |
| Total income taxes  | <u>2,863</u>    | <u>1,983</u>   | <u>19,145</u>                            |
| NET INCOME  | 7,257           | 4,508          | 48,538                                   |
| NET INCOME ATTRIBUTABLE TO NON-CONTROLLING<br>INTERESTS           | <u>1</u>        | <u>2</u>       | <u>6</u>                                 |
| NET INCOME ATTRIBUTABLE TO OWNERS OF THE<br>PARENT                | <u>¥ 7,256</u>  | <u>¥ 4,506</u> | <u>\$ 48,532</u>                         |
|   | Yen             |                | U.S. Dollars                             |
| PER SHARE OF COMMON STOCK (Notes 2.r and 19):                     |                 |                |  |
| Basic net income  | ¥344.90         | ¥209.44        | \$2.31                                   |
| Cash dividends applicable to the year                             | 100.00          | 48.00          | 0.67                                     |

See notes to consolidated financial statements.

# TECHNO RYOWA LTD. and Consolidated Subsidiaries

## Consolidated Statement of Comprehensive Income Year Ended March 31, 2025

|   | Millions of Yen |               | Thousands of<br>U.S. Dollars<br>(Note 1) |
|---|-----------------|---------------|--|
|   | <u>2025</u>     | <u>2024</u>   | <u>2025</u>                              |
| NET INCOME  | <u>¥7,257</u>   | <u>¥4,508</u> | <u>\$48,538</u>                          |
| OTHER COMPREHENSIVE (LOSS) INCOME (Note 18):            |                 |               |  |
| Unrealized (loss) gain on available-for-sale securities | (725)           | 1,412         | (4,846)                                  |
| Revaluation reserve for land                            | (3)             |               | (18)                                     |
| Foreign currency translation adjustments                | 2               |               | 3  |
| Defined retirement benefit plans                        | <u>(1,035)</u>  | <u>1,674</u>  | <u>(6,920)</u>                           |
| Total other comprehensive (loss) income                 | <u>(1,761)</u>  | <u>3,086</u>  | <u>(11,781)</u>                          |
| COMPREHENSIVE INCOME                                    | <u>¥5,496</u>   | <u>¥7,594</u> | <u>\$36,758</u>                          |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:             |                 |               |  |
| Owners of the parent                                    | ¥5,495          | ¥7,592        | \$36,750                                 |
| Non-controlling interests                               | 1               | 2             | 8  |

See notes to consolidated financial statements.

**TECHNO RYOWA LTD. and Consolidated Subsidiaries**
**Consolidated Statement of Changes in Equity  
Year Ended March 31, 2025**

|  | Thousands   | Millions of Yen                        |                    |                      |                   |  |                                   |   |   |         |                              |                 |
|--|---|--|--------------------|----------------------|-------------------|--|-----------------------------------|---|---|---------|------------------------------|-----------------|
|  | Number of<br>Shares of<br>Common<br>Stock<br>Issued | Accumulated Other Comprehensive Income |                    |                      |                   |  |                                   |   |   |         |                              |                 |
|  |   | Common<br>Stock                        | Capital<br>Surplus | Retained<br>Earnings | Treasury<br>Stock | Unrealized<br>Gain on<br>Available-for-<br>Sale Securities | Land<br>Revaluation<br>Difference | Foreign<br>Currency<br>Translation<br>Adjustments | Defined<br>Retirement<br>Benefit<br>Plans | Total   | Non-controlling<br>Interests | Total<br>Equity |
| BALANCE, APRIL 1, 2023                             | 22,889  | ¥2,747                                 | ¥2,498             | ¥34,744              | ¥ (999)           | ¥3,976   | ¥ (134)                           | ¥(3)  | ¥ 546                                     | ¥4,385  |                              | ¥43,375         |
| Net income attributable to owners of<br>the parent |   |  |                    | 4,506                |                   |  |                                   |   |   |         |                              | 4,506           |
| Cash dividends, ¥36 per share                      |   |  |                    | (783)                |                   |  |                                   |   |   |         |                              | (783)           |
| Purchase of treasury stock                         |   |  |                    |                      | (1,000)           |  |                                   |   |   |         |                              | (1,000)         |
| Net change during the year                         |   |  |                    |                      |                   | 1,412  |                                   |   | 1,674                                     | 3,086   | ¥2                           | 3,088           |
| BALANCE, MARCH 31, 2024                            | 22,889  | 2,747                                  | 2,498              | 38,467               | (1,999)           | 5,388  | (134)                             | (3)   | 2,220                                     | 7,471   | 2                            | 49,186          |
| Net income attributable to owners of<br>the parent |   |  |                    | 7,256                |                   |  |                                   |   |   |         |                              | 7,256           |
| Cash dividends, ¥82 per share                      |   |  |                    | (1,734)              |                   |  |                                   |   |   |         |                              | (1,734)         |
| Purchase of treasury stock                         |   |  |                    |                      | (261)             |  |                                   |   |   |         |                              | (261)           |
| Disposal of treasury stock                         |   |  |                    |                      | 196               |  |                                   |   |   |         |                              | 196             |
| Gain on disposal of treasury stock                 |   |  | 66                 |                      |                   |  |                                   |   |   |         |                              | 66              |
| Cancellation of treasury stock                     | (1,660)   |  | (66)               | (1,729)              | 1,795             |  |                                   |   |   |         |                              |                 |
| Reversal of land revaluation surplus               |   |  |                    | (1)                  |                   |  |                                   |   |   |         |                              | (1)             |
| Net change during the year                         |   |  |                    |                      |                   | (725)  | (3)                               | 2   | (1,035)                                   | (1,761) | 1                            | (1,760)         |
| BALANCE, MARCH 31, 2025                            | 21,229  | ¥2,747                                 | ¥2,498             | ¥42,259              | ¥ (269)           | ¥4,663   | ¥ (137)                           | ¥(1)  | ¥1,185                                    | ¥5,710  | ¥3                           | ¥52,948         |

|  | Thousands of U.S. Dollars (Note 1)     |                    |                      |                   |  |                                   |   |   |           |                              |                 |
|--|--|--------------------|----------------------|-------------------|--|-----------------------------------|---|---|-----------|------------------------------|-----------------|
|  | Accumulated Other Comprehensive Income |                    |                      |                   |  |                                   |   |   |           |                              |                 |
|  | Common<br>Stock                        | Capital<br>Surplus | Retained<br>Earnings | Treasury<br>Stock | Unrealized<br>Gain on<br>Available-for-<br>Sale Securities | Land<br>Revaluation<br>Difference | Foreign<br>Currency<br>Translation<br>Adjustments | Defined<br>Retirement<br>Benefit<br>Plans | Total     | Non-controlling<br>Interests | Total<br>Equity |
| BALANCE, MARCH 31, 2024                            | \$ 18,371                              | \$ 16,710          | \$ 257,268           | \$ (13,370)       | \$ 36,035  | \$ (901)                          | \$ (10)   | \$ 14,845                                 | \$ 49,969 | \$ 12                        | \$ 328,960      |
| Net income attributable to owners of<br>the parent |  |                    | 48,532               |                   |  |                                   |   |   |           | 7                            | 48,539          |
| Cash dividends, \$0.55 per share                   |  |                    | (11,599)             |                   |  |                                   |   |   |           |                              | (11,599)        |
| Purchase of treasury stock                         |  |                    |                      | (1,744)           |  |                                   |   |   |           |                              | (1,744)         |
| Disposal of treasury stock                         |  |                    |                      | 1,310             |  |                                   |   |   |           |                              | 1,310           |
| Gain on disposal of treasury stock                 |  | 438                |                      |                   |  |                                   |   |   |           |                              | 438             |
| Cancellation of treasury stock                     |  | (438)              | (11,565)             | 12,003            |  |                                   |   |   |           |                              |                 |
| Reversal of land revaluation surplus               |  |                    | (2)                  |                   |  |                                   |   |   |           |                              | (2)             |
| Net change during the year                         |  |                    |                      |                   | (4,846)  | (18)                              | 3   | (6,920)                                   | (11,781)  | 1                            | (11,780)        |
| BALANCE, MARCH 31, 2025                            | \$ 18,371                              | \$ 16,710          | \$ 282,634           | \$ (1,801)        | \$ 31,189  | \$ (919)                          | \$ (7)  | \$ 7,925                                  | \$ 38,188 | \$ 20                        | \$ 354,122      |

See notes to consolidated financial statements.



# TECHNO RYOWA LTD. and Consolidated Subsidiaries

## Consolidated Statement of Cash Flows Year Ended March 31, 2025

|  | Millions of Yen |                | Thousands of<br>U.S. Dollars<br>(Note 1) |
|--|-----------------|----------------|--|
|  | <u>2025</u>     | <u>2024</u>    | <u>2025</u>                              |
| OPERATING ACTIVITIES:  |                 |                |  |
| Income before income taxes   | ¥ 10,120        | ¥ 6,491        | \$67,683                                 |
| Adjustments for:   |                 |                |  |
| Income taxes—paid  | (2,334)         | (383)          | (15,608)                                 |
| Depreciation and amortization  | 409             | 363            | 2,737                                    |
| Changes in assets and liabilities, net of effects:                       |                 |                |  |
| Increase in trade accounts receivable                                    | (2,816)         | (10,973)       | (18,836)                                 |
| Increase in trade accounts payable                                       | 1,403           | 1,782          | 9,381                                    |
| Increase in advances received on construction work in progress           | 457             | 910            | 3,060                                    |
| Decrease in liability for retirement benefits                            | (141)           | (203)          | (943)                                    |
| Other—net  | (2,447)         | 559            | (16,366)                                 |
| Total adjustments  | <u>(5,469)</u>  | <u>(7,945)</u> | <u>(36,575)</u>                          |
| Net cash provided by (used in) operating activities                      | <u>4,651</u>    | <u>(1,454)</u> | <u>31,108</u>                            |
| INVESTING ACTIVITIES:  |                 |                |  |
| Purchases of property, plant and equipment                               | (200)           | (149)          | (1,335)                                  |
| Purchases of sales of securities   | (36)            | (135)          | (241)                                    |
| Net change in time deposits  | 36              | (265)          | 240                                      |
| Other—net  | <u>41</u>       | <u>209</u>     | <u>270</u>                               |
| Net cash used in investing activities                                    | <u>(159)</u>    | <u>(340)</u>   | <u>(1,066)</u>                           |
| FINANCING ACTIVITIES:  |                 |                |  |
| Proceeds from long-term debt   |                 | 150            |  |
| Repayments of long-term debt   | (60)            | (90)           | (401)                                    |
| Repurchase of treasury stock   | (261)           | (1,000)        | (1,744)                                  |
| Proceeds from sale of treasury stock                                     | 261             |                | 1,748                                    |
| Dividends paid   | <u>(1,731)</u>  | <u>(783)</u>   | <u>(11,579)</u>                          |
| Net cash used in financing activities                                    | <u>(1,791)</u>  | <u>(1,723)</u> | <u>(11,976)</u>                          |
| FOREIGN CURRENCY TRANSLATION ADJUSTMENTS<br>ON CASH AND CASH EQUIVALENTS | <u>(15)</u>     | <u>24</u>      | <u>(104)</u>                             |
| NET INCREASE (DECREASE) IN CASH AND CASH<br>EQUIVALENTS                  | 2,686           | (3,493)        | 17,962                                   |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR                             | <u>8,847</u>    | <u>12,341</u>  | <u>59,172</u>                            |
| CASH AND CASH EQUIVALENTS, END OF YEAR                                   | <u>¥ 11,533</u> | <u>¥ 8,847</u> | <u>\$ 77,134</u>                         |

See notes to consolidated financial statements.

# TECHNO RYOWA LTD. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements Year Ended March 31, 2025

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### 1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan (Japanese GAAP), which are different in certain respects as to the application and disclosure requirements of IFRS Accounting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2024 consolidated financial statements to conform to the classifications used in 2025.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which TECHNO RYOWA LTD. (the "Company") which is parent company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥149.52 to \$1, the approximate rate of exchange at March 31, 2025. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. **Consolidation**—The consolidated financial statements as of March 31, 2025, include the accounts of the Company and its three significant domestic (three in 2024) subsidiaries and one significant overseas (one in 2024) subsidiary (together, the "Group").

|                                   |   |
|-----------------------------------|---|
| Significant domestic subsidiaries | TOKYO DAIYA ENGINEERING CO., LTD.<br>RYOWA AIRCON LTD.<br>MATSUURA ELECTRIC SYSTEM LTD. |
|-----------------------------------|---|

|                                 |                              |
|---------------------------------|------------------------------|
| Significant overseas subsidiary | PT. TECHNO RYOWA ENGINEERING |
|---------------------------------|------------------------------|

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

Investments in two (three in 2024) unconsolidated subsidiaries are accounted for on a cost basis. The effect on the consolidated financial statements of not applying the equity method is immaterial.

During this consolidated fiscal year, KYODO TECHNO MYANMAR CO., LTD. has completed the liquidation process.

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

All domestic consolidated subsidiaries have a fiscal year ending on March 31, which is the same as the fiscal year of the Company. Overseas consolidated subsidiary has a fiscal year ending on December 31. In preparing the consolidated financial statements, the Company uses the financial statements of this company with a fiscal year ending December 31, as of their fiscal year ending.



For PT. TECHNO RYOWA ENGINEERING, which has a fiscal year ending December 31, certain adjustments are made, where appropriate, in preparing the consolidated financial statements to reflect material transactions during the period from their fiscal year end to March 31.

- b. Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits which mature or become due within three months of the date of acquisition.

- c. Inventories**—Construction work in progress is stated at cost, determined using the specific identification method.
- d. Marketable and Investment Securities**—Marketable and investment securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale equity securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

Effective April 1, 2021, the Company applied Accounting Standards Board of Japan ("ASBJ") Statement No. 30, "Accounting Standard for Fair Value Measurement" and ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement," and revised related ASBJ Statements and ASBJ Guidance (the "New Accounting Standards") under the New Accounting Standards, nonmarketable available-for-sale equity securities are stated at cost, while under the previous accounting standards, nonmarketable available-for-sale securities are stated at cost. The Company applied the New Accounting Standards prospectively. As a result, there is no impact on the consolidated financial statements.

In addition, in the note to "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES," the Company has decided to provide notes on items such as the breakdown of the fair value of financial instruments by level. However, in accordance with the transitional treatment prescribed in paragraph 7-4 of the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019) (2) the notes are not presented for the fiscal year ended March 31, 2021.

- e. Property, Plant and Equipment**—Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998, and building improvements and structures acquired on or after April 1, 2016. The range of useful lives is from 15 to 50 years for buildings and structures, and from 4 to 17 years for machinery, equipment, tools, furniture, and fixtures. The useful lives for lease assets are the terms of the respective leases.
- f. Allowance for Doubtful Accounts**—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.
- g. Retirement and Pension Plans**—The Company has contributory funded defined benefit pension plans and defined contribution pension plans covering its employees. Other domestic consolidated subsidiaries have unfunded retirement benefit plans.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 10 years, no longer than the expected average remaining service period of the employees. The discount rate is determined using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment.



- h. Basis for Recognition of Revenue and Expenses**—In the equipment construction business (air conditioning and sanitation equipment construction business and electrical equipment construction business), the Group mainly design and construct equipment construction for customers in Japan and Southeast Asia.

As for the construction contract of the equipment construction business, the control of the promised goods or services is transferred to the customer for a certain period of time, so we apply the method of recognizing revenue for a certain period of time as the performance obligation is satisfied. The progress of fulfillment of performance obligations is measured based on the ratio of the construction cost incurred by the end of the fiscal year to the estimated total construction cost for each construction contract, which is the total expenditure required to complete the construction.

In addition, the cost recovery standard is applied to construction contracts for which the progress of fulfillment of performance obligations cannot be reasonably estimated. For construction contracts with a very short period from the transaction start date in the contract to the time when it is expected that the performance obligation will be fully satisfied, alternative treatment will be applied. Revenue will not be recognized over time, instead, it will be recognized upon performance obligation being fully fulfilled. The Group recognizes the profit when the above is satisfied.

- i. Research and Development Costs**—Research and development costs are charged to income as incurred.
- j. Provision for Bonuses**—To prepare for the payment of bonuses to employees, we have recognized the portion of the estimated bonus amount corresponding to the current consolidated fiscal year, based on the service period to which the payment pertains.
- k. Bonuses to Directors**—Bonuses to directors are accrued at the end of the year to which such bonuses are attributable.
- l. Provision for Stock-Based Compensation**—To prepare for the allocation of company shares to employees based on the stock grant regulations, an amount has been recorded at the end of this consolidated fiscal year based on the estimated stock-based compensation liability.
- m. Provision for Executive Stock-Based Compensation**—To prepare for the allocation of company shares to executives based on the stock grant regulations, an amount has been recorded at the end of this consolidated fiscal year based on the estimated stock-based compensation liability.
- n. Provision for Completed Construction Warranty**—To prepare for expenditures related to defect liability on completed construction work, a necessary amount has been recorded based on the historical ratio of such expenditures.
- o. Construction Contracts**—The Group recognizes revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for satisfying performance obligations to transfer the goods or services promised in contracts with customers. The nature of performance obligations for each of the Group's major industry and when such obligations are satisfied are as follows:

In the equipment construction business (air conditioning and sanitation equipment construction business and electrical equipment construction business), the Group mainly designs and constructs equipment for customers in Japan and Southeast Asia.

As for the construction contract of the equipment construction business, the control of the promised goods or services is transferred to the customer for a certain period over time, so we apply the method of recognizing revenue for a certain period over time as the performance obligation is satisfied. The progress of fulfillment of performance obligations is measured based on the ratio of the construction cost incurred by the end of the fiscal year to the estimated total construction cost for each construction contract, which is the total expenditure required to complete the construction.

In addition, the cost recovery method is applied to construction contracts for which the progress of fulfillment of performance obligations cannot be reasonably estimated. For construction contracts with a very short period from the transaction start date in the contract to the time when it is expected that the performance obligation will be fully satisfied, alternative treatment will be applied. This treatment is that revenue will not be recognized over time, but will be recognized when the performance obligation will be fully satisfied at a point in time.

The revenues recorded over time as the performance obligation is satisfied for the years ended March 31, 2025 and 2024, were ¥65,081 million (\$435,266 thousand) and ¥56,806 million, respectively.

- p. Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.
- q. Foreign Currency Transactions**—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.
- r. Per Share Information**—Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted net income per share is not disclosed because the Group did not have any convertible bonds, bonds with warrants, or stock options. Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.
- s. Accounting Changes and Error Corrections**—Under ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections," accounting treatments are required as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.
- t. New Accounting Pronouncements**

**Accounting Standard for Leases, 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)



(1) *Overview*

As part of efforts by the Accounting Standards Board of Japan (ASBJ) to align Japanese standards with international consistency, discussions have been conducted on the development of lease accounting standards that require lessees to recognize assets and liabilities for all leases, based on international accounting standards. The fundamental policy is to adopt a single accounting model based on IFRS 16. However, instead of incorporating all provisions of IFRS 16, only the key provisions are adopted to ensure simplicity, usability, and minimal adjustments when applied to individual financial statements. As a result, lease accounting standards reflecting this approach have been published.

For lessee accounting, the method of lease expense allocation follows IFRS 16, applying a single accounting model for all leases—whether classified as finance leases or operating leases. Under this model, depreciation expense related to the right-of-use asset and an interest component related to the lease liability are recognized.

(2) *Scheduled date of application*

It is scheduled to be applied from the beginning of the fiscal year ending March 2028.

(3) *Impact of application of accounting standard*

The impact on consolidated financial statements resulting from the application of the "Lease Accounting Standards" and related standards is currently under evaluation.

### 3. **SIGNIFICANT ACCOUNTING ESTIMATES**

The items for which the amount was recorded in the consolidated financial statements for the current fiscal year based on accounting estimates that may have a significant impact on the financial statements for the next fiscal year are as follows:

(1) ***Amount Recorded in the Consolidated Financial Statements for the Current Fiscal Year***

The construction revenues recognized by the method of recognizing revenue over time as the Group satisfies a performance obligation were ¥65,081 million (\$435,266 thousand).

(2) ***Information on the Contents of the Accounting Estimates for the Identified Items***

The amount stated above is calculated by the method described in Note 2.o.

The construction revenues and allowance for loss on construction contracts are highly dependent upon the accuracy of the estimated total construction cost for each contract.

The total construction cost is calculated using an estimation method that involves accumulating costs for each type of cost, such as the quantity and unit price of equipment and materials, subcontracting costs, and labor hours and unit rates.

In estimating the total construction cost, there is no specific methodology that applies to every construction contract and as such, judgment is required by persons with expert knowledge and practical experience regarding construction contracts in the facility construction business, such as changes in market conditions for construction materials and outsourcing costs and changes due to price negotiations and fluctuations due to changes in specifications. In particular, the estimation of subcontracting costs is highly susceptible to individual factors such as the content and conditions of the construction contract, significantly impacting the total construction cost. Furthermore, as the construction progresses, unforeseen design and specification changes, market fluctuations in equipment, materials, and subcontracting costs, as well as the results of price negotiations, may cause substantial increases or decreases in the total construction cost. Consequently, these factors could have a significant impact on the amount of completed construction revenue and the provision for construction losses in the consolidated financial statements for the next fiscal year.



#### 4. ACCOUNTING CHANGE

(Application of "Accounting Standard for Corporate Taxes, Inhabitant Taxes and Enterprise Taxes," etc.)

We have applied the "Accounting Standard for Corporate Taxes, Inhabitant Taxes and Enterprise Taxes" (Accounting Standards Board of Japan (ASBJ) Statement No. 27, issued on October 28, 2022; hereinafter referred to as the "2022 Revised Accounting Standard") from the beginning of the current consolidated fiscal year.

Regarding the amendment related to the classification of corporate taxes, etc. (taxation on other comprehensive income), we have followed the transitional treatment stipulated in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard and in the proviso to Paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, issued on October 28, 2022; hereinafter referred to as the "2022 Revised Guidance").

The adoption of these accounting policies has no impact on the consolidated financial statements.

In addition, regarding the amendment related to the revision of the treatment in consolidated financial statements of deferred gains or losses arising from intra-group sales of subsidiary shares, etc., we have applied the 2022 Revised Guidance from the beginning of the current consolidated fiscal year.

This change in accounting policy also has no impact on the consolidated financial statements.

#### 5. SHORT-TERM INVESTMENTS, MARKETABLE AND INVESTMENT SECURITIES

Short-term investments, marketable and investment securities as of March 31, 2025 and 2024, consisted of the following:

|  | Millions of Yen |                | Thousands of<br>U.S. Dollars |
|--|-----------------|----------------|------------------------------|
|  | <u>2025</u>     | <u>2024</u>    | <u>2025</u>                  |
| Current—Time deposits which mature beyond<br>three months from acquisition | ¥ 1,138         | ¥ 1,174        | \$ 7,611                     |
| Marketable securities  | 99              |                | 664                          |
| Non-current—Equity securities  | <u>10,221</u>   | <u>11,345</u>  | <u>68,359</u>                |
| Total  | <u>¥11,458</u>  | <u>¥12,519</u> | <u>\$76,634</u>              |

The costs and aggregate fair values of investment securities as of March 31, 2025 and 2024, were as follows:

|  | Millions of Yen |                             |                              |                       |
|--|-----------------|-----------------------------|------------------------------|-----------------------|
| <u>March 31, 2025</u>  | <u>Cost</u>     | <u>Unrealized<br/>Gains</u> | <u>Unrealized<br/>Losses</u> | <u>Fair<br/>Value</u> |
| Securities classified as<br>available-for-sale—Equity securities | ¥3,350          | ¥6,343                      | ¥(11)                        | ¥ 9,681               |
| <u>March 31, 2024</u>  |                 |                             |                              |                       |
| Securities classified as<br>available-for-sale—Equity securities | ¥3,379          | ¥7,331                      | ¥ (5)                        | ¥10,705               |

| <u>March 31, 2025</u>   | <u>Thousands of U.S. Dollars</u> |                         |                          |                   |
|---|----------------------------------|-------------------------|--------------------------|-------------------|
|   | <u>Cost</u>                      | <u>Unrealized Gains</u> | <u>Unrealized Losses</u> | <u>Fair Value</u> |
| Securities classified as available-for-sale—Equity securities | \$ 22,405                        | \$ 42,419               | \$ (77)                  | \$ 64,747         |

The impairment losses on available-for-sale equity securities for the years ended March 31, 2025 and 2024, were zero.

## 6. INVENTORIES

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

|                               | <u>Millions of Yen</u> |             | <u>Thousands of U.S. Dollars</u> |
|-------------------------------|------------------------|-------------|----------------------------------|
|                               | <u>2025</u>            | <u>2024</u> | <u>2025</u>                      |
| Construction work in progress | ¥180                   | ¥316        | \$ 1,202                         |
| Merchandise                   | 2                      | 8           | 13                               |
| Materials and supplies        | 4                      | 4           | 26                               |
| Total                         | <u>¥186</u>            | <u>¥328</u> | <u>\$ 1,241</u>                  |

## 7. LAND REVALUATION

Under the "Law of Land Revaluation," the Company elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002. The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation excess account and related deferred tax liabilities.

## 8. LONG-TERM DEBT

Long-term debt at March 31, 2025 and 2024, consisted of the following:

|  | <u>Millions of Yen</u> |             | <u>Thousands of U.S. Dollars</u> |
|--|------------------------|-------------|----------------------------------|
|  | <u>2025</u>            | <u>2024</u> | <u>2025</u>                      |
| Unsecured loans from banks, maturing in series until 2027 with an interest rate of 0.9% for 2025 | ¥65                    | ¥125        | \$ 435                           |
| Total  | 65                     | 125         | 435                              |
| Less current portion   | (60)                   | (60)        | (401)                            |
| Long-term debt, less current portion   | <u>¥ 5</u>             | <u>¥ 65</u> | <u>\$ 34</u>                     |

Annual maturities of long-term debt at March 31, 2025, were as follows:

| <u>Year Ending March 31</u> | <u>Millions of Yen</u> | <u>Thousands of U.S. Dollars</u> |
|-----------------------------|------------------------|----------------------------------|
| 2026                        | ¥60                    | \$ 401                           |
| 2027                        | 5                      | 34                               |
| Total                       | <u>¥65</u>             | <u>\$ 435</u>                    |

## 9. ADVANCES RECEIVED ON CONSTRUCTION WORK IN PROGRESS

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

## 10. RETIREMENT AND PENSION PLANS

The Company and its three significant domestic subsidiaries have severance payment plans for employees. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

- (1) The changes in defined benefit obligation for the years ended March 31, 2025 and 2024, were as follows:

|                              | Millions of Yen |               | Thousands of<br>U.S. Dollars |
|------------------------------|-----------------|---------------|------------------------------|
|                              | 2025            | 2024          | 2025                         |
| Balance at beginning of year | ¥5,439          | ¥5,582        | \$ 36,377                    |
| Current service cost         | 242             | 238           | 1,618                        |
| Interest cost                | 38              | 39            | 254                          |
| Actuarial gains              | (22)            |               | (144)                        |
| Benefits paid                | (464)           | (420)         | (3,106)                      |
| Balance at end of year       | <u>¥5,233</u>   | <u>¥5,439</u> | <u>\$ 34,999</u>             |

- (2) The changes in plan assets for the years ended March 31, 2025 and 2024, were as follows:

|                                 | Millions of Yen |                 | Thousands of<br>U.S. Dollars |
|---------------------------------|-----------------|-----------------|------------------------------|
|                                 | 2025            | 2024            | 2025                         |
| Balance at beginning of year    | ¥ 13,537        | ¥ 10,892        | \$ 90,538                    |
| Expected return on plan assets  | 331             | 302             | 2,212                        |
| Actuarial gains                 | (1,144)         | 2,564           | (7,651)                      |
| Contributions from the employer | 119             | 199             | 793                          |
| Benefits paid                   | (465)           | (420)           | (3,106)                      |
| Balance at end of year          | <u>¥ 12,378</u> | <u>¥ 13,537</u> | <u>\$ 82,786</u>             |

- (3) The changes in liability for retirement benefits, which have been calculated by a simplified method for the years ended March 31, 2025 and 2024, were as follows:

|                              | Millions of Yen |              | Thousands of<br>U.S. Dollars |
|------------------------------|-----------------|--------------|------------------------------|
|                              | 2025            | 2024         | 2025                         |
| Balance at beginning of year | ¥ 296           | ¥ 275        | \$ 1,982                     |
| Net periodic benefit costs   | 33              | 31           | 222                          |
| Benefits paid                | (4)             | (10)         | (31)                         |
| Balance at end of year       | <u>¥ 325</u>    | <u>¥ 296</u> | <u>\$ 2,173</u>              |



- (4) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets was as follows:

|   | Millions of Yen  |                  | Thousands of<br>U.S. Dollars |
|---|------------------|------------------|------------------------------|
|   | <u>2025</u>      | <u>2024</u>      | <u>2025</u>                  |
| Defined benefit obligation                        | ¥ 5,233          | ¥ 5,439          | \$ 34,999                    |
| Plan assets                                       | <u>(12,378)</u>  | <u>(13,537)</u>  | <u>(82,786)</u>              |
| Total   | <u>(7,145)</u>   | <u>(8,098)</u>   | <u>(47,787)</u>              |
| Unfunded defined benefit obligation               | <u>325</u>       | <u>296</u>       | <u>2,173</u>                 |
| Net asset arising from defined benefit obligation | <u>¥ (6,820)</u> | <u>¥ (7,802)</u> | <u>\$ (45,614)</u>           |

  

|   | Millions of Yen  |                  | Thousands of<br>U.S. Dollars |
|---|------------------|------------------|------------------------------|
|   | <u>2025</u>      | <u>2024</u>      | <u>2025</u>                  |
| Liability for retirement benefits                 | ¥ 325            | ¥ 296            | \$ 2,173                     |
| Assets for retirement benefits                    | <u>(7,145)</u>   | <u>(8,098)</u>   | <u>(47,787)</u>              |
| Net asset arising from defined benefit obligation | <u>¥ (6,820)</u> | <u>¥ (7,802)</u> | <u>\$ (45,614)</u>           |

- (5) The components of net periodic benefit costs for the years ended March 31, 2025 and 2024, were as follows:

|                                    | Millions of Yen |                | Thousands of<br>U.S. Dollars |
|------------------------------------|-----------------|----------------|------------------------------|
|                                    | <u>2025</u>     | <u>2024</u>    | <u>2025</u>                  |
| Service cost                       | ¥ 242           | ¥ 238          | \$ 1,618                     |
| Interest cost                      | 38              | 39             | 255                          |
| Expected return on plan assets     | (331)           | (302)          | (2,212)                      |
| Recognized actuarial gains         | (388)           | (153)          | (2,596)                      |
| Amortization of prior service cost |                 |                |                              |
| Others                             | <u>33</u>       | <u>31</u>      | <u>221</u>                   |
| Net periodic benefit costs         | <u>¥ (406)</u>  | <u>¥ (147)</u> | <u>\$ (2,714)</u>            |

- (6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2025 and 2024, were as follows:

|                    | Millions of Yen  |                | Thousands of<br>U.S. Dollars |
|--------------------|------------------|----------------|------------------------------|
|                    | <u>2025</u>      | <u>2024</u>    | <u>2025</u>                  |
| Prior service cost |                  |                |                              |
| Actuarial losses   | <u>¥ (1,511)</u> | <u>¥ 2,412</u> | <u>\$ (10,103)</u>           |
| Total              | <u>¥ (1,511)</u> | <u>¥ 2,412</u> | <u>\$ (10,103)</u>           |

- (7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2025 and 2024, were as follows:

|                               | Millions of Yen |               | Thousands of<br>U.S. Dollars |
|-------------------------------|-----------------|---------------|------------------------------|
|                               | <u>2025</u>     | <u>2024</u>   | <u>2025</u>                  |
| Unrecognized actuarial losses | ¥1,688          | ¥3,199        | \$ 11,289                    |
| Total                         | <u>¥1,688</u>   | <u>¥3,199</u> | <u>\$ 11,289</u>             |

(8) Plan assets

a. *Components of plan assets*

Plan assets as of March 31, 2025 and 2024, consisted of the following:

|                           | <u>2025</u> | <u>2024</u> |
|---------------------------|-------------|-------------|
| Equity investments        | 52%         | 58%         |
| Debt investments          | 38          | 34          |
| Cash and cash equivalents | 1           | 1           |
| Other                     | <u>9</u>    | <u>7</u>    |
| Total                     | <u>100%</u> | <u>100%</u> |

b. *Method of determining the expected rate of return on plan assets*

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

- (9) Assumptions used for the years ended March 31, 2025 and 2024, were set forth as follows:

|  | <u>2025</u> | <u>2024</u> |
|--|-------------|-------------|
| Discount rate                          | 0.7%        | 0.7%        |
| Expected rate of return on plan assets | 3.0         | 3.0         |

(10) Defined contribution pension plan

The main contributions to the defined contribution plans of the Group for the years ended March 31, 2025 and 2024, were ¥59 million (\$393 thousand) and ¥57 million, respectively.

## 11. EQUITY

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

### **a. Dividends**

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if a company has prescribed so in its articles of incorporation. With respect to the third condition above, the Board of Directors of companies with an audit and supervisory committee (as implemented under the Companies Act effective May 1, 2015) may also declare dividends at any time because such companies, by nature, meet the criteria under the Companies Act. The Company is organized as a company with an audit and supervisory committee, effective July 6, 2017. However, the Company does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to certain limitations and additional requirements.

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

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

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

*Reasons for changes in the number of shares issued during the current accounting period*

Decrease due to cancellation of treasury stock 1,660,000 shares

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

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

The number of treasury shares at the end of the current consolidated fiscal year includes treasury shares held by trust accounts.

(Executive compensation BIP trust account: 110,800 shares, stock grant ESOP trust account: 68,516 shares)



## 12. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% for the years ended March 31, 2025 and 2024.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2025 and 2024, were as follows:

|   | Millions of Yen |                 | Thousands of<br>U.S. Dollars |
|---|-----------------|-----------------|------------------------------|
|   | <u>2025</u>     | <u>2024</u>     | <u>2025</u>                  |
| Deferred tax assets:                              |                 |                 |                              |
| Allowance for doubtful accounts                   | ¥ 5             | ¥ 5             | \$ 32                        |
| Loss on devaluation of investment securities      | 399             | 415             | 2,671                        |
| Loss on devaluation of golf club memberships      |                 | 28              |                              |
| Loss on devaluation of insurance                  |                 | 34              |                              |
| Allowance for loss on construction contracts      |                 | 3               |                              |
| Liability for employee's retirement benefits      | 114             | 101             | 762                          |
| Provision for share-based payments                | 5               |                 | 29                           |
| Provision for share-based payments for executives | 10              |                 | 67                           |
| Other   | 859             | 521             | 5,746                        |
| Valuation allowance                               | (454)           | (466)           | (3,033)                      |
| Total   | <u>938</u>      | <u>641</u>      | <u>6,274</u>                 |
| Deferred tax liabilities:                         |                 |                 |                              |
| Unrealized gains on available-for-sale securities | (1,639)         | (1,939)         | (10,959)                     |
| Other assets for retirement benefits              | (1,627)         | (1,897)         | (10,881)                     |
| Other   | (55)            |                 | (368)                        |
| Total   | <u>(3,321)</u>  | <u>(3,836)</u>  | <u>(22,208)</u>              |
| Net deferred tax liabilities                      | <u>¥(2,383)</u> | <u>¥(3,195)</u> | <u>\$ (15,934)</u>           |

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2025, with the corresponding figures for 2024, was as follows:

|  | <u>2025</u>  | <u>2024</u>  |
|--|--------------|--------------|
| Normal effective statutory tax rate  | 30.6%        | 30.6%        |
| Expenses not deductible for income tax purposes  | 0.6          | 1.0          |
| Income not taxable permanently for income tax purposes   | (0.2)        | (0.3)        |
| Inhabitant tax   | 0.7          | 1.1          |
| Valuation allowance  | (0.1)        | (0.1)        |
| Increase/decrease in deferred tax assets and liabilities<br>at the end of the period due to tax rate changes | 0.2          |              |
| Tax credits for salary growth  | (3.6)        | (2.2)        |
| Other—net  | <u>0.1</u>   | <u>0.4</u>   |
| Actual effective tax rate  | <u>28.3%</u> | <u>30.5%</u> |

The "Act Amending Part of the Income Tax Act (Act No. 13 of 2025)" and the "Act Amending Part of the Act Amending Part of the Local Tax Act and Other Acts (Act No. 7 of 2025)" were promulgated on March 31, 2025. As a result, the "Defense Special Corporation Tax" will be imposed starting from the consolidated fiscal year beginning on or after April 1, 2026.

In connection with this, the normal effective statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities for the current fiscal year (limited to those that will be settled on or after April 1, 2026) has been changed from 30.6% for the current fiscal year to 31.5% for those with an expected recovery or payment period on or after April 1, 2026.

As a result, the amount of deferred tax liabilities, net of deferred tax assets increased by 91 million yen, the amount of related deferred tax liability increased by 3 million yen, the amount of income taxes—deferred recognized in the current fiscal year increased by 27 million yen, and the defined retirement benefit plan increased by 13 million yen. While the difference in the amount of deferred tax assets, net of deferred tax liabilities decreased by 3 million yen and the unrealized gain on available-for-sale securities decreased by 47 million yen and land revaluation difference decreased by 3 million yen.

### 13. REVENUE

#### (1) *Disaggregation of Revenue*

Revenues from contracts with customers on a disaggregated basis for the year ended March 31, 2025, were as follows:

|  | Millions of Yen        |                 |                   |
|--|------------------------|-----------------|-------------------|
|  | Reportable Segments    |                 |                   |
|  | Equipment Construction | Others          | Total             |
| Equipment construction:                |                        |                 |                   |
| Air conditioning:                      |                        |                 |                   |
| Industrial equipment                   | ¥ 56,099               |                 | ¥ 56,099          |
| General building                       | 24,261                 |                 | 24,261            |
| Electrical equipment                   | 2,469                  |                 | 2,469             |
| Sales of cooling and heating equipment |                        | ¥ 1,260         | 1,260             |
| Others                                 |                        | 102             | 102               |
| Revenues from contracts with customers | <u>¥ 82,829</u>        | <u>¥ 1,362</u>  | <u>¥ 84,191</u>   |
| Sales to external customers            | <u>¥ 82,829</u>        | <u>¥ 1,362</u>  | <u>¥ 84,191</u>   |
| Thousands of U.S. Dollars              |                        |                 |                   |
|  | Reportable Segments    |                 |                   |
|  | Equipment Construction | Others          | Total             |
| Equipment construction:                |                        |                 |                   |
| Air conditioning:                      |                        |                 |                   |
| Industrial equipment                   | \$ 375,195             |                 | \$ 375,195        |
| General building                       | 162,260                |                 | 162,260           |
| Electrical equipment                   | 16,511                 |                 | 16,511            |
| Sales of cooling and heating equipment |                        | \$ 8,426        | 8,426             |
| Others                                 |                        | 681             | 681               |
| Revenues from contracts with customers | <u>\$ 553,966</u>      | <u>\$ 9,107</u> | <u>\$ 563,073</u> |
| Sales to external customers            | <u>\$ 553,966</u>      | <u>\$ 9,107</u> | <u>\$ 563,073</u> |

For the above equipment construction business, we mainly apply the method of recognizing revenue over time as the performance obligation is satisfied, and for others, we apply the method of recognizing revenue when the performance obligation is completely satisfied.

**(2) Basic Information to Understand Revenues from Contracts with Customers**

It is described in Note 2.o. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Construction Contracts.

**(3) Contract Balances**

Receivables from contract with customers, contract assets and contract liabilities at the beginning and end of the year are as follows:

|  | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|---------------------------|
|  | <u>2025</u>     | <u>2025</u>               |
| Receivables from contracts with customers: |                 |                           |
| Balance at beginning of year               | ¥26,925         | \$ 180,076                |
| Balance at end of year                     | 29,192          | 195,235                   |
| Contract assets:                           |                 |                           |
| Balance at beginning of year               | 11,794          | 78,878                    |
| Balance at end of year                     | 12,344          | 82,555                    |
| Contract liabilities:                      |                 |                           |
| Balance at beginning of year               | 2,551           | 17,061                    |
| Balance at end of year                     | 3,058           | 20,454                    |

Of the amount of revenue recognized in the current consolidated fiscal year, the amount included in the contract liability balance as of the beginning of the period was ¥2,306 million (\$15,423 thousand).

**(4) Transaction Prices Allocated to Remaining Performance Obligations**

The unsatisfied performance obligations of the Group were ¥76,396 million (\$510,939 thousand) as of March 31, 2025.

The performance obligation relates to design and construction in the facility construction business and is expected to be recognized as revenue: 77% within one year after the balance sheet date, 19% within two years, and the remaining 4% beyond two years.

**14. RESEARCH AND DEVELOPMENT COSTS**

Research and development costs charged to income were ¥433 million (\$2,901 thousand) and ¥344 million for the years ended March 31, 2025 and 2024, respectively.

**15. ASSETS PLEDGED**

The carrying amounts of assets pledged as collateral at March 31, 2025 and 2024, were as follows:

|  | Millions of Yen |             | Thousands of U.S. Dollars |
|--|-----------------|-------------|---------------------------|
|  | <u>2025</u>     | <u>2024</u> | <u>2025</u>               |
| Short-term investments (time deposits) | ¥220            | ¥220        | \$ 1,471                  |



## 16. LEASES

(Lessee Side)

### (1) Finance Lease

*Finance lease without ownership transfer*

- a. The details of leased assets

No applicable assets

- b. Depreciation method for leased assets

The key fundamental matters for the preparation of consolidated financial statements are described in Note 2.e.

### (2) Operating Lease Transaction

*Unearned lease related to non-cancellable operating lease transactions*

|                    | Millions of Yen |             | Thousands of<br>U.S. Dollars |
|--------------------|-----------------|-------------|------------------------------|
|                    | <u>2025</u>     | <u>2024</u> | <u>2025</u>                  |
| Within one year    | ¥2              |             | \$ 13                        |
| More than one year | <u>5</u>        | —           | <u>35</u>                    |
| Total              | <u>¥7</u>       | <u>—</u>    | <u>\$48</u>                  |

## 17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### (1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly bank loans, depending on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets. Short-term bank loans are used to fund ongoing operations. Derivatives are not used.

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

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. The Group thoroughly enforces credit risk management, which principally includes monitoring payment terms, balances, and credit standings.

Investment securities, mainly equity instruments, are exposed to the risk of market price fluctuations. The Group uses internal policies to recognize its fair values periodically.

Payment terms of payables, such as notes and trade accounts, are within one year.

Borrowings are exposed to market risks from changes in variable interest rates. Long-term debt has been raised at a fixed interest rate of less than 30 months repayment period.

### (3) Risk Management for Financial Instruments

#### *Credit risk management*

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables based on internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage. The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2025.

#### *Market risk management (foreign exchange risk and interest rate risk)*

Investment securities are managed by monitoring market values and the financial position of issuers on a regular basis.

#### *Liquidity risk management*

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on its maturity dates. The Group manages its liquidity risk by holding adequate volumes of liquid assets at the level of three months' settlement volume, along with adequate financial planning by the administration department of head office.

### (4) Fair Values of Financial Instruments

Fair values of financial instruments are as follows: Investments in equity instruments that do not have a quoted market price in an active market are not included in the following table. The fair values of cash and cash equivalents are not disclosed because their maturities are short and the carrying values approximate fair value.

#### (a) Fair value of financial instruments

| <u>March 31, 2025</u> | Millions of Yen        |                   |                             |
|-----------------------|------------------------|-------------------|-----------------------------|
|                       | <u>Carrying Amount</u> | <u>Fair Value</u> | <u>Unrealized Gain/Loss</u> |
| Investment securities | <u>¥ 9,681</u>         | <u>¥ 9,681</u>    | <u>          </u>           |
| Total                 | <u>¥ 9,681</u>         | <u>¥ 9,681</u>    | <u>          </u>           |
| Long-term debt        | <u>¥ 65</u>            | <u>¥ 65</u>       | <u>          </u>           |
| Total                 | <u>¥ 65</u>            | <u>¥ 65</u>       | <u>          </u>           |
| <u>March 31, 2024</u> |                        |                   |                             |
| Investment securities | <u>¥ 10,705</u>        | <u>¥ 10,705</u>   | <u>          </u>           |
| Total                 | <u>¥ 10,705</u>        | <u>¥ 10,705</u>   | <u>          </u>           |
| Long-term debt        | <u>¥ 125</u>           | <u>¥ 125</u>      | <u>          </u>           |
| Total                 | <u>¥ 125</u>           | <u>¥ 125</u>      | <u>          </u>           |

| <u>March 31, 2025</u> | Thousands of U.S. Dollars |                   |                             |
|-----------------------|---------------------------|-------------------|-----------------------------|
|                       | <u>Carrying Amount</u>    | <u>Fair Value</u> | <u>Unrealized Gain/Loss</u> |
| Investment securities | <u>\$ 64,747</u>          | <u>\$ 64,747</u>  | <u>          </u>           |
| Total                 | <u>\$ 64,747</u>          | <u>\$ 64,747</u>  | <u>          </u>           |
| Long-term debt        | <u>\$ 435</u>             | <u>\$ 435</u>     | <u>          </u>           |
| Total                 | <u>\$ 435</u>             | <u>\$ 435</u>     | <u>          </u>           |

The note regarding "Cash and cash equivalents," "Receivables trade notes" and "Receivables trade accounts," "Payables trade notes" and "Payables trade accounts" and "Income tax payable" is omitted because the fair value of these accounts approximates the carrying amount.

#### Investment Securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments.

#### Long-Term Debt

The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

(b) *Carrying amount of financial instruments whose fair value cannot be reliably determined*

|  | Millions of Yen |             | Thousands of U.S. Dollars |
|--|-----------------|-------------|---------------------------|
|  | <u>2025</u>     | <u>2024</u> | <u>2025</u>               |
| Investments in equity instruments that do not have a quoted market price in an active market | ¥ 650           | ¥ 650       | \$ 4,346                  |

#### **(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities**

| <u>March 31, 2025</u>  | Millions of Yen              |   |   |                           |
|------------------------|------------------------------|---|---|---------------------------|
|                        | <u>Due in 1 Year or Less</u> | <u>Due after 1 Year through 5 Years</u> | <u>Due after 5 Years through 10 Years</u> | <u>Due after 10 Years</u> |
| Short-term investments | ¥ 1,138                      |   |   |                           |
| Receivables            | <u>41,535</u>                | <u>          </u>                       | <u>          </u>                         | <u>          </u>         |
| Total                  | <u>¥ 42,673</u>              | <u>          </u>                       | <u>          </u>                         | <u>          </u>         |
| <u>March 31, 2024</u>  |                              |   |   |                           |
| Short-term investments | ¥ 1,174                      |   |   |                           |
| Receivables            | <u>38,719</u>                | <u>          </u>                       | <u>          </u>                         | <u>          </u>         |
| Total                  | <u>¥ 39,893</u>              | <u>          </u>                       | <u>          </u>                         | <u>          </u>         |



|                        | Thousands of U.S. Dollars   |   |   |                       |
|------------------------|-----------------------------|---|---|-----------------------|
|                        | Due in<br>1 Year<br>or Less | Due after<br>1 Year<br>through<br>5 Years | Due after<br>5 Years<br>through<br>10 Years | Due after<br>10 Years |
| <u>March 31, 2025</u>  |                             |   |   |                       |
| Short-term investments | \$ 7,611                    |   |   |                       |
| Receivables            | <u>277,790</u>              |   |   |                       |
| Total                  | <u>\$ 285,401</u>           |   |   |                       |

Please see Note 7 for annual maturities of long-term debt.

**(6) Financial Instruments Categorized by Fair Value Hierarchy**

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

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

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

|                       | Millions of Yen |             |         |                |
|-----------------------|-----------------|-------------|---------|----------------|
|                       | Level 1         | Level 2     | Level 3 | Total          |
| <u>March 31, 2025</u> |                 |             |         |                |
| Investment securities | <u>¥8,983</u>   | <u>¥698</u> |         | <u>¥ 9,681</u> |
| Total                 | <u>¥8,983</u>   | <u>¥698</u> |         | <u>¥ 9,681</u> |
| Long-term debt        |                 | <u>¥ 65</u> |         | <u>¥ 65</u>    |
| Total                 |                 | <u>¥ 65</u> |         | <u>¥ 65</u>    |
| <u>March 31, 2024</u> |                 |             |         |                |
| Investment securities | <u>¥9,999</u>   | <u>¥706</u> |         | <u>¥10,705</u> |
| Total                 | <u>¥9,999</u>   | <u>¥706</u> |         | <u>¥10,705</u> |
| Long-term debt        |                 | <u>¥125</u> |         | <u>¥ 125</u>   |
| Total                 |                 | <u>¥125</u> |         | <u>¥ 125</u>   |

| <u>March 31, 2025</u> | Thousands of U.S. Dollars |                |                |                 |
|-----------------------|---------------------------|----------------|----------------|-----------------|
|                       | <u>Level 1</u>            | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>    |
| Investment securities | <u>\$60,076</u>           | <u>\$4,671</u> | <u>      </u>  | <u>\$64,747</u> |
| Total                 | <u>\$60,076</u>           | <u>\$4,671</u> | <u>      </u>  | <u>\$64,747</u> |
| Long-term debt        | <u>      </u>             | <u>\$ 435</u>  | <u>      </u>  | <u>\$ 435</u>   |
| Total                 | <u>      </u>             | <u>\$ 435</u>  | <u>      </u>  | <u>\$ 435</u>   |

#### 18. OTHER COMPREHENSIVE (LOSS) INCOME

The components of other comprehensive (loss) income for the years ended March 31, 2025 and 2024, were as follows:

|  | Millions of Yen |               | Thousands of<br>U.S. Dollars |
|--|-----------------|---------------|------------------------------|
|  | <u>2025</u>     | <u>2024</u>   | <u>2025</u>                  |
| Unrealized (loss) gain on available-for-sale securities:                         |                 |               |                              |
| (Losses) gains arising during the year   | ¥ (812)         | ¥1,994        | \$ (5,432)                   |
| Reclassification adjustments to profit or loss                                   | <u>(182)</u>    | <u>(116)</u>  | <u>(1,219)</u>               |
| Amount before income tax effect  | (994)           | 1,878         | (6,651)                      |
| Income tax effect  | <u>269</u>      | <u>(466)</u>  | <u>1,805</u>                 |
| Total  | <u>¥ (725)</u>  | <u>¥1,412</u> | <u>\$ (4,846)</u>            |
| Tax effect amount of land revaluation surplus                                    | <u>¥ (3)</u>    | <u>      </u> | <u>\$ (18)</u>               |
| Foreign currency translation adjustments—<br>Adjustments arising during the year | <u>¥ 2</u>      | <u>      </u> | <u>\$ 3</u>                  |
| Defined retirement benefit plans:  |                 |               |                              |
| Adjustments arising during the year  | ¥(1,123)        | ¥2,564        | \$ (7,507)                   |
| Reclassification adjustments to profit or loss                                   | <u>(388)</u>    | <u>(152)</u>  | <u>(2,596)</u>               |
| Amount before income tax effect  | (1,511)         | 2,412         | (10,103)                     |
| Income tax effect  | <u>476</u>      | <u>(738)</u>  | <u>3,182</u>                 |
| Total  | <u>¥(1,035)</u> | <u>¥1,674</u> | <u>\$ (6,920)</u>            |
| Total other comprehensive (loss) income  | <u>¥(1,761)</u> | <u>¥3,086</u> | <u>\$ (11,781)</u>           |

## 19. NET INCOME PER SHARE

Basic net income per share ("EPS") for the years ended March 31, 2025 and 2024, was as follows:

|  | Millions<br>of Yen                                       | Thousands<br>of Shares         | Yen             | U.S. Dollars  |
|--|--|--------------------------------|-----------------|---------------|
|  | Net Income<br>Attributable<br>to Owners of<br>the Parent | Weighted-<br>Average<br>Shares |                 | EPS           |
| <u>Year Ended March 31, 2025</u>                         |  |                                |                 |               |
| Basic EPS—Net income available<br>to common shareholders | <u>¥7,256</u>  | <u>21,039</u>                  | <u>¥ 344.90</u> | <u>\$2.31</u> |
| <u>Year Ended March 31, 2024</u>                         |  |                                |                 |               |
| Basic EPS—Net income available<br>to common shareholders | <u>¥4,506</u>  | <u>21,516</u>                  | <u>¥ 209.44</u> |               |

## 20. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Segment information about sales, profit (loss), assets, liabilities, and other items was not shown because the Group operates entirely in the equipment construction segment.

## 21. SIGNIFICANT SUBSEQUENT EVENTS

### Acquisition of Treasury Stock

At the Board of Directors meeting held on May 13, 2025, the Company resolved the following matters concerning the acquisition of treasury stock in accordance with the provisions of Article 156 of the Companies Act, as applied by way of reference pursuant to Article 165, Paragraph 3 of the same Act.

#### (1) *Reasons for Acquiring Treasury Stock*

The purpose of this share buyback program is to improve capital efficiency and enhance shareholder returns, as well as to implement flexible capital policies in response to changes in the business environment.



**(2) Resolution**

- |  |  |
|--|--|
| a. Type of shares to be acquired               | Common stock of the Company  |
| b. Total number of shares that can be acquired | 800,000 shares (maximum)<br>(Percentage of total outstanding shares (excluding treasury shares) 3.77%) |
| c. Total acquisition price of shares           | 2,200,000,000 yen (maximum)  |
| d. Acquisition period                          | From May 13, 2025 to March 31, 2026  |
| e. Acquisition method                          | Market purchases, including treasury share buybacks on the Tokyo Stock Exchange (ToSTNeT-3)            |

\* \* \* \* \*