

Consolidated Financial Statements

KYUDENKO CORPORATION

Year ended March 31, 2024



KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Financial Statements

Year ended March 31, 2024

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Consolidated Financial Statements

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KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2024

| | March 31, | | |
|---|-------------------|-----------|---|
| | 2023 | 2024 | 2024 |
| | (Millions of yen) | | (Thousands of U.S. dollars) (Note 1) |
| Assets | | | |
| Current assets: | | | |
| Cash on hand and in banks (Notes 17, 19 and 22) | ¥ 67,534 | ¥ 98,548 | \$ 650,868 |
| Notes receivable, accounts receivable on completed construction contracts and other accounts receivable (Notes 19 and 24) | 148,902 | 164,887 | 1,089,015 |
| Costs of uncompleted construction contracts | 7,428 | 9,949 | 65,712 |
| Merchandise | 1,203 | 614 | 4,056 |
| Raw materials and supplies | 31,364 | 33,359 | 220,325 |
| Other current assets (Note 17) | 21,790 | 17,059 | 112,669 |
| Allowance for doubtful accounts (Note 19) | (3) | (0) | (0) |
| Total current assets | 278,220 | 324,418 | 2,142,648 |
| Fixed assets: | | | |
| Property and equipment: | | | |
| Buildings and structures (Notes 3, 4 and 17) | 76,168 | 75,777 | 500,478 |
| Machinery, vehicles, tools, furniture and fixtures (Notes 3, 4 and 17) | 45,607 | 45,308 | 299,242 |
| Land (Note 17) | 29,914 | 30,207 | 199,509 |
| Leased assets | 8,087 | 8,084 | 53,392 |
| Construction in progress | 382 | 864 | 5,708 |
| Accumulated depreciation | (78,415) | (81,574) | (538,764) |
| Total property and equipment | 81,745 | 78,667 | 519,566 |
| Intangible assets: | | | |
| Goodwill (Notes 4 and 23) | 821 | 507 | 3,354 |
| Customer-related intangible assets | 1,518 | 1,298 | 8,572 |
| Other intangible assets | 1,938 | 2,584 | 17,067 |
| Total intangible assets | 4,278 | 4,390 | 28,994 |
| Investments and other assets: | | | |
| Investments in securities (Notes 17, 19 and 20) | 44,817 | 51,699 | 341,451 |
| Investments in unconsolidated subsidiaries and affiliates (Notes 17 and 20) | 19,677 | 21,946 | 144,947 |
| Long-term loans receivable (Note 17) | 89 | 14 | 98 |
| Asset for retirement benefits (Note 6) | 10,445 | 14,829 | 97,942 |
| Deferred tax assets (Note 14) | 2,468 | 2,129 | 14,069 |
| Other (Note 17) | 5,652 | 6,193 | 40,904 |
| Allowance for doubtful accounts | (985) | (1,004) | (6,635) |
| Total investments and other assets | 82,166 | 95,808 | 632,773 |
| Total fixed assets | 168,189 | 178,865 | 1,181,334 |
| Total assets | ¥ 446,410 | ¥ 503,284 | \$ 3,323,982 |

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Balance Sheet (continued)

March 31, 2024

| | March 31, | | |
|--|-------------------|-----------|---|
| | 2023 | 2024 | 2024 |
| | (Millions of yen) | | (Thousands of U.S. dollars) (Note 1) |
| Liabilities | | | |
| Current liabilities: | | | |
| Notes payable, accounts payable on construction contracts and other accounts payable (Note 19) | ¥ 69,832 | ¥ 71,617 | \$ 473,006 |
| Electronically recorded obligations (Note 19) | 28,762 | 47,881 | 316,235 |
| Short-term borrowings (Notes 5 and 17) | 1,200 | 1,322 | 8,735 |
| Current portion of long-term debt (Notes 5, 17 and 19) | 1,261 | 27,608 | 182,339 |
| Lease obligations (Note 5) | 1,153 | 1,213 | 8,017 |
| Income taxes payable and other (Note 14) | 5,984 | 10,712 | 70,750 |
| Advances received on uncompleted construction contracts (Notes 24 and 25) | 26,550 | 21,553 | 142,353 |
| Provision for loss on construction contracts | 21 | 262 | 1,732 |
| Other current liabilities | 6,923 | 13,355 | 88,207 |
| Total current liabilities | 141,691 | 195,527 | 1,291,378 |
| Long-term liabilities: | | | |
| Long-term debt (Notes 5, 17 and 19) | 30,604 | 3,025 | 19,984 |
| Lease obligations (Note 5) | 3,341 | 3,380 | 22,328 |
| Provision for retirement benefits for directors and audit and supervisory board members | 327 | 309 | 2,041 |
| Liability for retirement benefits (Note 6) | 3,980 | 3,774 | 24,927 |
| Provision for share-based payments | — | 87 | 580 |
| Provision for loss on business of subsidiaries and associates | — | 2,260 | 14,926 |
| Other long-term liabilities (Notes 7) | 3,448 | 3,792 | 25,051 |
| Total long-term liabilities | 41,702 | 16,630 | 109,839 |
| Total liabilities | 183,393 | 212,158 | 1,401,217 |
| Commitments and contingencies (Note 16) | | | |
| Net assets (Note 8) | | | |
| Shareholders' equity: | | | |
| Common stock: | | | |
| Authorized – 250,000,000 shares | | | |
| Issued – 70,864,961 shares in 2023 and 2024 | 12,561 | 12,561 | 82,963 |
| Capital surplus | 13,046 | 13,069 | 86,319 |
| Retained earnings | 233,918 | 253,824 | 1,676,405 |
| Treasury stock, at cost | (10) | (493) | (3,256) |
| Total shareholders' equity | 259,516 | 278,962 | 1,842,432 |
| Accumulated other comprehensive income | | | |
| Unrealized holding gain on securities | 2,428 | 7,810 | 51,582 |
| Unrealized (loss) gain on hedging instruments | (16) | 61 | 408 |
| Translation adjustments | 688 | 890 | 5,878 |
| Retirement benefit liability adjustments (Note 6) | (1,774) | 1,056 | 6,979 |
| Total accumulated other comprehensive income | 1,325 | 9,818 | 64,849 |
| Non-controlling interests | 2,175 | 2,344 | 15,482 |
| Total net assets | 263,017 | 291,125 | 1,922,764 |
| Total liabilities and net assets | ¥ 446,410 | ¥ 503,284 | \$ 3,323,982 |

See accompanying notes to consolidated financial statements.

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Income

Year ended March 31, 2024

| | Year ended March 31, | | |
|---|----------------------|-----------|---|
| | 2023 | 2024 | 2024 |
| | (Millions of yen) | | (Thousands of U.S. dollars) (Note 1) |
| Net sales (Notes 9, 23 and 25): | | | |
| Construction contracts | ¥ 380,355 | ¥ 452,623 | \$ 2,989,388 |
| Other | 15,428 | 16,433 | 108,537 |
| Total net sales | 395,783 | 469,057 | 3,097,926 |
| Cost of sales (Notes 10 and 12): | | | |
| Construction contracts | 326,874 | 392,462 | 2,592,053 |
| Other | 11,019 | 11,961 | 79,002 |
| Total cost of sales | 337,894 | 404,424 | 2,671,055 |
| Gross profit: | | | |
| Construction contracts | 53,480 | 60,160 | 397,334 |
| Other | 4,408 | 4,472 | 29,535 |
| Total gross profit | 57,889 | 64,632 | 426,870 |
| Selling, general and administrative expenses (Notes 11 and 12) | 25,806 | 26,615 | 175,785 |
| Operating income (Note 23) | 32,083 | 38,016 | 251,085 |
| Non-operating income (expenses): | | | |
| Interest income | 63 | 211 | 1,399 |
| Dividend income | 716 | 1,441 | 9,519 |
| Interest expenses | (424) | (466) | (3,080) |
| Equity in earnings of affiliates | 732 | 970 | 6,407 |
| Gain on investments in partnership | 1,427 | 1,392 | 9,196 |
| Rent income | 322 | 318 | 2,105 |
| Extra retirement payments | (58) | (89) | (588) |
| Provision of allowance for doubtful accounts of subsidiary | (17) | (14) | (92) |
| Provision of allowance for doubtful accounts | — | (103) | (686) |
| Settlement package | (87) | — | — |
| Other, net | 704 | 684 | 4,524 |
| Ordinary income | 35,462 | 42,362 | 279,788 |
| Extraordinary income (loss): | | | |
| Gain on sales of property and equipment | 310 | 39 | 258 |
| Loss on disposal and sales of fixed assets | (223) | (371) | (2,455) |
| Gain on sales of investments in securities (Note 20) | 4,247 | 2,667 | 17,614 |
| Impairment loss on investments in securities (Note 20) | (602) | (422) | (2,792) |
| Impairment loss (Notes 4 and 23) | (326) | (856) | (5,655) |
| Loss on sales of investments in securities (Note 20) | — | (0) | (0) |
| Loss on liquidation of subsidiary | (74) | — | — |
| Provision for loss on business of subsidiaries and associates (Note 13) | — | (2,260) | (14,926) |
| Profit before income taxes | 38,793 | 41,158 | 271,832 |
| Income taxes (Note 14): | | | |
| Current | 11,157 | 15,713 | 103,779 |
| Deferred | 1,198 | (2,796) | (18,466) |
| Profit | 26,437 | 28,240 | 186,518 |
| Profit attributable to: | | | |
| Non-controlling interests | 88 | 223 | 1,475 |
| Owners of parent | ¥ 26,349 | ¥ 28,017 | \$ 185,043 |

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

Year ended March 31, 2024

| | Year ended March 31 | | |
|--|---------------------|----------|-----------------------------|
| | 2023 | 2024 | 2024 |
| | (Millions of yen) | | (Thousands of U.S. dollars) |
| | | | (Note 1) |
| Profit | ¥ 26,437 | ¥ 28,240 | \$ 186,518 |
| Other comprehensive income (Note 15): | | | |
| Unrealized holding gain on securities | 577 | 5,340 | 35,274 |
| Translation adjustments | 535 | 234 | 1,551 |
| Retirement benefit liability adjustments (Note 6) | 1,124 | 2,831 | 18,701 |
| Share of other comprehensive income of affiliates accounted for by the equity method | 204 | 119 | 790 |
| Total other comprehensive income | 2,441 | 8,527 | 56,318 |
| Comprehensive income | ¥ 28,879 | ¥ 36,768 | \$ 242,837 |
| Comprehensive income attributable to: | | | |
| Owners of parent | ¥ 28,735 | ¥ 36,510 | \$ 241,137 |
| Non-controlling interests | 144 | 257 | 1,700 |

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2024

| | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Total shareholders' equity | Unrealized holding gain on securities | Unrealized (loss)gain on hedging instruments | Translation adjustments | Retirement benefit liability adjustment | Total accumulated other comprehensive income | Non- controlling interests | Total net assets |
|---|--------------------------|--------------------|----------------------|-------------------------------|----------------------------------|---|---|----------------------------|--|--|----------------------------------|---------------------|
| | <i>(Millions of yen)</i> | | | | | | | | | | | |
| Balance at April 1, 2022 | ¥ 12,561 | ¥ 12,987 | ¥ 214,655 | ¥ (9) | ¥ 240,194 | ¥ 1,848 | ¥ (218) | ¥ 208 | ¥ (2,898) | ¥ (1,059) | ¥ 2,059 | ¥ 241,194 |
| Cash dividends paid | — | — | (7,086) | — | (7,086) | — | — | — | — | — | — | (7,086) |
| Profit attributable to owners of parent for the period | — | — | 26,349 | — | 26,349 | — | — | — | — | — | — | 26,349 |
| Purchase of treasury stock | — | — | — | (1) | (1) | — | — | — | — | — | — | (1) |
| Change in scope of consolidation | — | — | — | — | — | — | — | — | — | — | — | — |
| Purchase of treasury stock of consolidated subsidiary | — | 0 | — | — | 0 | — | — | — | — | — | — | 0 |
| Sales of shares of consolidated subsidiary | — | 59 | — | — | 59 | — | — | — | — | — | — | 59 |
| Net changes in items other than those in shareholders' equity | — | — | — | — | — | 579 | 201 | 480 | 1,124 | 2,385 | 115 | 2,500 |
| Net changes during the year | — | 59 | 19,263 | (1) | 19,321 | 579 | 201 | 480 | 1,124 | 2,385 | 115 | 21,822 |
| Balance at April 1, 2023 | 12,561 | 13,046 | 233,918 | (10) | 259,516 | 2,428 | (16) | 688 | (1,774) | 1,325 | 2,175 | 263,017 |
| Cash dividends paid | — | — | (8,149) | — | (8,149) | — | — | — | — | — | — | (8,149) |
| Profit attributable to owners of parent for the period | — | — | 28,017 | — | 28,017 | — | — | — | — | — | — | 28,017 |
| Purchase of treasury stock | — | — | — | (482) | (482) | — | — | — | — | — | — | (482) |
| Change in scope of consolidation | — | — | 37 | — | 37 | — | — | — | — | — | — | 37 |
| Purchase of treasury stock of consolidated subsidiary | — | 23 | — | — | 23 | — | — | — | — | — | — | 23 |
| Sales of shares of consolidated subsidiary | — | — | — | — | — | — | — | — | — | — | — | — |
| Net changes in items other than those in shareholders' equity | — | — | — | — | — | 5,381 | 78 | 201 | 2,831 | 8,493 | 168 | 8,662 |
| Net changes during the year | — | 23 | 19,905 | (482) | 19,446 | 5,381 | 78 | 201 | 2,831 | 8,493 | 168 | 28,108 |
| Balance at March 31, 2024 | ¥ 12,561 | ¥ 13,069 | ¥ 253,824 | ¥ (493) | ¥ 278,962 | ¥ 7,810 | ¥ 61 | ¥ 890 | ¥ 1,056 | ¥ 9,818 | ¥ 2,344 | ¥ 291,125 |

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets (continued)

Year ended March 31, 2024

| | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Total shareholders' equity | Unrealized holding gain on securities | Unrealized (loss)gain on hedging instruments | Translation adjustments | Retirement benefit liability adjustments | Total accumulated other comprehensive income | Non- controlling interests | Total net assets |
|---|------------------|--------------------|----------------------|-------------------------------|----------------------------------|--|---|----------------------------|---|--|----------------------------------|---------------------|
| <i>(Thousands of U.S. dollars) (Note 1)</i> | | | | | | | | | | | | |
| Balance at April 1, 2023 | \$ 82,963 | \$ 86,167 | \$ 1,544,935 | \$ (71) | \$ 1,713,995 | \$ 16,037 | \$ (110) | \$ 4,549 | \$ (11,721) | \$ 8,754 | \$ 14,368 | \$ 1,737,118 |
| Cash dividends paid | – | – | (53,822) | – | (53,822) | – | – | – | – | – | – | (53,822) |
| Profit attributable to owners of parent for the period | – | – | 185,043 | – | 185,043 | – | – | – | – | – | – | 185,043 |
| Purchase of treasury stock | – | – | – | (3,184) | (3,184) | – | – | – | – | – | – | (3,184) |
| Change in scope of consolidation | – | – | 249 | – | 249 | – | – | – | – | – | – | 249 |
| Purchase of treasury stock of consolidated subsidiary | – | 152 | – | – | 152 | – | – | – | – | – | – | 152 |
| Sales of shares of consolidated subsidiary | – | – | – | – | – | – | – | – | – | – | – | – |
| Net changes in items other than those in shareholders' equity | – | – | – | – | – | 35,545 | 519 | 1,328 | 18,701 | 56,094 | 1,114 | 57,209 |
| Net changes during the year | – | 152 | 131,469 | (3,184) | 128,436 | 35,545 | 519 | 1,328 | 18,701 | 56,094 | 1,114 | 185,646 |
| Balance at March 31, 2024 | <u>\$ 82,963</u> | <u>\$ 86,319</u> | <u>\$ 1,676,405</u> | <u>\$ (3,256)</u> | <u>\$ 1,842,432</u> | <u>\$ 51,582</u> | <u>\$ 408</u> | <u>\$ 5,878</u> | <u>\$ 6,979</u> | <u>\$ 64,849</u> | <u>\$ 15,482</u> | <u>\$ 1,922,764</u> |

See accompanying notes to consolidated financial statements.

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

Year ended March 31, 2024

| | 2023 | 2024 | 2024 |
|--|--------------------------|-----------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| | | | <i>(Note 1)</i> |
| Cash flows from operating activities | | | |
| Profit before income taxes | ¥ 38,793 | ¥ 41,158 | \$ 271,832 |
| Depreciation and amortization | 6,018 | 6,016 | 39,736 |
| Impairment loss | 326 | 856 | 5,655 |
| (Decrease) increase in allowance for doubtful accounts | (24) | 15 | 104 |
| Increase in retirement benefit asset | (3,064) | (536) | (3,542) |
| Increase (decrease) in liability for retirement benefits and provision for retirement benefits for directors and audit and supervisory board members | 1,544 | (330) | (2,182) |
| (Decrease) increase in provision for loss on construction contracts | (170) | 240 | 1,590 |
| Increase in provision for loss on business of subsidiaries and associates | — | 2,260 | 14,926 |
| Gain on investments in partnership | (1,427) | (1,392) | (9,196) |
| Interest and dividend income | (780) | (1,653) | (10,918) |
| Interest expenses | 424 | 466 | 3,080 |
| Foreign exchange gain | (168) | (89) | (592) |
| Equity in earnings of affiliates | (414) | (675) | (4,458) |
| Gain on sales of property and equipment, net | (310) | (39) | (258) |
| Loss on disposal of fixed assets | 208 | 365 | 2,415 |
| Impairment loss on investments in securities | 602 | 422 | 2,792 |
| Gain on sales of investments in securities, net | (4,247) | (2,667) | (17,614) |
| Increase in notes and accounts receivable on completed construction contracts and contract assets | (11,791) | (15,594) | (102,993) |
| Increase in costs of uncompleted construction contracts | (1,689) | (2,476) | (16,357) |
| Increase in inventories | (8,545) | (1,403) | (9,270) |
| Increase in notes and accounts payable on construction contracts | 9,552 | 20,767 | 137,162 |
| Increase (decrease) in advances received on uncompleted construction contracts | 15,076 | (5,251) | (34,681) |
| Increase (decrease) in long-term accounts payable | 87 | (35) | (236) |
| Decrease (increase) in consumption taxes payable, net | (4,090) | 10,223 | 67,522 |
| Other, net | (6,386) | 3,264 | 21,559 |
| Subtotal | 29,522 | 53,913 | 356,075 |
| Interest and dividend income received | 763 | 1,626 | 10,740 |
| Interest expenses paid | (424) | (466) | (3,080) |
| Income taxes paid | (12,474) | (11,103) | (73,332) |
| Net cash provided by operating activities | ¥ 17,386 | ¥ 43,969 | \$ 290,402 |

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Cash Flows (continued)

Year ended March 31, 2024

| | 2023 | 2024 | 2024 |
|--|--------------------------|-------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| | | | <i>(Note 1)</i> |
| Cash flows from investing activities | | | |
| Payments into time deposits | ¥ (3,738) | ¥ (7,084) | \$ (46,792) |
| Proceeds from withdrawal of time deposits | 1,503 | 7,038 | 46,489 |
| Purchase of property and equipment | (2,940) | (1,836) | (12,131) |
| Proceeds from sales of property and equipment | 445 | 289 | 1,913 |
| Payments of disposal of property and equipment | (126) | (182) | (1,202) |
| Purchase of investments in securities | (3,415) | (2,105) | (13,908) |
| Proceeds from sales of investments in securities | 5,754 | 3,354 | 22,151 |
| Payments for purchase of investments in subsidiaries | | | |
| resulting in changes in scope of consolidation | (97) | (361) | (2,384) |
| Payments of long-term loans receivable | (34) | — | — |
| Collection of long-term loans receivable | 366 | 35 | 234 |
| Other, net | (831) | (1,462) | (9,660) |
| Net cash used in investing activities | (3,113) | (2,314) | (15,289) |
| Cash flows from financing activities | | | |
| Net (decrease) increase in short-term borrowings | (18) | 122 | 810 |
| Proceeds from long-term debt | 27,000 | — | — |
| Repayments of long-term debt | (7,057) | (1,231) | (8,136) |
| Purchase of treasury stock | (2) | (482) | (3,184) |
| Cash dividends paid | (7,087) | (8,148) | (53,818) |
| Cash dividends paid to non-controlling shareholders | (2) | (4) | (28) |
| Repayments to non-controlling shareholders | (22) | (22) | (146) |
| Proceeds from sales of shares of subsidiaries not | | | |
| resulting in change in scope of consolidation | 60 | — | — |
| Other, net | (1,253) | (1,265) | (8,360) |
| Net cash provided by (used in) financing activities | 11,615 | (11,032) | (72,865) |
| Effect of exchange rate changes on cash and cash | | | |
| equivalents | 171 | 113 | 752 |
| Net increase in cash and cash equivalents | 26,060 | 30,736 | 203,000 |
| Cash and cash equivalents at the beginning of the year | 37,791 | 63,851 | 421,714 |
| Cash and cash equivalents at the end of the year | ¥ 63,851 | ¥ 94,588 | \$ 624,715 |
| <i>(Note 22)</i> | | | |

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2024

1. Basis of Presentation

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

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

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

The U.S. dollar amounts in the accompanying consolidated financial statements have been translated from yen amounts solely for the convenience of the reader, as a matter of arithmetic computation only, at $\text{¥}151.41 = \text{U.S.}\1.00 , the rate of exchange prevailing on March 31, 2024. This translation should not be construed as a representation that the yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen for the years ended March 31, 2024 and 2023 have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements for the years ended March 31, 2024 and 2023 (both in yen and in U.S. dollars) do not necessarily agree with the sum of the individual amounts.

2. Summary of Significant Accounting Policies

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

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

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

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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

As of March 31, 2024, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 51 and 9 (60 and 9 in 2023), respectively.

During the year ended March 31, 2024, the following events and/or transactions have occurred, which resulted in changes in the scope of consolidation.

Kirishima mokushitsu hatsuden Co., Ltd., the surviving company in an absorption-type merger, merged with Kirishima mokushitsu nenryou Co., Ltd. on April 1, 2023. The company was excluded from the scope of consolidation.

CHUORIKAI KOUGYO Co., Ltd., the surviving company in an absorption-type merger, merged with CHUO SHOBO KIKO Co., Ltd.; TOKYO CHUORIKAI KOUGYO Co., Ltd.; TOKYO—NISHI CHUORIKAI KOUGYO Co., Ltd.; SAITAMA CHUORIKAI KOUGYO Co., Ltd.; TOCHIGI CHUORIKAI KOUGYO Co., Ltd.; CHUORIKAI KOUGYO (SENDAI) Co., Ltd.; MIE CHUORIKAI KOUGYO Co., Ltd.; and HAMAMATSU CHUORIKAI KOUGYO Co., Ltd. on April 1, 2023. These companies were excluded from the scope of consolidation.

The Company acquired all shares of ITO PIPE FITTING Co., Ltd. on September 27, 2023, and this subsidiary was newly included in the scope of consolidation.

Kagoshima Solar Farm Co., Ltd., the surviving company in an absorption-type merger, merged with Shibushi mega solar power generation Co., Ltd. on October 1, 2023. The company was excluded from the scope of consolidation.

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

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

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

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

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

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(b) Foreign currency translation

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

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

(c) Cash and cash equivalents

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

(d) Inventories

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

(e) Short-term investments and investments in securities

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

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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

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

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

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

(g) Intangible assets (excluding leased assets)

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

(h) Goodwill

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

(i) Leases

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

(j) Allowance for doubtful accounts

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

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(k) Provision for loss on construction contracts

Provision for loss on construction contracts is provided with respect to uncompleted construction projects for which anticipated future losses are expected and a reasonable estimate of the amount can be made at the fiscal year end.

(l) Provision for share-based payments

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

(m) Provision for loss on business of subsidiaries and associates

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

(n) Retirement benefits

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

Prior service cost is being amortized as incurred by the straight-line method over periods within the estimated average remaining years of service of the eligible employees.

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

All of the consolidated subsidiaries use a simplified method for calculating retirement benefit expenses and liabilities mainly based on the assumption that the benefits payable, which are mainly calculated as if all eligible employees voluntarily terminated their employment at fiscal year-end, approximate the retirement benefit obligation at year-end.

In addition, provision for retirement benefits for directors and audit and supervisory board members of certain consolidated subsidiaries are provided at the amount payable at year-end in accordance with each company's internal regulations.

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(o) Income taxes

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

(p) Research and development costs

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

(q) Basis for recording significant revenues and expenses

Revenues from contracts with customers.

The following five-step model applied to revenues from customers:

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

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

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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

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

(r) Derivative financial instruments

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

Hedging instruments are interest-rate swaps and interest and currency rate swaps. Hedged items are interest payments on loans, foreign currency loans and associated interest payments.

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

Deferral hedge accounting is adopted for derivatives which qualify as hedges, under which unrealized gain or loss is deferred. Simplified methods, “special treatment” and “allocation method,” under which either the net amounts to be paid or received under the interest rate swap contract are added to or deducted from the interest on the liability or the foreign currency liabilities are translated at the corresponding currency swap contract rates, are applied for interest and currency rate swaps which qualify for such treatment.

Hedge effectiveness is not assessed if the substantial terms and conditions of the hedging instruments and the hedged items are the same. An assessment of hedge effectiveness is omitted for interest and currency rate swaps accounted for using simplified methods.

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(s) Significant accounting estimates

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

- (1) Amounts recognized in the consolidated financial statements for the years ended March 31, 2023 and 2024, respectively

Revenue arising from construction contracts accounted for by the percentage-of-completion method was ¥211,377 and ¥279,555 million (\$1,846,348 thousand) for the years ended March 31, 2023 and 2024, respectively.

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

1. Method used to calculate the amounts recognized

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

2. Key assumptions

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

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(s) Significant accounting estimates (continued)

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

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

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

(t) Change in presentation

“Commission expenses” under “Non-operating income (expenses)” was presented as a separate account item for the fiscal year ended March 31, 2023, but due to the decrease in materiality for the fiscal year ended March 31, 2024, it was included in “Other, net”. In order to reflect this change in presentation, the consolidated financial statements for the fiscal year ended March 31, 2023, have been reclassified.

As a result, in the consolidated statement of income for the fiscal year ended March 31, 2023, ¥99 million and ¥63 million that were presented in “Commission expenses” and “Other, net,” respectively, under “Non-operating income (expenses)” have been reclassified as ¥162 million in “Other, net.”

(u) Additional information

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

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

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

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(u) Additional information (continued)

(2) Company's shares held by the Trust

The Company's shares held by the Trust are recorded as treasury stock in net assets at the book value in the Trust (excluding any ancillary expenses). The book value and number of shares of the relevant treasury stock are ¥479 million (\$3,168 thousand) and 116,000 shares as of March 31, 2024, and ¥ - million and – shares as of March 31, 2023, respectively.

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

The amounts of the Company received from the Japanese national government and capital gains recognized upon the expropriation by the government and the exchange for similar transactions and deducted from the acquisition costs of property and equipment at March 31, 2023 and 2024 are as follows:

| | 2023 | 2024 | 2024 |
|------------|--------------------------|----------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Structures | ¥ 283 | ¥ 283 | \$ 1,870 |
| Machinery | 2,762 | 2,679 | 17,699 |
| | <u>¥ 3,046</u> | <u>¥ 2,963</u> | <u>\$ 19,570</u> |

4. Impairment Loss

The Group determines whether to recognize an impairment loss by grouping business assets mainly based on the management accounting unit of each branch office and consolidated subsidiaries, and by grouping property for rent and idle assets individually. The Group recognized the impairment loss of the following group for the year ended March 31, 2024.

| | | 2024 | |
|----------------------|-------------------------|--------------------------|------------------------------------|
| Location | Classification | <i>(Millions of yen)</i> | <i>(Thousands of U.S. dollars)</i> |
| Kirishima city | Goodwill | ¥ 253 | \$ 1,672 |
| Kagoshima prefecture | Building and structures | 126 | 835 |
| | Others | 302 | 1,997 |

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Impairment Loss (continued)

For the year ended March 31, 2024, as profitability of Kirishima Mokushitsu Hatsuden Co., Ltd. decreased, the carrying value of goodwill resulting from the acquisition of this company, building and structures, and others were written down due to declining profitability and impairment loss on these of ¥682 million (\$4,505) was recognized in the consolidated statement of income.

The recoverable amount of goodwill, building and structures, and others were measured at value in use based on estimated future cash flows discounted at rate of 3.8%.

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

The annual weighted-average interest rates applicable to short-term borrowings (excluding the current portion of long-term debt) were 1.00% and 0.97% for the years ended March 31, 2023 and 2024, respectively.

Long-term debt and lease obligations at March 31, 2023 and 2024 consisted of the following:

| | 2023 | 2024 | 2024 |
|---|--------------------------|-----------------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Loans from banks due through 2033 with interest rates ranging from 0.000% to 1.475% | ¥ 31,865 | ¥ 30,633 | \$ 202,324 |
| Lease obligations due through 2036 | 4,495 | 4,594 | 30,345 |
| | 36,360 | 35,228 | 232,669 |
| Less current portion | (2,415) | (28,821) | (190,357) |
| | <u>¥ 33,945</u> | <u>¥ 6,406</u> | <u>\$ 42,312</u> |

The aggregate annual maturities of long-term debt and lease obligations as of March 31, 2024 are summarized as follows:

| Years ending March 31, | <i>(Millions of yen)</i> | <i>(Thousands of U.S. dollars)</i> |
|------------------------|--------------------------|------------------------------------|
| 2025 | ¥ 28,821 | \$ 190,357 |
| 2026 | 1,538 | 10,161 |
| 2027 | 1,339 | 8,846 |
| 2028 | 1,208 | 7,979 |
| 2029 | 945 | 6,242 |
| 2030 and thereafter | 1,375 | 9,082 |
| | <u>¥ 35,228</u> | <u>\$ 232,669</u> |

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Retirement Benefit Plans

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

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

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

1) The changes in the retirement benefit obligation for the years ended March 31, 2023 and 2024 were as follows:

| | 2023 | 2024 | 2024 |
|--------------------------------------|--------------------------|-----------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Balance at the beginning of the year | ¥ 43,416 | ¥ 41,455 | \$ 273,793 |
| Service cost | 2,020 | 1,906 | 12,588 |
| Interest cost | 348 | 539 | 3,559 |
| Actuarial gain and loss | (2,081) | (1,651) | (10,906) |
| Retirement benefit paid | (2,248) | (2,504) | (16,541) |
| Prior service cost | — | — | — |
| Balance at the end of the year | ¥ 41,455 | ¥ 39,744 | \$ 262,493 |

2) The changes in the plan assets for the years ended March 31, 2023 and 2024 were as follows:

| | 2023 | 2024 | 2024 |
|--------------------------------------|--------------------------|-----------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Balance at the beginning of the year | ¥ 46,075 | ¥ 48,567 | \$ 320,770 |
| Expected return on plan assets | 922 | 971 | 6,413 |
| Actuarial gain and loss | (1,163) | 1,776 | 11,730 |
| Contributions by the Company | 4,810 | 1,955 | 12,916 |
| Retirement benefit paid | (2,135) | (2,378) | (15,709) |
| Other | 58 | 58 | 384 |
| Balance at the end of the year | ¥ 48,567 | ¥ 50,950 | \$ 336,505 |

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Retirement Benefit Plans (continued)

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

3) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets at March 31, 2023 and 2024 for the Group's defined benefit plans:

| | 2023 | 2024 | 2024 |
|---|--------------------------|-------------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Funded retirement benefit obligation | ¥ 38,733 | ¥ 37,073 | \$ 244,853 |
| Plan assets at fair value | (48,567) | (50,950) | (336,505) |
| | (9,834) | (13,877) | (91,652) |
| Unfunded retirement benefit obligation | 2,721 | 2,670 | 17,640 |
| Net liability for retirement benefits in the consolidated balance sheet | (7,112) | (11,206) | (74,012) |
| Liability for retirement benefits | 2,721 | 2,670 | 17,640 |
| Asset for retirement benefits | (9,834) | (13,877) | (91,652) |
| Net liability for retirement benefits in the consolidated balance sheet | ¥ (7,112) | ¥ (11,206) | \$ (74,012) |

4) The components of retirement benefit expenses for the years ended March 31, 2023 and 2024 were as follows:

| | 2023 | 2024 | 2024 |
|---|--------------------------|----------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Service cost | ¥ 1,961 | ¥ 1,847 | \$ 12,204 |
| Interest cost | 348 | 539 | 3,559 |
| Expected return on plan assets | (922) | (971) | (6,413) |
| Amortization of actuarial gain and loss | 166 | 112 | 742 |
| Amortization of prior service cost | 531 | 531 | 3,513 |
| Other | 58 | 89 | 588 |
| Retirement benefit expenses | ¥ 2,144 | ¥ 2,149 | \$ 14,195 |

Contributions from employees of ¥58 million and ¥58 million (\$384 thousand) for the years ended March 31, 2023 and 2024, respectively, are excluded from the above service cost.

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Retirement Benefit Plans (continued)

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

5) The components of retirement benefit liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2023 and 2024 were as follows:

| | 2023 | 2024 | 2024 |
|-------------------------|--------------------------|------------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Prior service cost | ¥ (531) | ¥ (531) | \$ (3,513) |
| Actuarial gain and loss | (1,084) | (3,539) | (23,379) |
| Total | <u>¥ (1,616)</u> | <u>¥ (4,071)</u> | <u>\$ (26,893)</u> |

6) The components of retirement benefit liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2023 and 2024 were as follows:

| | 2023 | 2024 | 2024 |
|--------------------------------------|--------------------------|------------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Unrecognized prior service cost | ¥ 6,333 | ¥ 5,801 | \$ 38,313 |
| Unrecognized actuarial gain and loss | (3,780) | (7,320) | (48,350) |
| Total | <u>¥ 2,552</u> | <u>¥ (1,519)</u> | <u>\$ (10,036)</u> |

7) The fair value of plan assets, by major category, as a percentage of total plan assets at March 31, 2023 and 2024 was as follows:

| | 2023 | 2024 |
|------------------------------------|-------------|-------------|
| Bonds | 45% | 34% |
| Stocks | 22% | 20% |
| General accounts of life insurance | 4% | 4% |
| Alternative investments | 25% | 28% |
| Other | 4% | 14% |
| Total | <u>100%</u> | <u>100%</u> |

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

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Retirement Benefit Plans (continued)

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

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

| | <u>2023</u> | <u>2024</u> |
|---|-------------|-------------|
| Discount rates | 1.3% | 1.6% |
| Expected rates of return on plan assets | 2.0% | 2.0% |

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

1) The changes in liability for retirement benefits calculated using the simplified method for the years ended March 31, 2023 and 2024 were as follows:

| | <u>2023</u> | <u>2024</u> | <u>2024</u> |
|--------------------------------------|--------------------------|---------------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Balance at the beginning of the year | ¥ 549 | ¥ 646 | \$ 4,272 |
| Retirement benefit expenses | 626 | 76 | 504 |
| Retirement benefit paid | (91) | (132) | (874) |
| Contributions | (458) | (459) | (3,036) |
| Other | 20 | 19 | 130 |
| Balance at the end of the year | <u>¥ 646</u> | <u>¥ 150</u> | <u>\$ 996</u> |

2) The following table sets forth the funded status of the plans accounted for using the simplified method and the amounts recognized in the consolidated balance sheet at March 31, 2023 and 2024 for the defined benefit plans:

| | <u>2023</u> | <u>2024</u> | <u>2024</u> |
|---|--------------------------|---------------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Funded retirement benefit obligation | ¥ 5,028 | ¥ 5,220 | \$ 34,479 |
| Plan assets at fair value | (4,642) | (5,397) | (35,648) |
| | 386 | (177) | (1,169) |
| Unfunded retirement benefit obligation | 260 | 328 | 2,166 |
| Net liability for retirement benefits in the consolidated balance sheet | <u>646</u> | <u>150</u> | <u>996</u> |
| Liability for retirement benefits | 1,258 | 1,103 | 7,286 |
| Asset for retirement benefits | (611) | (952) | (6,289) |
| Net liability for retirement benefits in the consolidated balance sheet | <u>¥ 646</u> | <u>¥ 150</u> | <u>\$ 996</u> |

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Retirement Benefit Plans (continued)

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

- 3) Retirement benefit expenses calculated using the simplified method amounted to ¥626 million and ¥76 million (\$504 thousand) for the years ended March 31, 2023 and 2024, respectively

(c) Defined contribution plans

Contributions made to defined contribution plans by the Company for the years ended March 31, 2023 and 2024 were ¥509 million and ¥535 million (\$3,533 thousand), respectively.

7. Asset Retirement Obligations

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

The asset retirement obligations are measured at the present value of the future liabilities applying discount rates of 0.286% to 1.994% corresponding with 5 years, 17 years or 24 years, which is the estimated useful life of those facilities from the acquisition date.

The following table indicates the changes in asset retirement obligations included in "Other long-term liabilities" for the years ended March 31, 2023 and 2024:

| | 2023 | 2024 | 2024 |
|---|--------------------------|-----------------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Balance at the beginning of the year | ¥ 1,417 | ¥ 1,669 | \$ 11,026 |
| Increase due to acquisition of fixed assets | — | 1 | 9 |
| Increase due to acquisition of subsidiary | 227 | — | — |
| Adjustment due to passage of time | 24 | 25 | 166 |
| Balance at the end of the year | <u>¥ 1,669</u> | <u>¥ 1,696</u> | <u>\$ 11,202</u> |

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Net Assets

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

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

The Company’s capital reserve included in capital surplus at March 31, 2023 and 2024 amounted to ¥12,543 million (\$82,847 thousand).

There was no legal reserve for the years ended March 31, 2023 and 2024.

(a) Shares issued and outstanding / Treasury shares

For the year ended March 31, 2023:

| <i>Types of shares</i> | <i>Number of shares at April 1, 2022</i> | <i>Increase</i> | <i>Decrease</i> | <i>Number of shares at March 31, 2023</i> |
|------------------------|--|---------------------------|-----------------|---|
| | | <i>(Number of Shares)</i> | | |
| Shares issued: | | | | |
| Common stock | 70,864,961 | — | — | 70,864,961 |
| Treasury stock: | | | | |
| Common stock | 19,332 | 411 | — | 19,743 |

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

| | |
|---|------------|
| Increase due to purchase of shares of less than one standard unit | 411 shares |
|---|------------|

(b) Share subscription rights

No share subscription rights were outstanding.

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Net Assets (continued)

(a) Shares issued and outstanding / Treasury shares

For the year ended March 31, 2024:

| <i>Types of shares</i> | <i>Number of shares at April 1, 2023</i> | <i>Increase</i> | <i>Decrease</i> | <i>Number of shares at March 31, 2024</i> |
|------------------------|--|---------------------------|-----------------|---|
| | | <i>(Number of Shares)</i> | | |
| Shares issued: | | | | |
| Common stock | 70,864,961 | — | — | 70,864,961 |
| Treasury stock: | | | | |
| Common stock | 19,743 | 116,539 | — | 136,282 |

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

| | |
|---|----------------|
| Increase due to purchase of shares of less than one standard unit | 539 shares |
| Increase due to acquisition of Company shares in the stock grant trust for officers | 116,000 shares |

(b) Share subscription rights

No share subscription rights were outstanding.

(c) Dividends

1) Dividends paid

For the year ended March 31, 2023:

| | <i>Total dividends</i> | | <i>Record date</i> | <i>Effective date</i> |
|--|------------------------------|--|------------------------|---------------------------|
| | <i>(Millions of yen)</i> | <i>(Thousands of U.S. dollars)</i> | | |
| Resolution: Meeting of the Board of Directors on April 28, 2022 | | | | |
| Cash dividends (¥50.00 (\$0.37) per share) | ¥ 3,543 | \$ 26,534 | March 31, 2022 | June 7, 2022 |
| Resolution: Meeting of the Board of Directors on October 26, 2022 | | | | |
| Cash dividends (¥50.00 (\$0.37) per share) | 3,543 | 26,534 | September 30, 2022 | December 1, 2022 |

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Net Assets (continued)

(c) Dividends (continued)

1) Dividends paid (continued)

For the year ended March 31, 2024:

| | <i>Total dividends</i> | | <i>Record date</i> | <i>Effective date</i> |
|---|--------------------------|------------------------------------|--------------------|-----------------------|
| | <i>(Millions of yen)</i> | <i>(Thousands of U.S. dollars)</i> | | |
| Resolution: Meeting of the Board of Directors on April 28, 2023 | | | | |
| Cash dividends (¥60.00 (\$0.40) per share) | ¥ 4,251 | \$ 28,081 | March 31, 2023 | June 6, 2023 |
| Resolution: Meeting of the Board of Directors on October 27, 2023 | | | | |
| Cash dividends (¥55.00 (\$0.36) per share) | 3,897 | 25,741 | September 30, 2023 | December 1, 2023 |

9. Net Sales

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

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

Provision for loss on construction contracts included in cost of sales for the years ended March 31, 2023 and 2024 represents a provision (reversal of provision) of ¥(165) million and ¥240 million (\$ (1,590) thousand), respectively.

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Selling, General and Administrative Expenses

Major items included in selling, general and administrative expenses for the years ended March 31, 2023 and 2024 were as follows:

| | 2023 | 2024 | 2024 |
|--|--------------------------|-------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Salaries and wages | ¥ 10,575 | ¥ 10,543 | \$ 69,636 |
| Retirement benefit expenses | 478 | 513 | 3,392 |
| Retirement benefits expenses for directors and audit and supervisory board members | 62 | 50 | 332 |
| Depreciation and amortization | 1,550 | 1,637 | 10,811 |

12. Research and Development Costs

Research and development costs included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2023 and 2024 amounted to ¥290 million and ¥344 million (\$2,273 thousand), respectively.

13. Provision for Loss on Business of Subsidiaries and Associates

Taking into consideration the financial position of a non-equity method affiliate involved in the renewable energy power generation business, the Company recorded “Provision for loss on business of subsidiaries and associates” under extraordinary loss corresponding to the estimated amount of losses that will potentially be incurred.

14. Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants’ taxes and enterprise tax, which, in the aggregate, resulted in a statutory rate of approximately 30.46% for the years ended March 31, 2023 and 2024, respectively. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The reconciliation for the year ended March 31, 2024 has been omitted as the difference was less than 5% of the statutory tax rate.

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Income Taxes (continued)

The significant components of deferred tax assets and liabilities as of March 31, 2023 and 2024 were as follows:

| | 2023 | 2024 | 2024 |
|---|--------------------------|-------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Deferred tax assets: | | | |
| Accrued bonuses | ¥ 2,710 | ¥ 2,780 | \$ 18,363 |
| Unrealized profits on fixed assets | 1,247 | 1,047 | 6,918 |
| Liability for retirement benefits | 1,605 | 906 | 5,988 |
| Provision for loss on business of subsidiaries and associates | — | 688 | 4,546 |
| Accrued enterprise taxes | — | 606 | 4,004 |
| Other | 4,624 | 6,390 | 42,209 |
| Gross deferred tax assets | 10,188 | 12,420 | 82,030 |
| Valuation allowance | (1,168) | (1,116) | (7,374) |
| Total deferred tax assets | 9,019 | 11,303 | 74,656 |
| Deferred tax liabilities: | | | |
| Unrealized holding gain on other securities | (1,136) | (3,422) | (22,605) |
| Prepaid pension costs | (3,328) | (3,395) | (22,428) |
| Reserve for deductions in acquisition costs of property and equipment | (1,166) | (1,147) | (7,581) |
| Other | (1,915) | (2,585) | (17,077) |
| Total deferred tax liabilities | (7,546) | (10,552) | (69,693) |
| Net deferred tax assets | ¥ 1,473 | ¥ 751 | \$ 4,962 |

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

15. Other Comprehensive Income

Reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2023 and 2024 were as follows:

| | 2023 | 2024 | 2024 |
|--|--------------------------|-------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Unrealized holding gain on securities: | | | |
| Amount arising during the year | ¥ 821 | ¥ 7,766 | \$ 51,291 |
| Reclassification adjustments for gain and loss included in profit attributable to owners of parent | (0) | (136) | (900) |
| Amount before tax effect | 821 | 7,629 | 50,391 |
| Tax effect | (243) | (2,288) | (15,116) |
| Unrealized holding gain on securities | 577 | 5,340 | 35,274 |
| Translation adjustments: | | | |
| Amount arising during the year | 535 | 234 | 1,551 |
| Retirement benefit liability adjustments: | | | |
| Amount arising during the year | 918 | 3,427 | 22,637 |
| Reclassification adjustments for gain and loss included in profit attributable to owners of parent | 698 | 644 | 4,255 |
| Amount before tax effect | 1,616 | 4,071 | 26,893 |
| Tax effect | (492) | (1,240) | (8,191) |
| Retirement benefits liability adjustments | 1,124 | 2,831 | 18,701 |
| Share of other comprehensive income of affiliates accounted for by the equity method: | | | |
| Amount arising during the year | 204 | 119 | 790 |
| Reclassification adjustments for gain and loss included in profit attributable to owners of parent | — | — | — |
| Share of other comprehensive income of affiliates accounted for by the equity method: | 204 | 119 | 790 |
| Total other comprehensive income | ¥ 2,441 | ¥ 8,527 | \$ 56,318 |

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. Commitments and Contingencies

At March 31, 2023 and 2024, the Group was contingently liable for guarantees as follows:

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

| | 2023 | 2024 | 2024 |
|---|--------------------------|----------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Debt guarantee: | | | |
| Development Bank of Japan Inc. (Nagashima Windhill Co.) | 17 | — | — |
| The Hokuriku Bank, Ltd. and others (Matusima Fuuryoku Co.) | 1,691 | 1,546 | 10,214 |
| Total | <u>¥ 1,709</u> | <u>¥ 1,546</u> | <u>\$ 10,214</u> |

Endorsement for transfer of notes receivable

| | 2023 | 2024 | 2024 |
|--|--------------------------|-------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| | ¥ 10 | ¥ 1 | \$ 12 |

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

At March 31, 2023 and 2024, the Company had loan commitment agreements with 8 companies and 7 companies, respectively. The unused balances under the loan commitment contracts at March 31, 2023 and 2024 were as follows:

| | 2023 | 2024 | 2024 |
|------------------------|--------------------------|--------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Total loan commitments | ¥ 145 | ¥ 114 | \$ 754 |
| Aggregated borrowings | — | — | — |
| Unused balances | <u>¥ 145</u> | <u>¥ 114</u> | <u>\$ 754</u> |

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Pledged Assets

The assets pledged as collateral for short-term borrowings of ¥384 million and ¥388 million (\$2,564 thousand) and long-term debt of ¥2,433 million and ¥2,074 million (\$13,699 thousand) of the Company's investees involved in the renewable energy generation business and/or PFI business at March 31, 2023 and 2024, respectively, were as follows:

| | 2023 | 2024 | 2024 |
|---|--------------------------|-----------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Cash on hand and in banks | ¥ 694 | ¥ 566 | \$ 3,738 |
| Short-term loans receivable included in Other current assets | 2 | 46 | 308 |
| Buildings and structures | 147 | 136 | 903 |
| Machinery, vehicles, tools, furniture and fixtures | 1,595 | 1,446 | 9,555 |
| Land | 523 | 523 | 3,456 |
| Investments in securities | 13,404 | 13,096 | 86,497 |
| Long-term loans receivable | 54 | 7 | 49 |
| Assets-rental deposit included in investment and other assets | 15 | — | — |
| Total | ¥ 16,437 | ¥ 15,823 | \$ 104,509 |

18. Amounts Per Share

Per share information as of March 31, 2023 and 2024 and for the years then ended is as follows:

| | 2023 | 2024 | 2024 |
|--|--------------|-------------|-----------------------|
| | <i>(Yen)</i> | | <i>(U.S. dollars)</i> |
| Profit attributable to owners of parent: | | | |
| Basic | ¥ 371.93 | ¥ 395.87 | \$ 2.61 |
| Net assets | 3,681.85 | 4,082.95 | 26.97 |

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

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. Amounts Per Share (continued)

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

| | <u>2023</u> | <u>2024</u> |
|---|------------------------------|---------------|
| | <i>(Thousands of shares)</i> | |
| Weighted average number of shares for basic profit attributable to owners of parent | 70,845 | 70,773 |

The entire amounts of profit attributable to owners of parent of ¥26,349 million and ¥28,017 million (\$185,043 thousand) for the years ended March 31, 2023 and 2024 were attributable to common shareholders.

“Weighted average number of shares during the period” for the calculation of basic profit attributable to owners of parent per share excludes the Company’s shares remaining in the Trust for the Delivery of Company Shares to Directors (- shares and 71,385 shares for the years ended March 31, 2023 and 2024, respectively).

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

| | <u>2023</u> | <u>2024</u> | <u>2024</u> |
|---|------------------------------|-------------------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Total net assets | ¥ 263,017 | ¥ 291,125 | \$ 1,922,764 |
| Amounts deducted from total net assets: | | | |
| Non-controlling interests | <u>(2,175)</u> | <u>(2,344)</u> | <u>(15,482)</u> |
| Net assets attributable to shares of common stock | <u>¥ 260,841</u> | <u>¥ 288,781</u> | <u>\$ 1,907,281</u> |
| | <u>2023</u> | <u>2024</u> | |
| | <i>(Thousands of shares)</i> | | |
| Number of shares of common stock in issue | 70,864 | 70,864 | |
| Less: Number of shares of treasury stock | <u>(19)</u> | <u>(136)</u> | |
| Number of shares of common stock used for the calculation of net assets per share | <u>70,845</u> | <u>70,728</u> | |

“Number of shares of common stock at the end of the period” for the calculation of net assets per share excludes the Company’s shares remaining in the Trust for the Delivery of Company Shares to Directors (- shares and 116,000 shares as of March 31, 2023 and 2024, respectively).

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Financial Instruments

Overview

(a) Policy for financial instruments

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

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

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

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

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

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

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

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

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

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Financial Instruments (continued)

Overview (continued)

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

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

Estimated fair value of financial instruments

The carrying value of financial instruments on the consolidated balance sheet as of March 31, 2023 and 2024, the estimated fair value and the difference between them are shown in the following table. The table does not include financial instruments for which it is extremely difficult to determine the fair value:

| | 2023 | | |
|---|--------------------------|----------------------|------------|
| | Carrying value | Estimated fair value | Difference |
| | <i>(Millions of yen)</i> | | |
| Cash on hand and in banks | ¥ 67,534 | ¥ 67,534 | ¥ – |
| Notes receivable, accounts receivable on completed construction contracts and other accounts receivable | 148,902 | | |
| Less: Allowance for doubtful accounts ^{(*)1} | (3) | | |
| | 148,898 | 148,898 | – |
| Investments in securities | 19,929 | 19,929 | – |
| Total assets | ¥ 236,363 | ¥ 236,363 | ¥ – |
| Notes payable, accounts payable on construction contracts and other accounts payable | 69,832 | 69,832 | – |
| Electronically recorded obligations | 28,762 | 28,762 | – |
| Long-term debt ^{(*)2} | 31,865 | 31,829 | (36) |
| Total liabilities | ¥ 130,461 | ¥ 130,424 | ¥ (36) |
| Derivatives | ¥ – | ¥ – | ¥ – |

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Financial Instruments (continued)

Estimated fair value of financial instruments (continued)

| | 2024 | | | | | |
|---|-------------------|-------------------------|------------|-----------------------------|-------------------------|------------|
| | Carrying value | Estimated fair value | Difference | Carrying value | Estimated fair value | Difference |
| | (Millions of yen) | | | (Thousands of U.S. dollars) | | |
| Cash on hand and in banks | ¥ 98,548 | ¥ 98,548 | ¥ – | \$ 650,868 | \$ 650,868 | \$ – |
| Notes receivable, accounts receivable on completed construction contracts and other accounts receivable | 164,887 | | | 1,089,015 | | |
| Less: Allowance for doubtful accounts ^(*) | (0) | | | (0) | | |
| | 164,887 | 164,887 | – | 1,089,014 | 1,089,014 | – |
| Investments in securities | 27,026 | 27,026 | – | 178,498 | 178,498 | – |
| Total assets | ¥ 290,462 | ¥ 290,462 | ¥ – | \$ 1,918,382 | \$ 1,918,382 | \$ – |
| Notes payable, accounts payable on construction contracts and other accounts payable | 71,617 | 71,617 | – | 473,006 | 473,006 | – |
| Electronically recorded obligations | 47,881 | 47,881 | – | 316,235 | 316,235 | – |
| Long-term debt ^(*) | 30,633 | 30,599 | (34) | 202,324 | 202,099 | (224) |
| Total liabilities | ¥ 150,133 | ¥ 150,099 | ¥ (34) | \$ 991,566 | \$ 991,341 | \$ (224) |
| Derivatives | ¥ – | ¥ – | ¥ – | \$ – | \$ – | \$ – |

(*)1) The allowance for doubtful accounts was deducted from the notes receivable, accounts receivable on completed construction contracts and other accounts receivable.

(*)2) The balances include the current portion of long-term debt.

Note 1: Unlisted equity securities of ¥25,640 million and ¥27,995 million (\$184,898 thousand) and investment in investment partnership and others of ¥18,924 million and ¥18,623 million (\$123,001 thousand) as of March 31, 2023 and 2024, respectively, were not included in investments in securities in the above table.

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Financial Instruments (continued)

Estimated fair value of financial instruments (continued)

Note 2: Redemption schedule for receivables and marketable securities with maturities at March 31, 2023 and 2024 were as follows:

| | 2023 | | | |
|--|-------------------------------|--|---|------------------------|
| | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years |
| | <i>(Millions of yen)</i> | | | |
| Cash on hand and in banks | ¥ 67,534 | ¥ – | ¥ – | ¥ – |
| Notes receivable, accounts receivable on completed construction contracts and other accounts receivable | 148,902 | – | – | – |
| Short-term investments and investments in securities: | | | | |
| Other securities with maturities (debt securities) | – | 1 | – | 253 |
| Other securities with maturities (Other) | – | 553 | 1,017 | 22,804 |
| Total | <u>¥ 216,436</u> | <u>¥ 554</u> | <u>¥ 1,017</u> | <u>¥ 23,057</u> |
| | 2024 | | | |
| | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years |
| | <i>(Millions of yen)</i> | | | |
| Cash on hand and in banks | ¥ 98,548 | ¥ – | ¥ – | ¥ – |
| Notes receivable, accounts receivable on completed construction contracts and other accounts receivable | 164,887 | – | – | – |
| Short-term investments and investments in securities: | | | | |
| Other securities with maturities (debt securities) | – | 1 | – | 32 |
| Other securities with maturities (Other) | – | 519 | 926 | 23,193 |
| Total | <u>¥ 263,435</u> | <u>¥ 520</u> | <u>¥ 926</u> | <u>¥ 23,225</u> |

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Financial Instruments (continued)

Estimated fair value of financial instruments (continued)

| | 2024 | | | |
|--|------------------------------------|--|---|------------------------|
| | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years |
| | <i>(Thousands of U.S. dollars)</i> | | | |
| Cash on hand and in banks | \$ 650,868 | \$ – | \$ – | \$ – |
| Notes receivable, accounts receivable on completed construction contracts and other accounts receivable | 1,089,015 | – | – | – |
| Short-term investments and investments in securities: | | | | |
| Other securities with maturities (debt securities) | – | 6 | – | 212 |
| Other securities with maturities (Other) | – | 3,433 | 6,116 | 153,184 |
| Total | <u>\$ 1,739,883</u> | <u>\$ 3,440</u> | <u>\$ 6,116</u> | <u>\$ 153,397</u> |

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

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Financial Instruments (continued)

Breakdown of fair value of financial instruments by level

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

Fair value (Level 1): Fair value calculated based on quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Fair value (Level 2): Fair value calculated using directly or indirectly observable inputs other than Level 1 inputs.

Fair value (Level 3): Fair value calculated using significant unobservable inputs.

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

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

| 2023 | | | | |
|--------------------------------|------------------------------------|----------------|----------------|-------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| | <i>(Millions of yen)</i> | | | |
| Investment securities | | | | |
| Other securities: | | | | |
| Stocks | ¥ 19,646 | ¥ – | ¥ – | ¥ 19,646 |
| Government and corporate bonds | – | 283 | – | 283 |
| | | | | |
| 2024 | | | | |
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| | <i>(Millions of yen)</i> | | | |
| Investment securities | | | | |
| Other securities: | | | | |
| Stocks | ¥ 26,979 | ¥ – | ¥ – | ¥ 26,979 |
| Government and corporate bonds | – | 47 | – | 47 |
| | | | | |
| 2024 | | | | |
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| | <i>(Thousands of U.S. dollars)</i> | | | |
| Investment securities | | | | |
| Other securities: | | | | |
| Stocks | \$ 178,187 | \$ – | \$ – | \$ 178,187 |
| Government and corporate bonds | – | 311 | – | 311 |

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Financial Instruments (continued)

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

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

| | 2023 | | | |
|----------------|--------------------------|----------|---------|----------|
| | Level 1 | Level 2 | Level 3 | Total |
| | <i>(Millions of yen)</i> | | | |
| Long-term debt | ¥ – | ¥ 31,829 | ¥ – | ¥ 31,829 |

| | 2024 | | | |
|----------------|--------------------------|-----------------|---------|-----------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | <i>(Millions of yen)</i> | | | |
| Long-term debt | ¥ – | ¥ 30,599 | ¥ – | ¥ 30,599 |

| | 2024 | | | |
|----------------|------------------------------------|-------------------|---------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | <i>(Thousands of U.S. dollars)</i> | | | |
| Long-term debt | \$ – | \$ 202,099 | \$ – | \$ 202,099 |

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

(a) Investment securities

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

(b) Long-term debt

The fair value of long-term debt is calculated using the discounted present value method based on the total amount of principal and interest, and an interest rate that takes into account the remaining term of the debt and credit risk, and is classified as Level 2 fair value. The fair value of long-term debt with floating interest rates subject to the special treatment of interest rate swaps (simplified method) is calculated based on the sum of the principal and interest accounted for together with the interest rate swaps.

(c) Derivative transactions

The fair value of interest rate swaps that qualify for special treatment (simplified method) is included in the fair value of the relevant long-term debt because of derivative transactions are accounted for as an integral part of the long-term debt hedged.

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Securities

- (a) Information regarding marketable securities classified as other securities as of March 31, 2023 and 2024 is as follows:

| | 2023 | | |
|--|--------------------------|------------------|------------|
| | Carrying value | Acquisition cost | Difference |
| | <i>(Millions of yen)</i> | | |
| Securities whose carrying value exceeds their acquisition cost | | | |
| Equity securities | ¥ 13,957 | ¥ 9,395 | ¥ 4,562 |
| Debt securities: | | | |
| Corporate bonds | — | — | — |
| Others | 279 | 209 | 69 |
| Others | 12 | 8 | 3 |
| Subtotal | 14,248 | 9,613 | 4,635 |
| Securities whose carrying value does not exceed their acquisition cost | | | |
| Equity securities | 5,666 | 6,643 | (997) |
| Debt securities: | | | |
| Corporate bonds | 4 | 4 | — |
| Others | — | — | — |
| Others | 10 | 10 | (0) |
| Subtotal | 5,681 | 6,658 | (977) |
| Total | ¥ 19,929 | ¥ 16,271 | ¥ 3,658 |

| | 2024 | | | | | |
|--|--------------------------|------------------|------------|------------------------------------|------------------|------------|
| | Carrying value | Acquisition cost | Difference | Carrying value | Acquisition cost | Difference |
| | <i>(Millions of yen)</i> | | | <i>(Thousands of U.S. dollars)</i> | | |
| Securities whose carrying value exceeds their acquisition cost | | | | | | |
| Equity securities | ¥ 26,392 | ¥ 15,039 | ¥ 11,353 | \$ 174,313 | \$ 99,326 | \$ 74,987 |
| Debt securities: | | | | | | |
| Corporate bonds | — | — | — | — | — | — |
| Others | 43 | 32 | 10 | 284 | 212 | 72 |
| Others | 1 | 1 | 0 | 12 | 8 | 3 |
| Subtotal | 26,437 | 15,072 | 11,365 | 174,611 | 99,548 | 75,062 |
| Securities whose carrying value does not exceed their acquisition cost | | | | | | |
| Equity securities | 584 | 664 | (80) | 3,861 | 4,390 | (529) |
| Debt securities: | | | | | | |
| Corporate bonds | 4 | 4 | — | 26 | 26 | — |
| Others | — | — | — | — | — | — |
| Others | — | — | — | — | — | — |
| Subtotal | 588 | 668 | (80) | 3,887 | 4,416 | (529) |
| Total | ¥ 27,026 | ¥ 15,741 | ¥ 11,285 | \$ 178,498 | \$ 103,965 | \$ 74,533 |

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Securities (continued)

- (b) Information regarding sales of securities classified as other securities for the years ended March 31, 2023 and 2024 was as follows:

| | 2023 | | | 2024 | | |
|-------------------|--------------------------|-----------------------|-------------------|-------------------------|------------------------------------|--------------------|
| | Proceeds from sales | Gain on sales | Loss on sales | Proceeds from sales | Gain on sales | Loss on sales |
| | <i>(Millions of yen)</i> | | | | <i>(Thousands of U.S. dollars)</i> | |
| Equity securities | ¥ 4,533 | ¥ 4,247 | ¥ – | | | |
| Debt securities: | | | | | | |
| Corporate bonds | 1,000 | – | – | | | |
| Others | – | – | – | | | |
| Others | – | – | – | | | |
| | <u>¥ 5,533</u> | <u>¥ 4,247</u> | <u>¥ –</u> | | | |
| | | | | | | |
| Equity securities | ¥ 2,972 | ¥ 2,667 | ¥ – | \$ 19,632 | \$ 17,614 | \$ – |
| Debt securities: | | | | | | |
| Corporate bonds | – | – | – | – | – | – |
| Others | – | – | – | – | – | – |
| Others | 10 | – | 0 | 70 | – | 0 |
| | <u>¥ 2,983</u> | <u>¥ 2,667</u> | <u>¥ 0</u> | <u>\$ 19,702</u> | <u>\$ 17,614</u> | <u>\$ 0</u> |

- (c) Impairment losses on securities classified as other securities of ¥602 million and ¥122 million (\$810 thousand) were recognized for the years ended March 31, 2023 and 2024, respectively. Also, impairment losses on securities classified as investments in unconsolidated subsidiaries and affiliates of ¥299 million (\$1,981 thousand) was recognized for the year ended March 31, 2024.

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

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

21. Derivative Transactions

Summarized below are the notional amounts and the estimated fair value of the derivative instruments outstanding at March 31, 2023 and 2024, for which hedge accounting has been applied.

Interest-related transactions

| <i>Method of hedge accounting</i> | <i>Hedging instruments</i> | | <i>Hedged items</i> | 2023 | | |
|---|---------------------------------------|---|-------------------------|------------------------------------|-----------------------|---------------|
| | | | | Notional amounts | Due after one year | Fair value |
| | | | | <i>(Millions of yen)</i> | | |
| Principle method | Interest rate swap | Pay: fixed Receive: floating | Long-term debt | ¥ 9,679 | ¥ 9,022 | ¥ (81) |
| Simplified method | Interest rate and currency swap | Pay: fixed Receive: floating Pay: JPY Receive: USD | Long-term debt | 251 | — | — |
| <i>Method of hedge accounting</i> | <i>Hedging instruments</i> | | <i>Hedged items</i> | 2024 | | |
| | | | | Notional amounts | Due after one year | Fair value |
| | | | | <i>(Millions of yen)</i> | | |
| Principle method | Interest rate swap | Pay: fixed Receive: floating | Long-term debt | ¥ 9,022 | ¥ 8,354 | ¥ 85 |
| <i>Method of hedge accounting</i> | <i>Hedging instruments</i> | | <i>Hedged items</i> | 2024 | | |
| | | | | Notional amounts | Due after one year | Fair value |
| | | | | <i>(Thousands of U.S. dollars)</i> | | |
| Principle method | Interest rate swap | Pay: fixed Receive: floating | Long-term debt | \$ 59,591 | \$ 55,180 | \$ 563 |

The interest rate swaps were included in that of the hedged long-term debt as they are accounted for together with underlying hedged items under the simplified method.

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

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Supplemental Information on Consolidated Statement of Cash Flows

- (a) Cash and cash equivalents in the consolidated statement of cash flows for the years ended March 31, 2023 and 2024 are reconciled to cash on hand and in banks in the consolidated balance sheet as follows:

| | 2023 | 2024 | 2024 |
|---|--------------------------|-----------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Cash on hand and in banks | ¥ 67,534 | ¥ 98,548 | \$ 650,868 |
| Time deposits with maturities of more than three months | (3,682) | (3,959) | (26,153) |
| Cash and cash equivalents | <u>¥ 63,851</u> | <u>¥ 94,588</u> | <u>\$ 624,715</u> |

- (b) Major breakdown of assets and liabilities of the newly consolidated companies

Information on the newly consolidated companies, Kirishima mokushitsu hatsuden Co., Ltd. and its subsidiary Kirishima mokushitsu nenryo Co., Ltd., as a result of a share acquisition for the year ended March 31, 2023 is as follows:

| | 2023 |
|--|--------------------------|
| | <i>(Millions of yen)</i> |
| Current assets | ¥ 1,011 |
| Fixed assets | 2,036 |
| Goodwill | 729 |
| Current liabilities | (1,517) |
| Fixed liabilities | (1,699) |
| Acquisition cost of shares | 510 |
| Cash and cash equivalents | (412) |
| Difference: Expenditures for acquisition | <u>¥ 97</u> |

Information on the newly consolidated companies, ITO PIPE FITTING Co., Ltd., as a result of a share acquisition for the year ended March 31, 2024 is as follows:

| | 2024 | 2024 |
|--|--------------------------|------------------------------------|
| | <i>(Millions of yen)</i> | <i>(Thousands of U.S. dollars)</i> |
| Current assets | ¥ 449 | \$ 2,968 |
| Fixed assets | 142 | 939 |
| Goodwill | 210 | 1,388 |
| Current liabilities | (217) | (1,436) |
| Fixed liabilities | (14) | (96) |
| Acquisition cost of shares | 570 | 3,764 |
| Cash and cash equivalents | (208) | (1,379) |
| Difference: Expenditures for acquisition | <u>¥ 361</u> | <u>\$ 2,384</u> |

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

- (c) Information regarding details of significant non-monetary transactions for the years ended March 31, 2023 and 2024 is as follows:

Leased assets and lease obligations related to new finance lease transactions recorded for the years ended March 31, 2023 and 2024 amounted to ¥1,612 million and ¥1,249 million (\$8,253 thousand), respectively.

23. Segment Information

- (a) Business segment information

- (1) Outline of reportable segments

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

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

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

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

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

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

(a) Business segment information (continued)

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

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

- (3) Information as to net sales, income or loss and other items for each reportable segment for the years ended March 31, 2023 and 2024 are summarized as follows:

| | 2023 | | | | |
|--|-------------------------------------|----------|-----------|------------------------------------|--------------|
| | Utilities engineering service | Others | Total | Adjustments and eliminations | Consolidated |
| | (Millions of yen) | | | | |
| Net sales: | | | | | |
| Sales to third parties | ¥ 380,355 | ¥ 15,428 | ¥ 395,783 | ¥ – | ¥ 395,783 |
| Intersegment sales and transfers | 1,265 | 5,074 | 6,340 | (6,340) | – |
| Total | ¥ 381,620 | ¥ 20,503 | ¥ 402,123 | ¥ (6,340) | ¥ 395,783 |
| Segment income | ¥ 28,908 | ¥ 3,015 | ¥ 31,924 | ¥ 158 | ¥ 32,083 |
| Other items: | | | | | |
| Depreciation and amortization | 3,935 | 2,188 | 6,123 | (104) | 6,018 |
| Amortization of goodwill | 215 | 121 | 337 | – | 337 |
| Amortization of customer related intangible assets | 220 | – | 220 | – | 220 |

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

(a) Business segment information (continued)

- (3) Information as to net sales, income or loss and other items for each reportable segment for the years ended March 31, 2023 and 2024 are summarized as follows:
(continued)

| | 2024 | | | | |
|--|-------------------------------------|------------|--------------|------------------------------------|--------------|
| | Utilities engineering service | Others | Total | Adjustments and eliminations | Consolidated |
| | (Millions of yen) | | | | |
| Net sales: | | | | | |
| Sales to third parties | ¥ 452,623 | ¥ 16,433 | ¥ 469,057 | ¥ – | ¥ 469,057 |
| Intersegment sales and transfers | 930 | 5,478 | 6,408 | (6,408) | – |
| Total | ¥ 453,553 | ¥ 21,912 | ¥ 475,465 | ¥ (6,408) | ¥ 469,057 |
| Segment income | ¥ 34,707 | ¥ 3,240 | ¥ 37,947 | ¥ 69 | ¥ 38,016 |
| Other items: | | | | | |
| Depreciation and amortization | 3,871 | 2,026 | 5,898 | (102) | 5,795 |
| Amortization of goodwill | 242 | 28 | 270 | – | 270 |
| Amortization of customer related intangible assets | 220 | – | 220 | – | 220 |
| | 2024 | | | | |
| | Utilities engineering service | Others | Total | Adjustments and eliminations | Consolidated |
| | (Thousands of U.S. dollars) | | | | |
| Net sales: | | | | | |
| Sales to third parties | \$ 2,989,388 | \$ 108,537 | \$ 3,097,926 | \$ – | \$ 3,097,926 |
| Intersegment sales and transfers | 6,145 | 36,182 | 42,327 | (42,327) | – |
| Total | \$ 2,995,533 | \$ 144,720 | \$ 3,140,253 | \$ (42,327) | \$ 3,097,926 |
| Segment income | \$ 229,227 | \$ 21,399 | \$ 250,627 | \$ 457 | \$ 251,085 |
| Other items: | | | | | |
| Depreciation and amortization | 25,572 | 13,383 | 38,955 | (677) | 38,278 |
| Amortization of goodwill | 1,599 | 185 | 1,785 | – | 1,785 |
| Amortization of customer related intangible assets | 1,458 | – | 1,458 | – | 1,458 |

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

(a) Business segment information (continued)

- (3) Information as to net sales, income or loss and other items by reportable segment for the years ended March 31, 2023 and 2024 are summarized as follows:
(continued)

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

Note 2: Details of adjustments and eliminations were as follows:

- (i) Segment assets and segment liabilities are not described since these are not allocated to each segment
- (ii) Adjustments and eliminations of segment income of ¥158 million and ¥69 million (\$457 thousand) for the years ended March 31, 2023 and 2024, respectively, reflect the elimination of transactions between segments.
- (iii) Segment income or loss is reconciled to operating income on the consolidated statement of income.
- (iv) Impairment loss of goodwill was recorded in “Others” segment of ¥253 million (\$1,672 thousand) for the year ended March 31, 2024.

(b) Related information

(1) Geographical information

The disclosure of geographical segment information has been omitted as net sales to third parties and property and equipment in Japan constituted more than 90% of the consolidated sales for the years ended March 31, 2023 and 2024.

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

(b) Related information (continued)

(2) Information by major customers

The following table presents major customer information for the years ended March 31, 2023 and 2024:

| | 2023 | 2024 | 2024 |
|---|--------------------------|-----------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Name of customers: | | | |
| Kyushu Electric Power Transmission and Distribution Co., Inc. | | | |
| Reportable segment: | | | |
| Utilities engineering service and Others | | | |
| Net sales | ¥ 47,368 | ¥ 47,918 | \$ 316,480 |

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

The following table presents the amortization and balance of goodwill as of and for the years ended March 31, 2023 and 2024 by reportable segment: Information on amortization of goodwill is omitted because the same information is disclosed in Note 22 (a) (3). The “Others” segment represents the renewable energy generation business.

| | 2023 | | |
|------------------------|-------------------------------|--------|------------------------------------|
| | Utilities engineering service | Others | Adjustments and eliminations |
| | | | Consolidated |
| | | | <i>(Millions of yen)</i> |
| Balance as of March 31 | ¥ 539 | ¥ 281 | ¥ – |
| | | | ¥ 821 |
| | 2024 | | |
| | Utilities engineering service | Others | Adjustments and eliminations |
| | | | Consolidated |
| | | | <i>(Millions of yen)</i> |
| Balance as of March 31 | ¥ 507 | ¥ – | ¥ – |
| | | | ¥ 507 |
| | | | <i>(Thousands of U.S. dollars)</i> |
| Balance as of March 31 | \$ 3,354 | \$ – | \$ – |
| | | | \$ 3,354 |

(d) Gain on bargain purchase by reportable segment

No gain on bargain purchase was recorded for the years ended March 31, 2023 and 2024.

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Related Party Transactions

Transactions and balances with related parties as of and for the years ended March 31, 2023 and 2024 were as follows:

| | 2023 | 2024 | 2024 |
|---|--------------------------|----------------|------------------------------------|
| | <i>(Millions of yen)</i> | | <i>(Thousands of U.S. dollars)</i> |
| Kyushu Electric Power Co., Inc. | | | |
| Construction order | ¥ 1,073 | ¥ 2,562 | \$ 16,926 |
| Electricity sales | 1,558 | 1,537 | 10,157 |
| Accounts receivable on completed construction contracts | 514 | 1,319 | 8,716 |
| Advances received on uncompleted construction contracts | 15 | 2 | 16 |
| Accounts receivable | 56 | 104 | 690 |
| Kyushu Electric Power Transmission and Distribution Co., Inc. | | | |
| Construction order | 43,749 | 44,277 | 292,432 |
| Electricity sales | 2,045 | 1,931 | 12,754 |
| Accounts receivable on completed construction contracts and other accounts receivable | 7,453 | 7,556 | 49,907 |

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

Kyushu Electric Power Co., Inc. (located in Fukuoka City, with a capital amount of ¥237,304 million (\$1,567,299 thousand) engaged in the business of sales of electric power and contracting and related construction work) is a related company which owned 22.75% of the shares of the Company as of March 31, 2023 and 2024.

Kyushu Electric Power Transmission and Distribution Co., Inc. (located in Fukuoka City, with a capital amount of ¥20,000 million (\$132,091 thousand) engaged in the business of sales of electric power and contracting and related construction work is a subsidiary of a related company which owned no shares of the Company as of March 31, 2023 and 2024.

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

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

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Revenue Recognition

Disaggregation of revenue arising from contracts with customers

A disaggregation of revenue by type of goods or services for the years ended March 31, 2023 and 2024 was as follows:

| | 2023 | | |
|--|-------------------------------------|-----------------------------|--------------|
| | Utilities engineering service | Others | Total |
| | | (Millions of yen) | |
| Power distribution line work | ¥ 46,628 | ¥ – | ¥ 46,628 |
| Electrical work | 199,403 | – | 199,403 |
| HVAC and sanitary facility work | 134,323 | – | 134,323 |
| Others | – | 15,428 | 15,428 |
| Revenue arising from contracts with customers | 380,355 | 15,428 | 395,783 |
| Revenue to external customers | ¥ 380,355 | ¥ 15,428 | ¥ 395,783 |
| | 2024 | | |
| | Utilities engineering service | Others | Total |
| | | (Millions of yen) | |
| Power distribution line work | ¥ 48,253 | ¥ – | ¥ 48,253 |
| Electrical work | 251,167 | – | 251,167 |
| HVAC and sanitary facility work | 153,202 | – | 153,202 |
| Others | – | 16,433 | 16,433 |
| Revenue arising from contracts with customers | 452,623 | 16,433 | 469,057 |
| Revenue to external customers | ¥ 452,623 | ¥ 16,433 | ¥ 469,057 |
| | 2024 | | |
| | Utilities engineering service | Others | Total |
| | | (Thousands of U.S. dollars) | |
| Power distribution line work | \$ 318,694 | \$ – | \$ 318,694 |
| Electrical work | 1,658,858 | – | 1,658,858 |
| HVAC and sanitary facility work | 1,011,835 | – | 1,011,835 |
| Others | – | 108,537 | 108,537 |
| Revenue arising from contracts with customers | 2,989,388 | 108,537 | 3,097,926 |
| Revenue to external customers | \$ 2,989,388 | \$ 108,537 | \$ 3,097,926 |

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

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Revenue Recognition (continued)

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

Information that serves as a basis for understanding of revenue arising from contracts with customers is disclosed in Note 2 (q) Significant accounting estimates.

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

(a) Contract assets and contract liabilities outstanding

Beginning and ending balances of contract assets and contract liabilities outstanding for the years ending March 31, 2023 and 2024 were as follows:

| | Beginning of 2023 | End of 2023 |
|---|------------------------------|------------------------|
| | <i>(Millions of yen)</i> | |
| Receivables arising from contracts with customers | | |
| Notes receivable | ¥ 4,715 | ¥ 3,563 |
| Electronically recorded receivables | 15,410 | 19,838 |
| Accounts receivable | 59,123 | 63,246 |
| Other accounts receivable | 5,441 | 6,260 |
| | ¥ 84,690 | ¥ 92,909 |
| Contract assets | ¥ 52,095 | ¥ 55,992 |
| Contract liabilities | 11,546 | 26,627 |
| | | |
| | Beginning of 2024 | End of 2024 |
| | <i>(Millions of yen)</i> | |
| Receivables arising from contracts with customers | | |
| Notes receivable | ¥ 3,563 | ¥ 2,474 |
| Electronically recorded receivables | 19,838 | 25,703 |
| Accounts receivable | 63,246 | 68,054 |
| Other accounts receivable | 6,260 | 8,980 |
| | ¥ 92,909 | ¥ 105,212 |
| Contract assets | ¥ 55,992 | ¥ 59,675 |
| Contract liabilities | 26,627 | 21,676 |

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Revenue Recognition (continued)

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

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

| | Beginning of 2024 | End of 2024 |
|---|------------------------------------|------------------------|
| | <i>(Thousands of U.S. dollars)</i> | |
| Receivables arising from contracts with customers | | |
| Notes receivable | \$ 23,534 | \$ 16,343 |
| Electronically recorded receivables | 131,026 | 169,759 |
| Accounts receivable | 417,716 | 449,470 |
| Other accounts receivable | 41,349 | 59,311 |
| | <u>\$ 613,628</u> | <u>\$ 694,885</u> |
| Contract assets | \$ 369,809 | \$ 394,130 |
| Contract liabilities | 175,864 | 143,165 |

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

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

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

The amount of revenue recognized in the current fiscal year ended March 31, 2024 that was included in the contract liability balance at the beginning of the period was ¥24,596 million (\$162,448 thousand).

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

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Revenue Recognition (continued)

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

(b) Transaction price allocated to remaining performance obligations

The transaction price allocated to the unfulfilled performance obligation recorded for the years ended March 31, 2023 and 2024 amounted to ¥467,801 million and ¥456,042 million (\$3,011,973 thousand), respectively. The remaining performance obligation relates to a construction contract in the Utilities engineering service and is expected to be recognized as revenue primarily within five years as the construction progresses.

26. Subsequent Events

Appropriation of retained earnings

The following appropriation of retained earnings of the Company, which has not been reflected in the consolidated financial statements for the year ended March 31, 2024, was approved at the meeting of the Board of Directors held on April 26, 2024:

| | Total dividends paid | | Record date | Effective date |
|---|----------------------|-----------------------------|----------------|----------------|
| | (Millions of yen) | (Thousands of U.S. dollars) | | |
| Cash dividends (¥65.00 = \$0.43 per share) | ¥ 4,606 | \$ 30,421 | March 31, 2024 | June 4, 2024 |