

Consolidated Financial Statements

KYUDENKO CORPORATION

Year ended March 31, 2025



KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Financial Statements

Year ended March 31, 2025

Contents

Consolidated Financial Statements

Consolidated Balance Sheet	1
Consolidated Statement of Income.....	3
Consolidated Statement of Comprehensive Income	4
Consolidated Statement of Changes in Net Assets	5
Consolidated Statement of Cash Flows.....	7
Notes to Consolidated Financial Statements	9

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2025

	March 31,		
	2024	2025	2025
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Assets			
Current assets:			
Cash on hand and in banks (Notes 17, 19 and 22)	¥ 98,548	¥ 71,693	\$ 479,488
Notes receivable, accounts receivable on completed construction contracts and other accounts receivable (Notes 19 and 24)	164,887	163,446	1,093,138
Short-term investments	—	4	26
Costs of uncompleted construction contracts	9,949	8,988	60,114
Merchandise	614	1,020	6,826
Raw materials and supplies	33,359	36,681	245,326
Other current assets (Note 17)	17,059	17,675	118,217
Allowance for doubtful accounts (Note 19)	(0)	(240)	(1,609)
Total current assets	324,418	299,268	2,001,529
Fixed assets:			
Property and equipment:			
Buildings and structures (Notes 3, 4 and 17)	75,777	76,153	509,322
Machinery, vehicles, tools, furniture and fixtures (Notes 3, 4 and 17)	45,308	46,319	309,788
Land (Notes 4 and 17)	30,207	30,445	203,619
Leased assets	8,084	8,462	56,600
Construction in progress	864	1,106	7,399
Accumulated depreciation	(81,574)	(83,912)	(561,211)
Total property and equipment	78,667	78,575	525,519
Intangible assets:			
Goodwill (Notes 4 and 23)	507	522	3,491
Customer-related intangible assets	1,298	1,022	6,835
Other intangible assets	2,584	2,911	19,469
Total intangible assets	4,390	4,455	29,796
Investments and other assets:			
Investments in securities (Notes 17, 19 and 20)	51,699	55,879	337,724
Investments in unconsolidated subsidiaries and affiliates (Notes 17 and 20)	21,946	24,273	162,345
Long-term loans receivable (Note 17)	14	5	33
Asset for retirement benefits (Note 6)	14,829	18,682	124,949
Deferred tax assets (Note 14)	2,129	1,441	9,641
Other (Note 17)	6,193	7,016	46,923
Allowance for doubtful accounts	(1,004)	(1,125)	(7,529)
Total investments and other assets	95,808	106,172	710,088
Total fixed assets	178,865	189,203	1,265,405
Total assets	¥503,284	¥488,472	\$ 3,266,934

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Balance Sheet (continued)

March 31, 2025

	March 31,		
	2024	2025	2025
	(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)	¥ 71,617	¥ 68,166	\$ 455,903
Electronically recorded obligations (Note 19)	47,881	22,418	149,935
Short-term borrowings (Notes 5 and 17)	1,322	1,351	9,040
Current portion of long-term debt (Notes 5, 17 and 19)	27,608	569	3,806
Lease obligations (Note 5)	1,213	1,247	8,346
Income taxes payable and other (Note 14)	10,712	8,139	54,438
Advances received on uncompleted construction contracts (Notes 24 and 25)	21,553	28,947	193,604
Provision for loss on construction contracts	262	2,756	18,432
Other current liabilities	13,355	13,932	93,181
Total current liabilities	195,527	147,529	986,689
Long-term liabilities:			
Long-term debt (Notes 5, 17 and 19)	3,025	16,779	112,225
Lease obligations (Note 5)	3,380	3,775	25,249
Provision for retirement benefits for directors and audit and supervisory board members	309	278	1,864
Liability for retirement benefits (Note 6)	3,774	3,771	25,223
Provision for share-based payments	87	165	1,107
Provision for loss on business of subsidiaries and associates	2,260	165	1,103
Other long-term liabilities (Note 7)	3,792	3,853	25,770
Total long-term liabilities	16,630	28,789	192,544
Total liabilities	212,158	176,319	1,179,234
Commitments and contingencies (Note 16)			
Net assets (Note 8)			
Shareholders' equity:			
Common stock:			
Authorized – 250,000,000 shares			
Issued – 70,864,961 shares in 2024 and 2025	12,561	12,561	84,012
Capital surplus	13,069	13,220	88,417
Retained earnings	253,824	273,660	1,830,259
Treasury stock, at cost	(493)	(486)	(3,253)
Total shareholders' equity	278,962	298,955	1,999,436
Accumulated other comprehensive income			
Unrealized holding gain on securities	7,810	7,539	50,424
Unrealized gain on hedging instruments	61	245	1,639
Translation adjustments	890	1,091	7,298
Retirement benefit liability adjustments (Note 6)	1,056	2,272	15,197
Total accumulated other comprehensive income	9,818	11,148	74,560
Non-controlling interests	2,344	2,048	13,703
Total net assets	291,125	312,152	2,087,700
Total liabilities and net assets	¥ 503,284	¥ 488,472	\$ 3,266,934

See accompanying notes to consolidated financial statements.

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Income

Year ended March 31, 2025

	Year ended March 31,		
	2024	2025	2025
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Net sales (Notes 9, 23 and 25):			
Construction contracts	¥ 452,623	¥ 454,373	\$ 3,038,882
Other	16,433	19,580	130,957
Total net sales	469,057	473,954	3,169,840
Cost of sales (Notes 10 and 12):			
Construction contracts	392,462	388,635	2,599,219
Other	11,961	14,617	97,764
Total cost of sales	404,424	403,253	2,696,983
Gross profit:			
Construction contracts	60,160	65,738	439,663
Other	4,472	4,963	33,192
Total gross profit	64,632	70,701	472,856
Selling, general and administrative expenses (Notes 11 and 12)	26,615	29,313	196,048
Operating income (Note 23)	38,016	41,388	276,808
Non-operating income (expenses):			
Interest income	211	162	1,087
Dividend income	1,441	1,239	8,287
Interest expenses	(466)	(515)	(3,448)
Equity in earnings of affiliates	970	493	3,299
Gain on investments in partnership	1,392	1,463	9,790
Rent income	318	335	2,241
Extra retirement payments	(89)	(119)	(802)
Provision of allowance for doubtful accounts of subsidiary	(14)	(160)	(1,070)
Provision of allowance for doubtful accounts	(103)	(241)	(1,618)
Commission expenses	(2)	(171)	(1,144)
Other, net	687	560	3,749
Ordinary income	42,362	44,434	297,180
Extraordinary income (loss):			
Gain on sales of property and equipment	39	181	1,212
Loss on disposal and sales of fixed assets	(371)	(268)	(1,797)
Gain on sales of investments in securities (Note 20)	2,667	464	3,103
Reversal of provision for loss on business of subsidiaries and associates	—	497	3,326
Impairment loss on investments in securities (Note 20)	(422)	—	—
Impairment loss (Notes 4 and 23)	(856)	(277)	(1,852)
Loss on sales of investments in securities (Note 20)	(0)	(527)	(3,529)
Loss on liquidation of subsidiaries and associates	—	(45)	(302)
Provision for loss on business of subsidiaries and associates (Note 13)	(2,260)	(165)	(1,103)
Profit before income taxes	41,158	44,293	296,236
Income taxes (Note 14):			
Current	15,713	15,100	100,993
Deferred	(2,796)	136	913
Profit	28,240	29,056	194,329
Profit attributable to:			
Non-controlling interests	223	172	1,156
Owners of parent	¥ 28,017	¥ 28,883	\$ 193,173

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

Year ended March 31, 2025

	Year ended March 31		
	2024	2025	2025
	(Millions of yen)		(Thousands of U.S. dollars)
			(Note 1)
Profit	¥ 28,240	¥ 29,056	\$ 194,329
Other comprehensive income (Note 15):			
Unrealized holding gain on securities	5,340	(277)	(1,855)
Translation adjustments	234	218	1,460
Retirement benefit liability adjustments (Note 6)	2,831	1,215	8,129
Share of other comprehensive income of entities accounted for using equity method	119	180	1,205
Total other comprehensive income	8,527	1,336	8,940
Comprehensive income	¥ 36,768	¥ 30,392	\$ 203,269
Comprehensive income attributable to:			
Owners of parent	¥ 36,510	¥ 30,203	\$ 202,003
Non-controlling interests	257	189	1,265

See accompanying notes to consolidated financial statements.

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2025

	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>(Millions of yen)</i>											
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 April 1, 2024	12,561	13,069	253,824	(493)	278,962	7,810	61	890	1,056	9,818	2,344	291,125
Cash dividends paid	—	—	(9,212)	—	(9,212)	—	—	—	—	—	—	(9,212)
Profit attributable to owners of parent for the period	—	—	28,883	—	28,883	—	—	—	—	—	—	28,883
Purchase of treasury stock	—	—	—	(3)	(3)	—	—	—	—	—	—	(3)
Disposal of treasury stock	—	—	—	9	9	—	—	—	—	—	—	9
Purchase of shares of consolidated subsidiaries	—	150	—	—	150	—	—	—	—	—	—	150
Increase in retained earnings due to change in accounting period of subsidiaries	—	—	164	—	164	—	—	—	—	—	—	164
Net changes in items other than those in shareholders' equity	—	—	—	—	—	(270)	183	201	1,215	1,329	(295)	1,034
Net changes during the year	—	150	19,835	6	19,993	(270)	183	201	1,215	1,329	(295)	21,027
Balance at March 31, 2025	¥ 12,561	¥ 13,220	¥ 273,660	¥ (486)	¥ 298,955	¥ 7,539	¥ 245	¥1,091	¥ 2,272	¥11,148	¥ 2,048	¥ 312,152

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets (continued)

Year ended March 31, 2025

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized holding gain on securities	Unrealized gain on hedging instruments	Translation adjustments	Retirement benefit liability adjustments	Total accumulated other comprehensive income	Non- controlling interests	Total net assets
<i>(Thousands of U.S. dollars) (Note 1)</i>												
Balance at April 1, 2024	\$ 84,012	\$ 87,410	\$ 1,697,596	\$ (3,297)	\$ 1,865,721	\$ 52,234	\$ 413	\$ 5,952	\$ 7,067	\$ 65,668	\$ 15,678	\$ 1,947,069
Cash dividends paid	—	—	(61,611)	—	(61,611)	—	—	—	—	—	—	(61,611)
Profit attributable to owners of parent for the period	—	—	193,173	—	193,173	—	—	—	—	—	—	193,173
Purchase of treasury stock	—	—	—	(22)	(22)	—	—	—	—	—	—	(22)
Disposal of treasury stock	—	—	—	66	66	—	—	—	—	—	—	66
Purchase of shares of consolidated subsidiaries	—	1,007	—	—	1,007	—	—	—	—	—	—	1,007
Increase in retained earnings due to change in accounting period of subsidiaries	—	—	1,102	—	1,102	—	—	—	—	—	—	1,102
Net changes in items other than those in shareholders' equity	—	—	—	—	—	(1,809)	1,225	1,346	8,129	8,891	(1,975)	6,916
Net changes during the year	—	1,007	132,663	43	133,714	(1,809)	1,225	1,346	8,129	8,891	(1,975)	140,631
Balance at March 31, 2025	\$ 84,012	\$ 88,417	\$ 1,830,259	\$ (3,253)	\$ 1,999,436	\$ 50,424	\$ 1,639	\$ 7,298	\$ 15,197	\$ 74,560	\$ 13,703	\$ 2,087,700

See accompanying notes to consolidated financial statements.

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

Year ended March 31, 2025

	2024	2025	2025
	<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	¥ 41,158	¥ 44,293	\$ 296,236
Depreciation and amortization	6,016	6,454	43,166
Impairment loss	856	277	1,852
Increase in allowance for doubtful accounts	15	361	2,418
Increase in retirement benefit asset	(536)	(3,853)	(25,769)
(Decrease) increase in liability for retirement benefits and provision for retirement benefits for directors and audit and supervisory board members	(330)	1,637	10,950
Increase in provision for loss on construction contracts	240	2,493	16,678
Increase (decrease) in provision for loss on business of subsidiaries and associates	2,260	(2,095)	(14,011)
Gain on investments in partnership	(1,392)	(1,463)	(9,790)
Interest and dividend income	(1,653)	(1,401)	(9,374)
Interest expenses	466	515	3,448
Foreign exchange gain	(89)	(114)	(768)
Equity in earnings of affiliates	(675)	(138)	(925)
Gain on sales of property and equipment, net	(39)	(112)	(749)
Loss on disposal of fixed assets	365	198	1,324
Impairment loss on investments in securities	422	—	—
(Gain) loss on sales of investments in securities, net	(2,667)	63	426
(Increase) decrease in notes and accounts receivable on completed construction contracts and contract assets	(15,594)	2,530	16,921
(Increase) decrease in costs of uncompleted construction contracts	(2,476)	909	6,083
Increase in inventories	(1,403)	(3,711)	(24,823)
Increase (decrease) in notes and accounts payable on construction contracts	20,767	(29,510)	(197,370)
(Decrease) increase in advances received on uncompleted construction contracts	(5,251)	7,215	48,260
Decrease in long-term accounts payable	(35)	(39)	(264)
Increase (decrease) in consumption taxes payable, net	10,223	(1,414)	(9,457)
Other, net	3,264	3,104	20,766
Subtotal	53,913	26,200	175,228
Interest and dividend income received	1,626	1,327	8,878
Interest expenses paid	(466)	(515)	(3,448)
Income taxes paid	(11,103)	(18,355)	(122,764)
Net cash provided by operating activities	¥ 43,969	¥ 8,656	\$ 57,893

KYUDENKO CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Cash Flows (continued)

Year ended March 31, 2025

	2024	2025	2025
	<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	¥ (7,084)	¥ (2,884)	\$ (19,294)
Proceeds from withdrawal of time deposits	7,038	5,992	40,075
Purchase of property and equipment	(1,836)	(3,791)	(25,359)
Proceeds from sales of property and equipment	289	512	3,425
Payments of disposal of property and equipment	(182)	(61)	(413)
Purchase of investments in securities	(2,105)	(6,164)	(41,229)
Proceeds from sales of investments in securities	3,354	1,533	10,257
Payments for purchase of investments in subsidiaries resulting in changes in scope of consolidation	(361)	(504)	(3,375)
Collection of long-term loans receivable	35	74	500
Other, net	(1,462)	(3,616)	(24,184)
Net cash used in investing activities	(2,314)	(8,910)	(59,596)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	122	(72)	(486)
Proceeds from long-term debt	—	14,000	93,632
Repayments of long-term debt	(1,231)	(27,599)	(184,589)
Purchase of treasury stock	(482)	(3)	(22)
Proceeds from sale of treasury shares	—	5	38
Cash dividends paid	(8,148)	(9,204)	(61,557)
Cash dividends paid to non-controlling shareholders	(4)	(4)	(27)
Repayments to non-controlling shareholders	(22)	(20)	(135)
Purchase of subsidiaries' shares not resulting in changes in scope of consolidation	—	(309)	(2,068)
Other, net	(1,265)	(1,344)	(8,989)
Net cash used in financing activities	(11,032)	(24,552)	(164,205)
Effect of exchange rate changes on cash and cash equivalents	113	326	2,186
Net increase(decrease) in cash and cash equivalents	30,736	(24,479)	(163,722)
Cash and cash equivalents at the beginning of the year	63,851	94,588	632,611
Increase in cash and cash equivalents resulting from changes in accounting period of consolidated subsidiaries	—	328	2,198
Cash and cash equivalents at the end of the year	¥ 94,588	¥ 70,437	\$ 471,087
<i>(Note 22)</i>			

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2025

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{¥}149.52 = \text{U.S.}\1.00 , the rate of exchange prevailing on March 31, 2025. 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, 2025 and 2024 have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements for the years ended March 31, 2025 and 2024 (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, 2025, the numbers of consolidated subsidiaries and affiliates accounted for by the equity method were 52 and 9 (51 and 9 in 2024), respectively.

During the year ended March 31, 2025, the following events and/or transactions have occurred, which resulted in changes in the scope of consolidation.

The Company acquired all shares of SHINSEI AIR CONDITIONING Co.,Ltd. on February 5, 2025, and this subsidiary was newly included in 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 in relation to projects for which it is considered likely that losses will be incurred in the future and a reasonable estimate of the anticipated loss amount can be made.

(l) Provision for 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

Revenue arising 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. The Group does not enter into derivative transactions for speculative purposes.

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

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

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

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, 2024 and 2025, respectively

Revenue arising from construction contracts accounted for by the percentage-of-completion method was ¥279,555 and ¥268,181 million (\$1,793,613 thousand) for the years ended March 31, 2024 and 2025, 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 accounting policies

Accounting Standard for Current Income Taxes (Accounting Standards Board of Japan ("ASBJ") Statement No.27, October 28, 2022) , hereinafter,"2022 Revised Accounting Standard") has been adopted from the beginning of the current fiscal year.

The revisions related to the classification of income taxes (taxes on other comprehensive income) were made in accordance with the transitional treatment provided for in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard and the proviso to Paragraph 65-2(2) of the Guidance on Accounting Standard for Tax Effect Accounting((ASBJ Guidance No.28 , October 28, 2022), hereinafter, "2022 Revised Application Guidance") , as a result this change in accounting policy has no impact on the consolidated financial statements.

In addition , the 2022 Revised Application Guidance has been adopted from the beginning of the current fiscal year for the revisions related to the changes in the treatment in consolidated financial statements of tax deferral of gains or losses arising from intragroup sales of shares of subsidiaries. This change in accounting policy has been retrospectively applied to the Company's consolidated financial statements for the previous fiscal year.

As a result this change in accounting policy had no impact on the consolidated financial statements for the previous fiscal year.

(u) Accounting standards issued but not yet effective

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

(1) Overview

As part of the efforts taken by the ASBJ to align Japanese accounting standards with international standards, discussions have been held regarding the development of accounting standards for leases that require the recognition of assets and liabilities for all lessee leases, taking international accounting standards into consideration. The guiding principle is to base these standards on a single accounting model for lessees as outlined in IFRS 16; however, rather than adopting all the provisions of IFRS 16, the aim is to

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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

primarily incorporate the key provisions. This approach seeks to create a lease accounting standard that is simple, convenient, and, in principle, does not require modifications when applying the provisions of IFRS 16 to stand-alone financial statements.

For the accounting treatment of lessees concerning lease expense allocation, a single accounting model is applied for all leases, regardless of whether they are finance leases or operating leases, as outlined in IFRS 16. This model requires the recording of depreciation expense related to the right-of-use assets and interest expense related to the lease liability.

(2) Scheduled date of adoption

The Company expects to adopt the accounting standard and related implementation guidance from the beginning of the fiscal year ending March 31, 2028.

(3) Impact of adoption

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

(v) Change in presentation

“Commission expenses” under “Non-operating income (expenses)” was included in “Other, net.” for the fiscal year ended March 31, 2024, but due to an increase in materiality for the fiscal year ended March 31, 2025, it is presented separately. In order to reflect this change in presentation method, the consolidated financial statements for the fiscal year ended March 31, 2024 have been reclassified. As a result, in the consolidated statement of income for the fiscal year ended March 31, 2024, “Other, net,” previously presented in the amount of ¥684 million, was reclassified as “Commission expenses” in the amount of ¥2 million and “Other, net” in the amount of “Commission expenses” in the amount of ¥687 million.

(w) Additional information

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

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

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

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(w) Additional information (continued)

(2) Company's shares held by the Trust

The Company's shares held by the Trust are recorded as treasury stock in net assets at the book value in the Trust (excluding any ancillary expenses). The book value and number of shares of the relevant treasury stock are ¥469 million (\$3,142 thousand) and 113,600 shares as of March 31, 2025, and ¥479 million and 116,000 shares as of March 31, 2024, 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, 2024 and 2025 are as follows:

	2024	2025	2025
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Structures	¥ 283	¥ 283	\$ 1,894
Machinery	2,679	2,584	17,282
	<u>¥2,963</u>	<u>¥2,867</u>	<u>\$ 19,177</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 years ended March 31, 2024 and 2025.

Location	Classification	2024	
		<i>(Millions of yen)</i>	
Kirishima city	Goodwill	¥ 253	
Kagoshima prefecture	Building and structures	126	
	Others	302	
Location	Classification	2025	
		<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Saito city and Nishiusuki District,	Building and structures	¥ 33	\$ 222
Miyazaki prefecture	Land	203	1,360

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Impairment Loss (continued)

For the year ended March 31, 2025, due to the closure of the sales office, the book value of the tangible fixed assets was reduced to the recoverable amount, and impairment loss on these of ¥236 million (\$1,582 thousand) was recognized in the consolidated statement of income.

The recoverable amount is measured based on the net selling price, and buildings and structures, and others are valued based on real estate appraisal values.

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 0.97% and 1.14% for the years ended March 31, 2024 and 2025, respectively.

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

	<u>2024</u>	<u>2025</u>	<u>2025</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Loans from banks due through 2035 with interest rates ranging from 0.000% to 2.125%	¥ 30,633	¥ 17,349	\$ 116,032
Lease obligations due through 2036	4,594	5,023	33,596
	35,228	22,372	149,628
Less current portion	(28,821)	(1,817)	(12,153)
	<u>¥ 6,406</u>	<u>¥ 20,555</u>	<u>\$ 137,475</u>

The aggregate annual maturities of long-term debt and lease obligations as of March 31, 2025 are summarized as follows:

<u>Years ending March 31,</u>	<u>(Millions of yen)</u>	<u>(Thousands of U.S. dollars)</u>
2026	¥ 1,817	\$ 12,153
2027	15,630	104,536
2028	1,499	10,031
2029	1,247	8,341
2030	866	5,793
2031 and thereafter	1,311	8,772
	<u>¥ 22,372</u>	<u>\$ 149,628</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, 2024 and 2025 were as follows:

	2024	2025	2025
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at the beginning of the year	¥ 41,455	¥ 39,744	\$ 265,811
Service cost	1,906	1,779	11,898
Interest cost	539	636	4,253
Actuarial gain and loss	(1,651)	(1,852)	(12,392)
Retirement benefit paid	(2,504)	(1,880)	(12,573)
Prior service cost	—	—	—
Balance at the end of the year	¥ 39,744	¥ 38,426	\$ 256,997

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

	2024	2025	2025
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at the beginning of the year	¥ 48,567	¥ 50,950	\$ 340,759
Expected return on plan assets	971	1,019	6,815
Actuarial gain and loss	1,776	(228)	(1,526)
Contributions by the Company	1,955	3,478	23,262
Retirement benefit paid	(2,378)	(1,805)	(12,072)
Other	58	58	394
Balance at the end of the year	¥ 50,950	¥ 53,473	\$ 357,632

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, 2024 and 2025 for the Group's defined benefit plans:

	2024	2025	2025
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Funded retirement benefit obligation	¥ 37,073	¥ 35,824	\$ 239,596
Plan assets at fair value	(50,950)	(53,473)	(357,632)
	(13,877)	(17,648)	(118,036)
Unfunded retirement benefit obligation	2,670	2,601	17,400
Net liability for retirement benefits in the consolidated balance sheet	(11,206)	(15,047)	(100,635)
Liability for retirement benefits	2,670	2,601	17,400
Asset for retirement benefits	(13,877)	(17,648)	(118,036)
Net liability for retirement benefits in the consolidated balance sheet	¥(11,206)	¥ (15,047)	\$ (100,635)

4) The components of retirement benefit expenses for the years ended March 31, 2024 and 2025 were as follows:

	2024	2025	2025
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Service cost	¥ 1,847	¥ 1,720	\$ 11,503
Interest cost	539	639	4,253
Expected return on plan assets	(971)	(1,019)	(6,815)
Amortization of actuarial gain and loss	112	(365)	(2,447)
Amortization of prior service cost	531	531	3,558
Other	89	119	802
Retirement benefit expenses	¥ 2,149	¥ 1,623	\$ 10,855

Contributions from employees of ¥58 million and ¥58 million (\$394 thousand) for the years ended March 31, 2024 and 2025, 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 deduction of income taxes and tax effects) for the years ended March 31, 2024 and 2025 were as follows:

	2024	2025	2025
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Prior service cost	¥ (531)	¥ (531)	\$ (3,558)
Actuarial gain and loss	(3,539)	(1,258)	(8,418)
Total	<u>¥ (4,071)</u>	<u>¥ (1,790)</u>	<u>\$ (11,976)</u>

6) The components of retirement benefit liability adjustments included in accumulated other comprehensive income (before deduction of income taxes and tax effects) as of March 31, 2024 and 2025 were as follows:

	2024	2025	2025
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unrecognized prior service cost	¥ 5,801	¥ 5,269	\$ 35,240
Unrecognized actuarial gain and loss	(7,320)	(8,579)	(57,380)
Total	<u>¥(1,519)</u>	<u>¥ (3,310)</u>	<u>\$ (22,140)</u>

7) The fair value of plan assets, by major category, as a percentage of total plan assets at March 31, 2024 and 2025 was as follows:

	2024	2025
Bonds	34%	39%
Stocks	20%	20%
General accounts of life insurance	4%	4%
Alternative investments	28%	35%
Other	14%	2%
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>2024</u>	<u>2025</u>
Discount rates	1.6%	2.4%
Expected rates of return on plan assets	2.0%	2.0%

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

1) The changes in liability for retirement benefits calculated using the simplified method for the years ended March 31, 2024 and 2025 were as follows:

	<u>2024</u>	<u>2025</u>	<u>2025</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at the beginning of the year	¥ 646	¥ 150	\$ 1,009
Retirement benefit expenses	76	583	3,902
Retirement benefit paid	(132)	(147)	(986)
Contributions	(459)	(470)	(3,145)
Other	19	18	125
Balance at the end of the year	<u>¥ 150</u>	<u>¥ 135</u>	<u>\$ 906</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, 2024 and 2025 for the defined benefit plans:

	<u>2024</u>	<u>2025</u>	<u>2025</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Funded retirement benefit obligation	¥ 5,220	¥ 5,430	\$ 36,317
Plan assets at fair value	(5,397)	(5,681)	(37,997)
	(177)	(251)	(1,679)
Unfunded retirement benefit obligation	328	387	2,588
Net liability for retirement benefits in the consolidated balance sheet	<u>150</u>	<u>135</u>	<u>908</u>
Liability for retirement benefits	1,103	1,169	7,822
Asset for retirement benefits	(952)	(1,033)	(6,913)
Net liability for retirement benefits in the consolidated balance sheet	<u>¥ 150</u>	<u>¥ 135</u>	<u>\$ 908</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 ¥76 million and ¥583 million (\$3,902 thousand) for the years ended March 31, 2024 and 2025, respectively

(c) Defined contribution plans

Contributions made to defined contribution plans by the Company for the years ended March 31, 2024 and 2025 were ¥535 million and ¥552 million (\$3,694 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 2.029% 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, 2024 and 2025:

	2024	2025	2025
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at the beginning of the year	¥ 1,669	¥ 1,696	\$ 11,344
Increase due to acquisition of fixed assets	1	20	135
Increase due to change in estimate	—	68	454
Adjustment due to passage of time	25	25	169
Decrease due to fulfillment of asset retirement obligations	—	(40)	(268)
Balance at the end of the year	¥ 1,696	¥ 1,769	\$ 11,836

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, 2024 and 2025 amounted to ¥12,543 million (\$83,894 thousand).

There was no legal reserve for the years ended March 31, 2024 and 2025.

(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.

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, 2025:

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

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

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

(b) Share subscription rights

No share subscription rights were outstanding.

(c) Dividends

1) Dividends paid

For the year ended March 31, 2024:

	<i>Total dividends</i>	<i>Record date</i>	<i>Effective date</i>
	<i>(Millions of yen)</i>		
Resolution: Meeting of the Board of Directors on April 28, 2023			
Cash dividends (¥60.00 (\$0.40) per share)	¥ 4,251	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	September 30, 2023	December 1, 2023

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, 2025:

	<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 26, 2024				
Cash dividends (¥65.00 (\$0.43) per share)	¥ 4,606	\$ 30,806	March 31, 2024	June 6, 2024
Resolution: Meeting of the Board of Directors on October 30, 2024				
Cash dividends (¥65.00 (\$0.43) per share)	4,606	30,805	September 30, 2024	December 2, 2024

9. Net Sales

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

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

Provision for loss on construction contracts included in cost of sales for the years ended March 31, 2024 and 2025 represents a provision of ¥240 million and ¥2,493 million (\$16,678 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, 2024 and 2025 were as follows:

	2024	2025	2025
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Salaries and wages	¥ 10,543	¥ 11,604	\$ 77,611
Retirement benefit expenses	513	427	2,861
Retirement benefits expenses for directors and audit and supervisory board members	50	50	334
Depreciation and amortization	1,637	2,064	13,809

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, 2024 and 2025 amounted to ¥344 million and ¥346 million (\$2,314 thousand), respectively.

13. Provision for Loss on Business of Subsidiaries and Associates

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

Taking into consideration the financial position of a non-equity method affiliate in the renewable energy power generation business, the Company recorded "Reversal of provision for loss on business of subsidiaries and associates" as extraordinary income to the anticipated losses are no longer expected.

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, 2024 and 2025, respectively. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The reconciliation between the effective tax rates reflected in the consolidated statement of income and the effective statutory tax rates for year ended March 31, 2025 is as follows. The reconciliation for the year ended March 31, 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)

	2024	2025
Effective statutory tax rate	—	30.46%
Effect of:	—	
Permanently non-tax-deductible expenses	—	0.98
Permanently non-taxable income	—	(0.53)
Per capita inhabitant tax	—	0.46
Valuation allowance	—	0.64
Impact of tax rate change	—	0.17
Other	—	2.22
Effective tax rate	—	34.40%

The significant components of deferred tax assets and liabilities as of March 31, 2024 and 2025 were as follows:

	2024	2025	2025
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Deferred tax assets:			
Accrued bonuses	¥ 2,780	¥ 3,421	\$ 22,885
Liability for retirement benefits	906	1,196	8,000
Loss carryforwards	299	1,158	7,746
Unrealized profits on fixed assets	1,047	1,012	6,768
Asset retirement obligations	535	581	3,886
Other	6,850	6,820	45,615
Gross deferred tax assets	12,420	14,189	94,902
Valuation allowance	(1,116)	(2,018)	(13,497)
Total deferred tax assets	11,303	12,171	81,404
Deferred tax liabilities:			
Asset for retirement benefits	(3,395)	(5,841)	(39,068)
Unrealized holding gain on other securities	(3,422)	(3,493)	(23,363)
Reserve for deductions in acquisition costs of property and equipment	(1,147)	(1,163)	(7,782)
Other	(2,585)	(1,557)	(10,419)
Total deferred tax liabilities	(10,552)	(12,056)	(80,634)
Net deferred tax assets	¥ 751	¥ 115	\$ 769

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, 2024 and 2025 were as follows:

	2024	2025	2025
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unrealized holding gain on securities:			
Amount arising during the year	¥ 7,766	¥ 176	\$ 1,182
Reclassification adjustments for gain and loss included in profit attributable to owners of parent	(136)	(394)	(2,641)
Amount before income taxes and tax effect	7,629	(218)	(1,458)
Income taxes and tax effect	(2,288)	(59)	(397)
Unrealized holding gain(loss) on securities	5,340	(277)	(1,855)
Translation adjustments:			
Amount arising during the year	234	218	1,460
Retirement benefit liability adjustments:			
Amount arising during the year	3,427	1,624	10,865
Reclassification adjustments for gain and loss included in profit attributable to owners of parent	644	166	1,110
Amount before income taxes and tax effect	4,071	1,790	11,976
Income taxes and tax effect	(1,240)	(575)	(3,847)
Retirement benefit liability adjustments	2,831	1,215	8,129
Share of other comprehensive income of affiliates accounted for by the equity method:			
Amount arising during the year	119	180	1,205
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:	119	180	1,205
Total other comprehensive income	¥ 8,527	¥ 1,336	\$ 8,940

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. Commitments and Contingencies

At March 31, 2024 and 2025, 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

	2024	2025	2025
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Debt guarantee:			
The Hokuriku Bank, Ltd. and others (Matusima Fuuryoku Co.)	¥ 1,546	¥ 1,401	¥ 9,372

Endorsement for transfer of notes receivable

	2024	2025	2025
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
	¥ 1	¥ 2	\$ 19

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, 2024 and 2025, the Company had loan commitment agreements with 7 companies and 4 companies, respectively. The unused balances under the loan commitment contracts at March 31, 2024 and 2025 were as follows:

	2024	2025	2025
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Total loan commitments	¥ 114	¥ 51	\$ 343
Aggregated borrowings	—	—	—
Unused balances	¥ 114	¥ 51	\$ 343

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Pledged Assets

The assets pledged as collateral for short-term borrowings of ¥388 million and ¥384 million (\$2,569 thousand) and long-term debt of ¥2,074 million and ¥2,013 million (\$13,465 thousand) of the Company's investees involved in the renewable energy generation business and/or PFI business at March 31, 2024 and 2025, respectively, were as follows:

	2024	2025	2025
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Cash on hand and in banks	¥ 566	¥ 529	\$ 3,541
Short-term loans receivable included in Other current assets	46	2	17
Buildings and structures	136	200	1,339
Machinery, vehicles, tools, furniture and fixtures	1,446	1,270	8,499
Land	523	722	4,834
Investments in securities	13,096	14,024	93,796
Long-term loans receivable	7	4	32
Total	<u>¥ 15,823</u>	<u>¥ 16,755</u>	<u>\$ 112,060</u>

18. Amounts Per Share

Per share information as of March 31, 2024 and 2025 and for the years then ended is as follows:

	2024	2025	2025
	<i>(Yen)</i>		<i>(U.S. dollars)</i>
Profit attributable to owners of parent:			
Basic	¥ 395.87	¥ 408.36	\$ 2.73
Net assets	4,082.95	4,384.30	29.32

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>2024</u>	<u>2025</u>
	<i>(Thousands of shares)</i>	
Weighted average number of shares for basic profit attributable to owners of parent	70,773	70,730

The entire amounts of profit attributable to owners of parent of ¥28,017 million and ¥28,883 million (\$193,173 thousand) for the years ended March 31, 2024 and 2025 were attributable to common shareholders.

In the calculation of basic profit attributable to owners of parent per share, the Company's shares remaining in the Trust for the Delivery of Company Shares to Directors are included as treasury stock that is excluded from the weighted average number of shares during the period. The weighted average number of such treasury stock is 71,385 shares and 113,900 shares for the years ended March 31, 2024 and 2025, respectively.

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

	<u>2024</u>	<u>2025</u>	<u>2025</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Total net assets	¥ 291,125	¥ 312,152	\$ 2,087,700
Amounts deducted from total net assets:			
Non-controlling interests	<u>(2,344)</u>	<u>(2,048)</u>	<u>(13,703)</u>
Net assets attributable to shares of common stock	<u>¥ 288,781</u>	<u>¥ 310,104</u>	<u>\$ 2,073,996</u>
	<u>2024</u>	<u>2025</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>(136)</u>	<u>(134)</u>	
Number of shares of common stock used for the calculation of net assets per share	<u>70,728</u>	<u>70,730</u>	

In the calculation of net assets per share, the Company's shares remaining in the Trust for the Delivery of Company Shares to Directors are included as treasury stock that is excluded from the total number of issued shares at the end of the period. The number of such treasury stock is 116,000 shares and 113,600 shares as of March 31, 2024 and 2025, 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.

Securities and Investments 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, 2024 and 2025, 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:

	2024		
	Carrying value	Estimated fair value	Difference
	<i>(Millions of yen)</i>		
Cash on hand and in banks	¥ 98,548	¥ 98,548	¥ –
Notes receivable, accounts receivable on completed construction contracts and other accounts receivable	164,887	164,887	–
Less: Allowance for doubtful accounts ^{(*)1}	(0)	(0)	–
	164,887	164,887	–
Investments in securities	27,026	27,026	–
Total assets	¥ 290,462	¥ 290,462	¥ –
Notes payable, accounts payable on construction contracts and other accounts payable	71,617	71,617	–
Electronically recorded obligations	47,881	47,881	–
Long-term debt ^{(*)2}	30,633	30,599	(34)
Total liabilities	¥ 150,133	¥ 150,099	¥ (34)
Derivatives	¥ –	¥ –	¥ –

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Financial Instruments (continued)

Estimated fair value of financial instruments (continued)

	2025					
	Carrying value	Estimated fair value <i>(Millions of yen)</i>	Difference	Carrying value	Estimated fair value <i>(Thousands of U.S. dollars)</i>	Difference
Cash on hand and in banks	¥ 71,693	¥ 71,693	¥ –	\$ 479,488	\$ 479,488	\$ –
Notes receivable, accounts receivable on completed construction contracts and other accounts receivable	163,446	163,446	–	1,093,138	1,093,138	–
Less: Allowance for doubtful accounts ^(*)	(0)	(0)	–	(4)	(4)	–
	163,445	163,445	–	1,093,133	1,093,133	–
Investments in securities	29,264	29,264	–	195,722	195,722	–
Total assets	¥ 264,402	¥ 264,402	¥ –	\$ 1,768,344	\$ 1,768,344	\$ –
Notes payable, accounts payable on construction contracts and other accounts payable	68,166	68,166	–	455,903	455,903	–
Electronically recorded obligations	22,418	22,418	–	149,935	149,935	–
Long-term debt ^(*)	17,349	17,229	(119)	116,032	115,235	(796)
Total liabilities	¥ 107,934	¥ 107,815	¥(119)	\$ 721,871	\$ 721,074	\$ (796)
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 ¥27,995 million and ¥30,414 million (\$203,417 thousand) and investment in investment partnership and others of ¥18,623 million and ¥20,473 million (\$136,929 thousand) as of March 31, 2024 and 2025, 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, 2024 and 2025 were as follows:

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

KYUDENKO CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Financial Instruments (continued)

Estimated fair value of financial instruments (continued)

	2025			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	<i>(Thousands of U.S. dollars)</i>			
Cash on hand and in banks	\$ 479,488	\$ —	\$ —	\$ —
Notes receivable, accounts receivable on completed construction contracts and other accounts receivable	1,093,138	—	—	—
Short-term investments and investments in securities:				
Other securities with maturities (debt securities)	26	—	—	215
Other securities with maturities (Other)	—	4,471	12,354	160,520
Total	<u>\$ 1,572,653</u>	<u>\$ 4,471</u>	<u>\$ 12,354</u>	<u>\$ 160,735</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

2024				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>(Millions of yen)</i>			
Securities and investments in securities				
Other securities:				
Stocks	¥ 26,979	¥ –	¥ –	¥ 26,979
Government and corporate bonds	–	47	–	47
2025				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>(Millions of yen)</i>			
Securities and investments in securities				
Other securities:				
Stocks	¥ 29,222	¥ –	¥ –	¥ 29,222
Government and corporate bonds	–	42	–	42
2025				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>(Thousands of U.S. dollars)</i>			
Securities and investments in securities				
Other securities:				
Stocks	\$ 195,438	\$ –	\$ –	\$ 195,438
Government and corporate bonds	–	283	–	283

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

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

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

	2025			
	Level 1	Level 2	Level 3	Total
	<i>(Thousands of U.S. dollars)</i>			
Long-term debt	\$ –	\$ 115,235	\$ –	\$ 115,235

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

(a) Securities and Investments 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, 2024 and 2025 is as follows:

	2024		
	Carrying value	Acquisition cost	Difference
	<i>(Millions of yen)</i>		
Securities whose carrying value exceeds their acquisition cost			
Equity securities	¥ 26,392	¥ 15,039	¥11,353
Debt securities:			
Corporate bonds	—	—	—
Others	43	32	10
Others	1	1	0
Subtotal	26,437	15,072	11,365
Securities whose carrying value does not exceed their acquisition cost			
Equity securities	584	664	(80)
Debt securities:			
Corporate bonds	4	4	—
Others	—	—	—
Others	—	—	—
Subtotal	588	668	(80)
Total	¥ 27,026	¥ 15,741	¥11,285

	2025					
	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	¥ 27,553	¥ 16,326	¥ 11,226	\$ 184,276	\$ 109,192	\$ 75,083
Debt securities:						
Corporate bonds	—	—	—	—	—	—
Others	42	32	10	283	215	68
Others	1	1	0	12	9	3
Subtotal	27,597	16,360	11,237	184,573	109,417	75,156
Securities whose carrying value does not exceed their acquisition cost						
Equity securities	1,667	1,820	(153)	11,149	12,175	(1,026)
Debt securities:						
Corporate bonds	4	4	—	26	26	—
Others	—	—	—	—	—	—
Others	—	—	—	—	—	—
Subtotal	1,671	1,824	(153)	11,176	12,202	(1,026)
Total	¥ 29,268	¥ 18,184	¥ 11,083	\$ 195,749	\$ 121,619	\$ 74,129

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, 2024 and 2025 was as follows:

	2024			2025		
	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	¥ 2,972	¥ 2,667	¥ –			
Debt securities:						
Corporate bonds	–	–	–	–	–	–
Others	–	–	–	–	–	–
Others	10	–	0	–	–	–
	<u>¥ 2,983</u>	<u>¥ 2,667</u>	<u>¥ 0</u>	<u>\$ 5,418</u>	<u>\$ 3,103</u>	<u>\$ 462</u>

- (c) Impairment losses on securities classified as other securities of ¥122 million and nil were recognized for the years ended March 31, 2024 and 2025, respectively. Also, impairment losses on securities classified as investments in unconsolidated subsidiaries and affiliates of ¥299 million 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, 2024 and 2025, for which hedge accounting has been applied.

Interest-related transactions

<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>	2025		
				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	¥ 8,354	¥ 7,671	¥ 344
<i>Method of hedge accounting</i>	<i>Hedging instruments</i>		<i>Hedged items</i>	2025		
				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	\$ 55,878	\$ 51,310	\$ 2,306

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, 2024 and 2025 are reconciled to cash on hand and in banks in the consolidated balance sheet as follows:

	2024	2025	2025
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Cash on hand and in banks	¥ 98,548	¥ 71,693	\$ 479,488
Time deposits with maturities of more than three months	(3,959)	(1,238)	(8,281)
Officer stock delivery trust deposit	—	(17)	(118)
Cash and cash equivalents	<u>¥ 94,588</u>	<u>¥ 70,437</u>	<u>\$ 471,087</u>

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

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
	<i>(Millions of yen)</i>
Current assets	¥ 449
Fixed assets	142
Goodwill	210
Current liabilities	(217)
Fixed liabilities	(14)
Acquisition cost of shares	570
Cash and cash equivalents	(208)
Difference: Expenditures for acquisition	<u>¥ 361</u>

Information on the newly consolidated companies, SHINSEI AIR CONDITIONING Co.,Ltd. as a result of a share acquisition for the year ended March 31, 2025 is as follows:

	2025	2025
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Current assets	¥ 739	\$ 4,945
Fixed assets	478	3,198
Goodwill	336	2,251
Current liabilities	(329)	(2,203)
Fixed liabilities	(313)	(2,093)
Acquisition cost of shares	912	6,099
Cash and cash equivalents	(407)	(2,724)
Difference: Expenditures for acquisition	<u>¥ 504</u>	<u>\$ 3,375</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, 2024 and 2025 is as follows:

Leased assets and lease obligations related to new finance lease transactions recorded for the years ended March 31, 2024 and 2025 amounted to ¥1,249 million and ¥1,667 million (\$11,149 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, 2024 and 2025 are summarized as follows:

	2024				
	Utilities engineering service	Others	Total	Adjustments and eliminations	Consolidated
	<i>(Millions of yen)</i>				
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	<u>¥ 453,553</u>	<u>¥ 21,912</u>	<u>¥ 475,465</u>	<u>¥ (6,408)</u>	<u>¥ 469,057</u>
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

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, 2024 and 2025 are summarized as follows:
(continued)

	2025				
	Utilities engineering service	Others	Total	Adjustments and eliminations	Consolidated
	<i>(Millions of yen)</i>				
Net sales:					
Sales to third parties	¥ 454,373	¥ 19,580	¥ 473,954	¥ –	¥ 473,954
Intersegment sales and transfers	1,200	6,809	8,009	(8,009)	–
Total	<u>¥ 455,573</u>	<u>¥ 26,390</u>	<u>¥ 481,964</u>	<u>¥ (8,009)</u>	<u>¥ 473,954</u>
Segment income	¥ 37,993	¥ 3,040	¥ 41,033	¥ 354	¥ 41,388
Other items:					
Depreciation and amortization	4,349	1,987	6,336	(103)	6,233
Amortization of goodwill	268	–	268	–	268
Amortization of customer related intangible assets	220	–	220	–	220
	2025				
	Utilities engineering service	Others	Total	Adjustments and eliminations	Consolidated
	<i>(Thousands of U.S. dollars)</i>				
Net sales:					
Sales to third parties	\$ 3,038,882	\$ 130,957	\$ 3,169,840	\$ –	\$ 3,169,840
Intersegment sales and transfers	8,026	45,542	53,569	(53,569)	–
Total	<u>\$ 3,046,909</u>	<u>\$ 176,499</u>	<u>\$ 3,223,409</u>	<u>\$ (53,569)</u>	<u>\$ 3,169,840</u>
Segment income	\$ 254,101	\$ 20,336	\$ 274,437	\$ 2,371	\$ 276,808
Other items:					
Depreciation and amortization	29,089	13,291	42,381	(691)	41,689
Amortization of goodwill	1,795	–	1,795	–	1,795
Amortization of customer related intangible assets	1,476	–	1,476	–	1,476

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, 2024 and 2025 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 ¥69 million and ¥354 million (\$2,371 thousand) for the years ended March 31, 2024 and 2025, 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 and - million (\$- thousand) for the year ended March 31, 2024 and 2025.

(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, 2024 and 2025.

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, 2024 and 2025:

	2024	2025	2025
	<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	¥ 47,918	¥ 51,039	\$ 341,357

(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, 2024 and 2025 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.

	2024		
	Utilities engineering service	Others	Adjustments and eliminations
			<i>(Millions of yen)</i>
Balance as of March 31	¥ 507	¥ –	¥ –
			¥ 507
	2025		
	Utilities engineering service	Others	Adjustments and eliminations
			<i>(Millions of yen)</i>
Balance as of March 31	¥ 522	¥ –	¥ –
			¥ 522
	<i>(Thousands of U.S. dollars)</i>		
Balance as of March 31	\$ 3,491	\$ –	\$ –
			\$ 3,491

(d) Gain on bargain purchase by reportable segment

No gain on bargain purchase was recorded for the years ended March 31, 2024 and 2025.

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, 2024 and 2025 were as follows:

	2024	2025	2025
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Kyushu Electric Power Co., Inc.			
Construction order	¥ 2,562	¥ 1,900	\$ 12,711
Electricity sales	1,537	1,130	7,562
Accounts receivable on completed construction contracts	1,319	740	4,955
Advances received on uncompleted construction contracts	2	—	—
Accounts receivable	104	1	8
Kyushu Electric Power Transmission and Distribution Co., Inc.			
Construction order	44,277	45,610	305,049
Electricity sales	1,931	2,506	16,760
Accounts receivable on completed construction contracts and other accounts receivable	7,556	7,569	50,626
Accounts receivable	—	87	582

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 (\$1,587,111 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, 2024 and 2025.

Kyushu Electric Power Transmission and Distribution Co., Inc. (located in Fukuoka City, with a capital amount of ¥20,000 million (\$133,761 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, 2024 and 2025.

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, 2024 and 2025 was as follows:

	2024		
	Utilities engineering service	Others	Total
		<i>(Millions of yen)</i>	
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	<u>¥ 452,623</u>	<u>¥ 16,433</u>	<u>¥ 469,057</u>
	2025		
	Utilities engineering service	Others	Total
		<i>(Millions of yen)</i>	
Power distribution line work	¥ 51,380	¥ —	¥ 51,380
Electrical work	238,022	—	238,022
HVAC and sanitary facility work	164,970	—	164,970
Others	—	19,580	19,580
Revenue arising from contracts with customers	454,373	19,580	473,954
Revenue to external customers	<u>¥ 454,373</u>	<u>¥ 19,580</u>	<u>¥ 473,954</u>
	2025		
	Utilities engineering service	Others	Total
		<i>(Thousands of U.S. dollars)</i>	
Power distribution line work	\$ 343,635	\$ —	\$ 343,635
Electrical work	1,591,910	—	1,591,910
HVAC and sanitary facility work	1,103,336	—	1,103,336
Others	—	130,957	130,957
Revenue arising from contracts with customers	3,038,882	130,957	3,169,840
Revenue to external customers	<u>\$ 3,038,882</u>	<u>\$ 130,957</u>	<u>\$ 3,169,840</u>

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) Basis for recording significant revenues and expenses.

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

(a) Contract assets and contract liabilities outstanding

Beginning and ending balances of contract assets and contract liabilities outstanding for the years ending March 31, 2024 and 2025 were as follows:

	Beginning balance for fiscal year ended March 31, 2024	Ending balance for fiscal year ended March 31, 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
	<u>¥ 92,909</u>	<u>¥105,212</u>
Contract assets	¥ 55,992	¥ 59,675
Contract liabilities	26,627	21,676
	Beginning balance for fiscal year ended March 31, 2025	Ending balance for fiscal year ended March 31, 2025
	<i>(Millions of yen)</i>	
Receivables arising from contracts with customers		
Notes receivable	¥ 2,474	¥ 1,318
Electronically recorded receivables	25,703	21,923
Accounts receivable	68,054	64,412
Other accounts receivable	8,980	11,902
	<u>¥ 105,212</u>	<u>¥ 99,556</u>
Contract assets	¥ 59,675	¥ 63,889
Contract liabilities	21,676	29,110

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 balance for fiscal year ended March 31, 2025	Ending balance for fiscal year ended March 31, 2025
	<i>(Thousands of U.S. dollars)</i>	
Receivables arising from contracts with customers		
Notes receivable	\$ 16,549	\$ 8,817
Electronically recorded receivables	171,905	146,626
Accounts receivable	455,151	430,794
Other accounts receivable	60,061	79,606
	\$ 703,668	\$ 665,843
Contract assets	\$ 399,112	\$ 427,294
Contract liabilities	144,975	194,694

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, 2025 that was included in the contract liability balance at the beginning of the period was ¥19,650 million (\$131,423 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, 2024 and 2025 amounted to ¥456,042 million and ¥454,059 million (\$3,036,778 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, 2025, was approved at the meeting of the Board of Directors held on April 28, 2024:

	Total dividends paid		Record date	Effective date
	(Millions of yen)	(Thousands of U.S. dollars)		
Cash dividends (¥75.00 = \$0.50 per share)	¥ 5,314	\$ 35,545	March 31, 2025	June 4, 2025