# Notice of the 103rd Annual General Meeting of Shareholders
# Matters Omitted from the Issued Document

Matters Relating the Company’s Share Acquisition Rights

Accounting Auditor

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Financial Statements Accounting Audit Report

(April 1, 2024, to March 31, 2025)

**TOYO CONSTRUCTION CO., LTD.**

Pursuant to the provisions of laws and regulations and Article 15 of the Company’s Articles of Incorporation, the above matters are omitted from the document (document containing electronic provision measures matters) that is delivered to shareholders who request it.

## 1 Matters Relating the Company's Share Acquisition Rights

Not applicable.

## 2 Accounting Auditor

**(1) Accounting Auditor** Ernst & Young ShinNihon LLC

**(2) Amount of Compensation**

| | | |
|---|---|---|
| (i) | Amount of compensation of the accounting auditor pertaining to the fiscal | 58 million yen |
| (ii) | Total amount of money or other economic benefits to be paid by the Company and the Company's subsidiaries | 59 million yen |

(Notes)
1. The Board of Auditors gave consent to the amount of compensation of the accounting auditor after necessary verification of the appropriateness of the content of the accounting auditor's audit plan, the execution of the accounting auditor's duties, and the basis for calculating the compensation estimate.
2. The audit agreement between the Company and the accounting auditor does not clearly distinguish between the amount of compensation for audits pursuant to the Companies Act and the amount of compensation for audits pursuant to the Financial Instruments and Exchange Act, and it is substantially impossible to do so; therefore, the total amount of these compensation is stated as the amount of compensation.
3. The Company's principal overseas subsidiaries are audited by certified public accountants or audit corporation (including those with equivalent qualifications in foreign countries) other than the Company's accounting auditor.

**(3) Contents of non-auditing services**

The Company has entrusted the accounting auditor with services for issuing certificates for tax returns, etc. in foreign countries.

**(4) Policies for determination of dismissal or refusal of reelection of the accounting auditor**

The Board of Auditors will consider dismissal or refusal of reelection of the accounting auditor if there is a problem with the execution of the accounting auditor's duties or the like, and if it finds it necessary, it will decide on a proposal relating to the dismissal or refusal of reelection of the accounting auditor.

Further, if the Board of Auditors determines that the accounting auditor has violated or contravened the Companies Act, the Certified Public Accountants Act, or any other laws and regulations, it will consider the dismissal of the accounting auditor pursuant to the facts, and if it determines that dismissal is appropriate, it will dismiss the accounting auditor.

## 3 System to Ensure the Appropriateness of Business Activities

The matters resolved by the Board of Directors as a system to ensure the appropriateness of business activities are as follows.

Internal Control System

**(1) System to ensure that the execution of duties of Directors and employees is in compliance with the laws and regulations, and the Articles of Association**

(i) Directors, Executive Officers and employees shall execute their duties with the "Management Philosophy," the "Code of Conduct" and the "Conduct Guidelines" as the top priority basic judgment standards.

(ii) The Risk Management Committee shall "develop the compliance policy," "determine a policy so that employees are aware of risk management," and "select key risks of the whole group," and shall report their activities to the Executive Committee and the Board of Directors while instructing pertinent departments.

(iii) The Legal Dept. shall provide education, guidance etc. necessary for compliance by each department.

(iv) If the Legal Dept. manager becomes aware of a questionable act pertaining to compliance with laws and regulations, the manager shall report its investigation to the Risk Management Committee in a timely and appropriate manner, and provide necessary guidance.

(v) The Audit Dept. shall verify the status of execution of duties, and the effectiveness and appropriateness of internal control for each department to ensure the adequate execution of duties.
(vi) A whistle-blowing system with internal and external contacts for report has been established as an internal report system.

**(2) System to ensure that Directors' duties are executed in an efficient manner**

(i) A system for proper execution of Directors' duties shall be established pursuant to the Basic Management Rules, the Organizational Rules etc.
(ii) By introducing an executive officer system, the number of Directors shall be reduced in an effort to speed up the business decision-making process.

**(3) Rules and other systems for management of risk of loss**

(i) Each competent department shall manage predetermined day-to-day risks in accordance with the Risk Management Rules and the Disaster Prevention Rules.
(ii) In the event of a large-scale disaster or any other event requiring emergency response, in order to minimize damage and loss, an emergency control headquarters with President as the general manager shall be set up.
(iii) A BCP (business continuation plan) has been formulated under assumption of an earthquake occurring directly beneath the Tokyo Metropolitan Area.

**(4) System for retaining and controlling information on the execution of Directors' duties**

(i) Important meeting minutes, requests for managerial decision for important matters, contracts, and materials relating thereto shall be properly retained in accordance with laws and regulations, and the assorted rules for document management and information security.
(ii) The documents administrator pursuant to the document rules shall properly manage documents.

**(5) System to ensure the appropriateness of business activities of the corporate group consisting of the Company and its subsidiaries**

(i) Pursuant to the Affiliated Company Management Rules, the Affiliated Business Strategy Dept., the Civil Planning & Administrative Dept. and the Architectural Planning & Administrative Dept. shall formulate a management plan for the corporate group consisting of the Company and its subsidiaries, provide consultation and guidance prior to important decision-making, and summon subsidiary presidents on a regular basis to hear the status of management including progress in the management plan in which the Company was involved in formulating.
(ii) The Audit Dept. shall verify the status of execution of duties, and the effectiveness and appropriateness of internal control at the corporate group consisting of the Company and its subsidiaries to ensure the adequate execution of duties, and the efficiency and soundness of management.
(iii) The Legal Dept. shall provide education, guidance, support etc. necessary for compliance by the corporate group consisting of the Company and its subsidiaries.
(iv) The whistle-blowing system's contacts for report have been set at the corporate group consisting of the Company and its subsidiaries to enhance the effectiveness of compliance at the corporate group level.

**(6) System for the Company's and subsidiaries' Directors and employees to report to corporate auditors, and any other system for report to corporate auditors**

(i) Corporate auditors can attend the Company's Board of Directors meetings and other important meetings, and if necessary, request the Company's and subsidiaries' directors and employees to allow the viewing of and submit documents concerning execution of duties.
(ii) If there is a likelihood of violation of laws and regulations or the Articles of Association, or of significant disrepute or damage to any of the companies, the Company's and subsidiaries' directors and employees shall report to corporate auditors without delay.
(iii) If a corporate auditor requests a report on business and business activities, the Company's and subsidiaries' directors and employees shall quickly comply with such request in an appropriate manner.

**(7) System to ensure that a person who reports pursuant to (6) above will not be treated unfavorably on the grounds of such report**

Persons who provide information to corporate auditors shall not be treated unfavorably on the grounds of such provision of information.

**(8) Other systems to ensure effective audit by corporate auditors**

(i) Directors, Executive Officers and employees shall cooperate so that audits by corporate auditors in accordance with the Board of Auditors rules and Board of Auditors bylaws shall be carried out in an effective manner.

(ii) Corporate auditors shall cooperate with accounting auditors, the Audit Dept. and subsidiaries' corporate auditors to enhance the effectiveness of audits.

(iii) If a corporate auditor makes request to the Company for advance payment of expenses for execution of its duties, such expenses or obligations shall be promptly settled.

**(9) Matters regarding employees assisting corporate auditors, matters regarding the independence of such employees from Directors, and matters to ensure the effectiveness of instructions to such employees**

If a corporate auditor or the Board of Auditors requests to have an assistant to help execute its duties, such assistant shall be appointed. Such assistant shall comply with directions and orders from the corporate auditor, and shall not receive directions from Directors.

**(10) System to ensure the reliability of financial reports**

(i) As internal control of financial reports, related rules etc. shall be established and properly operated to prepare financial reports with reliability.

(ii) The Audit Dept. shall carry out internal control audits pertaining to financial reports, and enhance the reliability of financial reports by detecting any insufficiencies in internal control and having the relevant departments correct them.

Elimination of Anti-social Forces

**(1) Basic approach**

The Company shall take a firm stand against anti-social forces which threaten the order and safety of civil society, and any relationship with them shall be blocked as a company-wide effort.

**(2) Efforts to eliminate anti-social forces**

(i) The Administration Dept., Administration Group, Corporate Sec. shall be the governing department.

(ii) The head office shall cooperate with the National Center for Removal of Criminal Organizations, the Federation for Special Violence Prevention Measures under the jurisdiction of the Metropolitan Police Department and the Kanda District Special Violence Prevention Measures Council, and each branch shall also cooperate with councils and other external bodies in its area of operation, to consult and collect information, and strive to eliminate anti-social forces.

(iii) The Compliance Manual specifies the guidelines for conduct against anti-social forces, and such guidelines shall be thoroughly disseminated by providing training on a regular basis.

(iv) For the purpose of eradicating transactions with anti-social forces, a clause for elimination of anti-social forces shall be stipulated in any contracts used for transaction between the Company and vendors.

## 4 Outline of the operating status of the System to Ensure the Appropriateness of Business Activities

(1) With the "Basic Policy on Structure of Internal Control" as resolved by the Board of Directors as the basic policy to be consistently applied, the Company carries out review of such policy as appropriate and ensures that the policy is thoroughly disseminated throughout the Company and its subsidiaries.

(2) The "Risk Management Committee" is convened twice a year to consider and implement compliance- and risk-related issues, and details thereof are periodically reported to the Board of Directors.

(3) The Audit Dept. conducts operational audits on each department and subsidiary of the Company based on an audit plan approved by the Board of Directors. The results of these audits are reported regularly to the Representative Director, the Board of Directors, and the corporate auditors.

## 5 Basic Policy Regarding Control of the Company

## (1) Basic Policy Regarding Control of the Company

As a listed company, the Company is aware that, when a purchase proposal that will have a material impact on its basic management policy is made by a specific person, the question of whether to accept that proposal ultimately must be entrusted to the decision of the Company's shareholders.

However, if the large-scale purchases are carried out, it will be difficult for Company shareholders to appropriately assess the impact that such purchases will have on the Company's corporate value and the common interests of shareholders without receiving necessary and sufficient information from the largescale purchaser. In addition, the large-scale purchases undeniably may encompass purchases that will harm the common interests of shareholders and the Company's medium-to-long-term corporate value that the Company has built and maintained for itself over time, including purchases intended to assume temporary control of management and transfer important tangible or intangible business assets to the purchaser or its group companies, etc.; purchases intended to appropriate the Company's assets for repayment of the purchaser's debts, etc.; purchases intended simply to cause the Company and/or its related parties to acquire Company shares at a high price, with no true intention of participating in management (so-called "greenmailing"); purchases intended to achieve temporary high dividends by having the Company sell off or otherwise dispose of high-value assets etc. in its possession; purchases which may damage the good relationship with the Company's stakeholders and impair the Company's medium-to-long-term corporate value; purchases which fail to provide the time or information reasonably necessary for the Company's shareholders or Board of Directors to discuss the particulars, etc. of the purchase and acquisition proposal and have the Company's Board of Directors present an alternative proposal; and purchases that otherwise cannot be said to reflect the Company's corporate value fully.

Based on this understanding, the Company believes that the Company's Board of Directors has a duty to (i) cause the specific shareholder group that includes the large-scale purchaser to provide information necessary and sufficient for shareholders to make a decision; (ii) provide the results of assessments and discussions by the Company's Board of Directors regarding the impact on the Company's medium-to-long- term corporate value and the common interests of shareholders of the proposal by the specific shareholder group that includes the large-scale purchaser; and, depending on the case, (iii) hold negotiations or consultations with the specific shareholder group that includes the large-scale purchaser regarding the large-scale purchase and/or the Company's management policies, etc., or present shareholders with an alternative proposal by the Board of Directors regarding management policies, etc.

Working from this basic approach, the Company's Board of Directors will request that the specific shareholder group that includes the large-scale purchaser provide information necessary and sufficient for Company shareholders to make a suitable assessment regarding whether to accept the large-scale purchase, so as to ensure maximization of the Company's medium-to-long-term corporate value and the common interests of shareholders; will make timely and appropriate disclosures of the information so provided to the Company; and will take any other action deemed appropriate, to the extent permitted under the Financial Instruments and Exchange Act, the Companies Act, other laws and regulations, and the Articles of Association.

## (2) Summary of Special Efforts Contributing to Realization of Basic Policy

(i) Efforts to Enhance Company's Corporate Value and Shareholders' Common Interests

a) Management Policy

Guided by the principles of "Originality and Innovation," "Respect for All People," and "Awareness of Responsibility" the Company adopts the management philosophy of "Everybody working together with dreams and youthfulness, devoted to serving our customers and public society with new and productive technologies, striving toward consistent growth of the company and promotion of the welfare of our employees." In implementing this philosophy, the Company devotes itself, as an enterprise responsible for construction, to the study of construction technologies that are in line with societal demands, and strive to contribute to creating a better and valuable social foundation.

b) Medium-term Business Plan to Embody Management Policy

In its medium-term business plan released on March 23, 2023, the Company set forth the basic strategy of (i) transformation from "defense to offense," (ii) transformation to a "high profit model," and (iii) transformation to "capital efficiency management." By steadily implementing such major management changes, the Company will respond flexibly to the ever-changing business environment, and become a "company that takes on challenges of transformation from defense to offense," guided by the Company's management philosophy.

(ii) Strengthening of Corporate Governance

The Company has undertaken the following specific initiatives for the further strengthening of its corporate governance.

(Corporate Governance System)

For the realization of the management philosophy of (i) a) Management Policy above, the Company values the realization of an optimal corporate governance system as one of the most important objectives and is endeavoring to build optimal management systems to respond swiftly to changes in the business environment. The Company believes that by working on the evolution and sophistication of corporate governance under the policy of advancing the separation of management oversight and execution to achieve medium- to long-term corporate value enhancement, the Company can continue to be trusted by shareholders, other stakeholders, and society as a whole.

As part of its corporate governance system, the Company has established a Board of Auditors and is conducting oversight and monitoring of its business affairs through the Board of Directors and the Board of Auditors. The Company has a system in place that involves appointing an independent Outside Director as the Chairperson of the Board of Directors. This separation is intended to advance the separation of management oversight and execution. The Board of Directors of the Company comprises 11 Directors, of which six are independent Outside Directors. The system is structured such that four corporate auditors, including three Outside Corporate Auditors, attend meetings of the Board of Directors to audit the Directors' performance. Notably, all of the Outside Corporate Auditors are independent auditors. Furthermore, to enhance the independence and objectivity of the function of the Board of Directors with regard to the nomination and compensation, etc. of Directors and Executive Officers, Director Nominating/Compensation Committee is in place beneath the Board of Directors to consult on nominations and compensation. The committee membership consists of Representative Directors and independent Outside Directors, with the majority being independent Outside Directors, and the committee chairperson is an independent Outside Director, making for a system that ensures suitable involvement by and advice from Outside Directors.

(Auditing by Corporate Auditors and Internal Audits)

On the basis of the fiduciary responsibility to the shareholders, auditors conduct audits of the state of Directors' performance of their duties, in accordance with the Board of Auditors Regulations and the Detailed Board of Auditors Regulations, from an independent and objective standpoint for the benefit of the Company and the common interests of the Company shareholders. In addition, to enhance the effectiveness of audits, auditors maintain partnerships with financial auditors, the Audit Dept., and auditors of subsidiaries. Auditors attend meetings of the Board of Directors and other important meetings and, if necessary, can request at any time that Directors and employees of the Company or subsidiaries access or provide materials relevant to business affairs.

In addition, the Company has established the Audit Dept., and ensures the propriety of its business activities and the efficiency and soundness of its management by confirming the state of performance of the duties of each department and the effectiveness and reasonableness of internal controls. The Audit Dept., in accordance with the Audit Plan approved by the Board of Directors, conducts operational audits of each of the Company's divisions and subsidiaries, thus confirming the state of business affairs and the effectiveness and reasonableness of internal controls in the corporate group comprising the Company and its subsidiaries. Further, the Audit Dept. conducts internal control audits of financial reports, and improves the reliability of financial reports by detecting internal control failures, etc. and correcting departments. The Audit Dept. is also responsible for regularly reporting the results of audits to the Representative Director, the Board of Directors, and the corporate auditors.

(Other)
In addition to the foregoing, the Company, works to strengthen corporate governance in accordance with Japan's latest Corporate Governance Code.

**(3) Summary of Efforts to Prevent Decisions on Company's Financial and Business Policies from Being Controlled by Persons that are unsuitable in Light of the Basic Policy**

As set forth in (1) above, the Company will take measures deemed appropriate, to the extent permitted under the Financial Instruments and Exchange Act, the Companies Act, other laws and regulations, and the Articles of Association based on the basic policy.

**(4) Determination of the Company's Board of Directors Regarding Specific Efforts and the Reasons Therefor**

The purpose of the efforts of (2) and (3) above is to secure and improve the Company's medium-to-long- term corporate value and the common interests of shareholders.

Therefore, the Company believes that the efforts of (2) and (3) above are in line with the basic policy of (1) above, that these initiatives do not harm the Company's medium- to long-term corporate value or the common interests of the shareholders, and, furthermore, that they are not for the purpose of maintaining the status of the Company's current officers. This is because the Company's basic policy is that when a purchase proposal that will have a material impact on its basic management policy is made by a specific person, the question of whether to accept that proposal ultimately must be entrusted to the decision of the Company's shareholders.

# Consolidated Statement of Changes in Equity

(April 1, 2024, to March 31, 2025)

(Unit: million yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 14,049 | 6,074 | 53,367 | (488) | 73,002 |
| Changes during the consolidated fiscal year | | | | | |
| Dividends of surplus | | | (9,809) | | (9,809) |
| Profit attributable to owners of parent | | | 8,311 | | 8,311 |
| Purchase of treasury shares | | | | (0) | (0) |
| Disposal of treasury shares | | | | 6 | 6 |
| Reversal of revaluation reserve for land | | | (96) | | (96) |
| Net changes in items other than shareholders' equity during the consolidated fiscal year | | | | | |
| Total changes during the consolidated fiscal year | - | - | (1,594) | 6 | (1,588) |
| Balance at ending of period | 14,049 | 6,074 | 51,772 | (482) | 71,413 |

| | Accumulated other comprehensive income | | | | | | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Revaluation reserve for land | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 1,019 | 1,087 | 3,066 | 99 | (134) | 5,139 | 2,658 | 80,800 |
| Changes during the consolidated fiscal year | | | | | | | | |
| Dividends of surplus | | | | | | | | (9,809) |
| Profit attributable to owners of parent | | | | | | | | 8,311 |
| Purchase of treasury shares | | | | | | | | (0) |
| Disposal of treasury shares | | | | | | | | 6 |
| Reversal of revaluation reserve for land | | | | | | | | (96) |
| Net changes in items other than shareholders' equity during the consolidated fiscal year | (395) | (242) | 32 | 78 | 1,038 | 511 | 351 | 863 |
| Total changes during the consolidated fiscal year | (395) | (242) | 32 | 78 | 1,038 | 511 | 351 | (725) |
| Balance at ending of period | 624 | 844 | 3,099 | 178 | 904 | 5,651 | 3,010 | 80,075 |

Notes to Consolidated Financial Statements

**(Notes Regarding Assumption of Going Concern)**

Not applicable.

**(Notes on Important Matters That Are to Become the Basis for Preparation of Consolidated Financial Statements)**

1. Scope of Consolidation

(i) Number of consolidated subsidiaries

6

Names of major consolidated subsidiaries

TOMAC Corporation, Ltd., Tachibana Kogyo Co., Ltd., Kusakabe Maritime Engineering Co., Ltd., Tecos Co., Ltd., CCT CONSTRUCTORS CORPORATION, Token Shoji Co., Ltd.

(ii) Names of major unconsolidated subsidiaries

Names of major unconsolidated subsidiaries

Mizunosato Sawara Co., Ltd.

Reasons for exclusion from scope of consolidation

All of the unconsolidated subsidiaries are small in scale, and their combined total assets, net sales, profit (loss) (amount corresponding to equity interest), and retained earnings (amount corresponding to equity interest) do not have a material effect on the Company's consolidated financial statements.

2. Application of Equity Method

(i) Number of unconsolidated subsidiaries and associates accounted for using the equity method

0

(ii) Names of major unconsolidated subsidiaries and associates not accounted for using the equity method

Names of major unconsolidated subsidiaries and associates

Mizunosato Sawara Co., Ltd.

Reasons for not applying equity method

The exclusion from the scope of equity method accounting of the unconsolidated subsidiaries and associates not accounted for using the equity method has a negligible effect on the Company's consolidated financial statements in terms of profit (loss) (amount corresponding to equity interest), retained earnings (amount corresponding to equity interest), etc., and they also are not significant in total.

3. Fiscal Years of Consolidated Subsidiaries

The fiscal year-end of the following consolidated subsidiary differs from the Company's fiscal year-end.

| Company Name | Fiscal year-end |
|---|---|
| CCT CONSTRUCTORS CORPORATION | December 31 |

The financial statements as of the day of the consolidated subsidiaries' fiscal year-end were used; provided, however, that adjustments were made as necessary for significant transactions made with the consolidated subsidiary during the period between the close of the two companies' fiscal years.

4. Accounting Policies

(1) Basis and method for valuation of important assets

a. Securities

(i) Securities to be held to maturity

The amortized cost method (straight-line method) is applied.

(ii) Available-for-sale securities

Securities other than shares that do not have a market value

The fair value method (with the entire amount of valuation differences inserted directly into net assets, and the cost of sales calculated using the moving average method) based on market value, etc. on the last day of the period is applied.

Shares that do not have a market value

The moving average cost method is applied.

b. Derivatives
The fair value method is applied.
c. Inventories
Costs on construction contracts in progress
The cost method based on the specific identification method is applied.
(2) Depreciation method for major depreciable assets
a. Property, plant and equipment (excluding leased assets)
The straight-line method is applied. Major service lives are 15-50 years for buildings and structures, and 6-20 years for machinery, vehicles, tools, furniture and fixtures.
b. Intangible assets (excluding leased assets)
The straight-line method is applied. Software for internal use is based on the available period for internal use (five years).
c. Leased assets
Leased assets related to finance lease transactions with the right of ownership transferred
The depreciation method is the same as that applied for owned non-current assets.
Leased assets related to finance lease transactions with the right of ownership not transferred
The straight-line method is applied using the lease term as service life and a residual value of zero.
(3) Recognition criteria for important provisions
a. Allowance for doubtful accounts
To make allowances for the non-payment of trade receivables, loans receivable, and other receivables, for general receivables the historical default rate is used, and for certain receivables designated as potentially irrecoverable are determined using actual default rates on an individual claim basis, and an allowance is made for the amounts deemed irrecoverable.
b. Provision for warranties for completed construction
To make allowances for expenses in cases of contract non-conformity of completed construction, an allowance is made for an estimated future indemnity amount with respect to net sales of completed construction contracts in the consolidated fiscal year under review and future indemnity expenses for specified construction.
c. Provision for loss on construction contracts
To make allowances for construction in hand on the last day of the consolidated fiscal year under review for which losses are expected to occur and the amount of which can be reasonably estimated, an allowance is made for the amount of the future loss.
d. Provision for bonuses
To make provisions for bonuses to be paid to employees, the Company and consolidated domestic subsidiaries make an allowance for the amount expected to be paid in the consolidated fiscal year under review.

5. Other important items for the preparation of consolidated financial statements
(1) Accounting treatment related to retirement benefits
(i) Attribution method for the expected amounts of retirement benefits
When calculating retirement benefit liabilities, the method for attributing expected benefit payments for the period until the end of the consolidated fiscal year under review is as per the benefit formula basis.
(ii) Treatment of actuarial gains and losses, and past service costs
Past service costs are recorded as expenses using the straight-line method over a fixed number of years (typically in 10 years) that is within the average number of years of remaining service for employees at the time the expense is incurred.
Actuarial gains and losses are primarily treated as expenses in the consolidated fiscal year following the consolidated fiscal year in which they arise, in an amount proportionally divided using the straight-line method over a fixed number of years (typically in 10 years) that is within the average number of years of remaining service of employees at the time the differences emerge in each consolidated fiscal year.
(iii) Accounting for unrecognized actuarial gains and losses, and unrecognized past service costs
Unrecognized actuarial gains and losses and unrecognized past service costs are adjusted for tax effect, and recorded under net assets as remeasurements of defined benefit plans in accumulated other comprehensive income.

(2) Recognition criteria for material revenue and expenses

The particulars of the primary obligations in key businesses relating to revenue generated from contracts with customers of the Group, and the standard point in time at which such obligations are fulfilled (the standard point in time to recognize revenue) are as follows.

(i) Construction contracts (domestic civil engineering business, domestic construction business, and overseas construction business)

Regarding construction contracts, it is judged that the obligations are fulfilled over a certain period of time, and revenue is recognized in accordance with the degree of progress in the fulfillment of the obligations. By accounting for the particulars and the nature of obligations under construction contracts, it can be concluded that the status of occurrence of costs appropriately shows degree of progress in construction; therefore, progress is measured on the basis of the proportion of costs incurred against the total estimated cost for construction. Regarding contracts for which progress cannot be reasonably estimated, an amount equal to costs incurred that are expected to be recovered is recognized as revenue. However, regarding construction contracts, etc. with an extremely short construction period, an alternative treatment under which revenue is recognized at the time of complete fulfillment of obligations is applied.

(ii) Contracts other than construction contracts (real estate business)

For real property sale contracts and other contracts other than construction contracts, revenue is recognized at the time of handover of the relevant article for sale etc. However, for real property lease contracts, revenue is recognized as lease transactions within the scope of the accounting standards for lease transactions.

(3) Translation of material foreign currency assets and liabilities to Japanese yen

Foreign currency monetary assets and liabilities are translated to Japanese yen at the spot exchange rate on the day of consolidated fiscal year-end, and any translation difference is recorded as profit or loss, as the case may be. Assets and liabilities of overseas subsidiaries etc. are translated to Japanese yen at the spot exchange rate as of the settlement date, revenue and expenses are translated to Japanese yen at the average exchange rate during the term, and any translation difference is included in foreign currency translation adjustment and non-controlling interests under net assets.

(4) Material hedge accounting

(i) Hedge accounting

Deferred hedge accounting is applied. Special treatment is used for interest rate swaps that meet the requirements for special treatment.

(ii) Means and subject of the hedge

Means of the hedge

Interest rate swaps transaction and forward foreign exchange contracts

Subject of the hedge

Borrowings, foreign currency anticipated transactions, and accounts payable for construction contracts

(iii) Hedge policy

Pursuant to the internal management rules, the interest rate risk and the exchange fluctuation risk are hedged.

(iv) Evaluation of hedge effectiveness

The cumulative total of market fluctuations or cash flow changes of the hedge subject and the cumulative total of market fluctuations or cash flow changes of the hedge means are compared, and hedge effectiveness is evaluated by the resulting ratio.

However, the evaluation of effectiveness is omitted for interest rate swaps to which special treatment is applied.

(5) Principles and procedures applied in a case where the relevant accounting standards etc. are not clear

Accounting for construction joint ventures

Assets, liabilities, revenues and expenses are recognized principally in proportion to each member's contribution.

**(Notes to changes in accounting policies)**

Application of "Accounting Standard for Current Income Taxes"

The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the "2022 Revised Accounting Standard") from the beginning of period under review.
For the revision regarding the classification of income taxes (taxation on other comprehensive income), the Company follows the transitional treatment prescribed in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard and the transitional treatment prescribed in 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 referred to as the "2022 Revised Guidance"). This change in accounting policies has no effect on the consolidated financial statements.
In addition, the Company has adopted the 2022 Revised Guidance from the beginning of period under review for the revision related to the review of the treatment in consolidated financial statements of deferrals for tax purposes of gains or losses on sale of investments in subsidiaries among consolidated companies. This change in accounting policies has no effect on the consolidated financial statements.

**(Notes on Changes in the Method of Presentation)**

Consolidated Statement of Income

Foreign value-added tax, etc.
In the previous consolidated period, "Foreign value-added tax, etc." was included in "Other" under non-operating expenses. In the current consolidated period, this item is presented separately due to its increased materiality.
The foreign value-added tax, etc. in the previous period was 99 million yen.

**(Notes Regarding Accounting Estimates)**

Net sales of completed construction contracts for which obligations are fulfilled over a certain period of time and revenue is recognized

(i) Amounts recorded in the consolidated financial statements of the consolidated fiscal year under review — 164,682 million yen

(ii) Information on material accounting estimates of identified items
With the exception of projects with a very short construction period, the amount of completed construction work is recorded based on reasonable estimates of total construction revenue, total construction costs, and the percentage of completion at the end of consolidated period under review, and revenue is recognized over a specific period of time accordingly.
The amount of completed construction work, for which revenue is recognized over a certain period of time, is calculated by multiplying total construction revenue by the percentage of completion. Total construction revenue is calculated based on the sum of the contract amounts already executed with customers and the amounts of unexecuted contracts estimated as the amounts substantially agreed upon with customers. The percentage of completion is calculated using the proportion of costs incurred at the end of each period to the total construction costs. These costs are reviewed at the end of each month, taking into account the construction status and the executed budget, which is prepared at the start of construction.
Because each construction is unique due to its specifications and work descriptions, and there are uncertainties such as design changes, unexpected costs, and changes in the construction period while the work is underway, such estimates are continuously reviewed.
Therefore, if there is a change to such estimates, such change may have a material effect on the net sales of completed construction contracts and the cost of completed construction contracts in the following consolidated fiscal year.

**(Notes Regarding Consolidated Balance Sheet)**

1. Pledged assets and collateral-related liabilities

   Pledged assets are as follows.

| | |
|---|---|
| Buildings and structures | 1,119 million yen |
| Land | 16,570 million yen |
| Investment securities | 48 million yen |
| Total | 17,739 million yen |

   Collateral-related liabilities are as follows.

| | |
|---|---|
| Short-term borrowings (including transferred long-term borrowings) | 770 million yen |
| Long-term borrowings | 740 million yen |
| Total | 1,510 million yen |

   The following assets are pledged as a substitute etc. for a business security deposit.

| | |
|---|---|
| Investment securities | 18 million yen |

2. Items concerning unconsolidated subsidiaries and associates are as follows.

| | |
|---|---|
| Investment securities (shares) | 51 million yen |

3. Costs of construction contracts in progress corresponding to provision for loss on construction contracts -

4. Land for business is revaluated pursuant to the Act on Revaluation of Land (Act No. 34 of March 31, 1998). An amount equal to taxes on any valuation difference is recorded under liabilities as "deferred tax liabilities for land revaluation," and an amount of the valuation difference subtracting such amount is recorded under assets as "revaluation reserve for land."

   ・Revaluation method The prices officially published pursuant to the Public Notice of Land Prices Act set forth in Article 2, Item 1 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119 of March 31, 1998) (in some cases, the standard price for benchmark lots determined pursuant to the Order for Enforcement of the National Land Use Planning Act set forth in Article 2, Item 2 of the Order for Enforcement of the Act on Revaluation of Land, the price calculated with the method set forth and published by the Commissioner of the National Tax Agency for calculation of land value as the foundation of calculation of taxable value of land value tax set forth in the Land Value Tax Act set forth in Item 4 of said article, or the appraisal value by a real estate appraiser set forth in Item 5 of said article) are reasonably adjusted for revaluation.

   ・Revaluation date March 31, 2000

| | |
|---|---|
| Difference between the market value as of the year-end and the post-revaluation book value of the revaluated land | (4,684) million yen |
| Difference between the market value as of the year-end and the post-revaluation book value of rental properties of said land | (969) million yen |

5. To efficiently procure working capital, the Company has executed a commitment line agreement with seven financial institutions for a total of 10 billion yen (with an option to increase it by 5 billion yen) and a commitment line agreement with one financial institution for a total of 5 billion yen. The balance of the unused portions, etc. under such contracts is as follows.

| | |
|---|---|
| Total amount of the commitment line contracts | 15,000 million yen |
| Balance of used portion | 10,000 million yen |
| Difference | 5,000 million yen |

**(Notes Regarding Consolidated Statement of Income)**

1. Provision for reserve for loss on construction contracts included in the cost of sales of completed construction contracts — (21) million yen

2. Total amount of the sales, general and administrative expenses and R&D expenses included in the cost of completed construction contracts — 1,268 million yen

3. Insurance claim income and loss on disaster

   Typhoon No. 3 that hit the Republic of the Philippines in late July 2024 and other factors caused damage to construction and other work underway by the Group. Restoration expenses incurred as a result of this damage are recorded as loss on disaster. Furthermore, property insurance benefits received in relation to this damage are recorded as insurance claim income.

4. Impairment losses

   During the consolidated period under review, our Group recorded impairment losses on the following asset group.

(Unit: million yen)

| Use | Class | Location | Impairment losses |
|---|---|---|---|
| Assets for lease | Land and buildings | Tokyo and others | 49 |
| Assets to be disposed of | Land | Mie Prefecture and others | 67 |

The Group uses a system of grouping its leased assets, idle assets, and assets to be disposed of by individual property, and shared assets by company or branch, and business division, based on the management accounting categories (company, branch, and business division) for which income and expenditure are continuously monitored.
Assets for lease are expected to generate an operating loss, and future cash flows are expected to be less than their book value. In addition, assets that are not being effectively utilized and are scheduled for disposal will be sold in the future. Therefore, impairment accounting has been applied to these assets, and impairment losses have been recorded as extraordinary losses.

**(Notes Regarding Consolidated Statement of Changes in Equity)**

1. Class and total number of outstanding shares and class and number of treasury shares

(Unit: 1,000 shares)

| | Number of shares at beginning of period | Increase during the consolidated fiscal year under review | Decrease during the consolidated fiscal year under review | Number of shares at end of period |
|---|---|---|---|---|
| Issued shares | | | | |
| Ordinary shares | 94,371 | - | - | 94,371 |
| Total | 94,371 | - | - | 94,371 |
| | | | | |
| Treasury shares | | | | |
| Ordinary shares | 448 | 0 | 5 | 443 |
| Total | 448 | 0 | 5 | 443 |

(Notes)
1. The number of treasury shares includes the Company’s shares held by the officer remuneration BIP trust (404,000 shares at the beginning of consolidated period under review, and 398,000 shares at the end of consolidated period under review).
2. The increase of 0 shares in common stock of the treasury shares is due to the purchase of shares less than one unit.
3. The decrease of 5,000 shares in common stock of the treasury shares is due to shares issued under the officer remuneration BIP Trust framework.

2. Matters regarding dividends

(i) Dividend payment amounts

| Resolution | Class of shares | Total amount of dividends (million yen) | Dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|
| June 26, 2024 Annual general meeting of shareholders | Ordinary shares | 6,980 | 74.0 | March 31, 2024 | June 27, 2024 |
| November 11, 2024 The Board of Directors | Ordinary shares | 2,829 | 30.0 | September 30, 2024 | December 3, 2024 |

(Notes) 1. The total amount of dividends approved by resolution at the annual general meeting of shareholders held on June 26, 2024 includes the dividends of 29 million yen on the Company's shares held by the officer remuneration BIP trust.

2. The total amount of dividends approved by resolution at the Board of Directors meeting held on November 11, 2024, includes the dividends of 11 million yen on the Company's shares held by the officer remuneration BIP trust.

(ii) Among dividends with a record date that falls under the consolidated fiscal year, for those with an effective date in the subsequent period

The Company proposed matters regarding a dividend on ordinary shares as a proposal at the annual general meeting of shareholders held on June 25, 2025, as follows.

| Resolution | Class of shares | Total amount of dividends (million yen) | Source of funds for the dividend | Dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| June 25, 2025 Annual general meeting of shareholders | Ordinary shares | 5,470 | Retained earnings | 58.0 | March 31, 2025 | June 26, 2025 |

(Notes) The total amount of dividends approved by resolution at the annual general meeting of shareholders held on June 25, 2025, includes the dividends of 23 million yen on the Company's shares held by the officer remuneration BIP trust.

**(Notes Regarding Financial Instruments)**

1. Matters regarding the status of financial instruments

The Group procures funds through borrowings from banks and other financial institutions, and limits funds management to short-term deposits. Borrowings are utilized for working capital (primarily for short term) and capital expenditures (for long term).

For customer credit risk pertaining to notes receivable, accounts receivable from completed construction contracts and other, efforts are made to reduce the risk by applying strict screening to customer credit management, including the collection of information. Also, the investment securities are mostly shares, and the fair values of listed shares are grasped each quarter.

Derivatives are applied to avoid the exchange fluctuation risk and the interest-rate fluctuation risk in the future, the execution and management of which comply with the internal management rules, and derivatives for speculative purposes will not be conducted.

2. Matters regarding the fair values of financial instruments

The carrying amounts, the fair values, and the differences between them are as follows.

(Unit: million yen)

| | Carrying amount | Fair value | Difference |
|---|---|---|---|
| (i) Investment securities (*2) | 1,279 | 1,279 | - |
| Total assets | 1,279 | 1,279 | - |
| (ii) Long-term borrowings | 11,650 | 11,648 | (1) |
| Total liabilities | 11,650 | 11,648 | (1) |
| Derivatives (*3) | 1,225 | 1,225 | - |

(*1) "Cash and deposits," "Notes receivable, accounts receivable from completed construction contracts and other," "JV accounts receivable from construction," "Notes payable, accounts payable for construction contracts and other" and "Short-term borrowings" are omitted because the fair values approach the book values since they are settled in the short term.

(*2) The following financial instrument that does not have a market price is not included in "(i) Investment securities." The carrying amounts of this financial instrument are as follows.

(Unit: million yen)

| | | |
|---|---|---|
| Unlisted shares, etc. | Current assets and others (securities) | 197 |
| | Investment securities | 1,135 |

(*3) Net receivables and payables generated from derivatives are presented.

(Notes) 1. Scheduled redemption amounts of monetary claims and securities with maturity dates after the date of consolidated settlement

(Unit: million yen)

| | Within 1 year | 1-5 years | 5-10 years | Over 10 years |
|---|---|---|---|---|
| Current liabilities | 21,254 | - | - | - |
| Notes receivable, accounts receivable from completed construction contracts and other | 76,950 | - | - | - |
| JV business receivables | 13,946 | - | - | - |
| Securities and investment securities | | | | |
| Available-for-sale securities with maturity dates | | | | |
| Other | 197 | - | - | - |
| Total | 112,348 | - | - | - |

2. Scheduled repayment amounts of long-term borrowings and other interest-bearing liabilities after the date of consolidated settlement

(Unit: million yen)

| | Within 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years |
|---|---|---|---|---|---|---|
| Short-term borrowings | 11,400 | - | - | - | - | - |
| Long-term borrowings | 955 | 690 | 1,400 | 1,360 | 1,200 | 7,000 |

3. Matters regarding the breakdown of financial instruments by each fair value level

The fair values of financial instruments are categorized into the following three levels, in accordance with the observability and importance of the inputs regarding fair value calculation.

Level 1 fair value: Fair value calculated using observable inputs regarding fair value calculation which are market prices in an active market for assets or liabilities subject of the calculation of such fair value.

Level 2 fair value: Fair value calculated using observable inputs regarding fair value calculation other than the Level 1 inputs.

Level 3 fair value: Fair value calculated using inputs that cannot be observed.

In cases where multiple inputs which have a material effect on the calculation of the fair value are used, among the levels to which the respective inputs belong, the fair value is categorized at the level with the lowest priority in the fair value calculation.

(i) Financial instruments with the carrying amount recorded using the fair value

(Unit: million yen)

| Position | Fair value | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Investment securities | | | | |
| Available-for-sale securities | | | | |
| Shares | 1,279 | - | - | 1,279 |
| Derivatives | | | | |
| Currency-related | - | 1,225 | - | 1,225 |
| Total assets | 1,279 | 1,225 | - | 2,504 |

(ii) Financial instruments with the carrying amount not recorded using the fair value

(Unit: million yen)

| Position | Fair value | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Long-term borrowings | - | 11,648 | - | 11,648 |
| Total liabilities | - | 11,648 | - | 11,648 |

(Notes) Explanation of the valuation methods and inputs used in calculating fair values

Investment securities

Listed shares are valued using the market price. Because listed shares are traded on active markets, their fair value is categorized as a level 1 fair value.

Derivatives

Fair values of interest-rate swaps and exchange contracts are calculated using the discounted cash flow method by interest rates, exchange rates or any other observable inputs, and these are categorized as level 2 fair values.

Long-term borrowings

The fair value of long-term borrowings is calculated using the discounted cash flow method based on interest rates considering the total amount of the sum of principal and interest, the remaining period of the concerned obligation, and the credit risk for each obligation, and this is categorized as a level 2 fair value.

**(Notes Regarding Investment and Rental Property)**

The Company and some of its consolidated subsidiaries own land and buildings for lease in Hyogo Prefecture and other areas. The rental income from such investment and rental property during the consolidated fiscal year under review was 205 million yen (rental revenue was recorded as net sales in other businesses, and rental expenses are recorded as cost of sales in other businesses), profit on sale was 342 million yen (recorded as extraordinary income), and impairment losses were 55 million yen (recorded as extraordinary losses).

The carrying amount, increase/decrease during the period, and fair value of such investment and rental property are as follows.

| | |
|---|---|
| Carrying amount | |
| Beginning balance | 10,151 million yen |
| Increase/Decrease during the period | (218) million yen |
| Ending balance | 9,932 million yen |
| Fair value at the end of the fiscal year | 10,126 million yen |

(Notes)
1. The consolidated carrying amount is the amount of the acquisition cost minus the accumulated depreciation and impairment losses.
2. The major decrease during the period was sales (151 million yen).
3. The fair value at the end of the fiscal year is mostly based on the real estate appraisals by an external real estate appraiser (including those adjusted using indices).

**(Notes Regarding Per Share Information)**

| | |
|---|---|
| Net assets per share | 820.47 yen |
| Earnings per share | 88.49 yen |

**(Notes Regarding Significant Subsequent Events)**

Not applicable.

**(Notes Regarding Revenue Recognition)**

1. Information on the breakdown of revenue generated from contracts with customers

(Unit: million yen)

| | | Domestic civil engineering | Dom. architectural construction | Overseas construction | Real property | Other | Total |
|---|---|---|---|---|---|---|---|
| Revenue generated from contracts with customers | Goods or services transferred at a point in time | 5,643 | 1,473 | 54 | 0 | 279 | 7,451 |
| | Goods or services transferred over a certain period of time | 86,796 | 59,832 | 18,054 | - | - | 164,682 |
| | Total | 92,439 | 61,306 | 18,108 | 0 | 279 | 172,134 |
| Other revenue | | - | - | - | 399 | 70 | 470 |
| | Total | 92,439 | 61,306 | 18,108 | 400 | 350 | 172,605 |

2. Basic information for understanding revenue generated from contracts with customers

(i) Information on contacts with customers and obligations

It is as described in "(2) Recognition criteria for material revenue and expenses" in "5. Other important matters forming the basis for preparation of Consolidated Financial Statements," in "Notes on Important Matters That Are to Become the Basis for Preparation of Consolidated Financial Statements."

The Company has an obligation under construction contracts to repair free of charge the construction defects, etc. that occurred during the contract non-conformity warranty period after handover. The purpose of this obligation is to provide to customers a guarantee that the relevant work will function as intended in accordance with the specifications in the contracts with customers, and it is recognized as a provision for compensation for completed construction.

Each construction contract is unique, and thus, there is no payment due date that is considered typical.

(ii) Information on the calculation of transaction price

Transaction price is the amount of consideration received under contracts with customers. However, if the amount of consideration is not decided due to any addition to the relevant construction contract or design change, etc., a reasonable estimate of such consideration is included in the total construction revenue.

Regarding construction contracts that are considered to include material financial elements are adjusted for calculation of a transaction price by using the discount rate expected to apply in a case of an independent financial transaction with a customer on the date of the relevant agreement, and by removing the impact of an amount equal to interest from the sale price of the relevant construction.

Under normal circumstances, the Group provides material services that are integrated with final subject matters under contracts with customers, and transaction prices are not distributed, because the Group recognizes all of the promised services as one obligation.

(iii) Information on the point in time of fulfillment of obligation

It is as described in "(2) Recognition criteria for material revenue and expenses" in "5. Other important matters forming the basis for preparation of Consolidated Financial Statements," in "Notes on Important Matters That Are to Become the Basis for Preparation of Consolidated Financial Statements."

3. Matters regarding the relationship between the fulfillment of obligations under contracts with customers and cash flow generated from such contracts, and the amount and timing of revenue generated from contracts with customers existing on the last day of the consolidated fiscal year under review and expected to be recognized in the following consolidated fiscal year onward

(i) Balance of contract assets and contract liabilities, etc.

| | |
|---|---|
| Claims generated from contracts with customers (Balance at the beginning of period) | 27,761 million yen |
| Claims generated from contracts with customers (Balance at the end of period) | 33,996 million yen |
| Contract assets (Balance at the beginning of period) | 43,612 million yen |
| Contract assets (Balance at the end of period) | 42,951 million yen |
| Contract liabilities (Balance at the beginning of period) | 15,353 million yen |
| Contract liabilities (Balance at the end of period) | 17,120 million yen |

Contract assets mainly concern the Group's right with respect to consideration for completed works for which obligations under construction contracts with customers have been fulfilled on the last day of the period, but which have not been invoiced to customers. Contract assets will be transferred to claims generated from contracts with customers at the time when the Group's right with respect to consideration becomes unconditional. Consideration for the net sales of such completed construction is invoiced and received in accordance with the payment terms under construction contracts.

Contract liabilities mainly concern advances for unmet (or partially unmet) obligations received from customers in accordance with the payment terms under construction contracts with customers, the revenue from which is recognized as obligations are fulfilled or at the time of fulfillment. Contract liabilities are liquidated as revenue is recognized.

The amount of revenue recognized in the consolidated fiscal year under review which is included in the balance of contract liabilities at the beginning of the period was 14,984 million yen.

The amount of revenue recognized in the consolidated fiscal year under review on the basis of the obligations fulfilled (or partially fulfilled) in a past period is 1,439 million yen.

(ii) Transaction prices distributed to the remaining obligation

Unmet (or partially unmet) obligations are 229,094 million yen as of March 31, 2025. Such obligations concern civil engineering, building construction and overseas construction, and approximately 60% of them is expected to be recognized as revenue within one year from the last day of the period, and the rest is expected to be recognized as revenue largely within four years.

# Balance Sheet

(As of March 31, 2025)

(Unit: million yen)

| Description | Amount |
|---|---|
| (Assets) | |
| Current assets | 110,745 |
| Current liabilities | 14,540 |
| Notes receivable - trade | 1 |
| Electronically recorded obligations - operating | 1,488 |
| Accounts payable for construction contracts | 71,431 |
| Securities | 197 |
| Costs on construction contracts in progress | 2,590 |
| JV business receivables | 14,140 |
| Advances paid | 3,735 |
| Other | 2,631 |
| Allowance for doubtful accounts | (10) |
| Non-current assets | 52,594 |
| Property, plant and equipment | 44,323 |
| Buildings and structures | 12,119 |
| Accumulated depreciation | (8,852) |
| Machinery and vehicles | 14,260 |
| Accumulated depreciation | (12,019) |
| Tools, furniture and fixtures | 2,379 |
| Accumulated depreciation | (1,878) |
| Land | 19,853 |
| Leased assets | 578 |
| Accumulated depreciation | (272) |
| Construction in progress | 18,156 |
| Intangible assets | 789 |
| Software | 697 |
| Other | 91 |
| Investments and other assets | 7,481 |
| Investment securities | 1,861 |
| Shares of subsidiaries and associates | 1,636 |
| Long-term loans receivable | 3 |
| Distressed receivables | 42 |
| Long-term prepaid expenses | 4 |
| Deferred tax assets | 1,071 |
| Other | 2,955 |
| Allowance for doubtful accounts | (94) |
| Total assets | 163,340 |

| Description | Amount |
|---|---|
| (Liabilities) | |
| Current liabilities | 76,228 |
| Electronically recorded monetary claims - operating | 2,872 |
| Accounts receivable from completed construction contracts | 24,099 |
| Short-term borrowings | 12,355 |
| Lease liabilities | 98 |
| Income taxes payable | 2,003 |
| Accrued consumption taxes | 10,310 |
| Advances received on construction contracts in progress | 16,303 |
| Deposits received | 5,304 |
| Provision for warranties for completed construction | 476 |
| Provision for bonuses | 1,114 |
| Other | 1,289 |
| Non-current liabilities | 18,309 |
| Long-term borrowings | 11,650 |
| Lease liabilities | 229 |
| Deferred tax liabilities for land revaluation | 2,242 |
| Provision for retirement benefits | 3,726 |
| Provision for stock compensation for directors (and other officers) | 114 |
| Asset retirement obligations | 24 |
| Other | 321 |
| Total liabilities | 94,538 |
| (Net assets) | |
| Shareholders' equity | 64,347 |
| Share capital | 14,049 |
| Capital surplus | 5,840 |
| Legal capital surplus | 5,840 |
| Retained earnings | 44,939 |
| Legal retained earnings | 195 |
| Other retained earnings | 44,743 |
| General reserve | 3,000 |
| Retained earnings brought forward | 41,743 |
| Treasury shares | (482) |
| Valuation and translation adjustments | 4,454 |
| Valuation difference on available-for-sale securities | 510 |
| Deferred gains or losses on hedges | 844 |
| Revaluation reserve for land | 3,099 |
| Total net assets | 68,801 |
| Total liabilities and net assets | 163,340 |

# Statement of Income

(April 1, 2024, to March 31, 2025)

(Unit: million yen)

| Description | Amount | |
|---|---|---|
| Net sales | | |
| Net sales of completed construction contracts | 153,977 | |
| Net sales in real estate business | 407 | 154,385 |
| Cost of sales | | |
| Cost of sales of completed construction contracts | 133,401 | |
| Cost of sales in real estate business | 237 | 133,638 |
| Gross profit | | |
| Gross profit on completed construction contracts | 20,576 | |
| Gross profit on real estate business | 170 | 20,747 |
| Selling, general and administrative expenses | | 10,594 |
| Operating profit | | 10,152 |
| Non-operating income | | |
| Interest and dividend income | 263 | |
| Foreign exchange gains | 74 | |
| Other | 58 | 396 |
| Non-operating expenses | | |
| Interest expenses | 230 | |
| Commitment fees | 69 | |
| Term loan fees | 280 | |
| Other | 99 | 679 |
| Ordinary profit | | 9,869 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 606 | |
| Gain on sale of investment securities | 463 | |
| Insurance claim income | 117 | 1,187 |
| Extraordinary losses | | |
| Loss on sale of non-current assets | 13 | |
| Loss on retirement of non-current assets | 6 | |
| Impairment losses | 116 | |
| Loss on disaster | 426 | 562 |
| Profit before income taxes | | 10,494 |
| Income taxes - current | 2,894 | |
| Income taxes - deferred | 158 | 3,052 |
| Profit | | 7,442 |

# Non-consolidated Statement of Changes in Equity

(April 1, 2024, to March 31, 2025)

(Unit: million yen)

| | Shareholders' equity | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Capital surplus | | Retained earnings | | | | Treasury shares | Total shareholders' equity |
| | | Legal capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings | | Total retained earnings | | |
| | | | | | General reserve | Retained earnings brought forward | | | |
| Balance at beginning of period | 14,049 | 5,840 | 5,840 | 195 | 3,000 | 44,208 | 47,403 | (488) | 66,805 |
| Changes during the fiscal year | | | | | | | | | |
| Dividends of surplus | | | | | | (9,809) | (9,809) | | (9,809) |
| Profit | | | | | | 7,442 | 7,442 | | 7,442 |
| Purchase of treasury shares | | | | | | | | (0) | (0) |
| Disposal of treasury shares | | | | | | | | 6 | 6 |
| Reversal of revaluation reserve for land | | | | | | (96) | (96) | | (96) |
| Net changes in items other than shareholders' equity | | | | | | | | | |
| Total changes during the fiscal year | - | - | - | - | - | (2,464) | (2,464) | 6 | (2,458) |
| Balance at ending of period | 14,049 | 5,840 | 5,840 | 195 | 3,000 | 41,743 | 44,939 | (482) | 64,347 |

| | Valuation and translation adjustments | | | | Total net assets |
|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Revaluation reserve for land | Total valuation and translation adjustments | |
| Balance at beginning of period | 761 | 1,087 | 3,066 | 4,915 | 71,720 |
| Changes during the fiscal year | | | | | |
| Dividends of surplus | | | | | (9,809) |
| Profit | | | | | 7,442 |
| Purchase of treasury shares | | | | | (0) |
| Disposal of treasury shares | | | | | 6 |
| Reversal of revaluation reserve for land | | | | | (96) |
| Net changes in items other than shareholders' equity | (250) | (242) | 32 | (461) | (461) |
| Total changes during the fiscal year | (250) | (242) | 32 | (461) | (2,919) |
| Balance at ending of period | 510 | 844 | 3,099 | 4,454 | 68,801 |

Notes to Non-consolidated Financial Statements

**(Notes Regarding Assumption of Going Concern)**

Not applicable.

**(Notes Regarding Significant Accounting Policies)**

1. Basis and method for valuation of assets

a. Securities

(i) Securities to be held to maturity
The amortized cost method (straight-line method) is applied.

(ii) Subsidiaries and associates
The moving average cost method is applied.

(iii) Available-for-sale securities
Securities other than shares that do not have a market value
The fair value method (with the entire amount of valuation differences inserted directly into net assets, and the cost of sales calculated using the moving average method) based on market value, etc. on the last day of the period is applied.
Shares that do not have a market value
The moving average cost method is applied.

b. Derivatives
The fair value method is applied.

c. Inventories
Costs on construction contracts in progress
The cost method based on the specific identification method is applied.

2. Depreciation method for non-current assets

(i) Property, plant and equipment (excluding leased assets)
The straight-line method is applied. Major service lives are 15-50 years for buildings and structures, and 6-20 years for machinery, vehicles, tools, furniture and fixtures.

(ii) Intangible assets (excluding leased assets)
The straight-line method is applied. Software for internal use is based on the available period for internal use (five years).

(iii) Leased assets
Leased assets related to finance lease transactions with the right of ownership not transferred
The straight-line method is applied using the lease term as service life and a residual value of zero.

3. Recognition criteria for provisions

(i) Allowance for doubtful accounts
To make allowances for the non-payment of trade receivables, loans receivable, and other receivables, for general receivables the historical default rate is used, and for certain receivables designated as potentially irrecoverable are determined using actual default rates on an individual claim basis, and an allowance is made for the amounts deemed irrecoverable.

(ii) Provision for warranties for completed construction
To make allowances for expenses in cases of contract non-conformity of completed construction, an allowance is made for an estimated future indemnity amount with respect to net sales of completed construction contracts in the fiscal year under review and future indemnity expenses for specified construction.

(iii) Provision for loss on construction contracts
To make allowances for construction in hand on the last day of the fiscal year under review for which losses are expected to occur and the amount of which can be reasonably estimated, an allowance is made for the amount of the future loss.

(iv) Provision for bonuses
To make provisions for bonuses to be paid to employees, an allowance is made for the amount expected to be paid in the fiscal year under review.

(v) Provision for retirement benefits
To make allowances for the payment of retirement benefits to employees, this is recorded based on the amount of projected retirement benefit liabilities and pension assets as of the end of the fiscal year under review.
Past service costs are recorded as expenses using the straight-line method over a fixed number of years (typically in 10 years) that is within the average number of years of remaining service for employees at the time the expense is incurred.
Actuarial gains and losses are treated as expenses in the fiscal year following the fiscal year in which they arise, in an amount proportionally divided using the straight-line method over a fixed number of years (typically in 10 years) that is within the average number of years of remaining service of employees at the time the differences emerge in each fiscal year.

(vi) Provision for stock compensation for directors (and other officers)
To make allowances for the delivery of the Company’s shares through the officer remuneration BIP trust, an allowance is made for the expected amount of delivery of shares in accordance with points assigned to directors etc. pursuant to the rules for the delivery of shares.

4. Recognition criteria for revenue and expenses
The particulars of the primary obligations in key businesses relating to revenue generated from the contracts with customers of the Company and the standard point in time at which such obligations are fulfilled (the standard point in time to recognize revenue) are as follows.

(i) Construction contracts (domestic civil engineering business, domestic construction business, and overseas construction business)
Regarding construction contracts, it is judged that the obligations are fulfilled over a certain period of time, and revenue is recognized in accordance with the degree of progress in the fulfillment of the obligations. By accounting for the particulars and the nature of obligations under construction contracts, it can be concluded that the status of occurrence of costs appropriately shows degree of progress in construction; therefore, progress is measured on the basis of the proportion of costs incurred against the total estimated cost for construction. Regarding contracts for which progress cannot be reasonably estimated, an amount equal to costs incurred that are expected to be recovered is recognized as revenue. However, regarding construction contracts, etc. with an extremely short construction period, an alternative treatment under which revenue is recognized at the time of complete fulfillment of obligations is applied.

(ii) Contracts other than construction contracts (real estate business)
For real property sale contracts and other contracts other than construction contracts, revenue is mostly recognized at the time of handover of the relevant article for sale, etc. However, for real property lease contracts, revenue is recognized as lease transactions within the scope of the accounting standards for lease transactions.

5. Other basic important items for the preparation of financial statements

a. Translation of foreign currency assets and liabilities to the Japanese yen
Foreign currency monetary assets and liabilities are translated to the Japanese yen at the spot exchange rate on the last day of the term, and any translation difference is recorded as profit or loss, as the case may be.

b. Hedge accounting

(i) Hedge accounting
Deferred hedge accounting is applied. Special treatment is used for interest rate swaps that meet the requirements for special treatment.

(ii) Means and subject of the hedge
Means of the hedge
Interest rate swaps transaction and forward foreign exchange contracts
Subject of the hedge
Borrowings, foreign currency anticipated transactions, and accounts payable for construction contracts

(iii) Hedge policy
Pursuant to the internal management rules, the interest rate risk and the exchange fluctuation risk are hedged.

(iv) Evaluation of hedge effectiveness

The cumulative total of market fluctuations or cash flow changes of the hedge subject and the cumulative total of market fluctuations or cash flow changes of the hedge means are compared, and hedge effectiveness is evaluated by the resulting ratio.

However, the evaluation of effectiveness is omitted for interest rate swaps to which special treatment is applied.

c. Accounting for retirement benefits

Accounting for unrecognized actuarial differences and past service costs relating to retirement benefits differs from accounting for those in the consolidated financial statements.

d. Principles and procedures applied in a case where the relevant accounting standards etc. are not clear

Accounting for construction joint ventures

Assets, liabilities, revenues and expenses are recognized principally in proportion to each member's contribution.

**(Notes to changes in accounting policies)**

Application of "Accounting Standard for Current Income Taxes"

The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the "2022 Revised Accounting Standard") from the beginning of the fiscal year.

The revision regarding the category of income taxes is in accordance with the transitional treatment specified in the proviso of Paragraph 20-3 of the 2022 Revised Accounting Standards. This change in accounting policies has no effect on the financial statements.

**(Notes Regarding Accounting Estimates)**

Net sales of completed construction contracts for which obligations are fulfilled over a certain period of time and revenue is recognized

(i) Amounts recorded in the financial statements of the fiscal year under review — 150,713 million yen

(ii) Information on material accounting estimates of identified items

With the exception of projects with a very short construction period, the amount of completed construction work is recorded based on reasonable estimates of total construction revenue, total construction costs, and the percentage of completion at the end of fiscal year, and revenue is recognized over a specific period of time accordingly.

The amount of completed construction work, for which revenue is recognized over a certain period of time, is calculated by multiplying total construction revenue by the percentage of completion. Total construction revenue is calculated based on the sum of the contract amounts already executed with customers and the amounts of unexecuted contracts estimated as the amounts substantially agreed upon with customers. The percentage of completion is calculated using the proportion of costs incurred at the end of each period to the total construction costs. These costs are reviewed at the end of each month, taking into account the construction status and the executed budget, which is prepared at the start of construction.

Because each construction is unique due to its specifications and work descriptions, and there are uncertainties such as design changes, unexpected costs, and changes in the construction period while the work is underway, such estimates are continuously reviewed.

Therefore, if there is a change to such estimates, such change may have a material effect on the net sales of completed construction contracts and the cost of sales of completed construction contracts in the following fiscal year.

**(Notes Regarding Non-consolidated Balance Sheet)**

1. Pledged assets and collateral-related liabilities

Pledged assets are as follows.

| | |
|---|---|
| Buildings and structures | 1,032 million yen |
| Land | 16,446 million yen |
| Total | 17,479 million yen |

Collateral-related liabilities are as follows.

| | |
|---|---|
| Short-term borrowings (including transferred long-term borrowings) | 770 million yen |
| Long-term borrowings | 740 million yen |
| Total | 1,510 million yen |

The following assets are pledged as a substitute etc. for a business security deposit.

| | |
|---|---|
| Investment securities | 18 million yen |

2. Guarantee obligations

Not applicable.

3. Monetary claims and obligations to subsidiaries and associates

| | |
|---|---|
| Short-term monetary claims | 1,355 million yen |
| Long-term monetary claims | 84 million yen |
| Short-term monetary obligations | 3,003 million yen |

| | |
|---|---|
| 4. Costs of construction contracts in progress corresponding to provision for loss on construction contracts | - |

5. To efficiently procure working capital, the Company has executed a commitment line agreement with seven financial institutions for a total of 10 billion yen (with an option to increase it by 5 billion yen) and a commitment line agreement with one financial institution for a total of 5 billion yen. The balance of the unused portions, etc. under such contracts is as follows.

| | |
|---|---|
| Total amount of the commitment line contracts | 15,000 million yen |
| Balance of used portion | 10,000 million yen |
| Difference | 5,000 million yen |

**(Notes to Non-consolidated Statement of Income)**

1. The following items relating to transactions with subsidiaries and associates are included.

| | |
|---|---|
| Portions of net sales to subsidiaries and associates | 825 million yen |
| Portions of purchases from subsidiaries and associates | 5,137 million yen |
| Amount of transactions from transactions other than operating transactions | 187 million yen |

| | |
|---|---|
| 2. Provision for reserve for loss on construction contracts included in the cost of sales of completed construction contracts | (21) million yen |
| 3. Total amount of the sales, general and administrative expenses and R&D expenses included in the cost of completed construction contracts | 1,268 million yen |

**(Notes Regarding Non-consolidated Statement of Changes in Equity)**

1. Class and total number of outstanding shares and class and number of treasury shares

(Unit: 1,000 shares)

| | Number of shares at beginning of period | Increase during the fiscal year under review | Decrease during the fiscal year under review | Number of shares at end of period |
|---|---|---|---|---|
| Issued shares | | | | |
| Ordinary shares | 94,371 | - | - | 94,371 |
| Total | 94,371 | - | - | 94,371 |
| | | | | |
| Treasury shares | | | | |
| Ordinary shares | 448 | 0 | 5 | 443 |
| Total | 448 | 0 | 5 | 443 |

(Notes) 1. The number of treasury shares includes the Company's shares held by the officer remuneration BIP trust (404,000 shares at the beginning of the fiscal year under review, and 398,000 shares at the end of the fiscal year under review).
2. The increase of 0 shares in common stock of the treasury shares is due to the purchase of shares less than one unit.
3. The decrease of 5,000 shares in common stock of the treasury shares is due to shares issued under the officer remuneration BIP Trust framework.

2. Matters regarding dividends

(i) Dividend payment amounts

| Resolution | Class of shares | Total amount of dividends (million yen) | Dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|
| June 26, 2024 Annual general meeting of shareholders | Ordinary shares | 6,980 | 74.0 | March 31, 2024 | June 27, 2024 |
| November 11, 2024 The Board of Directors | Ordinary shares | 2,829 | 30.0 | September 30, 2024 | December 3, 2024 |

(Notes) 1. The total amount of dividends approved by resolution at the annual general meeting of shareholders held on June 26, 2024 includes the dividends of 29 million yen on the Company's shares held by the officer remuneration BIP trust.
2. The total amount of dividends approved by resolution at the Board of Directors meeting held on November 11, 2024, includes the dividends of 11 million yen on the Company's shares held by the officer remuneration BIP trust.

(ii) Among dividends with a record date that falls under the fiscal year, for those with an effective date in the subsequent period

The Company proposed matters regarding a dividend on ordinary shares as a proposal at the annual general meeting of shareholders held on June 25, 2025, as follows.

| Resolution | Class of shares | Total amount of dividends (million yen) | Source of funds for the dividend | Dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| June 25, 2025 Annual general meeting of shareholders | Ordinary shares | 5,470 | Retained earnings | 58.0 | March 31, 2025 | June 26, 2025 |

(Notes) The total amount of dividends approved by resolution at the annual general meeting of shareholders held on June 25, 2025, includes the dividends of 23 million yen on the Company's shares held by the officer remuneration BIP trust.

**(Notes Regarding Tax Effect Accounting)**

The breakdown of the main causes of deferred tax assets and deferred tax liabilities

| | |
|---|---|
| Deferred tax assets | |
| Provision for retirement benefits | 788 million yen |
| Impairment of land for business | 824 million yen |
| Provision for bonuses | 341 million yen |
| Provision for warranties for completed construction | 148 million yen |
| Other | 535 million yen |
| Subtotal deferred tax assets | 2,637 million yen |
| Valuation allowance | (959) million yen |
| Total deferred tax assets | 1,678 million yen |
| Deferred tax liabilities | |
| Valuation difference on available-for-sale securities | (226) million yen |
| Deferred gains or losses on hedges | (380) million yen |
| Total deferred tax liabilities | (606) million yen |
| Net deferred tax assets | 1,071 million yen |

**(Notes Regarding Investment and Rental Property)**

The Company owns land and buildings for lease in Hyogo Prefecture and other areas. The rental income from such investment and rental property during the fiscal year under review was 158 million yen (rental revenue was recorded as net sales in the real estate business, and rental expenses were recorded as cost of sales in the real estate business), profit on sale was 342 million yen (recorded as extraordinary income), and impairment losses were 65 million yen (recorded as extraordinary losses).

The carrying amount, increase/decrease during the period, and fair value of such investment and rental property are as follows.

| | |
|---|---|
| Carrying amount | |
| Beginning balance | 11,178 million yen |
| Increase/Decrease during the period | (331) million yen |
| Ending balance | 10,846 million yen |
| Fair value at the end of the fiscal year | 10,682 million yen |

(Notes) 1. The carrying amount is the amount of the acquisition cost minus the accumulated depreciation and impairment losses.
2. The major decrease during the period was sales (151 million yen).
3. The fair value at the end of the fiscal year is mostly based on the real estate appraisals by an external real estate appraiser (including those adjusted using indices).

**(Notes Regarding Transactions with Related Parties)**

There are no material matters to be noted.

**(Notes Regarding Per Share Information)**

| | |
|---|---|
| Net assets per share | 732.49 yen |
| Earnings per share | 79.23 yen |

**(Notes Regarding Significant Subsequent Events)**

Not applicable.

**(Notes Regarding Revenue Recognition)**

1. Information on the breakdown of revenue generated from contracts with customers

(Unit: million yen)

| | | Domestic civil engineering | Dom. architectural construction | Overseas construction | Real estate | Total |
|---|---|---|---|---|---|---|
| Revenue generated from contracts with customers | Goods or services transferred at a point in time | 2,672 | 534 | 57 | - | 3,263 |
| | Goods or services transferred over a certain period of time | 80,631 | 59,832 | 10,249 | - | 150,713 |
| | Total | 83,304 | 60,366 | 10,306 | - | 153,977 |
| Other revenue | | - | - | - | 407 | 407 |
| | Total | 83,304 | 60,366 | 10,306 | 407 | 154,385 |

2. Basic information for understanding revenue generated from contracts with customers

(i) Information on contacts with customers and obligations

It is as described in “4. Recording criteria for revenue and expenses” in “Notes on important matters pertaining to accounting policies.”

The Company has an obligation under construction contracts to repair free of charge the construction defects, etc. that occurred during the contract non-conformity warranty period after handover. The purpose of this obligation is to provide to customers a guarantee that the relevant work will function as intended in accordance with the specifications in the contracts with customers, and it is recognized as a provision for compensation for completed construction.

Each construction contract is unique, and thus, there is no payment due date that is considered typical.

(ii) Information on the calculation of transaction price

Transaction price is the amount of consideration received under contracts with customers. However, if the amount of consideration is not decided due to any addition to the relevant construction contract or design change, etc., a reasonable estimate of such consideration is included in the total construction revenue.

Regarding construction contracts that are considered to include material financial elements are adjusted for calculation of a transaction price by using the discount rate expected to apply in a case of an independent financial transaction with a customer on the date of the relevant agreement, and by removing the impact of an amount equal to interest from the sale price of the relevant construction.

Under normal circumstances, the Company provides material services that are integrated with final subject matters under contracts with customers and transaction prices are not distributed, because the Group recognizes all of the promised services as one obligation.

(iii) Information on the point in time of fulfillment of obligation

It is as described in “4. Recording criteria for revenue and expenses” in “Notes on important matters pertaining to accounting policies.”

3. Matters regarding the relationship between the fulfillment of obligations under contracts with customers and cash flow generated from such contracts, and the amount and timing of revenue generated from contracts with customers existing on the last day of the fiscal year under review and expected to be recognized in the following fiscal year onward

(i) Balance of contract assets and contract liabilities, etc.

| | |
|---|---|
| Claims generated from contracts with customers (Balance at the beginning of period) | 25,616 million yen |
| Claims generated from contracts with customers (Balance at the end of period) | 30,724 million yen |
| Contract assets (Balance at the beginning of period) | 39,438 million yen |
| Contract assets (Balance at the end of period) | 42,195 million yen |
| Contract liabilities (Balance at the beginning of period) | 14,713 million yen |
| Contract liabilities (Balance at the end of period) | 16,303 million yen |

Contract assets mainly concern the Company's right with respect to consideration for completed works for which obligations under construction contracts with customers have been fulfilled on the last day of the period, but which have not been invoiced to customers. Contract assets will be transferred to claims generated from contracts with customers at the time when the Company's right with respect to consideration becomes unconditional. Consideration for the net sales of such completed construction is invoiced and received in accordance with the payment terms under construction contracts.

Contract liabilities mainly concern advances for unmet (or partially unmet) obligations received from customers in accordance with the payment terms under construction contracts with customers, the revenue from which is recognized as obligations are fulfilled or at the time of fulfillment. Contract liabilities are liquidated as revenue is recognized.

The amount of revenue recognized in the fiscal year under review which is included in the balance of contract liabilities at the beginning of the period was 14,344 million yen.

The amount of revenue recognized in the fiscal year under review on the basis of obligations fulfilled (or partially unfilled) in a past period is 1,391 million yen.

(ii) Transaction prices distributed to the remaining obligation

Unmet (or partially unmet) obligations are 217,606 million yen as of March 31, 2025. Such obligations concern civil engineering, building construction and overseas construction, and approximately 60% of them is expected to be recognized as revenue within one year from the last day of the period, and the rest is expected to be recognized as revenue largely within four years.

Financial Statements Accounting Audit Report

## Independent Auditor's Audit Report

May 15, 2025

To: Board of Directors
TOYO CONSTRUCTION CO., LTD.

Ernst & Young ShinNihon LLC
Tokyo Office

Masahiko Nagasaki
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Teppei Tajima
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Audit Opinion

Pursuant to the provisions of Article 436, paragraph (2), item (1) of the Companies Act, we conducted an audit of the financial statements, i.e., the balance sheet, statement of income, statement of changes in equity, notes to non-consolidated financial statements, and supplementary schedules thereto ("Financial Statements etc.") of TOYO CONSTRUCTION CO., LTD. for the 105th fiscal year from April 1, 2024 to March 31, 2025.

We believe that the above Financial Statements etc. present fairly, in all material respects, the status of the assets, losses, and income for the period covered by Financial Statements etc., in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with generally accepted auditing standards in Japan. Our responsibilities under those standards are described in "Auditor's Responsibilities for the Audit of the Financial Statements etc." In accordance with regulations on professional ethics in Japan, we are independent from the Company, and have fulfilled all other ethical responsibilities required of us as auditors. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our opinion.

Other Information

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and disclosure of the other information. Further, corporate auditors and the Board of Auditors are responsible for monitoring the execution of duties by directors in the development and operation of the reporting process for the other information.

Our audit opinion on the Financial Statements etc. does not cover the other information, and accordingly, we express no opinion on the content thereof.

Our responsibility in the audit of the Financial Statements etc. is to read through the other information and, in the course of doing so, to consider whether there are any material differences between the content of the other information and the Financial Statements etc. or knowledge that we have acquired in the course of our audit, and, in addition to such material differences, to pay attention to whether there are any other indications of material errors in the content of the other information.

If, on the basis of the work we have performed, we determine that there are material errors in the other information, we are required to report them.

There are no matters that we should report in relation to the other information.

The Responsibilities of Management, the Corporate Auditors, and the Board of Auditors with Respect to the Financial Statements etc.

Management is responsible for the preparation and fair presentation of the Financial Statements etc. in accordance with accounting principles generally accepted in Japan. This includes the development and operation of internal control that management determines is necessary in order to prepare and present fairly the Financial Statements etc. free from material misstatement due to fraud or error.

In preparing the Financial Statements etc., management is responsible for evaluating whether it is appropriate to prepare the Financial Statements etc. based on the going concern basis of accounting and for disclosing such matters if it is necessary to disclose matters relating to being a going concern in accordance with accounting principles generally accepted in Japan.

The corporate auditors and the Board of Auditors are responsible for monitoring the execution of duties by directors in the development and operation of the financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements etc.

We are responsible for obtaining reasonable assurances about whether the Financial Statements etc., as a whole are free from material misstatement due to fraud or error, on the basis of our audit, and to express an independent opinion on the Financial Statements etc. in the audit report. Misstatements can arise from fraud or error and are considered to be material if, individually or in the aggregate, they could reasonably be expected to affect the decisions of the users of the Financial Statements etc.

We will exercise professional judgment throughout the audit process in accordance with auditing standards generally accepted in Japan, and shall maintain professional skepticism in carrying out the following:

・ Identify and assess the risks of material misstatement due to fraud or error. Further, propose and implement audit procedures that address the risks of material misstatements. The selection and application of audit procedures are at our discretion. Furthermore, obtain sufficient and appropriate audit evidence to provide a basis for expressing an opinion.
・ The purpose of the audit of the Financial Statements etc. is not to express an opinion on the effectiveness of internal control; however, in making risk assessments, we will consider internal control relating to audits in order to propose audit procedures that are appropriate to the circumstances.
・ Assess the appropriateness of the accounting policies adopted by management and the application thereof, and the reasonableness of the accounting estimates made by management and the adequacy of related notes.
・ Conclude whether it is appropriate for management to prepare the Financial Statements etc. on the going concern basis of accounting and, based on the audit evidence obtained, whether any material uncertainty exists with respect to events or conditions that may cast significant doubt on the assumption that the Company is a going concern. If any material uncertainty regarding the assumption that the Company is a going concern is found, we are required to draw attention in the audit report to the notes to the Financial Statements etc. or, if notes to the Financial Statements etc. relating to material uncertainties are inadequate, to express an opinion on the matters to be excluded in the Financial Statements etc. Our conclusion is based on audit evidence obtained up to the date of the audit report; however, future events or conditions may cause the Company to become unable to continue as a going concern.
・ Assess whether the presentation of the Financial Statements etc. and the notes thereto comply with accounting principles generally accepted in Japan, the presentation, structure, and content of the Financial Statements etc., including related notes, and whether the Financial Statements etc. represent the underlying transactions and events in a manner that achieves fair presentation.

We will report to corporate auditors and the Board of Auditors on the planned scope and timing of the audit, material audit findings identified during the course of the audit, including any material deficiencies in internal control, and other matters required by auditing standards.

We will report to corporate auditors and the Board of Auditors the fact of our compliance with provisions relating to professional ethics in Japan with respect to independence, any matters that may reasonably be considered to affect our independence, as well as any countermeasures that have been established to eliminate impediments to our independence or any safeguards that have been applied to reduce impediments to allowable levels.

Conflicts of Interest

There are no conflicts of interest between the Company and our firm or our engagement partners that are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act.

End