Financial Data for 11 Years

Financial items

		Unit	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	*Thousands of U.S. dollars FY2023
Orders received		Million yen	189,026	187,311	221,764	218,323	219,844	241,889	226,909	200,469	232,120	288,670	**263,549**	**1,740,749**
Ratio of overseas orders received		%	52.6	49.8	54.3	50.4	46.2	46.3	45.1	44.1	38.2	47.1	**43.7**	**43.7**
Net sales		Million yen	185,421	183,648	212,424	200,604	231,898	225,402	225,378	202,548	209,261	214,793	**293,556**	**1,938,947**
	Green Technology System	Million yen	115,447	116,150	134,824	124,565	139,948	149,164	157,378	134,058	134,399	171,868	**216,535**	**1,430,220**
	Paint Finishing System	Million yen	70,046	67,614	77,735	76,085	92,029	76,245	68,006	68,497	74,882	42,960	**77,041**	**508,862**
Ratio of overseas sales		%	61.6	55.2	55.5	49.3	50.1	47.1	41.3	45.8	48.5	37.5	**46.9**	**46.9**
Operating income		Million yen	8,083	8,669	12,734	8,473	12,180	14,035	15,439	11,690	9,428	11,556	**18,270**	**120,679**
Ratio of operating income to net sales		%	4.4	4.7	6.0	4.2	5.3	6.2	6.9	5.8	4.5	5.4	**6.2**	**6.2**
Ordinary income		Million yen	9,292	9,579	12,343	9,842	13,082	15,085	15,991	12,287	10,818	13,001	**19,852**	**131,126**
Segment profit	Green Technology System	Million yen	4,449	5,991	8,950	9,981	11,885	13,567	13,893	11,192	9,302	14,599	**17,027**	**112,470**
	Paint Finishing System	Million yen	4,506	3,260	3,524	(115)	1,160	1,676	2,814	911	667	(1,606)	**2,804**	**18,526**
Ratio of ordinary income to net sales		%	5.0	5.2	5.8	4.9	5.6	6.7	7.1	6.1	5.2	6.1	**6.8**	**6.8**
Profit attributable to owners of parent		Million yen	4,155	6,084	7,084	6,305	7,254	8,841	9,132	8,279	7,248	7,917	**15,602**	**103,055**
Return on equity (ROE)		%	5.3	6.9	7.6	6.8	7.2	8.3	8.4	7.2	5.9	6.3	**11.6**	**11.6**
Total assets		Million yen	166,680	188,283	189,566	199,024	215,392	223,080	215,389	228,855	228,159	237,105	**266,494**	**1,760,199**
Net assets		Million yen	84,712	99,669	95,921	100,184	110,650	113,649	112,843	126,311	130,788	131,992	**151,562**	**1,001,070**
Equity ratio		%	48.3	50.4	48.0	48.1	48.8	48.8	50.2	52.9	54.7	53.1	**54.0**	**54.0**
Cash flows from operating activities		Million yen	7,532	1,401	7,301	6,679	9,337	9,159	21,386	973	(8,544)	4,806	**20,738**	**136,979**
Cash flows from investing activities		Million yen	(1,194)	(3,900)	(328)	(6,505)	1,390	(2,830)	(877)	(6,913)	(1,071)	(1,748)	**2,148**	**14,193**
Cash flows from financing activities		Million yen	(3,290)	1,264	(7,409)	(5,286)	(885)	2,396	(11,475)	(1,435)	6,000	(9,822)	**(5,545)**	**(36,628)**
Research and development expenses		Million yen	876	822	889	946	1,024	1,084	1,105	1,122	1,106	1,149	**1,166**	**7,703**
Depreciation		Million yen	1,290	1,257	1,348	1,290	1,398	2,030	2,167	2,362	2,496	2,000	**1,469**	**9,706**
Purchase of property, plant and equipment and intangible assets		Million yen	(1,734)	(1,247)	(1,941)	(1,807)	(3,832)	(4,140)	(2,086)	(2,270)	(2,314)	(2,176)	**(3,885)**	**(25,664)**

Per share data:	Unit	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	*U.S. dollars FY2023
Profit attributable to owners of parent	Yen	116.08	172.64	204.35	183.16	212.40	259.53	268.07	243.03	212.69	234.62	**471.94**	**3.12**
Net assets	Yen	2,282.56	2,690.76	2,633.60	2,799.30	3,087.51	3,193.18	3,176.25	3,552.69	3,658.54	3,788.75	**4,388.08**	**28.98**
Annual dividend	Yen	45	52	67	70	75	91	100	90	100	121	**131**	**0.87**
Dividend payout ratio	%	38.8	30.1	32.8	38.2	35.3	35.1	37.3	37.0	47.0	51.6	**27.8**	**27.8**
Total return ratio	%	80.5	30.2	63.8	54.0	42.2	35.1	37.5	37.2	47.2	89.3	**40.6**	**40.6**

* The U.S. dollar amounts are translated on the basis of nearly 151.40 yen to 1 dollar, the rate of exchange prevailing at March 31, 2024.
* As the Company has been applying the Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ) Statement No.28, February 16, 2018) since FY2018, the consolidated financial position of FY2017 is calculated after retrospectively applying the said accounting standard, etc. Therefore, the indicators and others for FY2017 reflect those retrospective adjustments.

RESULTS OF OPERATIONS (OVERVIEW)

The results for the fiscal year ended March 31, 2024

Accounting estimates and underlying assumptions

The consolidated financial statements of the Taikisha Group are prepared in accordance with accounting standards generally accepted in Japan. In preparing the consolidated financial statements, some accounting estimates that affect the amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period are made in accordance with the accounting standards.

Please refer to "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, 2. Summary of significant accounting policies, (12) Significant accounting estimates.

Due to the uncertain nature of estimates, actual results may differ from these estimates.

Earnings Overview

In this fiscal year, the global economy remained unstable due to increasing geopolitical risks in regions including Eastern Europe and the Middle East, as well as continuous inflation. In the U.S., despite concerns of an economic recession against a backdrop of prolonged inflation and high interest rates, personal consumption and employment conditions remained favorable, and the economy remained strong. In China, the economy slowed down due to sluggish domestic and foreign demand, particularly in the real estate market. In Southeast Asia, although there was a recovery in domestic demand due to improvements in employment and public investment, the pace of growth decelerated due to the slowdown of overseas economies. Although the Japanese economy normalized to a degree due to improvements in employment and income conditions, the outlook remains uncertain due to financial policies and geopolitical risks overseas.

Among the market environments of the Taikisha Group, in overseas markets, capital investment by various manufacturers remained strong, despite concerns about a slowdown in the global economy.

On the other hand, in the domestic market, investments by semiconductor-related and automobile manufacturers continued, and the demand for redevelopment in urban areas remained strong.

Under such circumstances, in order to achieve medium- to long-term growth, the Taikisha Group promotes the following initiatives.

Firstly, as an initiative for "horizontal deployment of strength of technology" which is stated in the Mid-Term Business Plan, the Company developed the target-guided airflow system "FOLLOAS." It is an air-outlet system that can follow the movement of people by utilizing image recognition technology. It is expected to improve workers' comfort and reduce energy consumption and CO_2 emissions by reducing the overall air supply volume.

Individual air conditioning systems with fixed air outlets have been installed in conventional factories, although they do not cover the entire range of worker movements, making factory operations in the summer times sometimes difficult.

The Company has been developing ICT-based technology, focusing especially on applying image recognition technology to existing technologies. The Company has developed a product that changes the direction of air supply following the subject by combining the air conditioning control technology that the Company had been developing over many years with image recognition technology to create personal air conditioning.

Currently, the Company has already been introducing these systems to customers who consider improving the working environment, prepare for the heat, and saving energy of the entire factory. The Company has started mass production based on the results of trial installations and durability verification in several factories.

Secondly, through the initiative in PF System Division "development with an awareness of global issues", the Taikisha Group subsidiary TKS Industrial Company (currently Taikisha USA, Inc.) gave a presentation jointly with Nippon Paint Automotive Coatings Co., Ltd on dry decoration at the International Automotive Body Finishing Conference, "SURCAR 6th AMERICAN CONGRESS" in Detroit, USA, one of the most prestigious international conferences in the automotive coating industry, in June 2023. As a result, they received the Jury's Award, which is granted to the presentation that receives the highest evaluation from the judges. Dry decoration has had issues related to the size and shape of the coated object that can be decorated. This presentation was highly praised for realizing dry decoration even on integral-type bumpers with a height of 700 mm or more and a large curvature without wrinkles and with reduced color tone changes by controlling the film extension percentage to 100% or less.

In order to establish the process line of dry decoration, the Company is planning to construct the demo-line in our R&D facility by fall 2024 to prepare for mass production.

The Company will contribute to the realization of decarbonized society through the technological development of dry decoration as a value-added technology for automobile exteriors.

Given such circumstances, due to reactionary decline from large orders received in the previous fiscal year, consolidated orders received decreased 8.7% year-on-year to ¥263,549 million, decreasing both in Japan and overseas. This includes orders received overseas, which decreased 15.3% year-on-year to ¥115,142 million.

Consolidated net sales of completed construction contracts increased 36.7% year-on-year to ¥293,556 million, increasing both in Japan and overseas. This includes net sales of completed construction contracts overseas, which increased 71.0% year-on-year to ¥137,792 million.

In regard to profits, gross profit on completed construction contracts increased ¥10,240 million year-on-year to ¥43,312 million, operating income increased ¥6,714 million year-on-year to ¥18,270 million, ordinary income increased ¥6,850 million year-on-year to ¥19,852 million, and profit attributable to owners of parent increased ¥7,685 million year-on-year to ¥15,602 million.

Earnings by reportable segment (including intersegment transactions) are as follows.

Green Technology System

Consolidated orders received decreased compared to the previous fiscal year, as orders decreased in Japan, China, Taiwan, and other countries, mainly due to a reactionary decline from the large orders received in the previous fiscal year in the industrial HVAC sector. The consolidated net sales of completed construction contacts increased compared to the previous fiscal year, due to increases in Japan, Taiwan, and other countries.

As a result, consolidated orders received decreased 17.4% year-on-year to ¥171,902 million. The breakdown is orders received for building HVAC of ¥36,205 million which increased 0.0% year-on-year and orders received for industrial HVAC of ¥135,697 million which decreased 21.1% year-on-year. Consolidated net sales of completed construction contracts increased 26.0% year-on-year to ¥216,535 million. The breakdown is sales for building HVAC of ¥40,756 million which decreased 10.1% year-on-year and sales for industrial HVAC of ¥175,778 million which increased 38.9% year-on-year. Segment profit (ordinary income) increased ¥2,428 million year-on-year to ¥17,027 million.

Paint Finishing System

Consolidated orders received increased compared to the previous fiscal year, due to increases in North America and other regions. The consolidated net sales of completed construction contracts increased compared to the previous fiscal year, due to increases in regions such as North America and Korea.

As a result, consolidated orders received increased 13.7% year-on-year to ¥91,646 million and consolidated net sales of completed construction contracts increased 79.3% year-on-year to ¥77,041 million. Segment profit (ordinary income) was ¥2,804 million (segment loss of ¥1,606 million in the previous fiscal year).

Financial Condition

Assets

As of March 31, 2024, current assets increased 10.2% year-on-year to ¥203,374 million. This is mainly due to increase in securities of ¥9,000 million and cash and deposits of ¥8,474 million.

Non-current assets increased 19.9% year-on-year to ¥63,119 million. This is mainly due to increase in investment securities of ¥4,392 million and net defined benefit asset of ¥2,986 million.

As a result, total assets increased 12.4% year-on-year to ¥266,494 million.

Assets by reportable segment are as follows.

Green Technology System

As of March 31, 2024, current assets decreased 9.6% year-on-year to ¥105,759 million. This is mainly due to decrease in notes receivables, accounts receivable from completed construction contracts and other of ¥8,514 million and cash and deposits of ¥2,886 million.

Non-current assets increased 30.2% year-on-year to ¥37,267 million. This is mainly due to increase in construction in process of ¥2,684 which is included in "other" of property, plant and equipment, and investment securities of ¥5,691 million.

As a result, total assets decreased 1.7% year-on-year to ¥143,027 million.

Paint Finishing System

As of March 31, 2024, current assets increased 58.4% year-on-year to ¥58,826 million. This is mainly due to increase in notes receivable, accounts receivable from completed construction contracts and other of ¥16,532 million and cash and deposits of ¥4,281 million.

Non-current assets decreased 12.4% year-on-year to ¥10,648 million. This is mainly due to decrease in investment securities of ¥1,299 million.

As a result, total assets increased 40.9% year-on-year to ¥69,474 million.

Liabilities

As of March 31, 2024, current liabilities increased 7.9% year-on-year to ¥103,504 million. This is mainly due to increase in notes payable, accounts payable for construction contracts and other of ¥9,395 million and income taxes payable of ¥2,699 million despite decrease in advances received on uncompleted construction contracts of ¥9,407 million.

Non-current liabilities increased 24.6% year-on-year to ¥11,427 million. This is mainly due to increase in deferred tax liabilities of ¥2,019 million.

As a result, total liabilities increased 9.3% year-on-year to ¥114,932 million.

Net assets

As of March 31, 2024, total net assets increased 14.8% year-on-year to ¥151,562 million. This is mainly due to increase in retained earnings of ¥11,572 million, valuation difference on available-for-sale securities of ¥3,837 million, and foreign currency translation adjustment of ¥2,977 million, despite decrease in purchase and disposal of treasury shares of ¥1,810 million.

Cash flows

Cash and cash equivalents (collectively, "Cash") as of March 31, 2023 and 2024 were ¥43,946 million and ¥63,265 million respectively. Compared to the previous year, it increased ¥19,319 million.

Cash flows from operating activities

Cash provided by operating activities for the year ended March 31, 2023 and 2024 totaled ¥4,806 million and ¥20,738 million respectively. Cash increased mainly due to recording of profit before income taxes and increase in notes payable, accounts payable for construction contracts and other, although decreased mainly due to decrease in advances received on uncompleted construction contracts.

Cash flows from investing activities

Cash used in investing activities for the year ended March 31, 2023 was ¥1,748 million, and cash provided by investing activities for the year ended March 31, 2024 was ¥2,148 million. Cash increased mainly due to proceeds from withdrawal of time deposits and proceeds from sales of investment securities, although decreased mainly due to payments into time deposits and purchase of property, plant and equipment and intangible assets.

Cash flows from financing activities

Cash used in financing activities for the year ended March 31, 2023 and 2024 totaled ¥9,822 million and ¥5,545 million respectively. Cash decreased mainly due to cash dividends paid, net increase in treasury shares, and cash dividends paid to non-controlling interests.

Business and Other Risks

Major risk factors that may significantly affect the financial condition, business performance and cash flows of the Taikisha Group, as recognized by senior management, are noted below.

Forward-looking statements in this section are based on judgments made by the Taikisha Group as of March 31, 2024.

Risk of Changes in Private Capital Investment

Changes in the environment for orders may significantly affect sales and profit in the Taikisha Group's businesses. In the Green Technology System Division, this may be caused by reduction in overseas investment by Japanese companies. In the Paint Finishing System Division, this may be caused by continued shrinkage of domestic manufacturing by Japanese automobile manufacturers, or reduction in new capital investment due to sluggish worldwide car sales. The Taikisha Group's business performance and other results may be affected by a decrease in the amount of orders received due to these factors. In addition, if the Taikisha Group fails to keep up with the change of production facility of automobile manufacturers that contributes to realization of carbon neutrality, the Taikisha Group may lose customers and the business performance and other results may also be affected.

In response, Green Technology System Division will work overseas to strengthen its sales structure targeting local companies, and promote initiatives to increase orders from Japanese manufacturers in collaboration with sales team in Japan. Paint Finishing System Division will accelerate the development of the Company's technology that introduces change the production facility of customers that contributes to realization of carbon neutrality, and will aim to expand automation business from the conventional 4-wheel and 2-wheel vehicle markets to other industries by the Company's automation technology.

Risk Associated with Large-Scale Disasters

The Taikisha Group's business performance and other results may be affected by losses sustained due to natural disasters, such as earthquakes, tsunamis, wind or water damage, or a global spread of infections and other diseases in regions where the Taikisha Group does business. Furthermore, in the case of large-scale, widespread natural disasters, the Taikisha Group's business performance and other results may be affected not only by the direct damage to property and people, but also by the long-term impact on customers' business activities and the larger economic climate.

In order to prepare for the possible occurrence of unforeseen disasters, accidents or events in Japan or overseas, the Taikisha Group has established a basic policy for crisis management and constructed a crisis management system. Should a crisis occur, it will be classified into one of three levels depending on its impact on personal safety and business continuity. Crisis countermeasures will be implemented based on these levels.

Risk Associated with Overseas Business and the Management and Control of Overseas Subsidiaries and Associates

Unforeseen changes in laws and regulations, political instability and other factors in the overseas regions where the Taikisha Group operates could affect its business results. The Taikisha Group may sustain losses due to fluctuations in exchange rates pertaining to the payments and collections for foreign currency construction contracts. In addition, exchange rates could affect the Taikisha Group's business performance and other results because the financial statements of overseas subsidiaries and associates are translated into Japanese yen in preparing the consolidated financial statements. Furthermore, the Taikisha Group's business performance and other results may be affected by a deterioration in the results of overseas subsidiaries and associates, such as the failure to achieve business plan targets, due to bad debt because of bankruptcy of customers, the occurrence of problems that could not be predicted, or for which risk countermeasures that could not be implemented and so on.

In response, the Taikisha Group collects information on political, economic and statutory changes in the overseas regions in which it operates, and strives to control country risks and overseas legal and regulatory risks. The Taikisha Group implements forward exchange contracts and other instruments to hedge currency risks arising from payments and collections for foreign currency construction contracts, strengthens credit control before receiving orders to reduce the risk of receivables to become uncollectible, and avoids such kinds of risks as much as possible. It will also continue to enhance the governance structure of its overseas subsidiaries and associates.

Risk Associated with Technological Development

Should the Taikisha Group experience delays in the development of systems to meet increasing customer needs, such as carbon neutrality, energy saving, enhanced environmental measures and automation, its technological differentiation with competitors cannot be generated, and its business performance and other results may be affected by the resulting loss of opportunities to receive orders, as well as deterioration in customer trust and corporate reputation.

In response, the Taikisha Group endeavors to solve social issues through the development and demonstration of technologies aimed at reducing environmental impact to deal with decarbonization business in order to realize carbon neutrality, as well as automation technologies which is the strength technology of the Company. To this end, the Company will utilize the Technology Development Center and R&D satellite facility "TAIKISHA INNOVATION GATE Shinjuku" at the head office of Shinjuku, so that it expands communication, integrates solution inside and outside the company, and excavates innovation, and at the same time, by leveraging digital technologies, strengthening initiatives across the Group, and promoting development of innovative technologies by collaborating with academic institutions and start-up companies, the Taikisha Group will engage in themes that anticipate social needs.

Risk Associated with Human Resources to Execute Projects

Construction and equipment installation work, the Taikisha Group's business field, is heavily reliant on human resources. In Japan, the Taikisha Group's business results may be affected by inability to build the operational structures required to achieve medium- to long-term plans, with the concern of shortage in skilled and experienced engineers due to the aging population and delays in personnel development, as well as reduction of total working hours of engineering employees are expected due to the limitation of overtime work which has been applied also in construction industry from April 2024. Overseas, long-term business development may also be affected if the core human resources necessary to guide the localization of the Taikisha Group's businesses cannot be secured, due to factors such as delays in the development of local staff and employee turnover.

In response, the Taikisha Group will work to enhance employees' technical skills and develop human resources, by improving their basic technical capabilities through training, as well as on-site practical instruction. At the same time, it will endeavor to secure human resources, leveraging digital technology to increase productivity, promote work style reforms, and create attractive workplaces.

Overseas, the Taikisha Group will strive to secure and develop core human resources, and promote localization, through the introduction of a global personnel system.

In addition, in order to sustain and promote employees' healthy mind and body, the Company announced "Health management declaration" in 2020, and clarified health management promotion system with President and Representative Director to become the supervisor of health control.

Legal and Regulatory Compliance Risk

The Taikisha Group's business fields are subject to a range of legal restrictions, including the Construction Business Act, the Antimonopoly Act, and the Labor Standards Act. The Taikisha Group's business performance and other results may be affected by restrictions placed upon its business activities, if any of these laws and regulations are violated by the actions of its officers or employees.

In response, the Taikisha Group will endeavor to create a corporate culture and mechanisms to prevent rule violations. It will engage in continuing implementation and follow-up of its compliance education program such as e-learning, as well as conducting survey of compliance attitude which leads to inspect the effectiveness of compliance activities and reflect to improvement process, in order to maintain and increase employee awareness of legal and regulatory compliance.

Risk of Serious Accidents and Quality Defects

In the event of serious accidents during construction, or critical contract nonconformity due to such as critical quality defects, the Taikisha Group's social credit would be damaged, and its business results may be affected. The Taikisha Group takes contract conformity responsibility with customers guaranteeing construction against defects for fixed period of time after completion of construction. The Taikisha Group allocates a provision for warranties for completed construction to cover repair costs based on previous warranty experience. However, Taikisha Group's business performance and other results might be affected should the costs exceed the balance of the provision.

In response, the Taikisha Group strives to strengthen the management system and takes all possible measures for safety and health management at construction sites through improving safety awareness and level by promoting the use of safety-related ICT and DX, reducing on-site construction risks by adopting factory-processed products, and instructing as well as checking partner companies to create detailed work procedure diagrams. In addition, the Taikisha Group is enforcing the structure of assuring the technical quality on a company-wide basis by reviewing the construction management system, promoting the introduction of digital technology in construction management, sharing of information regarding quality, and working to prevent quality defects by establishing a company-wide committee.

Risk of Changes in Material Prices and Unit Labor Costs

Sharp rises in material prices due to the rise of fuel prices and so on, and sharp rises in unit labor costs due to declining birthrate and aging population as well as lack of successors, could affect the Taikisha Group's business performance and other results if the Taikisha Group is unable to reflect them to contract prices.

In response, the Taikisha Group endeavors to control the risk of changes in material prices and unit labor costs through measures such as identifying reasonable costs for each region when it receives orders, and hedging the risk of price fluctuations in contracts.

Risk Associated with the Leakage of Confidential Information

Cyber-attacks are becoming increasingly sophisticated, diverse, and devious each year. If confidential information, such as personal information or customer information, is leaked through these cyber-attacks, the intentional, dishonest actions of an employee, or other means, the Taikisha Group's business performance and other results may be affected by the results of this leak, such as loss of credit and liability for compensation payments.

In response, the Taikisha Group will formulate a roadmap for risk mitigation measures, which will be implemented at each Group company based on the results of the Group's IT security assessment. In addition, in the effort to prevent the leakage of confidential information, the Company has established an IT incident response system (Taikisha version of CSIRT) and has been promoting education for all employees, such as IT security e-learning, targeted attack e-mail training and so on.

Risk Associated with the Climate Change

In the transition of society toward decarbonization, policies, laws, technologies, and markets change, and these may affect companies' finance and reputation in various ways. Also for the Taikisha Group, there are risks that its earnings, etc. may be affected by transitional and physical risks, such as loss of customers due to failing to adapt successfully to customers' climate change correspondence, deterioration of competitiveness due to the delay of development of carbon neutral correspondence technologies, cost increase due to introduction of carbon tax, decline in labor productivity due to the rise in the average temperature, and project cancellation due to the increase of heat days, etc.

In response, the Taikisha Group will work on development of low carbon construction technology and system such as downsizing of facilities and saving energy, expanding construction of saving energy facilities such as net zero energy building of factories, promoting mechanization and automating constructions, and so on.

Risk Associated with the Human Rights

If the Taikisha Group's business activities cause or encourage negative impacts on human rights, the Taikisha Group's operating results may be affected by additional costs related to corrective or remedial measures, or stagnation of business activities due to a loss of public trust.

As a company with global operations, the Taikisha Group recognizes respect for human rights as one of the most important matters, and has established the Taikisha Group Human Rights Policy as a code of conduct for human rights in the Taikisha Group's business activities. Under the policy, the Group is committed to reducing and preventing human rights risks by promoting initiatives to respect human rights, including compliance with governance, implementation of human rights due diligence throughout the supply chain, and education and awareness-raising activities for officers and employees.

Subsidiaries and associates

Taikisha Group consists of Taikisha Ltd., 32 subsidiaries, and 3 associates. Taikisha Ltd., 4 subsidiaries and 1 associate are domiciled in Japan, and 28 subsidiaries and 2 associates are domiciled overseas.

CONSOLIDATED BALANCE SHEETS

Taisha Ltd. and its Consolidated Subsidiaries
As of March 31, 2023 and 2024

	Millions of yen		Thousands of U.S. dollars
Assets	2023	2024	2024
Current assets:			
Cash and deposits (Note 3(3))	¥46,988	¥55,462	$366,333
Notes receivable, accounts receivable from completed construction contracts and other (Note 3(1) (7))	124,236	125,357	827,990
Securities	–	9,000	59,445
Costs on uncompleted construction contracts	2,346	2,274	15,026
Raw materials and supplies	843	1,092	7,217
Other	10,721	11,209	74,038
Allowance for doubtful accounts	(668)	(1,023)	(6,758)
Total current assets	184,467	203,374	1,343,291
Non-current assets:			
Property, plant and equipment			
Buildings and structures	8,043	8,636	57,044
Machinery, vehicles, tools, furniture and fixtures (Note 3(3))	7,852	8,562	56,556
Land	1,705	1,782	11,770
Other	1,163	3,996	26,395
Accumulated depreciation	(10,207)	(11,282)	(74,524)
Total property, plant and equipment	8,557	11,694	77,241
Intangible assets			
Goodwill	3,640	3,528	23,305
Customer-related assets	1,184	1,146	7,570
Other	1,104	1,275	8,424
Total intangible assets	5,929	5,949	39,299
Investments and other assets			
Investment securities (Note 3(2))	26,487	30,879	203,961
Deferred tax assets	582	846	5,594
Net defined benefit asset	8,595	11,582	76,501
Other	2,993	2,875	18,992
Allowance for doubtful accounts	(507)	(708)	(4,680)
Total investments and other assets	38,152	45,475	300,368
Total non-current assets	52,638	63,119	416,908
Total assets	¥237,105	¥266,494	$1,760,199

The accompanying notes are an integral part of these financial statements.

	Millions of yen		Thousands of U.S. dollars
Liabilities and Net assets	2023	2024	2024
Current liabilities:			
Notes payable, accounts payable for construction contracts and other (Note 3(7))	¥55,472	¥64,867	$428,452
Short-term loans payable	2,942	3,747	24,754
Income taxes payable	1,772	4,472	29,538
Advances received on uncompleted construction contracts	23,306	13,899	91,803
Provision for warranties for completed construction	614	698	4,611
Provision for loss on construction contracts	300	364	2,410
Provision for directors' bonuses	71	173	1,149
Other	11,460	15,281	100,932
Total current liabilities	95,940	103,504	683,649
Non-current liabilities:			
Long-term loans payable	98	143	948
Deferred tax liabilities	7,034	9,053	59,798
Provision for directors' retirement benefits	56	39	262
Provision for share awards	–	30	202
Provision for share awards for directors	212	270	1,790
Net defined benefit liability	1,343	1,377	9,101
Other	427	511	3,379
Total non-current liabilities	9,172	11,427	75,480
Total liabilities	¥105,112	¥114,932	$759,129
Net assets:			
Shareholders' equity			
Capital stock			
Authorized: 100,000,000 shares			
Issued: 33,582,009 shares as of March 31, 2023 33,582,009 shares as of March 31, 2024	¥6,455	¥6,455	$42,637
Capital surplus	3,540	3,620	23,911
Retained earnings	100,296	111,869	738,898
Treasury shares, at cost — 380,689 shares as of March 31,2023	(1,158)	–	–
759,124 shares as of March 31,2024	–	(2,969)	(19,614)
Total shareholders' equity	109,133	118,974	785,832
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	10,535	14,373	94,935
Deferred gains or losses on hedges	(63)	(57)	(382)
Foreign currency translation adjustment	4,779	7,757	51,237
Accumulated remeasurements of defined benefit plans	1,405	2,981	19,696
Total accumulated other comprehensive income	16,657	25,054	165,486
Non-controlling interests	6,201	7,532	49,752
Total net assets	131,992	151,562	1,001,070
Total liabilities and net assets	¥237,105	¥266,494	$1,760,199

Per share data :	Yen		U.S. dollars
Net assets	¥3,788.75	¥4,388.08	$28.98

Basis of calculation	Millions of yen		Thousands of U.S. dollars
Total net assets	¥131,992	¥151,562	$1,001,070
Amounts to be deducted from net assets (Non-controlling interests)	(6,201)	(7,532)	(49,752)
Net assets applicable to common shares	125,791	144,029	951,318
Number of common shares as of the year-end (thousands of shares)	33,201	32,822	32,822

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Taikisha Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2023 and 2024

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Consolidated Statements of Income			
Net sales of completed construction contracts (Note 4(1))	¥214,793	¥293,556	$1,938,947
Cost of sales of completed construction contracts (Note 4(7))	181,721	250,244	1,652,869
Gross profit on completed construction contracts	33,071	43,312	286,078
Selling, general and administrative expenses:			
Directors' compensations	915	886	5,858
Employees' salaries and allowances	8,157	10,449	69,018
Provision for directors' bonuses	71	173	1,149
Retirement benefit expenses	330	294	1,944
Provision for directors' retirement benefits	11	10	70
Provision for share awards for directors	67	171	1,134
Provision for share awards	–	30	202
Correspondence and transportation expenses	1,091	1,375	9,083
Provision of allowance for doubtful accounts	332	587	3,880
Rents	1,322	1,289	8,518
Depreciation	1,578	1,098	7,253
Amortization of goodwill	462	484	3,197
Other	7,172	8,189	54,093
Total selling, general and administrative expenses (Note 4(2))	21,515	25,041	165,399
Operating income	11,556	18,270	120,679
Non-operating income:			
Interest income	324	897	5,927
Dividend income	698	681	4,499
Dividend income of insurance	178	188	1,248
Real estate rent	112	113	748
Foreign exchange gains	78	–	–
Reversal of allowance for doubtful accounts	0	–	–
Share of profit of entities accounted for using equity method	–	22	145
Other	372	283	1,872
Total non-operating income	1,766	2,186	14,439
Non-operating expenses:			
Interest expenses	152	240	1,590
Rent expenses on real estates	15	15	105
Foreign exchange losses	–	274	1,816
Provision of allowance for doubtful accounts	–	0	1
Share of loss of entities accounted for using equity method	3	–	–
Other	149	72	480
Total non-operating expenses	320	604	3,992
Ordinary income	13,001	19,852	131,126
Extraordinary income:			
Gain on disposal of non-current assets (Note 4(3))	18	13	88
Gain on sales of investment securities	1,844	3,167	20,919
Gain on sale of shares of subsidiaries and associates	881	–	–
Total extraordinary income	2,744	3,180	21,007
Extraordinary losses:			
Loss on disposal of non-current assets (Note 4(4))	57	31	208
Impairment loss (Note 4(5))	642	0	0
Loss on sale of investment securities	0	–	–
Loss on valuation of investment securities	21	0	0
Loss on sale of shares of subsidiaries and associates	3	–	–
Business restructuring expenses (Note 4(6))	2,461	–	–
Total extraordinary losses	3,188	31	208
Profit before income taxes	12,557	23,001	151,925
Income taxes-current	4,002	6,733	44,474
Income taxes-deferred	(286)	(491)	(3,244)
Total income taxes	3,716	6,242	41,230
Profit	8,841	16,759	110,695
Profit attributable to non-controlling interests	924	1,156	7,640
Profit attributable to owners of parent	¥7,917	¥15,602	$103,055

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Consolidated Statements of Comprehensive Income			
Profit	¥8,841	¥16,759	$110,695
Other comprehensive income:			
Valuation difference on available-for-sale securities	(1,372)	3,837	25,346
Deferred gains or losses on hedges	(38)	5	37
Foreign currency translation adjustment	2,664	3,382	22,345
Remeasurements of defined benefit plans	(516)	1,583	10,459
Share of other comprehensive income of entities accounted for using equity method	29	28	190
Total other comprehensive income (Note 5(1))	765	8,838	58,377
Comprehensive income	¥9,607	¥25,597	$169,072
Comprehensive income attributable to :			
Owners of parent	¥8,467	¥23,999	$158,518
Non-controlling interests	1,139	1,597	10,554

	Yen		U.S. dollars
Per share data:			
Profit attributable to owners of parent	¥234.62	¥471.94	$3.12
Cash dividends	¥121.00	¥131.00	$0.87

	Millions of yen		Thousands of U.S. dollars
Basis of calculation			
Profit attributable to owners of parent	¥7,917	¥15,602	$103,055
Profit attributable to owners of parent for common shares	7,917	15,602	103,055
Average number of common shares (thousands of shares)	33,744	33,060	33,060

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Taikisha Ltd. and its Consolidated Subsidiaries

For the year ended March 31, 2023 — Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥6,455	¥5,058	¥99,893	¥(2,544)	¥108,862	¥11,908	¥(25)	¥2,017	¥1,932	¥15,833	¥6,092	¥130,788
Changes of items during the period												
Dividends of surplus			(4,093)		(4,093)							(4,093)
Profit attributable to owners of parent			7,917		7,917							7,917
Purchase of treasury shares				(3,001)	(3,001)							(3,001)
Disposal of treasury shares					–							–
Cancellation of treasury shares		(116)	(4,270)	4,386	–							–
Purchase of shares of consolidated subsidiaries		(1,401)			(1,401)							(1,401)
Sale of shares of consolidated subsidiaries			850		850							850
Net changes of items other than shareholders' equity						(1,372)	(38)	2,761	(526)	824	109	933
Total changes of items during the period	–	(1,517)	403	1,385	271	(1,372)	(38)	2,761	(526)	824	109	1,204
Balance at the end of current period	¥6,455	¥3,540	¥100,296	¥(1,158)	¥109,133	¥10,535	¥(63)	¥4,779	¥1,405	¥16,657	¥6,201	¥131,992

For the year ended March 31, 2024 — Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥6,455	¥3,540	¥100,296	¥(1,158)	¥109,133	¥10,535	¥(63)	¥4,779	¥1,405	¥16,657	¥6,201	¥131,992
Changes of items during the period												
Dividends of surplus			(4,029)		(4,029)							(4,029)
Profit attributable to owners of parent			15,602		15,602							15,602
Purchase of treasury shares				(2,201)	(2,201)							(2,201)
Disposal of treasury shares		79		390	470							470
Cancellation of treasury shares					–							–
Purchase of shares of consolidated subsidiaries					–							–
Sale of shares of consolidated subsidiaries					–							–
Net changes of items other than shareholders' equity						3,837	5	2,977	1,576	8,397	1,330	9,727
Total changes of items during the period	–	79	11,572	(1,810)	9,841	3,837	5	2,977	1,576	8,397	1,330	19,569
Balance at the end of current period	¥6,455	¥3,620	¥111,869	¥(2,969)	¥118,974	¥14,373	¥(57)	¥7,757	¥2,981	¥25,054	¥7,532	¥151,562

For the year ended March 31, 2024 — Thousands of U.S. dollars

	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	$42,637	$23,386	$662,462	$(7,653)	$720,832	$69,589	$(419)	$31,569	$9,284	$110,023	$40,961	$871,816
Changes of items during the period												
Dividends of surplus			(26,618)		(26,618)							(26,618)
Profit attributable to owners of parent			103,055		103,055							103,055
Purchase of treasury shares				(14,542)	(14,542)							(14,542)
Disposal of treasury shares		525		2,581	3,106							3,106
Cancellation of treasury shares					–							–
Purchase of shares of consolidated subsidiaries					–							–
Sale of shares of consolidated subsidiaries					–							–
Net changes of items other than shareholders' equity						25,346	37	19,668	10,412	55,463	8,791	64,254
Total changes of items during the period	–	525	76,437	(11,961)	65,001	25,346	37	19,668	10,412	55,463	8,791	129,255
Balance at the end of current period	$42,637	$23,911	$738,899	$(19,614)	$785,833	$94,935	$(382)	$51,237	$19,696	$165,486	$49,752	$1,001,071

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Taikisha Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2023 and 2024

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Cash flows from operating activities:			
Profit before income taxes	¥12,557	¥23,001	$151,924
Depreciation and amortization	2,000	1,469	9,706
Amortization of goodwill	462	484	3,197
Increase (decrease) in allowance for doubtful accounts	315	484	3,199
Increase (decrease) in provision for warranties for completed construction	(81)	49	330
Increase (decrease) in provision for loss on construction contracts	(103)	55	370
Increase (decrease) in provision for directors' retirement benefits	11	(16)	(112)
Increase (decrease) in provision for share awards	–	30	202
Increase (decrease) in provision for share awards for directors	67	58	385
Increase (decrease) in net defined benefit liability	(597)	(782)	(5,166)
Interest and dividend income	(1,022)	(1,578)	(10,426)
Interest expenses	152	240	1,590
Share of (profit) loss of entities accounted for using equity method	3	(22)	(145)
Loss (gain) on disposal of non-current assets	39	18	120
Loss (gain) on sales of investment securities	(1,843)	(3,167)	(20,919)
Loss (gain) on valuation of investment securities	21	0	0
Loss (gain) on sale of shares of subsidiaries and associates	(878)	–	–
Business restructuring expenses	2,461	–	–
Decrease (increase) in notes and accounts receivable-trade	(31,405)	1,159	7,659
Decrease (increase) in inventories	(356)	(10)	(67)
Decrease (increase) in accounts receivable-other	(17)	181	1,198
Increase (decrease) in notes and accounts payable-trade	10,670	8,182	54,047
Increase (decrease) in advances received on uncompleted construction contracts	17,466	(10,381)	(68,567)
Increase (decrease) in accrued consumption taxes	443	(437)	(2,891)
Increase (decrease) in deposits received	529	(485)	(3,210)
Increase (decrease) in accrued expenses	(84)	767	5,071
Other, net	(310)	4,039	26,682
Subtotal	10,502	23,342	154,177
Interest and dividend income received	1,017	1,578	10,426
Interest expenses paid	(152)	(240)	(1,590)
Income taxes paid	(4,099)	(3,941)	(26,034)
Payments for business restructuring expenses	(2,461)	–	–
Net cash provided by (used in) operating activities	4,806	20,738	136,979
Cash flows from investing activities:			
Payments into time deposits	(4,056)	(7,956)	(52,556)
Proceeds from withdrawal of time deposits	4,293	9,996	66,024
Purchase of securities	–	(3,000)	(19,815)
Proceeds from redemption of securities	–	3,000	19,815
Purchase of property, plant and equipment and intangible assets	(2,176)	(3,885)	(25,664)
Proceeds from sales of property, plant and equipment and intangible assets	52	24	165
Purchase of investment securities	(44)	(1)	(8)
Proceeds from sales of investment securities	3,145	4,224	27,904
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation (Note 7(2))	(2,270)	–	–
Payments of long-term loans receivable	(183)	(74)	(490)
Collection of long-term loans receivable	50	195	1,292
Purchase of insurance funds	(0)	(0)	(3)
Proceeds from maturity of insurance funds	–	1	9
Purchase of long-term prepaid expenses	(228)	(474)	(3,131)
Other, net	(329)	98	651
Net cash provided by (used in) investing activities	(1,748)	2,148	14,193
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(134)	532	3,519
Proceeds from long-term loans payable	101	205	1,356
Repayments of long-term loans payable	(201)	(139)	(918)
Repayments of lease obligations	(102)	(117)	(777)
Net decrease (increase) in treasury shares	(3,001)	(1,731)	(11,437)
Cash dividends paid	(4,090)	(4,030)	(26,623)
Cash dividends paid to non-controlling interests	(304)	(264)	(1,748)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2,087)	–	–
Net cash provided by (used in) financing activities	(9,822)	(5,545)	(36,628)
Effect of exchange rate change on cash and cash equivalents	1,919	1,977	13,064
Net increase (decrease) in cash and cash equivalents	(4,845)	19,319	127,608
Cash and cash equivalents at beginning of period	48,791	43,946	290,265
Cash and cash equivalents at end of period (Note 7(1))	¥43,946	¥63,265	$417,873

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Taikisha Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2023 and 2024

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements are prepared based on the accounts maintained by Taikisha Ltd. (the "Company") and its consolidated subsidiaries (collectively, the "Companies") in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan. Certain amounts in the prior fiscal year's financial statements are reclassified to conform to the changes made for the latest fiscal year.

The accounts of the consolidated financial statements presented herein are expressed in Japanese yen by rounding down to the nearest million. The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto are translated from the original Japanese yen into U.S. dollars on the basis of ¥151.40 to US$1, the rate of exchange prevailing at March 31, 2024, and are then rounded to the nearest thousand. These U.S. dollar amounts are not intended to imply that the Japanese yen amounts are or can be converted, realized or settled in U.S. dollars at this or any other rate.

2. Summary of significant accounting policies

(1) Scope of consolidation

During the consolidation fiscal year ended March 31, 2024, Taikisha Hungary Kft. has been included in the scope of consolidation because it is newly established.

The consolidated financial statements include the accounts of the Company and all significant subsidiaries listed below as of March 31, 2024:

Domestic subsidiaries

San Esu Industry Co., Ltd.
Nippon Noise Control Ltd.
Tokyo Taikisha Service Ltd.
Vege-factory Co., Ltd.

Overseas subsidiaries

TKS Industrial Company (the company name changed to Taikisha USA, Inc. in April 2024)
Encore Automation LLC (subsidiary of TKS Industrial Company)
Taikisha Canada Inc. (subsidiary of TKS Industrial Company)
Taikisha de Mexico, S.A. de C.V. (subsidiary of TKS Industrial Company)
Taikisha do Brasil Ltda.
Taikisha (Singapore) Pte. Ltd.
Taikisha (Thailand) Co., Ltd.
Taikisha Trading (Thailand) Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)
Thaiken Maintenance & Service Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)
Token Interior & Design Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)
TKA Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)
Token Myanmar Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)
Taikisha Engineering (M) Sdn. Bhd.
P.T. Taikisha Indonesia Engineering
P.T. Taikisha Manufacturing Indonesia
Taikisha Philippines Inc.
Taikisha Vietnam Engineering Inc.
Taikisha (Cambodia) Co., Ltd.
Taikisha Myanmar Co., Ltd.
Taikisha Lao Co., Ltd.
Wuzhou Taikisha Engineering Co., Ltd.
Tianjin Taikisha Paint Finishing System Ltd.
Taikisha Hong Kong Limited
Taikisha (Taiwan) Ltd.
Taikisha Korea Ltd.
Taikisha Engineering India Private Ltd.
Nicomac Taikisha Clean Rooms Private Limited
Taikisha Hungary Kft.

(2) Application of the equity method

Name of associates subject to the equity method

FreDelish Co., Ltd.
Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.

Name of associates not subject to the equity method

The associate not subject to the equity method is excluded from the scope of application of the equity method because even if it is excluded from the scope of application of the equity method, it has minor impact on net income (proportionate to equity holdings), retained earnings (proportionate to equity holdings), etc., in the consolidated financial statements.

Makiansia Engineering (M) Sdn. Bhd.

(3) Fiscal year for consolidated subsidiaries

The balance sheet date of all domestic consolidated subsidiaries as well as Taikisha Engineering India Private Ltd., Nicomac Taikisha Clean Rooms Private Limited, Taikisha Myanmar Co., Ltd., and Token Myanmar Co., Ltd is March 31, which is the same as that of the Company. The balance sheet date of the other overseas consolidated subsidiaries is December 31.

In preparing the consolidated financial statements, for consolidated subsidiaries whose balance sheet date is December 31, the Company uses each subsidiary's financial statements as of December 31. For Token Myanmar Co., Ltd., the Company uses provisional financial results as of December 31, which is the balance sheet date of its parent company, Taikisha (Thailand) Co., Ltd.

For the subsidiaries with the balance sheet date of December 31, certain adjustments are made, where appropriate, in preparing the consolidated financial statements to reflect material transactions during the period from their fiscal year end to March 31.

(4) Valuation of significant assets

Held-to-maturity debt securities

Held-to-maturity debt securities are determined by the amortized cost method. Discounts and premiums are amortized by the straight-line method.

Shares of associates

Shares of associates are stated at cost, determined by the moving average method.

Available-for-sale securities

Available-for-sale securities with fair value are stated at fair value based on the market prices at the end of fiscal year. Valuation difference is reported as a separate item in net assets at net-of-tax amount. The cost of securities sold is stated at cost, determined by the moving average method.

Available-for-sale securities without fair value are stated at cost using the moving average method.

Derivatives

Derivative instruments are recognized as either assets or liabilities at their respective fair values at the date of contract, and gains and losses arising from changes in fair value are recognized in earnings in the corresponding fiscal period. If certain hedging criteria are met, such gains and losses are deferred and accounted for as assets or liabilities.

Inventories

Costs on uncompleted construction contracts are stated at cost using specific identification method. Raw materials and supplies are stated at cost determined by the moving average method. The cost method (the amounts stated in the balance sheets are calculated by writing down the book value based on the decline in profitability) is used as a valuation standard.

(5) Depreciation method for principal depreciable assets

Property, plant and equipment (excluding leased assets)

The Companies mainly calculate depreciation by the declining-balance method, while the straight-line method is applied to buildings, excluding facilities attached to buildings, acquired on or after April 1, 1998, and is applied to facilities attached to buildings and structures, acquired on or after April 1, 2016. Certain overseas consolidated subsidiaries apply the straight-line method. The useful lives and residual values of depreciable assets are estimated in accordance with the Corporate Tax Act.

Intangible assets (excluding leased assets)

Intangible assets are amortized by the straight-line method. However, computer software for internal use is amortized by the straight-line method over the estimated useful life of 5 years. Customer-related assets are amortized by the straight-line method over the effective period of 10 years.

Leased assets

Leased assets under finance leases that do not transfer ownership of the leased assets to the lessee are depreciated by the straight-line method over the lease period with a residual value of zero.

(6) Standards of accounting for principal allowance and provisions

Allowance for doubtful accounts

In order to prepare for losses due to bad debts such as accounts receivable from completed construction contracts and other, the allowance for doubtful accounts is provided at the estimated amount of uncollectable debt. For receivables classified as "normal", it is provided based on a historical default ratio. For receivables classified as "doubtful" etc., it is provided based on individual assessment on the probability of collection.

Provision for warranties for completed construction

In order to prepare for the costs of repairs for damages related to completed construction work for which the Companies are responsible, the provision is provided based on past warranty experience.

Provision for loss on construction contracts

In order to prepare for future losses related to the construction contracts in process, the provision is provided based on estimated amount which will probably be incurred and which can be reasonably estimated.

Provision for directors' bonuses

In order to prepare for directors' bonuses, the provision is provided based on the estimated payment of the fiscal year.

Provision for directors' retirement benefits

In order to prepare for directors' retirement benefits, domestic consolidated subsidiaries recognize the provision for accrued retirement benefits to directors at 100 percent of the amount required by their internal policies for retirement benefits.

Provision for share awards

In order to prepare for shared-based remuneration to corporate officers upon their retirements, the estimated amount of provision for share-based obligation as of the fiscal year end is provided based on the Corporate Officer Stock Benefit Rules.

Provision for share awards for directors

In order to prepare for share-based remuneration to executive directors upon their retirements, the estimated amount of provision for share-based obligation as of the fiscal year end is provided based on the regulation of share-based remuneration for directors.

(7) Retirement and pension plans

(Method of attributing the projected benefit obligations to periods of service)
In calculating the retirement benefit obligations, the benefit formula basis is used to allocate the projected retirement benefits to the years of service up to the end of the fiscal year.
(Actuarial differences)
Actuarial differences are amortized using the straight-line method over a certain period of time (10 years) within the average remaining service period of employees from the following fiscal year of accrual.
(Prior service costs)
Prior service costs are amortized using the straight-line method over a certain period of time (10 years) within the average remaining service period of employees from the fiscal year of accrual.
(Simplified method for small companies)
Certain overseas consolidated subsidiaries apply the simplified method to calculate net defined benefit liability and retirement benefit expenses, where retirement benefit obligations are assumed to be equal to the benefits payable of the fiscal year.

(8) Revenue and cost recognition

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

Construction contracts, and so on

In the Green Technology System business and the Paint Finishing System business, performance obligations for construction contracts, etc. mainly involving design, supervision, and installation are deemed to be satisfied over time, and revenue is recognized based on progress toward complete satisfaction of a performance obligation.

The progress of satisfaction of performance obligations in revenue recognition over time is measured by the ratio of incurred costs to estimated total costs (input methods). In addition, revenue is recognized by cost recovery method in case incurred costs are expected to be recoverable though the progress of satisfaction of performance obligations cannot be reasonably measured.

Sales of equipment and materials

In the Green Technology System business and the Paint Finishing system business, performance obligations for sales of equipment and materials are deemed to be satisfied at a point in time, and revenue is recognized when products are delivered.

(9) Hedge accounting

Method of hedge accounting

Hedging instruments are valued at fair value and accounted for using the deferral method of accounting.

As permitted under the accounting principles generally accepted in Japan, when forward foreign exchange contracts meet certain conditions for hedge accounting, accounts receivable and payable covered by these contracts are translated using the contract rates of these forward foreign exchange contracts. The unrealized gains or losses on the accounts receivable and payable resulting from the difference between the spot foreign exchange rate and contract rate are deferred and amortized over the term of the contract.

Hedging instruments and hedged items

Hedging instruments: Forward exchange contracts, non-deliverable forwards (NDF),
Hedged items: Foreign currency receivables, foreign currency payables, future transactions in foreign currency

Hedging policy

The Companies use forward exchange contracts not for the purpose of speculation but for hedging future risks of fluctuation of foreign currency exchange rates.

Assessment of hedge effectiveness

As forward exchange contracts in the same currency are used for forward exchange transactions, the correlation to subsequent exchange rate fluctuations is completely ensured. Accordingly, evaluation of hedge effectiveness is omitted.

(10) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash in hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which are easily convertible into cash and represent a minor risk of fluctuation in value.

(11) Amortization method and period for goodwill

Goodwill is amortized by the straight-line method over the effective period within 20 years. However, an immaterial goodwill is recognized as expenses in the fiscal year of accrual.

(12) Significant accounting estimates

Estimates of percentage of completion in construction contracts, etc. in which revenue is recognized over time

(1) Amounts recorded in the consolidated financial statements

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Net sales of completed construction contracts	¥189,094	¥271,781	$1,795,123

(2) Contents of the significant accounting estimates

In the Taikisha Group, of the construction contracts as of the consolidated fiscal year-end, if the percentage of completion can be reasonably estimated for specific construction contracts, etc. in which revenue is recognized over time, revenue is recorded according to the said percentage of completion.

The percentage of completion is measured by the ratio of cost incurred as of the fiscal year-end to estimated total costs based on the working budget for the construction contract (input methods).

Regarding the total estimated cost for the construction contract until its completion, as changes may occur in line with the progress, etc. of the construction contract, the Taikisha Group shall continuously review the said estimates and assumptions.

The total estimated cost is calculated based on various types of information, including the details of the said construction contract, etc., the specifications, and the actual cost incurred in similar contracts in the past, for each contract. In particular, regarding projects undertaken by the Taikisha Group, specifications of the contract and details of the work are determined based on the customer's requests, and the details of each contract differ greatly from other contracts. If hindrances to the project's progress that were not foreseen at the initial stage of the contract occur, additional assessments and estimates may be required regarding the altered conditions and the extent of each component in the emergency response.

In addition, the total estimated cost may increase due to factors such as soaring prices of equipment and materials as a result of global circumstances.

As the predictions of such assumptions come with a high level of uncertainty depending on changes in each individual project's conditions, if there is an impact on the total estimated cost and as a result the actual figure differs greatly from the estimate, there may be a material impact on the amount of future income on the consolidated financial statements.

Valuation of goodwill and intangible assets

(1) Amounts recorded in the consolidated financial statements

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Goodwill	¥3,640	¥3,528	$23,305
Customer-related assets	¥1,184	¥1,146	$7,570

(2) Contents of the significant accounting estimates

The Taikisha Group judges the necessity of the recognition and measurement of an impairment regarding goodwill and customer-related assets as of the consolidated fiscal year-end by verifying whether there is indication of the impairment or not.

For performing the recognition and measurement of impairment, assumptions are set and implemented regarding future cash flows and discount rate based on the business plan.

These assumptions are determined at the discretion of management based on the best estimates. However, as they may be affected by the results of fluctuations of uncertain economic conditions in the future and so on, if they are necessary to be reviewed, there may be a material impact on the consolidated financial statements.

(13) Additional information

Introduction of the Board Benefit Trust (BBT)

The Company has introduced the "Board Benefit Trust (BBT)" as its performance-linked and share-based compensation plan (hereinafter referred to as the "Plan") for the Company's Board Members (excluding Outside Board Members) (hereinafter referred to as the "Board Members"), starting from the second quarter, pursuant to the resolution of the 74th Ordinary General Shareholders' Meeting held on June 27, 2019.

The Company, at its Board of Directors Meeting held on March 30, 2023, made a resolution to include its Corporate Officers (excluding domestic non-residents, hereinafter referred to as "Board Members, etc.") to stock benefit eligibility of the Plan by establishing "Share Benefit Regulations for Corporate Officers" set April 1, 2023 as its issue date.

The purpose of the Plan is to promote the motivation of Board Members in contributing to the improvement of business performance and corporate value over the medium to long term by making the linkage between their compensation and the Company's business performance and shareholder value even clearer and having Board Members share not only the benefits from higher stock prices, but also the risk of a drop in stock prices, with shareholders.

The gross method has been used for the accounting treatment under the Plan in accordance with "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts" (Practical Issues Task Force No. 30 of March 26, 2015).

(1) Overview of transactions

The Plan is a scheme whereby money contributed by the Company is used as financial resources to acquire the Company's shares through a trust (the trust established under the Plan shall be hereinafter referred to as the "Trust"), and the Company's shares and money in the amount of monetary equivalence of the Company's shares measured at fair value (hereinafter referred to as "the Company's Shares, etc.") are provided to Board Members, etc. through the Trust in accordance with the "Share Benefit Regulations for Directors" and "Share Benefit Regulations for Corporate Officers" stipulated by the Company.

The time when the Company's Shares, etc. are provided to Board Members, etc. shall be, in principle, the date of the retirement from the Company.

(2) The Company's own shares remaining in the Trust

The Company recognizes its own shares remaining in the Trust as treasury shares under the category of net assets, using the carrying amount in the Trust (excluding the amount of ancillary expenses). The carrying amount of such treasury shares is ¥398 million for the previous fiscal year and ¥511 million (US$3,377 thousand) for the fiscal year, and the number of such shares is 120,700 for the previous fiscal year and 149,500 for the fiscal year.

3. Notes of consolidated balance sheets

(1) Notes receivable, accounts receivable from completed construction contracts and other, arising from contracts with customers, such as accounts receivable and contract assets are as follows.

As of March 31, 2023 and 2024	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Notes receivable - trade	¥9,672	¥5,518	$36,449
Accounts receivable from completed construction contracts	48,339	60,243	397,908
Contract assets	¥66,224	¥59,596	$393,633

(2) The information of associates

As of March 31, 2023 and 2024	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Investment securities	¥594	¥645	$4,262

(3) Pledged assets

Assets pledged as collateral for loans payable of subsidiaries and associates

As of March 31, 2023	Millions of yen	
Pledged assets	Book value	Liabilities covered by pledged assets
Cash and deposits	¥280	¥189
Machinery, vehicles, tools, furniture and fixtures	¥6	¥4

As of March 31, 2024	Millions of yen		Thousands of U.S. dollars	
Pledged assets	Book value	Liabilities covered by pledged assets	Book value	Liabilities covered by pledged assets
Cash and deposits	¥329	¥225	$2,176	$1,492
Machinery, vehicles, tools, furniture and fixtures	¥12	¥7	$85	$49

Assets pledged as collateral for security deposits at subsidiaries and associates

As of March 31, 2023 and 2024	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Cash and deposits	¥60	¥65	$435

Assets pledged as collateral for overdraft facilities of subsidiaries and associates

As of March 31, 2023 and 2024	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Cash and deposits	¥19	¥20	$136

(4) Guarantee obligations

As of March 31, 2023 and 2024	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.	¥484	¥305	$2,018

(5) Commitment lines

For efficient procurement of the operating funds, the Company has lending commitment contracts with four dealing banks. Lending commitment amounts are as follows:

As of March 31, 2023 and 2024	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Total amount of lending commitment	¥5,000	¥5,000	$33,025
Borrowing execution balance	–	–	–
Net	¥5,000	¥5,000	$33,025

(6) Endorsed notes

As of March 31, 2023 and 2024	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Endorsed notes	¥20	¥0	$4

(7) Outstanding notes receivable and notes payable which maturity dates are same date as balance sheet date

Notes receivable and notes payable are settled as of the date of bank clearing. However, as the balance sheet date of this fiscal year was a bank holiday, the following notes are included in the balance as of this fiscal year end.

For the years ended March 31, 2023 and 2024	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Notes receivable-trade	¥–	¥17	$113
Electronically recorded monetary claims-operating	–	183	1,215
Notes payable-trade	–	797	5,269
Electronically recorded obligations-operating	¥–	¥4,909	$32,430

4. Notes of consolidated statements of income

(1) Revenue from contracts with customers

Revenue from completed construction contracts is not separately stated from revenue from contracts with customers and other revenue. The amount of revenue from contracts with customers is stated in “Notes to Consolidated Financial Statements (Revenue Recognition) (1) Breakdown of revenue from contracts with customers”.

(2) Research and development expenses

Research and development expenses included in selling, general and administrative expenses are as follows.

For the years ended March 31, 2023 and 2024	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
General and administrative expenses	¥1,149	¥1,166	$7,703

(3) Gain on disposal of non-current assets

For the years ended March 31, 2023 and 2024	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Buildings and structures	¥0	¥–	$–
Machinery, vehicles, tools, furniture and fixtures	17	13	88
Leasehold and guarantee deposits	0	–	–
Total	¥18	¥13	$88

(4) Loss on disposal of non-current assets

For the years ended March 31, 2023 and 2024	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Buildings and structures	¥24	¥4	$30
Machinery, vehicles, tools, furniture and fixtures	17	26	177
Land	15	–	–
Software	0	0	1
Other	0	–	–
Total	¥57	¥31	$208

(5) Impairment loss

For the year ended March 31, 2023

In the consolidated fiscal year, the Group recognized impairment loss for the following asset groups.

(1) Overview of the asset of which recognized impairment loss

			Millions of yen
Location	Usage	Classification of asset	Impairment loss
Sugito Factory	Business Asset	Buildings and Machineries	588
Itabashi R&D Center	Common Asset	Buildings and Machineries	52
Head Office	Common Asset	Tools, Furniture and Fixtures	2

(2) Method and background of grouping of asset

The Group principally groups assets in the unit of companies or businesses. In addition, idle assets that are not expected to be used in future are grouped in the unit of individual asset. The book value of fixed assets in Vege-factory Co., Ltd., which is the consolidated subsidiary, has been written-down to the recoverable amount because the company no longer expects to generate the anticipated earnings due to continuous negative earnings from operating activities, and the recoverability has declined, and this decline is recognized as impairment loss in extraordinary losses.

(3) Details of impairment loss

Impairment loss consists of ¥363 million for buildings and structures and ¥279 million for machinery, vehicles, and tools, furniture and fixtures.

(4) Calculation method of recoverable amount

The recoverable amount in measuring impairment loss is measured by value in use, which is calculated by discounting future cash flows at 5.53%.

For the year ended March 31, 2024

Not applicable.

(6) Business restructuring expenses

For the year ended March 31, 2023

Expenses incurred for business structure improvements in Europe are recognized as business restructuring expenses in extraordinary losses.

For the year ended March 31, 2024

Not applicable.

(7) Provision for loss on construction contracts

Provision for loss on construction contracts included in cost of sales of completed construction contracts are as follows.

For the years ended March 31, 2023 and 2024	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Provision for loss on construction contracts	¥151	¥314	$2,076

5. Notes of consolidated statements of comprehensive income

(1) Reclassification adjustments and tax effects for other comprehensive income

For the years ended March 31, 2023 and 2024	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Valuation difference on available-for-sale securities			
Net gains (losses) arising during the period	¥(26)	¥8,563	$56,565
Reclassification adjustments	(1,843)	(3,167)	(20,919)
Before tax effects	(1,870)	5,396	35,646
Tax effects	497	(1,559)	(10,300)
Valuation difference on available-for-sale securities	(1,372)	3,837	25,346
Deferred gains or losses on hedges			
Net gains (losses) arising during the period	(55)	8	53
Reclassification adjustments	–	–	–
Before tax effects	(55)	8	53
Tax effects	17	(2)	(16)
Deferred gains or losses on hedges	(38)	5	37
Foreign currency translation adjustment			
Net gains (losses) arising during the period	2,664	3,382	22,345
Foreign currency translation adjustment	2,664	3,382	22,345
Remeasurements of defined benefit plans			
Net gains (losses) arising during the period	(466)	2,704	17,864
Reclassification adjustments	(320)	(421)	(2,785)
Before tax effects	(787)	2,282	15,079
Tax effects	270	(699)	(4,620)
Remeasurements of defined benefit plans	(516)	1,583	10,459
Share of other comprehensive income of entities accounted for using equity method			
Net gains (losses) arising during the period	29	28	190
Other comprehensive income	¥765	¥8,838	$58,377

6. Notes of consolidated statements of changes in net assets

(1) The number of issued shares

For the year ended March 31, 2023	Beginning Balance	Increase	Decrease	Ending Balance
Common shares	35,082,009	–	1,500,000	33,582,009

(Note) The decrease was due to cancellation of 1,500,000 shares of treasury shares.

For the year ended March 31, 2024	Beginning Balance	Increase	Decrease	Ending Balance
Common shares	33,582,009	–	–	33,582,009

(2) The number of treasury shares

For the year ended March 31, 2023	Beginning Balance	Increase	Decrease	Ending Balance
Common shares	998,559	882,130	1,500,000	380,689

(Note1) The number of treasury shares increased by 881,700 shares because of the approval of Board of directors and by 430 shares because of purchase of shares less than one unit (*).
The number decreased by 1,500,000 shares because of cancellation of treasury shares.
(Note2) The number of treasury shares as of the fiscal year end includes 120,700 shares owned by Custody Bank of Japan, Ltd. (Trust E account) as trust assets of the Board Benefit Trust (BBT).
(*) The unit share is a specified number of shares which are treated as one purchasing lot and entitled to one voting right. One unit share consists of 100 shares.

For the year ended March 31, 2024	Beginning Balance	Increase	Decrease	Ending Balance
Common shares	380,689	507,735	129,300	759,124

(Note1) The number of treasury shares increased by 453,100 shares because of the approval of Board of directors, by 435 shares because of purchase of shares less than one unit (*), and by 54,200 shares acquired by Custody Bank of Japan, Ltd. (Trust E account) for Board Benefit Trust (BBT).
The number decreased by 103,900 shares because of disposal of treasury shares for Custody Bank of Japan, Ltd. (Trust E account) and by 25,400 shares because of benefit for Board Benefit Trust (BBT).
(Note2) The number of treasury shares as of the fiscal year end includes 149,500 shares owned by Custody Bank of Japan, Ltd. (Trust E account) as trust assets of the Board Benefit Trust (BBT).
(*) The unit share is a specified number of shares which are treated as one purchasing lot and entitled to one voting right. One unit share consists of 100 shares.

(3) Dividends

Dividends paid

For the year ended March 31, 2023

Resolution approved by	Type of shares	Amount Millions of yen	Amount per share Yen	Shareholders' cut-off date	Effective date
Annual general meeting of shareholders (June 29, 2022)	Common shares	¥2,394	¥70.00	March 31, 2022	June 30, 2022
Board of directors (November 10, 2022)	Common shares	¥1,699	¥50.00	September 30, 2022	November 30, 2022

(Note1) Dividends on June 29, 2022 includes dividends of ¥8 million for treasury shares owned by Custody Bank of Japan, Ltd. (Trust E account) as trust assets for Board Benefit Trust (BBT).
(Note2) Dividends on November 10, 2022 includes dividends of ¥6 million for treasury shares owned by Custody Bank of Japan, Ltd. (Trust E account) as trust assets for Board Benefit Trust (BBT).

For the year ended March 31, 2024

Resolution approved by	Type of shares	Amount		Amount per share		Shareholders' cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Annual general meeting of shareholders (June 29, 2023)	Common shares	¥2,365	$15,627	¥71.00	$0.47	March 31, 2023	June 30, 2023
Board of directors (November 13, 2023)	Common shares	¥1,664	$10,991	¥50.00	$0.33	September 30, 2023	November 30, 2023

(Note1) Dividends on June 29, 2023 includes dividends of ¥8 million (US$57 thousand) for treasury shares owned by Custody Bank of Japan, Ltd. (Trust E account) as trust assets for Board Benefit Trust (BBT).
(Note2) Dividends on November 13, 2023 includes dividends of ¥7 million (US$49 thousand) for treasury shares owned by Custody Bank of Japan, Ltd. (Trust E account) as trust assets for Board Benefit Trust (BBT).

Dividends with a shareholders' cut-off date during the fiscal year but an effective date subsequent to the fiscal year

For the year ended March 31, 2023

Resolution approved by	Type of shares	Paid from	Amount (Millions of yen)	Amount per share (Yen)	Shareholders' cut-off date	Effective date
Annual general meeting of shareholders (June 29, 2023)	Common shares	Retained earnings	¥2,365	¥71.00	March 31, 2023	June 30, 2023

(Note) Dividends total includes dividends of ¥8 million for treasury shares owned by Custody Bank of Japan, Ltd. (Trust E account) as trust assets for Board Benefit Trust (BBT).

For the year ended March 31, 2024

Resolution approved by	Type of shares	Paid from	Amount		Amount per share		Shareholders' cut-off date	Effective date
			Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Annual general meeting of shareholders (June 27, 2024)	Common shares	Retained earnings	¥2,670	$17,640	¥81.00	$0.54	March 31, 2024	June 28, 2024

(Note) Dividends total includes dividends of ¥12 million (US$80 thousand) for treasury shares owned by Custody Bank of Japan, Ltd. (Trust E account) as trust assets for Board Benefit Trust (BBT).

7. Notes of consolidated statements of cash flows

(1) Cash and cash equivalents

The reconciliation between amounts of cash and cash equivalents reported in the consolidated statement of cash flows and amounts of cash and deposits reported in the consolidated balance sheet are as follows:

For the years ended March 31, 2023 and 2024	Millions of yen 2023	Millions of yen 2024	Thousands of U.S. dollars 2024
Cash and deposits	¥46,988	¥55,462	$366,333
Securities	–	9,000	59,445
Sub total	46,988	64,462	425,778
Time deposits over three months	(3,042)	(1,196)	(7,905)
Cash and cash equivalents	¥43,946	¥63,265	$417,873

(2) Details of assets and liabilities of the company which is included in the scope of consolidation because of sale of shares

For the year ended March 31, 2023

Assets and liabilities at the time of the sale of shares of Geico S.p.A., which was excluded from the scope of consolidation are as follows.

	Millions of yen
Current assets	¥18,575
Non-current assets	3,812
Total assets	22,388
Current liabilities	18,605
Non-current liabilities	5,690
Total liabilities	¥24,295

In addition, minus 2,248 million yen, which is calculated by cash and cash equivalents acquired through the sale subtracted by cash and cash equivalents included in the above current assets, are included in "Payments for sale of shares of subsidiaries resulting in change in scope of consolidation".

For the year ended March 31, 2024

Not applicable.

(3) Details of major non-cash transactions

Not applicable.

8. Lease transaction

(1) Finance lease transaction

As lessee

Details of leased assets

The leased assets are mainly production equipment and vehicles in Japan and office, office equipment and vehicles overseas. The account titles which the Companies use are "Buildings and Structures" and "Machinery, vehicles, tools, furniture and fixtures" respectively.

Depreciation method

Depreciation is calculated by the straight-line method over the lease period with a residual value of zero.

Impairment loss

There is no impairment loss allocated to the leased assets.

(2) Operating lease transaction

As lessee

The amounts of outstanding future lease payments under non-cancelable operating leases are as follows:

As of March 31, 2023 and 2024	Millions of yen 2023	Millions of yen 2024	Thousands of U.S. dollars 2024
Due within one year	¥355	¥438	$2,893
Due over one year	960	984	6,500
Total	¥1,315	¥1,422	$9,393

9. Financial instruments

(1) Status of financial instruments

Policies on financial instruments

The Companies invest its temporary surplus funds in financial assets that are highly secure and procure its short-term working capital in the form of borrowings from banks. The Companies utilize derivatives only to hedge their exposure to the risks as described below and do not enter into such transactions for speculative purposes.

Description of financial instruments, related risks and risk management system

Notes receivable, accounts receivable from completed construction contracts and other, which are trade receivables, are exposed to the credit risk of the respective customers. As for the credit risk of customers, the Companies' management system allows us to monitor the credit standing of major customers on a timely basis based on the maturity and balance control by customer. Meanwhile, trade receivables denominated in foreign currencies, which originate from global business operations, are exposed to the risk of exchange rate fluctuations and are partly hedged by utilizing forward exchange contracts.

Although being exposed to the risk of fluctuations in market price, stocks included in the category of investment securities are those of companies with which the Companies have business relations and are continuously monitored through regular checks of their fair value and financial positions of the issuers.

Notes payable, accounts payable for construction contracts and other, which are trade payables, generally mature within one year. While some of them are denominated in foreign currencies for the purpose of importing equipment and raw materials, etc. and are exposed to the risk of exchange rate fluctuations, the amounts of those items are invariably less than the balance of accounts receivable from completed construction contracts, which are similarly denominated in foreign currencies.

Income taxes payable are imposed on the taxable income of the Companies for the fiscal year, and they all mature within one year.

Both short-term and long-term loans payable are fund-raising means associated with business transactions. Short-term loans payable with variable interest rates are exposed to the risk of interest-rate fluctuations. However, long-term loans payable, which are procured at fixed interest rates, in principle, are hedged against interest-rate fluctuation risk.

Derivative transactions consist of forward exchange contracts and NDFs aimed at hedging the risk of fluctuations in exchange rates for exports and imports in the course of ordinary business operations, as well as interest rate swaps aimed at hedging the risk of fluctuations in the interest rates for loans payable. Forward exchange contracts and NDFs are executed and managed in accordance with the relevant guideline regarding foreign exchange control issued by the Chief Executive of the Administrative Management Headquarters. This guideline clearly stipulates regulations for the management policies on derivative transactions, the regulating division and department in charge of risk management, purposes of use, scope of utilization and reporting system. As for interest rate swaps, only those that meet the requirements for the application of special treatment are executed. Derivative transactions are executed only with financial institutions with high credit ratings to reduce the credit risk.

Although trade payables and loans payable are exposed to liquidity risk, the Companies strive to control the liquidity risk such as by having each Group company prepare a monthly cash management plan.

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Supplementary explanation of fair values of financial instruments

Derivative transactions in "(2) Fair value of financial instruments" below are not indicative of the actual market risk involved in derivative transactions but nominal contract amounts or estimated amounts based on certain assumptions.

(2) Fair value of financial instruments

The following table shows the book values and fair values of financial instruments and any differences.

As of March 31, 2023

	Millions of yen		
	Book value	Fair value	Difference
Notes receivable, accounts receivable from completed construction contracts and other	¥124,236		
Allowance for doubtful accounts (*2)	(205)		
	124,030	123,966	(63)
Investment securities (*3)	25,436	25,436	–
Total Assets	149,466	149,402	(63)
Notes payable, accounts payable for construction contracts and other	55,472	55,458	(14)
Short-term loans payable	2,942	2,942	–
Long-term loans payable	98	98	(0)
Total Liabilities	58,513	58,498	(14)
Derivatives	¥(95)	¥(95)	¥–

(*1) Cash and deposits and income taxes payable are not stated because they are settled in a short period of time and their fair value approximates their book value.
(*2) "Allowance for doubtful accounts" separately included in "notes receivable, accounts receivable from completed construction contracts and other" is deducted.
(*3) Stocks and other securities without market prices are not included (see Note 1 below).

As of March 31, 2024

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Notes receivable, accounts receivable from completed construction contracts and other	¥125,357			$827,990		
Allowance for doubtful accounts (*2)	(770)			(5,092)		
	124,586	124,414	(172)	822,898	821,761	(1,137)
Investment securities (*3)	38,776	38,776	–	256,122	256,122	–
Total Assets	163,363	163,191	(172)	1,079,020	1,077,883	(1,137)
Notes payable, accounts payable for construction contracts and other	64,867	64,841	(26)	428,452	428,277	(175)
Short-term loans payable	3,747	3,747	–	24,754	24,754	–
Long-term loans payable	143	143	(0)	948	948	(0)
Total Liabilities	68,758	68,732	(26)	454,154	453,979	(175)
Derivatives	¥(90)	¥(90)	¥–	$(598)	$(598)	$–

(*1) Cash and deposits and income taxes payable are not stated because they are settled in a short period of time and their fair value approximates their book value.
(*2) "Allowance for doubtful accounts" separately included in "notes receivable, accounts receivable from completed construction contracts and other" is deducted.
(*3) Stocks and other securities without market prices are not included (see Note 1 below).

(Note 1)

As of March 31, 2023 and 2024

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Available-for-sale securities			
Non-listed stocks	¥1,046	¥1,097	$7,249
Non-listed foreign bonds	¥4	¥5	$35

(Note 2) Redemption schedule for monetary receivables and securities with maturities

As of March 31, 2023

	Millions of yen			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and deposits	¥46,988	¥–	¥–	¥–
Notes receivable, accounts receivable from completed construction contracts and other	112,686	11,503	46	–
Investment securities				
Available-for-sale securities with maturity date (Non-listed foreign bonds)	–	4	–	–
Total	¥159,675	¥11,507	¥46	¥–

As of March 31, 2024

	Millions of yen			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and deposits	¥55,462	¥–	¥–	¥–
Notes receivable, accounts receivable from completed construction contracts and other	115,597	9,618	141	–
Securities and Investment securities				
Available-for-sale securities with maturity date (Money trusts, etc.)	9,000	–	–	–
Available-for-sale securities with maturity date (Non-listed foreign bonds)	–	5	–	–
Total	¥180,060	¥9,624	¥141	¥–

As of March 31, 2024

	Thousands of U.S. dollars			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and deposits	$366,333	$–	$–	$–
Notes receivable, accounts receivable from completed construction contracts and other	763,525	63,533	932	–
Securities and Investment securities				
Available-for-sale securities with maturity date (Money trusts, etc.)	59,445	–	–	–
Available-for-sale securities with maturity date (Non-listed foreign bonds)	–	35	–	–
Total	$1,189,303	$63,568	$932	$–

(Note 3) Redemption schedule for long-term loans payable, lease obligations and other interest-bearing debts

As of March 31, 2023

	Millions of yen					
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term loans payable	¥2,836	¥–	¥–	¥–	¥–	¥–
Long-term loans payable	106	62	36	–	–	–
Lease obligations	69	55	22	10	7	1
Total	¥3,012	¥117	¥58	¥10	¥7	¥1

As of March 31, 2024

	Millions of yen					
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term loans payable	¥3,619	¥–	¥–	¥–	¥–	¥–
Long-term loans payable	127	101	41	0	–	–
Lease obligations	100	75	36	26	9	0
Total	¥3,848	¥177	¥78	¥27	¥9	¥0

As of March 31, 2024

	Thousands of U.S. dollars					
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term loans payable	$23,909	$–	$–	$–	$–	$–
Long-term loans payable	845	672	276	0	–	–
Lease obligations	666	498	241	178	63	3
Total	$25,420	$1,170	$517	$178	$63	$3

(3) Breakdown of the fair value of financial instruments by level, and so on

The fair values of financial instruments are classified into the following three levels based on the observability and materiality of the inputs used to measure fair value.

Level 1: Fair values measured using quoted prices in active markets with respect to identical assets or liabilities

Level 2: Fair values measured using inputs other than quoted prices that are observable, either directly or indirectly

Level 3: Fair values measured using inputs not based on observable market data

If multiple inputs that have significant impacts on the measurement of fair value are used, fair values are classified to the level with the lowest priority in the measurement of fair value among the levels to which each of those inputs belongs.

Financial instruments recorded on the consolidated balance sheet at fair value

As of March 31, 2023

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	¥25,436	¥–	¥–	¥25,436
Total Assets	25,436	–	–	25,436
Derivative transactions	¥–	¥(95)	¥–	¥(95)

As of March 31, 2024

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	¥29,776	¥–	¥–	¥29,776
Total Assets	29,776	–	–	29,776
Derivative transactions	¥–	¥(90)	¥–	¥(90)

As of March 31, 2024

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	$196,677	$–	$–	$196,677
Total Assets	196,677	–	–	196,677
Derivative transactions	$–	$(598)	$–	$(598)

Financial instruments other than financial instruments recorded on the consolidated balance sheet at fair value

As of March 31, 2023

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Notes receivable, accounts receivable from completed construction contracts and other	¥–	¥123,966	¥–	¥123,966
Total Assets	–	123,966	–	123,966
Notes payable, accounts payable for construction contracts and other	–	55,458	–	55,458
Short-term loans payable	–	2,942	–	2,942
Long-term loans payable	–	98	–	98
Total Liabilities	¥–	¥58,498	¥–	¥58,498

As of March 31, 2024

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Notes receivable, accounts receivable from completed construction contracts and other	¥–	¥124,414	¥–	¥124,414
Securities and Investment securities				
Money trusts	–	9,000	–	9,000
Total Assets	–	133,414	–	133,414
Notes payable, accounts payable for construction contracts and other	–	64,841	–	64,841
Short-term loans payable	–	3,747	–	3,747
Long-term loans payable	–	143	–	143
Total Liabilities	¥–	¥68,732	¥–	¥68,732

As of March 31, 2024

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Notes receivable, accounts receivable from completed construction contracts and other	$–	$821,761	$–	$821,761
Securities and Investment securities				
Money trusts	–	59,445	–	59,445
Total Assets	–	881,206	–	881,206
Notes payable, accounts payable for construction contracts and other	–	428,277	–	428,277
Short-term loans payable	–	24,754	–	24,754
Long-term loans payable	–	948	–	948
Total Liabilities	$–	$453,979	$–	$453,979

(Note) Explanation of valuation method used in the measurement of fair value and inputs related to the measurement of fair value

Assets

Notes receivable, accounts receivable from completed construction contracts and other

These fair values are classified into level 2 because these fair values are calculated based on the discount rate that takes into account the period until these maturities and credit risks for each receivables classified by a certain period of time.

Securities and investment securities

These fair values of these listed stocks are evaluated using quoted market prices. These fair values are classified into level 1 because these listed stocks are treated in active markets. In addition, money trusts are classified into level 2 because they are settled in a short period of time and their fair value approximates their book value.

Liabilities

Notes payable, accounts payable for construction contracts and other and short-term loans payable

These fair values of these payables or loans are classified into level 2 because these fair values are calculated by discounting by the discount rate that takes into account the period until these payment or repayment and interest rate that takes credit risk into account.

Long-term loans payable

Fair values of long-term loans with floating interest rates are classified into level 2 because these fair values are deemed to approximate the book values and the floating interest rates reflect the market interest rates and these credit statuses are not significantly different from those when the loans are executed. Fair values of long-term loans with fixed interest rates are classified into level 2 because the total amount of principal and interest of the long-term loans divided by a certain period of time are calculated fair value by discounting by the interest rate assumed when a new similar loans are executed.

Derivative transactions

These fair values are classified into level 2 because these fair values are based on the prices provided by the financial institutions with which the Company has transactions.

10. Securities

(1) Held-to-maturity debt securities

As of March 31, 2023
Not applicable.

As of March 31, 2024
Not applicable.

(2) Available-for-sale securities

As of March 31, 2023

	Millions of yen		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost			
Stocks	¥22,541	¥7,227	¥15,313
Securities whose book value does not exceed their acquisition cost			
Stocks	2,894	3,034	(140)
Total	¥25,436	¥10,262	¥15,173

As of March 31, 2024

	Millions of yen		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost			
Stocks	¥29,776	¥9,206	¥20,570
Securities whose book value does not exceed their acquisition cost			
Money trusts	9,000	9,000	–
Total	¥38,776	¥18,206	¥20,570

As of March 31, 2024

	Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost			
Stocks	$196,677	$60,808	$135,869
Securities whose book value does not exceed their acquisition cost			
Money trusts	59,445	59,445	–
Total	$256,122	$120,253	$135,869

(3) Available-for-sale securities sold

For the year ended March 31, 2023

	Millions of yen		
	Sales amount	Total gain on sales	Total loss on sales
Stocks	¥3,145	¥1,844	¥0
Total	¥3,145	¥1,844	¥0

For the year ended March 31, 2024

	Millions of yen		
	Sales amount	Total gain on sales	Total loss on sales
Stocks	¥4,224	¥3,167	¥–
Total	¥4,224	¥3,167	¥–

For the year ended March 31, 2024

	Thousands of U.S. dollars		
	Sales amount	Total gain on sales	Total loss on sales
Stocks	$27,904	$20,919	$–
Total	$27,904	$20,919	$–

(4) Securities with impairment loss

For the years ended March 31, 2023

Impairment loss of ¥21 million is recognized on Investment securities (Available-for-sale of securities) in the fiscal year. The Companies recognize an impairment loss when the fair value of stocks falls 50% or more compared with the acquisition cost and there is no evidence to indicate that the fair value will recover to the book value within one year. When the fair value falls by 30% or more but less than 50% compared with the acquisition cost, the Companies recognize a necessary amount of impairment loss after considering the market prices in the past year and the possibility of recovery.

For the years ended March 31, 2024

Impairment loss of ¥0 million (US$0 thousand) is recognized on Investment securities (Available-for-sale of securities) in the fiscal year. The Companies recognize an impairment loss when the fair value of stocks falls 50% or more compared with the acquisition cost and there is no evidence to indicate that the fair value will recover to the book value within one year. When the fair value falls by 30% or more but less than 50% compared with the acquisition cost, the Companies recognize a necessary amount of impairment loss after considering the market prices in the past year and the possibility of recovery.

11. Derivative transactions

(1) Derivative transactions to which the hedge accounting method is not applied
Currency-related transactions

As of March 31, 2023

		Millions of yen			
Category	Transaction type	Contract amount	Over one year	Fair value	Unrealized gain (loss)
Non-market transactions	Forward exchange contracts:				
	Buy				
	Yen	¥149	¥–	¥(3)	¥(3)
	U.S. dollars	1	–	(0)	(0)
	Chinese Yuan	1	–	(0)	(0)
	Sell				
	Yen	9	–	(0)	(0)
	U.S. dollars	12	–	(0)	(0)
	Total	¥173	¥–	¥(3)	¥(3)

(Note) Estimated fair value is provided by financial institutions.

As of March 31, 2024

		Millions of yen			
Category	Transaction type	Contract amount	Over one year	Fair value	Unrealized gain (loss)
Non-market transactions	Forward exchange contracts:				
	Buy				
	Yen	¥138	¥–	¥(5)	¥(5)
	U.S. dollars	18	–	(0)	(0)
	Chinese Yuan	108	–	(2)	(1)
	Sell				
	U.S. dollars	31	–	0	0
	Total	¥297	¥–	¥(7)	¥(7)

(Note) Estimated fair value is provided by financial institutions.

As of March 31, 2024

		Thousands of U.S. dollars			
Category	Transaction type	Contract amount	Over one year	Fair value	Unrealized gain (loss)
Non-market transactions	Forward exchange contracts:				
	Buy				
	Yen	$916	$–	$(39)	$(38)
	U.S. dollars	125	–	(1)	(1)
	Chinese Yuan	714	–	(13)	(13)
	Sell				
	U.S. dollars	209	–	5	5
	Total	$1,964	$–	$(48)	$(47)

(2) Derivative transactions to which the hedge accounting method is applied
Currency-related transactions

As of March 31, 2023

Hedging method	Transaction type		Main hedged items	Contract amount (Millions of yen)	Over one year (Millions of yen)	Fair value (Millions of yen)
Method in principle	Forward exchange contracts					
	Buy					
		Baht	Accounts payable for construction contracts (forecast)	¥86	¥–	¥2
		Euros	Accounts payable for construction contracts (forecast)	182	–	5
		Chinese Yuan	Accounts payable for construction contracts (forecast)	30	–	(0)
		Taiwan dollars	Accounts payable for construction contracts (forecast)	150	–	(7)
	Sell					
		U.S. dollars	Accounts receivable from completed construction contracts (forecast)	67	–	(2)
		Euros	Accounts receivable from completed construction contracts (forecast)	70	–	(7)
		Malaysia ringgit	Accounts receivable from completed construction contracts (forecast)	1,539	114	(73)
		Chinese Yuan	Accounts receivable from completed construction contracts (forecast)	504	176	(3)
		Indian rupee	Accounts receivable from completed construction contracts (forecast)	60	–	(2)
		Total		¥2,691	¥290	¥(91)

(Note) Calculation method of the fair value: Based on the prices and other data submitted by counterparty financial institutions.

As of March 31, 2024

Hedging method	Transaction type		Main hedged items	Contract amount (Millions of yen)	Over one year (Millions of yen)	Fair value (Millions of yen)
Method in principle	Forward exchange contracts					
	Buy					
		Chinese Yuan	Accounts payable for construction contracts (forecast)	¥584	¥–	¥8
	Sell					
		Euros	Accounts receivable from completed construction contracts (forecast)	474	236	(16)
		Malaysia ringgit	Accounts receivable from completed construction contracts (forecast)	381	114	(58)
		Chinese Yuan	Accounts receivable from completed construction contracts (forecast)	415	59	(16)
		Total		¥1,855	¥410	¥(83)

(Note) Calculation method of the fair value: Based on the prices and other data submitted by counterparty financial institutions.

As of March 31, 2024

Hedging method	Transaction type		Main hedged items	Contract amount (Thousands of U.S. dollars)	Over one year (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)
Method in principle	Forward exchange contracts					
	Buy					
		Chinese Yuan	Accounts payable for construction contracts (forecast)	$3,859	$–	$58
	Sell					
		Euros	Accounts receivable from completed construction contracts (forecast)	3,132	1,565	(108)
		Malaysia ringgit	Accounts receivable from completed construction contracts (forecast)	2,518	754	(390)
		Chinese Yuan	Accounts receivable from completed construction contracts (forecast)	2,745	394	(110)
		Total		$12,254	$2,713	$(550)

12. Retirement and pension plans

(1) Overview

The Company and its domestic consolidated subsidiaries apply defined benefit plans and defined contribution plans.

The overseas consolidated subsidiaries, which apply retirement benefit plan, apply defined benefit or defined contribution plans.

The defined benefit plans consist of outside funded defined benefit pension plans and lump-sum retirement payment plans. A retirement benefit trust is set up in certain outside funded defined benefit pension plan.

Certain overseas consolidated subsidiaries, which apply lump-sum retirement payment plans, apply simplified method for calculating projected benefit obligations.

(2) Defined benefit plan (except simplified method)

Reconciliation of beginning and ending balances for projected benefit obligations

For the years ended March 31, 2023 and 2024

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Projected benefit obligations at the beginning of current period	¥17,847	¥18,003	$118,911
Service costs	1,232	1,251	8,268
Interest costs	60	94	622
Actuarial differences accrued in the current period	(258)	(917)	(6,061)
Benefits paid	(977)	(1,096)	(7,245)
Past service costs accrued in the current period	(1)	(124)	(822)
Foreign currency translation	118	109	721
Decrease due to exclusion of consolidation	(18)	–	–
Projected benefit obligations at the end of current period	¥18,003	¥17,319	$114,394

Reconciliation of beginning and ending balances for pension assets

For the years ended March 31, 2023 and 2024

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Pension assets at the beginning of current period	¥25,495	¥25,339	$167,369
Expected return on pension assets	539	538	3,555
Actuarial differences accrued in the current period	(732)	1,662	10,978
Contributions from employers	891	1,051	6,947
Benefits paid	(869)	(992)	(6,555)
Foreign currency translation	15	20	136
Pension assets at the end of current period	¥25,339	¥27,619	$182,430

Reconciliation of projected benefit obligations, pension assets, net defined benefit liability, and net defined benefit asset in the consolidated balance sheets

As of March 31, 2023 and 2024

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Funded projected benefit obligations	¥16,745	¥16,284	$107,562
Pension assets	(25,339)	(27,619)	(182,430)
Sub total	(8,594)	(11,334)	(74,868)
Unfunded projected benefit obligations	1,258	1,034	6,832
Net amount of liabilities and assets in the consolidated balance sheets	(7,336)	(10,300)	(68,036)
Net defined benefit liability	1,258	1,277	8,441
Net defined benefit asset	8,594	11,578	76,477
Net amount of liabilities and assets in the consolidated balance sheets	¥(7,336)	¥(10,300)	$(68,036)

Retirement benefit expenses

For the years ended March 31, 2023 and 2024	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Service costs	¥1,232	¥1,251	$8,267
Interest costs	60	94	622
Expected return on pension assets	(539)	(538)	(3,555)
Amortization of actuarial differences	(329)	(443)	(2,931)
Amortization of past service costs	2	(0)	(5)
Retirement benefit expenses of defined benefit plans	¥426	¥363	$2,398

Remeasurements of defined benefit plans
Details of remeasurements of defined benefit plans before tax effect adjustments are as follows.

For the years ended March 31, 2023 and 2024	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Past service costs	¥(5)	¥118	$780
Actuarial differences	(781)	2,164	14,299
Total	¥(787)	¥2,282	$15,079

Accumulated remeasurements of defined benefit plans
Details of accumulated remeasurements of defined benefit plans before tax effect adjustments are as follows.

As of March 31, 2023 and 2024	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Unrecognized past service costs	¥(73)	¥44	$297
Unrecognized actuarial differences	2,082	4,247	28,056
Total	¥2,009	¥4,292	$28,353

Pension assets
Composition ratio of pension assets is as follows.

As of March 31, 2023 and 2024	2023	2024
Debt securities	25%	24%
Stocks	37	42
Cash and deposits	5	4
General account of life insurance	23	21
Other	10	9
Total	100%	100%

(Note) For the previous fiscal year, 15% of total pension assets are attributed to the employee retirement benefit trust for benefit pension plan. For this fiscal year, 14% of total pension assets are attributed to the employee retirement benefit trust for benefit pension plan.

Expected long-term return rate on pension asset is determined by considering current and anticipated future portfolio of pension assets, and current and anticipated future long-term performance of individual asset classes that comprise the funds' asset mix.

Assumptions and policies used to calculate projected benefit obligations

As of March 31, 2023 and 2024	2023	2024
Discount rates (weighted average)	0.5%	1.1%
Expected long-term return rates on pension assets (weighted average)	2.5%	2.5%

(3) Defined benefit plan calculated by simplified method

Reconciliation of beginning and ending balances for net defined benefit liability by the simplified method

For the years ended March 31, 2023 and 2024	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Net defined benefit liability at the beginning of current period	¥200	¥83	$553
Retirement benefit expenses	20	23	156
Benefits paid	(2)	–	–
Contributions to the plan	(24)	(14)	(95)
Foreign currency translation	9	3	22
Decrease due to exclusion of consolidation	(120)	–	–
Net defined benefit liability at the end of current period	¥83	¥96	$636

Reconciliation of projected benefit obligations, pension assets and net defined benefit liability in the consolidated balance sheets

As of March 31, 2023 and 2024	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Funded projected benefit obligations	¥84	¥104	$688
Pension assets	(86)	(107)	(712)
Sub total	(1)	(3)	(24)
Unfunded projected benefit obligations	85	99	660
Net amount of liabilities and assets in the consolidated balance sheets	83	96	636
Net defined benefit liability	83	96	636
Net amount of liabilities and assets in the consolidated balance sheets	¥83	¥96	$636

Retirement benefit expenses
Retirement benefit expenses calculated by the simplified method are ¥20 million for the previous fiscal year and ¥23 million (US$156 thousand) for this fiscal year.

(4) Defined contribution plans
Required contribution amount for defined contribution plans is ¥270 million for the previous fiscal year and ¥292 million (US$1,931 thousand) for this fiscal year.

13. Tax effect accounting

(1) Significant components of deferred tax assets and liabilities

As of March 31, 2023 and 2024

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Deferred tax assets			
Allowance for doubtful accounts	¥241	¥301	$1,989
Provision for warranties for completed construction	123	150	991
Provision for loss on construction contracts	97	119	787
Net defined benefit liability	213	224	1,484
Employees' pension trust, investment securities	352	368	2,435
Provision for directors' retirement benefits	19	13	91
Accrued enterprise tax etc.	129	268	1,771
Accrued bonuses	1,540	2,435	16,089
Loss on valuation of investment securities	365	110	730
Loss on valuation of golf club membership	56	56	373
Valuation difference on available-for-sale securities	42	–	–
Foreign tax credit carried forward	210	224	1,485
Tax loss carried forward (Note2)	899	686	4,535
Other	1,217	1,469	9,704
Subtotal	5,510	6,429	42,464
Valuation allowance for tax loss carried forward (Note2)	(856)	(667)	(4,406)
Valuation allowance for total of deductible temporary differences, etc.	(1,083)	(1,051)	(6,948)
Subtotal (Note1)	(1,939)	(1,719)	(11,354)
Total deferred tax assets	3,570	4,710	31,110
Deferred tax liabilities			
Net defined benefit assets	(2,618)	(3,528)	(23,306)
Valuation difference on available-for-sale securities	(4,680)	(6,197)	(40,934)
Retained earnings of consolidated overseas subsidiaries	(2,141)	(2,479)	(16,377)
Other	(580)	(711)	(4,697)
Total deferred tax liabilities	(10,021)	(12,916)	(85,314)
Net deferred tax assets liabilities	¥(6,451)	¥(8,206)	$(54,204)

(Note1) Valuation allowance decreased by ¥220 million (US$1,459 thousand). This decreased is mainly due to ¥225 million (US$1,492 thousand) decrease in the valuation allowance for tax loss carried forward at consolidated subsidiary TKS Industrial Company.
(Note2) Total of tax loss carried forward and its deferred tax assets, by carryforward expiration date.

As of March 31, 2023

	Millions of yen						
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Tax loss carried forward (a)	¥32	¥8	¥4	¥–	¥–	¥854	¥899
Valuation allowance	(9)	(7)	(4)	–	–	(835)	(856)
Deferred tax assets	¥23	¥1	¥–	¥–	¥–	¥18	¥43

(a) The sum for tax loss carried forward is the result of multiplication by the effective statutory tax rate for each tax-paying entity.

As of March 31, 2024

	Millions of yen						
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Tax loss carried forward (a)	¥9	¥12	¥–	¥–	¥–	¥664	¥686
Valuation allowance	(7)	(5)	–	–	–	(654)	(667)
Deferred tax assets	¥2	¥6	¥–	¥–	¥–	¥10	¥19

(a) The sum for tax loss carried forward is the result of multiplication by the effective statutory tax rate for each tax-paying entity.

	Thousands of U.S. dollars						
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Tax loss carried forward	$66	$80	$–	$–	$–	$4,388	$4,534
Valuation allowance	(51)	(35)	–	–	–	(4,320)	(4,406)
Deferred tax assets	$15	$45	$–	$–	$–	$68	$128

(2) The reconciliation between the effective statutory tax rate and the actual tax rate after the application of tax effect accounting

As of March 31, 2023 and 2024

	2023	2024
Effective statutory tax rate	–%	30.62%
Adjustment		
Expenses not deductible permanently	–	1.20
Income not taxable permanently	–	(0.73)
Inhabitant tax on per capita basis, etc.	–	0.36
Increase (Decrease) in valuation allowance	–	(1.35)
Difference in effective statutory tax rate between the Company and consolidated subsidiaries	–	(2.38)
Special tax deductions	–	(3.84)
Retained earnings of consolidated overseas subsidiaries	–	1.47
Withholding tax on dividends from overseas related companies	–	0.89
Amortization of goodwill	–	0.64
Other	–	0.26
Actual tax rate after the application of tax effect accounting	–%	27.14%

(Note) The note is omitted because the difference between effective statutory tax rate and actual effective tax rate after adoption of tax effect accounting is less than 5% of effective statutory tax rate for last fiscal year.

14. Business combination

Not applicable.

15. Asset retirement obligations

The Companies are under the term of rental agreements for head offices etc. and have obligations for restitution on their leaving. The obligations are recognized by way of decreasing deposits.

16. Revenue recognition

(1) Disaggregation of revenues from contracts with customers

For the year ended March 31, 2023

	Millions of yen		
	Green Technology System Division	Paint Finishing System Division	Total
By region			
Japan	¥123,081	¥11,154	¥134,236
Overseas	48,762	31,793	80,556
Revenues from contracts with customers	171,844	42,948	214,793
Other revenues	–	–	–
Revenues to external customers	¥171,844	¥42,948	¥214,793

For the year ended March 31, 2024

	Millions of yen		
	Green Technology System Division	Paint Finishing System Division	Total
By region			
Japan	¥142,494	¥13,270	¥155,764
Overseas	74,025	63,766	137,792
Revenues from contracts with customers	216,519	77,036	293,556
Other revenues	–	–	–
Revenues to external customers	¥216,519	¥77,036	¥293,556

For the year ended March 31, 2024

	Thousands of U.S. dollars		
	Green Technology System Division	Paint Finishing System Division	Total
By region			
Japan	$941,177	$87,649	$1,028,826
Overseas	488,939	421,181	910,120
Revenues from contracts with customers	1,430,116	508,830	1,938,946
Other revenues	–	–	–
Revenues to external customers	$1,430,116	$508,830	$1,938,946

(2) Information that is the basis for understanding the revenues from contracts with customers

Taikisha Group is engaged in construction contracts and so on and sales of equipment and materials for design, supervision, and construction work in the Green Technology System business and Paint Finishing System business.

Construction contracts and so on

Taikisha Group's performances of construction contracts or other contracts results in arising or increasing in value of an assets, along with these assets increase, the Company considers that it has transferred control of the assets to the customers over a certain period of time. Therefore, revenue is recognized based on progress toward complete satisfaction of performance obligations as of the closing date.

Progress is measured as the ratio of the costs incurred to the total estimated costs (input method), because it is possible to make reasonable estimates of the total estimated costs based on the budgets. In addition, revenue is recognized by cost recovery method in case incurred costs are expected to be recoverable though the progress of satisfaction of performance obligations cannot be reasonably measured.

Sales of equipment and materials

Regarding Taikisha Group's sales of equipment and materials, as a result of consideration of indicators related to the transfer of control, such as physical possession of the equipment and materials, significant risks associated with ownership and the transfer of economic value to the customer, Taikisha Group has determined that control over the equipment and materials are transferred to the customers and the performance of obligation is satisfied at the time of delivery of equipment and materials. In this reason, revenue is recognized when equipment and materials are delivered.

For these performance obligations, Taikisha Group provides guarantees such as free repair for contractual non-conformities that occur within a certain period of time after handover or delivery. It provides assurance to the customer that the products will function as intended and in accordance with the specifications agreed upon with the customers. Expected future expenditures are estimated by taking into account historical warranty rates and are recognized as a provision for warranties for completed construction.

Also, these terms of payments for these performance obligations are common and do not include significant financial elements.

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

Balances of contract assets and liabilities

As of March 31, 2023 and 2024

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Receivables arising from contracts with customers (Beginning balance)	¥79,781	¥48,339	$319,284
Receivables arising from contracts with customers (Ending balance)	¥48,339	¥60,243	$397,908
Contract assets (Beginning balance)	¥22,266	¥66,224	$437,412
Contract assets (Ending balance)	¥66,224	¥59,596	$393,633
Contract liabilities (Beginning balance)	¥6,901	¥23,306	$153,937
Contract liabilities (Ending balance)	¥23,306	¥13,899	$91,803

In the consolidated balance sheets, accounts receivable for completed construction contracts and contract assets arising from contracts with customers are included in notes receivable, accounts receivable from completed construction contracts and other while contract liabilities are presented as advances received on uncompleted construction contracts.

The amounts of revenue recognized in the previous fiscal year and the current fiscal year that were included in the balance of contract liabilities at the beginning of each period are ¥5,577 million for the previous fiscal year and ¥23,657 million (US$156,260 thousand) for the current fiscal year. The amount of revenue recognized in the previous fiscal year and the current fiscal year from performance obligations that were satisfied (or partially satisfied) in the previous fiscal years are not material.

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Transaction price allocated to the remaining performance obligations

The aggregate transaction prices allocated to unsatisfied performance obligations and the period over which revenues are expected to be recognized are as follows.

For the year ended March 31, 2023

	Millions of yen		
	Green Technology System Division	Paint Finishing System Division	Total
By region			
Japan	¥117,331	¥26,543	¥143,875
Overseas	65,561	48,862	114,423
Total	¥182,892	¥75,406	¥258,299

For the year ended March 31, 2024

	Millions of yen		
	Green Technology System Division	Paint Finishing System Division	Total
By region			
Japan	¥100,830	¥35,687	¥136,517
Overseas	40,573	56,476	97,049
Total	¥141,403	¥92,163	¥233,567

For the year ended March 31, 2024

	Thousands of U.S. dollars		
	Green Technology System Division	Paint Finishing System Division	Total
By region			
Japan	$665,985	$235,718	$901,703
Overseas	267,987	373,027	641,014
Total	$933,972	$608,745	$1,542,717

The transaction prices allocated to unsatisfied performance obligations in the "Green Technology System business" and "Paint Finishing System business" are expected to be recognized as construction revenue within two years, primarily based on the progress of construction.

17. Segment information

(1) Overview of reportable segment

The reportable segment of the Companies is components for which discrete financial information is available and whose operating results are regularly reviewed by the board of directors to make decisions about resource allocation and to assess performance.

The Companies establish their divisions for types of construction equipment and each division plans the comprehensive domestic and foreign strategies and do business based on the strategies. Therefore, the Companies are composed of segment for types of construction equipment based on the divisions. The Companies have two reportable segments "Green Technology System Division" and "Paint Finishing System Division".

"Green Technology System Division" mainly designs, manages and constructs building HVAC for office buildings, and industrial HVAC for manufacturing facilities and laboratories. This division also produces and sells related equipment.

"Paint Finishing System Division" mainly designs, manages and constructs automobile paint plants and sells related equipment.

(2) Calculation method of sales and profits or losses, assets or liabilities and others

The accounting treatment of reportable segment is almost the same as the one disclosed in "2. Summary of significant accounting policies".

The profit of reportable segment is the amount on the basis of ordinary income. Internal profits and transfer amounts between the segments are calculated based on the market price.

(3) Sales and profits or losses, assets or liabilities and others by reportable segment

For the year ended March 31, 2023

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Adjustments	Amount recorded in the consolidated financial statements
Sales					
Sales to customers	¥171,844	¥42,948	¥214,793	¥–	¥214,793
Intersegment	23	12	36	(36)	–
Total	171,868	42,960	214,829	(36)	214,793
Segment profit	14,599	(1,606)	12,992	9	13,001
Segment assets	145,565	49,303	194,869	42,236	237,105
Other items					
Depreciation and amortization	1,167	837	2,005	(5)	2,000
Amortization of goodwill	400	62	462	–	462
Interest income	159	166	325	(1)	324
Interest expenses	5	134	139	12	152
Share of profit (loss) of entities accounted for using equity method	(6)	3	(3)	–	(3)
Investments in associates accounted for using equity method	–	591	591	–	591
Increase in property, plant and equipment, intangible assets	¥1,139	¥1,046	¥2,185	¥204	¥2,390

(Note 1) The amounts of Adjustments are as follows.

Adjustments of Segment profit of ¥9 million include non-allocatable common profits of ¥9 million and other adjustment of ¥0 million. Non-allocatable common profits are mainly general and administrative expenses, dividend income, etc., which are not attributed to any reportable segment.

Adjustments of Segment assets of ¥42,236 million are elimination of receivable and payable etc., of minus ¥2,917 million and non-allocatable common assets which are not allocated to any reportable segments of ¥45,154 million. Non-allocatable common assets are mainly cash and deposits, securities, property, plant and equipment, intangible assets, and net defined benefit asset, etc., which are not attributed to any reportable segment.

Adjustments of Increase in property, plant and equipment, intangible assets of ¥204 million are buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures and software, etc., which are not attributed to any reportable segment.

The allocation method of assets for reportable segment is different from that of related income and expenses.

(Note 2) Segment profit is adjusted to the ordinary income of the consolidated statement of income.

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For the year ended March 31, 2024

Millions of yen

	Green Technology System Division	Paint Finishing System Division	Total	Adjustments	Amount recorded in the consolidated financial statements
Sales					
Sales to customers	¥216,519	¥77,036	¥293,556	¥–	¥293,556
Intersegment	15	4	20	(20)	–
Total	216,535	77,041	293,577	(20)	293,556
Segment profit	17,027	2,804	19,832	19	19,852
Segment assets	143,027	69,474	212,501	53,992	266,494
Other items					
Depreciation and amortization	914	737	1,651	(181)	1,469
Amortization of goodwill	417	66	484	–	484
Interest income	352	541	894	2	897
Interest expenses	5	213	219	21	240
Share of profit (loss) of entities accounted for using equity method	–	22	22	–	22
Investments in associates accounted for using equity method	–	642	642	–	642
Increase in property, plant and equipment, intangible assets	¥3,339	¥583	¥3,923	¥351	¥4,274

(Note 1) The amounts of Adjustments are as follows.

Adjustments of Segment profit of ¥19 million (US$130 thousand) include non-allocatable common profits of ¥20 million (US$137 thousand) and other adjustment of minus ¥1 million (minus US$7 thousand). Non-allocatable common profits are mainly general and administrative expenses, dividend income, etc., which are not attributed to any reportable segment.

Adjustments of Segment assets of ¥53,992 million (US$356,621 thousand) are elimination of receivable and payable etc., of minus ¥4,265 million (minus US$28,175 thousand) and non-allocatable common assets which are not allocated to any reportable segments of ¥58,258 million (US$384,796 thousand). Non-allocatable common assets are mainly cash and deposits, securities, property, plant and equipment, intangible assets, and net defined benefit asset, etc., which are not attributed to any reportable segment.

Adjustments of Increase in property, plant and equipment, intangible assets of ¥351 million (US$2,323 thousand) are buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures and software, etc., which are not attributed to any reportable segment.

The allocation method of assets for reportable segment is different from that of related income and expenses.

(Note 2) Segment profit is adjusted to the ordinary income of the consolidated statement of income.

For the year ended March 31, 2024

Thousands of U.S. dollars

	Green Technology System Division	Paint Finishing System Division	Total	Adjustments	Amount recorded in the consolidated financial statements
Sales					
Sales to customers	$1,430,117	$508,830	$1,938,947	$–	$1,938,947
Intersegment	103	32	135	(135)	–
Total	1,430,220	508,862	1,939,082	(135)	1,938,947
Segment profit	112,470	18,526	130,996	130	131,126
Segment assets	944,698	458,880	1,403,578	356,621	1,760,199
Other items					
Depreciation and amortization	6,039	4,868	10,907	(1,201)	9,706
Amortization of goodwill	2,755	442	3,197	–	3,197
Interest income	2,331	3,580	5,911	16	5,927
Interest expenses	39	1,411	1,450	140	1,590
Share of profit (loss) of entities accounted for using equity method	–	145	145	–	145
Investments in associates accounted for using equity method	–	4,244	4,244	–	4,244
Increase in property, plant and equipment, intangible assets	$22,057	$3,855	$25,912	$2,322	$28,234

18. Related information in regard to segment information

(1) Information by product and service

For the year ended March 31, 2023

This item is omitted because similar information is disclosed in "16. Segment information"

For the year ended March 31, 2024

This item is omitted because similar information is disclosed in "16. Segment information"

(2) Sales by region

For the year ended March 31, 2023

Millions of yen

Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
¥134,236	¥6,203	¥19,719	¥23,648	¥13,982	¥3,058	¥13,173	¥770	¥214,793

(Note) Sales are classified to the countries or regions based on their customers' location.

For the year ended March 31, 2024

Millions of yen

Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
¥155,764	¥20,613	¥20,596	¥32,515	¥27,415	¥18,293	¥17,779	¥578	¥293,556

(Note) Sales are classified to the countries or regions based on their customers' location.

For the year ended March 31, 2024

Thousands of U.S. dollars

Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
$1,028,826	$136,152	$136,043	$214,766	$181,078	$120,827	$117,436	$3,819	$1,938,947

(3) Property, plant and equipment by region

For the year ended March 31, 2023

Millions of yen

Japan	Thailand	Indonesia	China	India	Other	Total
¥4,724	¥381	¥198	¥588	¥2,148	¥515	¥8,557

For the year ended March 31, 2024

Millions of yen

Japan	Thailand	Indonesia	China	India	Other	Total
¥6,594	¥386	¥245	¥645	¥3,233	¥588	¥11,694

For the year ended March 31, 2024

Thousands of U.S. dollars

Japan	Thailand	Indonesia	China	India	Other	Total
$43,557	$2,550	$1,623	$4,266	$21,355	$3,890	$77,241

(4) Sales information by main customer

For the year ended March 31, 2023

The item is omitted because there are no sales to external customers which represented 10% or more of sales of the consolidated statement of income.

For the year ended March 31, 2024

The item is omitted because there are no sales to external customers which represented 10% or more of sales of the consolidated statement of income.

19. Impairment loss by reportable segment

Impairment loss of the non-current assets by reportable segment

For the year ended March 31, 2023

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/ Corporate (Note)	Total
Impairment loss	¥643	¥–	¥643	¥(0)	¥642

(Note) Eliminations/Corporate is generated from elimination of unrealized profits and impairment loss of idle assets.

For the year ended March 31, 2024

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/ Corporate (Note)	Total
Impairment loss	¥–	¥–	¥–	¥0	¥0

(Note) Eliminations/Corporate is generated from impairment loss of idle assets.

For the year ended March 31, 2024

	Thousands of U.S. dollars				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/ Corporate	Total
Impairment loss	$–	$–	$–	$0	$0

20. Amortization and balance of goodwill

(1) Amortization and balance of goodwill by reportable segment

For the year ended March 31, 2023

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/ Corporate	Total
Balance of goodwill	¥2,913	¥726	¥3,640	¥–	¥3,640

(Note) Amortization of goodwill is omitted because it is already disclosed in the "16. Segment information".

For the year ended March 31, 2024

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/ Corporate	Total
Balance of goodwill	¥2,819	¥708	¥3,528	¥–	¥3,528

(Note) Amortization of goodwill is omitted because it is already disclosed in the "16. Segment information".

For the year ended March 31, 2024

	Thousands of U.S. dollars				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/ Corporate	Total
Balance of goodwill	$18,624	$4,681	$23,305	$–	$23,305

(2) Gain on negative goodwill by reportable segment

For the year ended March 31, 2023
Not applicable.

For the year ended March 31, 2024
Not applicable.

21. Related party transactions

For the year ended March 31, 2023
Not applicable.

For the year ended March 31, 2024
Not applicable.

22. Details of bonds

No applicable.

23. Details of loans

As of March 31, 2024

	Millions of yen		Thousands of U.S. dollars		
	Beginning balance	Ending balance	Ending balance	Average interest rate (%)	Maturity
Short-term loans payable	¥2,836	¥3,619	$23,909	6.171	–
Current portion of long-term loans payable	106	127	845	0.798	–
Current portion of lease obligations	69	100	666	–	–
Long-term loans payable (excluding current portion)	98	143	948	0.944	August 2026 to June 2031
Lease obligations (excluding current portion)	98	148	983	–	March 2025 to November 2028
Total	¥3,208	¥4,140	$27,351	–	–

(Note 1) The "Average interest rate" is the weighted average interest rate for the ending balance of loans etc.

(Note 2) The average interest rates on lease obligations are not presented because interest equivalents in the total lease obligation are allocated to expenses every year by the straight-line method.

(Note 3) The annual repayment schedules of long-term loans payable and lease obligations (excluding current portion) subsequent to March 31, 2024 are as follows.

	Millions of yen			
	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years
Long-term loans payable	¥101	¥41	¥0	¥–
Lease obligations	¥75	¥36	¥26	¥9

	Thousands of U.S. dollars			
	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years
Long-term loans payable	$672	$276	$0	$–
Lease obligations	$498	$241	$178	$63

24. Details of asset retirement obligations

This item is omitted because asset retirement obligations represented less than 1% of total assets at the beginning of this fiscal year and at the end of this fiscal year, respectively.

25. Significant subsequent events

Not applicable.

Report of Independent Auditors

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Taikisha Ltd.,

Opinion

We have audited the consolidated financial statements of Taikisha Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2024, and the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese Yen.

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

Basis for Opinion

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

Key Audit Matters

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

1. Reasonableness of estimates regarding the completion percentage of construction contracts for which revenue is recognized over time.	
Description of Key Audit Matter	Auditor's Response
As described in the note 2. Summary of significant accounting policies, (8) Revenue and cost recognition, in the Green Technology System business and the Paint Finishing System business, performance obligations for construction contracts, etc. mainly involving design, supervision, and installation are deemed to be satisfied over time, and revenue is recognized based on progress toward complete satisfaction of a performance obligation. As stated in the notes "Estimates of percentage of completion in construction contracts, etc. in which revenue is recognized over time" under(12) Significant accounting estimates, The percentage of completion is measured by the ratio of costs incurred as of the fiscal year-end to estimated total costs based on the working budget for the construction contract (input methods). The Group recorded net sales of completed construction contracts ¥271,781 million on a consolidated basis for the fiscal year by the method. The estimated total cost is calculated by making working budgets for each construction, and the budgets have high uncertainty as the construction cost could change by the construction site conditions, changes in the content of the work and price negotiation with contractors after launching the constructions. Also, the accuracy of cost aggregation to each contract has significant effect on the estimation of the progress . Therefore, we determined estimates regarding the completion percentage of construction contracts for which revenue is recognized over time as a key audit matter.	As revenue arise from construction contracts in which revenue is recognized over time is calculated by the progress measured based on total costs of construction, we performed following audit procedures to evaluate the reasonableness of estimation on the progress of constructions. Main procedures are as follows. · We evaluated the design and operational effectiveness of internal controls over estimates of total construction costs. Specifically we focused on the controls over developing working budgets, updating the budgets to reflect the changes after the construction has commenced, and allocating incurred costs to appropriate contracts. · We identified the contracts in which the uncertainty of the working budget is relatively high by analyzing the correlation between the order amount and the working budget, as well as the profit margin of each construction contract. For the identified construction contracts, we compared the latest estimates of working budgets as of the fiscal year end with the original ones. For material fluctuations, we examined the reasonableness of management's point estimates of the working budget through inquiries of construction managers and inspection of relevant documents such as quotations and purchase orders. · Construction on which we determined that deliberate judgement is required by the size, profit rate, and the progress at the end of the fiscal year, we performed vouching on the incurred costs by related documents such as invoice etc., enquiry to construction managers, reviewing related documents such as construction schedules and planned cost lists, and furthermore we visited the construction site to evaluate the consistency of the progress between the record and the situation of the site when necessary.

Other Information

The other information comprises the information included in the integrated report, but does not include the consolidated financial statements and our auditor's report hereon. Management is responsible for the other information. In addition, those charged with governance are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, including whether the use of the disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
Audit & Supervisory Board is responsible for overseeing the Group's financial reporting process.

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

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

We communicate with the audit & supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide the audit & supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
From the matters communicated with the audit & supervisory board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Convenience Translation
The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

Hiroaki Kagami
Hiroaki Kagami
Designated Engagement Partner
Certified Public Accountant

Kenji Oka
Kenji Oka
Designated Engagement Partner
Certified Public Accountant

Daisuke Miyanohara
Daisuke Miyanohara
Designated Engagement Partner
Certified Public Accountant

A&A Partners
Tokyo, Japan
December 2, 2024