Consolidated Financial Statements

DAIHO CORPORATION

For the Years ended March 31,
2025 and 2024
Together with Independent
Auditor's Report

KPMG AZSA LLC
October 2025

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Independent auditor's report

To the Board of Directors of DAIHO CORPORATION:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of DAIHO CORPORATION ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2025 and 2024, the consolidated statements of operations, comprehensive income, changes in net assets and cash flows for the years then ended , and notes, comprising a summary of significant accounting policies and other explanatory information.

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, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years 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 consolidated 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.

Reasonableness of the Company's estimate of total construction costs in the construction contracts	
The key audit matter	**How the matter was addressed in our audit**
As described in Note 2 (25) "Significant accounting estimates" to the consolidated financial statements, the Company recognized total sales of ¥143,394 million, of	The primary procedures we performed to assess whether the Company's estimate of total construction

which ¥133,514 million revenue recognized based on the progress toward satisfaction of performance obligations satisfied over time (excludes those contracts applying the cost recovery method) and its provision for losses on construction contracts amounted to ¥1,702 million.

As described in Note2 (7) “Revenue and cost recognition”, revenue from construction contracts is recognised over a period of time as performance obligations are met if control over the goods or services is transferred to the customer over a period of time. The estimates of progress are calculated as the percentage of the cumulative construction cost incurred compared to the estimated total costs. In order to estimate progress towards satisfaction of the performance obligations reasonably, it is particularly necessary to estimate total construction costs reasonably.

As also described in Note 2 (13) ″Provision for losses on construction contracts, the Company provides a provision for the losses on construction contracts, which are expected to be incurred in the next fiscal year and after, when the estimated construction costs will certainly exceed the ordered contract amount and such losses can be reasonably estimated.

The details of construction contracts are highly unique, as basic specifications and work details are prepared based on customers′ instructions. Therefore, it is difficult to determine criteria that are uniformly applicable to all construction contracts, when it comes to estimating the total construction costs in the construction contracts. Specifically, estimating the total construction costs involved a high degree of uncertainty as described below, and management′s determination of the following aspects of construction had a significant effect on the estimated total construction costs at the end of the fiscal year:

- whether all construction details required to completely fulfill a construction contract were specified, and the

costs in the construction contracts was reasonable included the following:

(1) Internal control testing

We tested the design and operating effectiveness of certain of the Company′s internal controls relevant to the process of estimating total construction costs. In this assessment, we focused our testing on the following controls:

- controls to prepare and approve a project budget on which the estimate of total construction costs was based; and
- controls to timely and reasonably reflect changes in circumstances that occurred during the process of construction in the estimate of total construction costs.

(2) Assessment of the reasonableness of the estimated total construction costs

In order to assess the reasonableness and accuracy of the estimated total construction costs, we compared the actual construction costs at the end of the current fiscal year or the revised estimated total construction costs with the most recent estimate of total construction costs. Based on the results of this assessment, we inquired about the basis used for preparing the estimated total construction costs. In addition, we:

- assessed whether the total construction costs included were construction costs in line with the construction details agreed upon with customers, as well as ensured they did not include any items that were not agreed upon with customers, by comparing construction contracts and statements of construction items with respective construction costs included in the estimated total construction costs;
- compared the estimated construction costs for each construction included in the estimated total construction costs with external service providers′ written estimates on which the estimated construction costs were based, or the details of the internally prepared documents supporting those costs;
- assessed whether the estimated total construction costs were timely and reasonably revised by comparing the actual construction costs at the end

estimated construction costs that were determined necessary were included in the estimated total construction costs; and ・whether a change made to a construction contract based on agreement newly reached between concerned parties during the process of construction, changes in work due to changes in construction conditions that occurred subsequent to the start of construction, and incidents that did not exist when the most recent estimate of the total construction costs was revised were timely and reasonably reflected in the estimated total construction costs. We, therefore, determined that our assessment of the reasonableness of the Company's estimate of total construction costs in the construction contracts was of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	of the current fiscal year with the estimated total construction costs; and ・with respect to the construction contracts whose value was significant, inspected construction timelines and assessed whether the estimated total construction costs were revised by reflecting changes in work due to changes in construction conditions occurred after the launch of construction. ・observed certain of the construction sites that were significant in terms of the percentage-of-completion and value, and understood the details of constructions and the status of the items included in the estimated total construction costs.

Other Information

The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon.

We do not perform any work on the other information as we determine such information does not exist.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

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

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

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of 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 our 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, while the objective of the audit is not to express an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are 80 million yen and 6 million yen, respectively.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2025 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Masaru Nagai

Designated Engagement Partner

Certified Public Accountant

Junichi Tanaka

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

October 8, 2025

Notes to the Reader of Independent Auditor’s Report:

This is a copy of the Independent Auditor’s Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

DAIHO CORPORATION
CONSOLIDATED BALANCE SHEETS
March 31, 2025 and 2024

ASSETS	Millions of yen 2025	Millions of yen 2024	Thousands of U.S. dollars (Note 1) 2025
Current assets:			
Cash and time deposits (Notes 16 and 22)	¥ 21,669	¥ 17,533	$ 144,923
Trade notes and accounts receivable (Notes 3,5,18 and 22)	88,397	100,024	591,205
Electronically recorded monetary claims - operating (Notes 5 and 22)	393	5,779	2,628
Short-term loans receivable (Note 22)	29	2	193
Allowance for doubtful accounts	(6)	(2,125)	(40)
Costs on uncompleted construction contracts and other (Notes 4 and 11)	1,312	1,258	8,774
Advances paid (Note 22)	7,408	9,554	49,545
Income taxes refund receivable	—	538	—
Other current assets	861	2,199	5,758
Total current assets	120,066	134,764	803,009
Property and equipment:			
Land	8,569	8,895	57,310
Buildings and structures	12,064	12,016	80,684
Machinery and equipment	7,899	7,744	52,829
Leased assets	221	202	1,478
Construction in progress	38	4	254
	28,792	28,863	192,562
Accumulated depreciation	(11,949)	(11,158)	(79,915)
Net property and equipment	16,842	17,705	112,640
Intangible assets	510	603	3,410
Investments and other non-current assets:			
Investment securities (Notes 8, 9 and 22)	11,491	10,990	76,852
Deferred tax assets (Note 14)	262	274	1,752
Other non-current assets	2,913	1,035	19,482
Allowance for doubtful accounts	(2,244)	(293)	(15,008)
Total investments and other non-current assets	12,422	12,007	83,079
Total assets	¥ 149,842	¥ 165,081	$ 1,002,153

See accompanying notes.

DAIHO CORPORATION
CONSOLIDATED BALANCE SHEETS
March 31, 2025 and 2024

LIABILITIES AND NET ASSETS	Millions of yen 2025	Millions of yen 2024	Thousands of U.S. dollars (Note 1) 2025
Current liabilities:			
Short-term loans payable (Notes 10 and 22)	¥ 850	¥ 6,950	$ 5,684
Trade notes and accounts payable (Notes 5 and 22)	23,769	32,556	158,968
Electronically recorded obligations – operating (Notes 5 and 22)	7,124	12,122	47,645
Advances received on uncompleted construction contracts (Note 3)	8,472	5,144	56,661
Current portion of convertible bond-type bonds with share acquisition rights	18	―	120
Income taxes payable	748	286	5,002
Accrued consumption taxes	2,265	580	15,148
Provision for losses on construction contracts (Note 11)	1,702	3,746	11,383
Deposits received (Note 22)	16,816	18,670	112,466
Provision for warranties for completed construction	767	1,026	5,129
Provision for bonuses	647	810	4,327
Provision for shareholder benefit program	12	―	80
Provision for performance linked compensation	31	―	207
Other current liabilities	635	869	4,246
Total current liabilities	63,861	82,762	427,106
Non-current liabilities:			
Convertible bond-type bonds with share acquisition rights (Notes 10 and 22)	―	23	―
Long-term loans payable (Notes 10 and 22)	6,000	6,000	40,128
Deferred tax liabilities (Note 14)	465	9	3,109
Net defined benefit liability (Note 12)	5,552	6,430	37,132
Provision for share-based remuneration	182	193	1,217
Provision for directors' retirement benefits	26	19	173
Provision for executive officers' retirement benefits	26	19	173
Other long-term liabilities	663	703	4,434
Total long-term liabilities	12,916	13,398	86,383
Total liabilities	¥ 76,777	¥ 96,161	$ 513,489
Contingent liabilities (Note 13)			
Net assets (Note 15):			
Shareholders' equity :			
Common stock (Note 26)			
Authorized - 32,000,000 shares			
Issued - 18,083,163 shares	10,000	10,000	66,880
Capital surplus	42,377	42,446	283,420
Retained earnings	17,911	14,698	119,789
Less: Treasury stock, at cost	(1,950)	(2,116)	(13,041)
Accumulated other comprehensive income (Note 23) :			
Unrealized gains on securities	2,270	2,507	15,181
Foreign currency translation adjustment	(72)	(58)	(481)
Remeasurements of defined benefit plans (Note 12)	936	56	6,260
Subscription rights to shares (Note 25)	65	126	434
Non-controlling interests	1,527	1,258	10,212
Total net assets	73,065	68,919	488,663
Total liabilities and net assets	¥ 149,842	¥ 165,081	$ 1,002,153

See accompanying notes.

DAIHO CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Sales (Note 18) :	¥ 143,394	¥ 163,222	$ 959,028
Costs and expenses:			
Cost of sales (Note 11)	130,258	155,611	871,174
Selling, general and administrative expenses	7,602	7,144	50,842
	137,860	162,755	922,017
Operating income	5,533	466	37,005
Other income (expenses):			
Interest and dividend income	211	322	1,411
Interest expense	(94)	(65)	(628)
Guarantee commission	(76)	(64)	(508)
Gain (loss) on sale and disposal of property and equipment	239	18	1,598
Foreign currency exchange gain (loss), net	(248)	664	(1,658)
Loss on litigation (Note 21)	(31)	(20)	(207)
Impairment loss on fixed assets (Note 6)	(126)	(36)	(842)
Gain on sales of investment securities (Note 8)	61	110	407
Reversal of allowance for doubtful accounts	224	―	1,498
Provision of allowance for doubtful accounts	(55)	(2,285)	(367)
Rent income	33	33	220
Commission expenses	(103)	(17)	(688)
Other, net	(2)	75	(13)
	(32)	1,266	(214)
Income (loss) before income taxes	5,565	(799)	37,219
Income taxes (Note 14):			
Current	1,073	1,130	7,176
Deferred	524	(94)	3,504
Net income (loss)	3,967	(1,835)	26,531
Net income (loss) attributable to non-controlling interests	276	236	1,845
Net income (loss) attributable to owners of parent	¥ 3,691	¥ (2,072)	$ 24,685

	Yen		U.S. dollars (Note 1)
Amounts per share of common stock:			
Net income (loss) (Note 24)	¥ 41.91	¥ (23.54)	$ 0.28
Diluted net income per share (Note 24)	41.79	―	0.28
Cash dividends applicable to the year	147.00	27.00	0.98

See accompanying notes.

DAIHO CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Net income (loss)	¥ 3,967	¥ (1,835)	$ 26,532
Other comprehensive income: (Note 23)			
Unrealized gains or losses on securities	(236)	1,997	(1,578)
Foreign currency translation adjustments	(14)	(14)	(94)
Remeasurements of defined benefit plans (Note 12)	880	(95)	5,886
Total other comprehensive income	628	1,886	4,200
Comprehensive income	¥ 4,595	¥ 51	$ 30,732
Comprehensive income attribute to:			
Owners of parent	¥ 4,319	¥ (185)	$ 28,886
Non-controlling interests	276	236	1,846

See accompanying notes.

DAIHO CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years ended March 31, 2025 and 2024

	Number of shares of common stock (Thousands)	Millions of yen									
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Subscription rights to shares	Non-controlling interests	Total
Balance at April 1, 2023	18,083	¥ 30,736	¥ 21,746	¥ 20,843	¥ (1,959)	¥ 510	¥ (43)	¥ 152	¥ 166	¥ 1,026	¥ 73,179
Cash dividends paid (¥27.0 per share)	—	—	—	(4,072)	—	—	—	—	—	—	(4,072)
Capital reduction	—	(20,736)	20,736	—	—	—	—	—	—	—	—
Profit (loss) attributable to owners of parent	—	—	—	(2,072)	—	—	—	—	—	—	(2,072)
Acquisition of treasury stock	—	—	—	—	(265)	—	—	—	—	—	(265)
Disposal of treasury stock	—	—	(37)	—	108	—	—	—	—	—	71
Net change of items other than shareholders' equity	—	—	—	—	—	1,997	(14)	(95)	(39)	232	2,079
Balance at March 31, 2024	18,083	¥ 10,000	¥ 42,446	¥ 14,698	¥ (2,116)	¥ 2,507	¥ (58)	¥ 56	¥ 126	¥ 1,258	¥ 68,919
Cash dividends paid (¥147.0 per share)	—	—	—	(478)	—	—	—	—	—	—	(478)
Profit (loss) attributable to owners of parent	—	—	—	3,691	—	—	—	—	—	—	3,691
Acquisition of treasury stock	—	—	—	—	(5)	—	—	—	—	—	(5)
Disposal of treasury stock	—	—	(69)	—	172	—	—	—	—	—	102
Net change of items other than shareholders' equity	—	—	—	—	—	(236)	(14)	880	(61)	268	835
Balance at March 31, 2025	18,083	¥ 10,000	¥ 42,377	¥ 17,911	¥ (1,950)	¥ 2,270	¥ (72)	¥ 936	¥ 65	¥ 1,527	¥ 73,065

	Thousands of U.S. dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Subscription rights to shares	Non-controlling interests	Total
Balance at April 1, 2024	$ 66,880	$ 283,881	$ 98,301	$ (14,151)	$ 16,766	$ (387)	$ 374	$ 842	$ 8,413	$ 460,934
Cash dividends paid ($0.98 per share)	—	—	(3,196)	—	—	—	—	—	—	(3,196)
Capital reduction	—	—	—	—	—	—	—	—	—	—
Profit (loss) attributable to owners of parent	—	—	24,685	—	—	—	—	—	—	24,685
Acquisition of treasury stock	—	—	—	(33)	—	—	—	—	—	(33)
Disposal of treasury stock	—	(461)	—	1,150	—	—	—	—	—	682
Net change of items other than shareholders' equity	—	—	—	—	(1,578)	(93)	5,885	(407)	1,792	5,584
Balance at March 31, 2025	$ 66,880	$ 283,420	$ 119,789	$ (13,041)	$ 15,181	$ (481)	$ 6,260	$ 434	$ 10,212	$ 488,663

See accompanying notes.

DAIHO CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Cash flows from operating activities:			
Income (loss) before income taxes and non-controlling interests	¥ 5,565	¥ (799)	$ 37,219
Adjustments to reconcile income before income taxes and non-controlling interests to net cash provided by operating activities:			
Depreciation and amortization	1,046	831	6,995
Impairment loss	126	36	842
Loss on litigation	31	20	207
Increase (decrease) in allowance for doubtful accounts	(168)	2,285	(1,123)
Increase (decrease) in provision for warranties for completed construction	(258)	(21)	(1,725)
Increase (decrease) in provision for bonuses	(163)	2	(1,090)
Increase (decrease) in net defined benefit liability	0	30	0
Increase (decrease) in provision for losses on construction contracts	(2,044)	2,135	(13,670)
Increase (decrease) in provision for share-based remuneration	25	28	167
Increase (decrease) in provision for directors' retirement benefits	6	(15)	40
Increase (decrease) in provision for executive officers' retirement benefits	6	(6)	40
Increase (decrease) in provision for shareholder benefit program	12	(15)	80
Increase (decrease) in provision for performance-linked compensation	31	(6)	207
(Gain) loss on sale and disposal of property and equipment	(239)	(18)	(1,598)
Interest and dividend income	(211)	(322)	(1,411)
Interest expense	94	65	628
Foreign currency exchange (gain) loss, net	159	(328)	1,063
(Gain) loss on sales of investment securities	(55)	(101)	(367)
(Increase) decrease in receivables and other current assets	17,013	(6,467)	113,784
(Increase) decrease in inventories	(48)	967	(321)
Increase (decrease) in payables and accrued expenses	(13,788)	(418)	(92,215)
Increase (decrease) in advances received on uncompleted contracts	3,327	(4,178)	22,251
(Increase) decrease in other assets	1,404	247	9,390
Increase (decrease) in other liabilities	(113)	(2,637)	(755)
Other, net	82	22	548
Subtotal	11,844	(8,641)	79,213
Interest and dividend received	211	327	1,411
Interest paid	(96)	(63)	(642)
Income taxes paid	(626)	(3,145)	(4,186)
Income taxes refund	464	2	3,103
Payments for loss on litigation	(20)	(16)	(133)
Net cash provided by (used in) operating activities	11,776	(11,536)	78,758
Cash flows from investing activities:			
Deposit in time deposits	(10)	(10)	(66)
Withdrawal from time deposits	10	10	66
Proceeds from sales of property and equipment	523	236	3,497
Payments for purchase of property and equipment	(451)	(1,579)	(3,016)
Payments for retirement of property, plant and equipment	(25)	(13)	(167)
Purchase of intangible assets	(157)	(188)	(1,050)
Purchase of investment securities	(955)	(210)	(6,387)
Proceeds from sales of investment securities	182	350	1,217
Proceeds from withdrwal of investment securities	35	44	234
(Increase) decrease in short-term loans receivable	(21)	8	(140)
Payments for leasehold and gurantee deposits	—	(68)	—
Proceeds from collection of leasehold and gurantee deposits	—	26	—
Other, net	(3)	397	(20)
Net cash provided by (used in) investing activities	(876)	(996)	(5,858)
Cash flows from financing activities:			
Net (increase) decrease in short-term lons payable	(6,100)	6,000	(40,797)
Purchase of treasury stock	(5)	(5)	(33)
Payments for establishment of money trust for purchase of treasury stock	—	(208)	—
Proceeds from disposal of treasury stock	—	0	—
Cash dividends paid	(482)	(4,071)	(3,223)
Cash dividends paid to non-controlling interests	(7)	(3)	(46)
Repayment of lease obligations	(21)	(9)	(140)
Other, net	(3)	23	(20)
Net cash provided by (used in) financing activities	(6,621)	1,725	(44,281)
Effect of exchange rate changes on cash and cash equivalents	(145)	307	(969)
Net increase (decrease) in cash and cash equivalents	4,134	(10,501)	27,648
Cash and cash equivalents at the beginning of year	17,523	28,025	117,195
Cash and cash equivalents at end of year (Notes 16)	¥ 21,657	¥ 17,523	$ 144,843

See accompanying notes.

DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2025 and 2024

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of DAIHO CORPORATION (the “Company”) and its consolidated subsidiaries (together, the “Companies”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts to U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate as of March 31, 2025, which is ¥149.52 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Amounts less than one million yen have been omitted. As a result, the total amounts in Japanese yen and translated U.S. dollars shown in the consolidated financial statements and notes to the consolidated financial statements do not necessarily agree with the sum of the individual amounts.

2. Significant accounting policies

(1) Principles of consolidation
(Significant consolidated subsidiaries)
Morimoto Corporation
Daiho Painting Industry Company Limited
Daiho real Estate Company Limited
Shinwa Machinery Company Limited
Thai Daiho Company Limited

(Non-consolidated subsidiaries)
Madagascar Daiho Corporation
PARC Limited Liability Company
Among the above, PARC Limited Liability Company was newly established during the consolidated fiscal year under review.
Masters Comfort Company Limited was dissolved on June 30, 2024.

The consolidated financial statements as of March 31, 2025 include the accounts of the Company and its 8 subsidiaries. The other 2 subsidiaries are not consolidated as they have no material effect on the accompanying consolidated financial statements. All significant intercompany transactions and accounts have been eliminated.

Investments in other subsidiaries and affiliated companies are stated at cost since the Company’s equity in net income or retained earnings in such companies is not material.

(2) Inventories
Costs on uncompleted construction contracts, and costs of the real estate business and raw materials and supplies are stated at cost as determined on a specific basis. Costs of the real estate business and raw materials and supplies are measured at the lower of cost or net realizable value.

(3) Property, equipment and depreciation
Property and equipment are stated at cost. Depreciation is computed principally based on the declining-balance method. Buildings (excluding fixtures attached to buildings) acquired on or after April 1, 1998 and fixtures attached to buildings and structures acquired on or after April 1, 2016 are depreciated using the straight-line method.

Estimated useful lives of the property and equipment are as follows:

	2025	2024
Buildings and structures	3 to 50 years	3 to 50 years
Machinery and equipment	2 to 20 years	2 to 20 years

(4) Intangible assets (excluding lease assets)
Intangible assets with finite useful lives are amortized using the straight-line method over their useful lives. Software for internal use is amortized by the straight-line method over its estimated useful life of five years.

(5) Lease assets
Leased assets arising from finance leases that do not transfer ownership of the lease property to the lessee are depreciated over the lease term using the straight-line method with a residual value of zero.

(6) Foreign currency translation
Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates.
Items denominated in foreign currencies of foreign subsidiaries and affiliates are translated into Japanese yen at the current rate at the end of the fiscal year for all assets and liabilities, and at the average rate during the fiscal year for revenues and expenses.

(7) Revenue and cost recognition
The details of the main performance obligations related to revenue from construction contracts with the Companies' customers in the main projects and the ordinary timing of satisfaction of these performance obligations are as follows.
With respect to the construction contracts in the civil engineering business and the building construction business, in cases where control of goods or services is transferred to customers over time as the construction progresses, revenue associated with these construction contracts is recognized over time based on the progress toward satisfaction of the performance obligations except when the contract amount is small or the period is very short. The progress is estimated using the percentage-of-completion method and the percentage at the end of the consolidated fiscal year is determined as the percentage of the cost incurred compared to the estimated total costs, so called "cost-proportional method". Except in the initial stages of the contracts, revenue is also recognized using the cost recovery method when it is not possible to reasonably estimate the progress towards satisfaction of performance obligations, but it is probable that the costs incurred will be recovered at the time of completion of construction.
In the current fiscal year, there were no construction contracts with significant financial components included in the transaction price. The timing of receipt of the transaction consideration varies depending on the terms of the contract, but it is generally received within one year.

(8) Marketable securities and investment securities
The Companies have neither trading securities nor held-to-maturity debt securities. Equity securities issued by subsidiaries, which are not consolidated or accounted for using the equity method, are stated at the moving-average cost. Available-for-sale securities with fair market values are stated at fair market value, and unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets on the Consolidated financial statements of Comprehensive Income. Realized gains and losses on the sale of such securities are computed using the moving-average cost. Equity securities without market prices are stated at the moving-average cost.

(9) Costs of research and development
All research and development costs are charged to income as incurred. Costs of research and development for the years ended March 31, 2025 and 2024 totaled ¥330 million ($2,210 thousand) and ¥250 million, respectively.

(10) Allowance for doubtful accounts
The Companies provide an allowance for doubtful accounts based principally on the historical bad debt ratio during a certain reference period, plus the estimated uncollectible amount based on the analysis of certain individual accounts, including claims in bankruptcy.

(11) Provision for warranties for completed construction
The provision for warranties for completed construction is provided to cover expenses for defects claimed concerning the completed work, based on the estimated amount for compensation to be paid in the future for the work completed during the fiscal year.

(12) Provision for bonuses
To provide for bonuses payable to employees, the Company records the portion of estimated bonus payments attributable to the current consolidated fiscal year.

(13) Provision for losses on construction contracts
The Companies provide an allowance for losses on uncompleted construction contracts at the fiscal year-end when losses are certainly anticipated for the next fiscal year onward, and such losses can be reasonably estimated.

(14) Provision for shareholder benefit program
To prepare for the expenses incurred under the shareholder benefit program, the amount expected to be incurred in the next consolidated fiscal year is recorded.

(15) Provision for performance-linked compensation
To prepare for the payment of performance-linked compensation to directors, the Company records the portion of the estimated amount of remuneration paid to directors attributable to the current consolidated fiscal year.

(16) Provision for share-based remuneration
To prepare for the delivery of shares to directors, the Company recognizes an amount based on the expected board benefit obligations at the end of the current fiscal year in accordance with the “Rules on Provision of Shares to Officers.”

(17) Provision for directors' retirement benefits
To prepare for the payment of the amount required to be paid to directors at the end of the fiscal year based on the internal rules for directors' retirement benefits, certain consolidated subsidiaries provide for the amount based on the internal rules for directors' retirement benefits at the end of the current fiscal year.

(18) Provision for executive officers' retirement benefits
To prepare for the payment of the amount required to be paid to executive officers at the end of the fiscal year based on the internal rules for executive officers' retirement benefits, certain consolidated subsidiaries provide for the amount based on the internal rules for directors' retirement benefits at the end of the current fiscal year.

(19) Net defined benefit liability
(A) Method of attributing expected benefit to periods
The Companies determine the method of attributing expected benefit to periods based on a benefit formula.

(B) Method of processing actuarial gains and losses and past service costs
Actuarial gains and losses are recognized as expenses using the straight-line method over 10 years, which falls within the average of the estimated remaining service years of the employees, commencing from the succeeding period.
Past service costs are amortized by the straight-line method over a period within the average remaining service years for employees at the time of occurrence (10 years).

(C) Adoption of simplified method for small entities
Certain subsidiaries calculate net defined benefit liability and retirement benefit expenses by using a simplified method in which retirement benefit obligations are equal to the amount that would be paid if all employees resigned voluntarily at the end of the fiscal year.

(20) Income taxes
Income taxes consist of corporation, enterprise and inhabitants taxes. The Companies recognize the tax effects of temporary differences between the financial statement basis and the tax basis of assets and liabilities. The provision for income taxes is computed based on the pretax income included in the consolidated financial statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(21) Derivatives and hedging activities
Forward foreign exchange contracts are utilized by the Companies to manage their exposures to fluctuations in foreign currency. The Companies do not enter into derivatives for trading or speculative purposes.

The Companies record derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless the derivative instruments are used for hedging purposes. When a forward foreign exchange contract meets certain conditions, the hedged item is translated at the corresponding forward foreign exchange contract rate. The following summarizes hedging derivative financial instruments used by the Companies and the items hedged:

Hedging instruments	Items hedged
Forward foreign exchange contracts	Foreign currency payables, Scheduled transactions denominated in foreign currencies

The Companies confirm that key terms and conditions of the hedging instruments and the hedged transactions are substantially the same to ensure the effectiveness for offsetting the fluctuation in fair value from the start of the transaction and thereafter.

(22) Amounts per share of common stock
Net income per share is computed using the weighted-average number of shares of common stock outstanding during the year. Cash dividends per share represent dividends declared as applicable to the respective years.

(23) Cash and cash equivalents
In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(24) Appropriations of retained earnings
Appropriations of retained earnings are reflected in the accompanying consolidated financial statements for the following year upon the shareholders' meeting approval.

(25) Significant accounting estimates
Estimate of total construction costs in applying the percentage-of-completion method and recognizing an allowance for losses on construction contract

(Carrying amounts in the current year's consolidated financial statements)

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Construction revenue using the percentage-of-completion method	¥ 133,514	¥ 155,396	$ 892,952
Provision for losses on construction contracts	1,702	3,746	11,383

(Other information that assists users of consolidated financial statements in understanding the nature of the estimates)
For construction contracts, the Companies apply the method of recognizing revenue over a period of time using the cost-to-cost method as performance obligations are fulfilled. In applying the method of recognizing revenue over time, it is necessary to be able to reasonably estimate the progress of fulfillment of performance obligations, and to do so, it is necessary to be able to reasonably estimate the total construction costs.
In addition, in order to prepare for losses on construction contracts, the amount of loss expected to be incurred in the next fiscal year onward is recognized as a provision for losses on construction contracts when the estimated total cost of construction work will certainly exceed the contract amount, and the amount of such losses can be reasonably estimated.
Construction contracts are characterized by their strong individuality, as the basic specifications and work content are based on the customer's instructions. Therefore, when applying the method of recognizing revenue over a certain period of time and estimating the total construction cost to be considered in recording a provision for contract loss, there is no uniform criterion applicable to all construction contracts. Accordingly, estimating total construction costs is subject to high uncertainties.
If it becomes necessary to revise the estimate of the total cost of construction work, it may have a significant impact on sales and the amount of provision for loss on construction work in the next fiscal year.

(26) Changes in accounting policies
(Application of "Accounting Standard for Current Income Taxes" etc.)
The Company adopted the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the "Revised Accounting Standard of 2022") and other relevant standards from the beginning of the fiscal year ended March 31, 2025.
The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of paragraph 65-2 of Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022) (hereinafter referred to as "Revised Implementation Guidance 2022").
As for the revision related to the change in the treatment in consolidated financial statements of tax deferral of gain on sale of shares of subsidiaries, etc. between consolidated companies, the Company adopted the Revised Implementation Guidance of 2022 from the beginning of the fiscal year ended March 31, 2025. This change in accounting policy, which is applied retrospectively, has no impact on the consolidated financial statements.

(27) Unadopted accounting standards

(Standards and guidance not yet adopted)

The following accounting standards and guidance have been issued but not yet adopted.

・Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024, by the Accounting Standards Board of Japan)

・Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024, by the Accounting Standards Board of Japan) and other revisions to relevant accounting standard statements, implementation guidance, practical solutions, and transferred guidance.

(A) Overview

As part of its efforts to make the Japanese standards consistent with international standards, the Accounting Standards Board of Japan (ASBJ) has been studying international accounting standards with a view to developing accounting standards for leases that recognize the assets and liabilities for all leases of a lessee. As a basic policy, the ASBJ has published lease accounting standards that are based on the single accounting model of IFRS 16. Rather than adopting all of the provisions of IFRS 16, however, these published leased standards adopt only the main provisions in order to make them simple and convenient, and to basically eliminate the need for revisions even if the provisions of IFRS 16 are used in individual financial statements. With regard to the method of allocating lease expenses in the accounting treatment by a lessee, a single accounting treatment model will be applied to all leases, including both finance leases and operating leases. This model, like IFRS 16, will record the depreciation expense on the leased asset and an amount equivalent to interest on the lease liability.

(B) Effective date

Effective from the beginning of the fiscal year ending March 31, 2028.

(C) Effects of the adoption of the standards

The effects of the adoption of Accounting Standard for Leases are currently being evaluated.

(28) For preparation of consolidated financial statements

(A) Accounting policies and procedures which are adopted when the provisions of the relevant accounting standards are not clear

(Accounting of Joint Venture)

The Company and certain consolidated subsidiaries incorporate Joint Ventures into their accounting by recording the amount of revenue and cost of sales associated with construction contracts according to the interests held in the Construction Joint Venture.

(29) Changes in presentation of financial statements

(Consolidated Balance Sheet)

"Provision for bonuses," which was included in "Other" under "Current liabilities" in the previous consolidated fiscal year, is presented separately from the current consolidated fiscal year.

(Consolidated statements of operations)

"Rent income" is presented separately from the current consolidated fiscal year due to its increased materiality. "Commission expenses" is also presented separately from the current consolidated fiscal year due to its increased materiality. The consolidated financial statements for the year ended March 31, 2024, have been reclassified to reflect these changes in the presentation of financial statements.

As a result, in the consolidated statements of operations for the year ended March 31, 2024, the amount of ¥91 million presented as "Other" under "Other income (expenses)" has been reclassified as "Commission expenses" of ¥(17) million and "Rent income" of ¥33 million and "Other, net" of ¥75 million.

(Consolidated statements of cash flows)
"Collection of long-term loans receivable," which had been presented separately in "Cash flows from investing activities" in the previous consolidated fiscal year, is presented under "Other, net" in the current consolidated fiscal year.
"Repayment of lease obligations," which was included in "Other, net" under "Cash flows from financing activities" in the previous consolidated fiscal year, is presented separately from the current consolidated fiscal year.
As a result, in the consolidated statements of cash flows for the year ended March 31, 2024, the amount of ¥405 million presented as "Collection of long-term loans receivable" under "Cash flows from investing activities" has been reclassified as "Other, net" of ¥397 million. In the consolidated statements of cash flows for the year ended March 31, 2024, the amount of ¥13 million presented as "Other, net" under "Cash flows from financing activities" has been reclassified as "Repayment of lease obligations" of ¥(9) million and "Other, net" of ¥23 million.

3. Trade notes and accounts receivable, advances received on uncompleted construction contracts

The balances of receivables from contracts with customers, contract assets and contract liabilities included in trade notes and accounts receivable and advances received on uncompleted construction contracts are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Contract assets			
Balance at the beginning of the year	¥ 74,907	¥ 60,879	$ 500,983
Balance at the end of the year	67,759	74,907	453,176
Receivables from contracts with customers			
Balance at the beginning of the year	30,895	38,455	206,627
Balance at the end of the year	21,031	30,895	140,656
Contract liabilities			
Balance at the beginning of the year	5,144	9,322	34,403
Balance at the end of the year	8,472	5,144	56,661

4. Costs on uncompleted construction contracts and other

Costs on uncompleted construction contracts and other are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Costs on uncompleted construction contracts	¥ 1,232	¥ 1,189	$ 8,239
Raw materials and supplies	80	69	535

5. Notes maturing at the end of the year

Notes maturing at the end of the year are settled on clearing day or settlement day. Since the end of the current year was a holiday for financial institutions, notes maturing at the end of the year are included in the balance at the end of the year as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Trade notes receivable	¥ —	¥ 8	$ —
Electronically recorded monetary claims -operating	—	23	—
Trade notes payable	—	176	—
Electronically recorded obligations -operating	—	1,077	—

6. Impairment losses on fixed assets

For the year ended March 31, 2025, the Companies recognized impairment loss on fixed assets as follows:

Major use	Asset category	Location	Amount
Idle assets	Land	Higashihiroshima-city, Hiroshima-prefecture	¥116 million ($775 thousand)
Idle assets	Land	Mimasaka-city, Okayama-prefecture	¥0 million ($0 thousand)
Idle assets	Land	Joetsu-city, Niigata-prefecture	¥0 million ($0 thousand)
Idle assets	Land	Kitayashiro-city, Yamanashi-prefecture	¥9 million ($60 thousand)

Assets for business use are grouped based on managerial accounting units (per branch), and idle assets and assets used for rent are grouped based on individual assets.
Carrying amounts of certain assets used for idle properties were devalued to their recoverable amounts, due to lowered profitability or substantial declines in the fair market value.
As a result, the Companies recognized an impairment loss on fixed assets of ¥126 million ($842 thousand).
Recoverable amounts of certain assets are measured at net selling price at disposition. The Companies use the amount in property tax assessment value for idle assets.
For the year ended March 31, 2024, the Companies recognized impairment loss on fixed assets as follows:

Major use	Asset category	Location	Amount
Idle assets	Land	Higashihiroshima-city, Hiroshima-prefecture	¥36 million
Idle assets	Land	Mimasaka-city, Okayama-prefecture	¥0 million

Assets for business use are grouped based on managerial accounting units (per branch), and idle assets and assets used for rent are grouped based on individual assets.
Carrying amounts of certain assets used for idle properties were devalued to their recoverable amounts, due to lowered profitability or substantial declines in the fair market value.
As a result, the Companies recognized an impairment loss on fixed assets of ¥36 million.
Recoverable amounts of certain assets are measured at net selling price at disposition. The Companies use the amount in certificate of purchase or property tax assessment value for idle assets.

7. Lease Transactions

1. Operating lease transactions
Future minimum lease payments related to non-cancelable operating lease transactions
(Lessee side)

	Millions of yen	
	Balance as of March 31, 2025	Balance as of March 31, 2024
Within a year	77	—
More than one year	75	—
Total	153	—

(Lessor side)

	Millions of yen	
	Balance as of March 31, 2025	Balance as of March 31, 2024
Within a year	60	—
More than one year	221	—
Total	282	—

8. Market value information for securities

(A) The following tables summarize acquisition costs and book values of securities with available fair values as of March 31, 2025 and 2024:

Available-for-sale securities:
(1) Securities with book values exceeding acquisition costs

	Millions of yen		
	2025		
Type	Acquisition cost	Book value	Difference
Equity securities	¥ 4,299	¥ 7,653	¥ 3,354
Bonds	—	—	—
Others	307	357	50
Total	¥ 4,606	¥ 8,011	¥ 3,404

	Millions of yen		
	2024		
Type	Acquisition cost	Book value	Difference
Equity securities	¥ 4,398	¥ 8,015	¥ 3,616
Bonds	10	10	0
Others	277	322	45
Total	¥ 4,686	¥ 8,348	¥ 3,661

	Thousands of U.S. dollars		
	2025		
Type	Acquisition cost	Book value	Difference
Equity securities	$ 28,752	$ 51,183	$ 22,431
Bonds	—	—	—
Others	2,053	2,387	334
Total	$ 30,805	$ 53,578	$ 22,766

(2) Securities with book values not exceeding acquisition costs

Type	Millions of yen 2025 Acquisition cost	Book value	Difference
Equity securities	¥ 254	¥ 210	¥ (43)
Bonds	10	10	(0)
Others	1,911	278	(34)
Total	¥ 2,175	¥ 498	¥ (78)

Type	Millions of yen 2024 Acquisition cost	Book value	Difference
Equity securities	¥ 262	¥ 243	¥ (19)
Bonds	—	—	—
Others	212	189	(23)
Total	¥ 475	¥ 432	¥ (42)

Type	Thousands of U.S. dollars 2025 Acquisition cost	Book value	Difference
Equity securities	$ 1,698	$ 1,404	$ (287)
Bonds	66	66	(0)
Others	12,780	1,859	(227)
Total	$ 14,546	$ 3,330	$ (521)

(B) Available-for-sale securities sold and the related gains and losses

Total sales and the related gains and losses of available-for-sale securities are as follows:

Type	Millions of yen 2025	Millions of yen 2024	Thousands of U.S. dollars 2025
Equity securities			
Sales	¥ 181	¥ 256	$ 1,210
Related gains	61	110	407
Related losses	6	15	40
Others			
Sales	-	93	-
Related gains	-	8	-
Related losses	-	1	-

9. Pledged assets

As of March 31, 2025 and 2024, the following assets of the Companies are pledged to guarantee money.

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Investment securities	¥ 10	¥ 10	$ 66

10. Short-term and long-term loans payable and convertible bond-type bonds with share acquisition rights

Short-term loans payable consisted mainly of bank overdrafts. The weighted average interest rates as at March 31, 2025 and 2024 were 0.9% per annum.

Long-term loans payable consisted mainly of loans on deeds. The weighted average interest rates as at March 31, 2025 and 2024 were 1.0% per annum.

The annual maturities of long-term loans payable as of March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Within one year	¥ —	¥ —	$ —
Over one year and less than two years	—	—	—
Over two years and less than three years	6,000	—	40,128
Over three years and less than four years	—	6,000	—
Over four years and less than five years	—	—	—
Total	6,000	6,000	40,128

The annual maturities of convertible bond-type bonds with share acquisition rights as of March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Within one year	¥ 18	¥ —	$ 120
Over one year and less than two years	—	23	—
Over two years and less than three years	—	—	—
Over three years and less than four years	—	—	—
Over four years and less than five years	—	—	—
Total	18	23	120

11. Provision for losses on construction contracts

Costs on uncompleted construction contracts for which a construction loss is anticipated and provision for losses on construction contracts are presented without being offset.

The amount of provision for losses on construction contracts, matching the amount of costs on uncompleted construction contracts, is ¥12 million ($80 thousand) and ¥35 million for the years ended March 31, 2025 and 2024, respectively. The amount of provision for losses on construction contracts included in cost of sales is ¥151 million ($1,009 thousand) and ¥2,892 million for the years ended March 31, 2025 and 2024, respectively.

12. Net defined benefit liability

(1) As of March 31, 2025 and 2024, the Company and certain consolidated subsidiaries provide two types of severance and retirement benefit plans: defined contribution pension plans and severance lump-sum payment plans based on points. Other consolidated subsidiaries provide unfunded lump-sum payment plans.
In addition, the Company and certain consolidated subsidiaries implemented a change to their retirement benefit plans on April 1, 2025, by extending the retirement age from 60 to 65. As a result of this plan amendment, past service cost (a reduction in retirement benefit obligations) of ¥234 million was recognized during the fiscal year.

(2) The following table shows the movement in retirement benefit obligations for the years ended March 31, 2025 and 2024 (including the adoption of a simplified method to compute their retirement benefit obligations as permitted by Japanese GAAP).

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Balance at the beginning of the year	¥ 6,430	¥ 6,302	$ 43,004
Service cost	499	533	3,337
Interest cost	53	52	354
Actuarial loss (gain)	(658)	63	(4,400)
Past service cost	(234)	—	(1,565)
Benefits paid	(536)	(521)	(3,584)
Balance at the end of the year	¥ 5,552	¥ 6,430	$ 37,132

(3) The reconciliation between retirement benefit obligations and net defined benefit liability (including the adoption of the simplified method stated above) is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Unfunded retirement benefit obligations	¥ 5,552	¥ 6,430	$ 37,132
Total net defined benefit liability at the end of the respective fiscal year	5,552	6,430	37,132
Defined benefit liability	¥ 5,552	¥ 6,430	$ 37,132
Total net defined benefit liability at the end of the respective fiscal year	5,552	6,430	37,132

(4) The components of retirement benefit expenses for the years ended March 31, 2025 and 2024 (retirement benefit expenses in the consolidated subsidiaries using the simplified method are recorded in service cost) are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Service cost	¥ 499	¥ 533	$ 3,337
Interest cost	53	52	354
Net actuarial loss amortization	(12)	(32)	(80)
Amount of past service cost recognized as an expense	(2)	—	(13)
Total retirement benefit expenses for the respective fiscal year	¥ 538	¥ 553	$ 3,598

(5) The remeasurements of defined benefit plans (before income taxed and tax effect) are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Actuarial difference	¥ 645	¥ (95)	$ 4,313
Past service cost	¥ 234	¥ −	$ 1,565
Total remeasurements for the respective fiscal year	¥ 880	¥ (95)	$ 5,885

(6) The accumulated remeasurements of defined benefit plans (before income taxes and tax effect) are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Actuarial gains and losses that are yet to be recognized	¥ (701)	¥ (56)	$ (4,688)
Unrecognized past service cost	¥ (234)	¥ −	$ (1,565)
Total balance at the end of respective fiscal year	¥ (936)	¥ (56)	$ (6,260)

(7) The discount rate applied in the calculation of defined benefit obligations at the beginning of the year ended March 31, 2025 was 0.8-1.0%, but the Group reexamined the discount rate as of March 31, 2025. As a result, The discount rate was changed to 1.9-2.1% based on the judgment that the change in the discount rate would have a material impact on the amount of defined benefit obligations.

(8) Defined contribution pension plan
The amount to be paid by the Companies to the defined contribution pension plan was ¥171 million ($1,143 thousand) and ¥167 million for the years ended March 31, 2025 and 2024, respectively.

13. Contingent liabilities

The Companies are contingently liable as a guarantor of indebtedness of customers aggregating is ¥3 million ($20 thousand) and ¥3 million as at March 31, 2025 and 2024, respectively.
The Companies are also contingently liable as a guarantor of the repayment of advance payment for sales to MORIMOTO Co., Ltd. and KOSE R.E. Co., Ltd., which amounted to ¥17 million ($113 thousand) and ¥712 million as of March 31, 2025 and 2024, respectively.

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
MORIMOTO Co., Ltd.	¥ −	¥ 669	$ −
KOSE R.E. Co., Ltd.	17	43	113
	¥ 17	¥ 712	$ 113

14. Income taxes

Income taxes consist of taxes on corporation, enterprise and inhabitants.
The Companies are subject to a number of taxes based on income, which, in the aggregate, resulted in a normal rate of 30.6% in Japan for the year ended March 31, 2025 and 2024. The following table summarizes the main differences between the statutory tax rate and the Companies' effective tax rate for the year ended March 31, 2025 and 2024.

	2025	2024
Statutory tax rate	30.6 %	— %
Permanent differences:		
Non-deductible expenses and non-taxable income	1.3	—
Per capita inhabitants taxes	2.5	—
Increase (Decrease) in valuation allowance	(4.3)	—
Tax deduction for wage increases and productivity improvement	0.6	—
Other	(2.0)	—
Effective tax rate	28.7	—

(*1) The information is omitted due to loss before income taxes for the period for the year ended March 31, 2024.

Main components of the Companies’ deferred tax assets and liabilities as of March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Deferred tax assets:			
Net defined benefit liability	¥ 2,348	¥ 2,014	$ 15,703
Provision for losses on construction contracts	531	1,148	3,551
Allowance for doubtful accounts	782	812	5,230
Provision for warranties for completed construction	235	314	1,571
Excess bonuses accrued	224	292	1,498
Impairment loss on fixed assets	168	205	1,123
Write-down of inventories (*1)	139	136	929
Enterprise taxes payable	65	19	434
Subscription rights to shares	20	38	133
Tax loss carryforwards	23	34	153
Other	283	273	1,892
Subtotal	4,824	5,290	32,263
Valuation allowance (*2)	(3,912)	(3,854)	(26,163)
Total deferred tax assets	911	1,435	6,092
Deferred tax liabilities:			
Unrealized gains on securities	(1,055)	(1,111)	(7,055)
Deferred gains on property and equipment	(49)	(49)	(327)
Temporary differences on assets acquired through transfers of business	(8)	(8)	(53)
Other	(0)	(0)	(0)
Total deferred tax liabilities	(1,114)	(1,170)	(7,450)
Net deferred tax assets (liabilities)	¥ (202)	¥ 265	$ (1,350)

(*1) “Write-down of inventories” is concerning the real estate reclassified from current assets to non-current assets by the change of the purpose.

(*2) "Valuation allowance" increased by ¥57 million ($381 thousand). The main reason of this increase is due to increase in net defined benefit liability and the decrease in the provision for losses on construction contracts.
(*3) Due to the enactment of the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 13 of 2025) on March 31, 2025, the "Special Defense Corporation Tax" will be imposed from the consolidated fiscal year starting on or after April 1, 2026. Consequently, deferred tax assets and deferred tax liabilities related to temporary differences expected to be resolved in the consolidated fiscal year starting on or after April 1, 2026 will be calculated by changing the statutory effective tax rate from 30.6% to 31.5%. The effect of this change was an increase of deferred tax liabilities by ¥28 million ($187 thousand), and a decrease of unrealized gain on securities by ¥28 million ($187 thousand) in the consolidated statement of operations and balance sheet for the year then ended.

15. Net assets

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid in capital, which is included in capital surplus.
Under the Japanese Corporate Law ("the Law"), in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, companies are required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equal 25% of common stock.

Under the Japanese Commercial Code ("the Law"), legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.
Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, however, on the condition that the total amount of legal earnings reserve and additional paid-in capital remains equal to or exceeds 25% of common stock, these are available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the annual shareholders' meeting held on June 27, 2025, the shareholders approved cash dividends amounting to ¥2,609 million ($17,449 thousand). The appropriations were not reflected in the consolidated financial statements as of March 31, 2025. Such appropriations are recognized in the period when they are resolved.
The Company made partial amendments to its Articles of Incorporation, with April 1, 2025 as the effective date, in accordance with a resolution at a meeting of the Board of Directors held on February 13, 2025. The dividend amount per share is the dividend amount prior to this stock split.

16. Cash and cash equivalents

Reconciliations of cash and time deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated financial statements of cash flows as of March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Cash and time deposits	¥ 21,669	¥ 17,533	$ 144,923
Less: Time deposits with maturities exceeding three months	(10)	(10)	(66)
Separate deposits with stock benefit trust	(1)	(0)	(6)
Cash and cash equivalents	¥ 21,657	¥ 17,523	$ 144,843

17. Significant non-cash transactions

Changes in the amount of convertible bond-type bonds with share acquisition rights presented in the consolidated financial statements of cash flows as of March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Gain on disposal of treasury stock due to exercise of share acquisition rights	¥ (1)	¥ (1)	$ (13)
Amount of decrease in treasury stock due to exercise of share acquisition rights	4	4	33
Amount of decrease in convertible bond-type bonds with share acquisition rights due to exercise of share acquisition rights	5	3	33

18. Revenue recognition

(A) Disaggregation of revenue from contracts with customers
Disaggregation of revenue from contracts with customers are as described in the "Segment information".

(B) Information related to the relationship between the satisfaction of performance obligations based on contracts with customers and the cash flows resulting from such contracts, as well as the amounts and timing of revenue from contracts with customers that existed as of March 31, 2025, which is expected to be recognized in or after the fiscal year ending March 31, 2026.

(1) Balances of contract assets and contract liabilities

	Millions of yen		Thousands of U.S. Dollars
	Balance as of March 31, 2025	Balance as of April 1, 2024	Balance as of March 31, 2025
Receivables from contracts with customers	¥ 21,031	¥ 30,895	$ 140,656
Contract assets	67,759	74,907	453,176
Contract liabilities	8,472	5,144	56,661

Contract assets relate to the Company and its consolidated subsidiaries' rights to consideration for completed construction contracts with clients that have been completed but not yet invoiced as of the balance sheet date. The contract assets are reclassified to receivables arising from contracts with customers when the Company and its subsidiaries' rights to the consideration become unconditional. The consideration for such completed work is invoiced upon completion of the work and received within approximately one year, in accordance with the terms of payment.
Contract liabilities primarily relate to advances received from customers based on payment terms for construction contracts with clients for which revenue is recognized. Contract liabilities are reversed upon revenue recognition.
The revenues included in the beginning balances of contract liabilities for the fiscal years ended March 31, 2025 and 2024, were ¥4,510 million ($30,163 thousand) and ¥8,571 million, respectively.
In addition, there was no significant change in the assets and liabilities recognized at the beginning of the current and previous fiscal years.
The amounts of revenues recognized for the fiscal years ended March 31, 2025 and 2024 (mainly, due to changes in transaction prices) in the past with the satisfaction of performance obligations were ¥3,190 million ($21,334 thousand) and ¥3,038 million, respectively.

(2) Transaction price allocated to the remaining performance obligations

The total transaction price allocated to the remaining performance obligations at the end of the current fiscal year is ¥271,965 million ($1,818,920 thousand), compared with ¥257,181 million at the end of the previous fiscal year. These remaining performance obligations are expected to be recognized as revenue generally within five years, the details are as follows:

	Millions of yen		Thousands of U.S. Dollars
	Balance as of March 31, 2025	Balance as of April 1, 2024	Balance as of March 31, 2025
Within one year	¥ 112,952	¥ 117,173	$ 755,430
Over one year and less than two years	84,568	61,961	565,596
Over two years and less than three years	36,837	40,972	246,368
Over three years	37,607	37,074	252,518
Total	271,965	257,181	1,818,920

19. Segment information

(1) General information about reportable segments

The Companies' reportable segments include operating units of the business, for which separate financial information is available, and which are reviewed regularly by the Board of Directors to determine the distribution of management resources and evaluate business results. Accordingly, the company has three reportable segments: "Civil engineering", "Building construction" and "Other".

(2) Methods of measurement for the amounts of sales, income, assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Significant Accounting Policies." Intersegment sales and transfers are based on arm's length prices. Segment income is based on the operating income of the consolidated financial statements of operations.

(3) Information about sales, income, assets and other items is as follows:

Year ended March 31, 2025	Millions of yen					
	Civil engineering	Building construction	Other	Total	Reconciliations (#1･#2･#4)	Consolidated (#3)
Sales:						
Domestic sales	¥ 60,111	¥ 67,207	¥ 4,699	¥ 132,019	¥ —	¥ 132,019
International sales	10,682	693	—	11,375	—	11,375
Revenue generated from contracts with customers	¥ 70,794	¥ 67,900	¥ 4,699	¥ 143,394	¥ —	¥ 143,394
Outside customers	¥ 70,794	¥ 67,900	¥ 4,699	¥ 143,394	¥ —	¥ 143,394
Intersegment	—	11	367	379	(379)	—
Total	70,794	67,912	5,067	143,774	(379)	143,394
Segment income (loss)	¥ 3,647	¥ 1,227	¥ 655	¥ 5,530	¥ 2	¥ 5,533
Identifiable assets	¥ 88,348	¥ 58,737	¥ 6,068	¥ 153,155	¥ (3,312)	¥ 149,842
Depreciation and amortization	569	386	99	1,055	(9)	1,046
Capital expenditures	195	233	6	435	—	435

Year ended March 31, 2024	Millions of yen					
	Civil engineering	Building construction	Other	Total	Reconciliations (#1･#2･#4)	Consolidated (#3)
Sales:						
Domestic sales	¥ 64,747	¥ 84,969	¥ 4,276	¥ 153,992	¥ —	¥ 153,992
International sales	8,826	403	—	9,229	—	9,229
Revenue generated from contracts with customers	73,573	85,372	4,276	163,222	—	163,222
Outside customers	¥ 73,573	¥ 85,372	¥ 4,276	¥ 163,222	¥ —	¥ 163,222
Intersegment	—	13	386	399	(399)	—
Total	73,573	85,385	4,662	163,621	(399)	163,222
Segment income	¥ (346)	¥ 353	¥ 470	¥ 477	¥ (10)	¥ 466
Identifiable assets	¥ 85,402	¥ 77,137	¥ 5,847	¥ 168,387	¥ (3,306)	¥ 165,081
Depreciation and amortization	412	382	47	842	(10)	831
Capital expenditures	344	810	256	1,411	—	1,411

Year ended March 31, 2025	Thousands of U.S. dollars					
	Civil engineering	Building construction	Other	Total	Reconciliations (#1･#2･#4)	Consolidated (#3)
Sales:						
Domestic sales	$ 402,026	$ 449,485	$ 31,427	$ 882,952	$ —	$ 882,952
International sales	71,441	4,634	—	76,076	—	76,076
Revenue generated from contracts with customers	$ 473,475	$ 454,119	$ 31,427	$ 959,028	$ —	$ 959,028
Outside customers	$ 473,475	$ 454,119	$ 31,427	$ 959,028	$ —	$ 959,028
Intersegment	—	73	2,454	2,534	(2,534)	—
Total	473,475	454,200	33,888	961,570	(2,534)	959,028
Segment income (loss)	$ 24,391	$ 8,206	$ 4,380	$ 36,985	$ 13	$ 37,005
Identifiable assets	$ 590,877	$ 392,837	$ 40,583	$ 1,024,311	$ (22,150)	$ 1,002,153
Depreciation and amortization	3,805	2,581	662	7,055	(60)	6,995
Capital expenditures	1,304	1,558	40	2,909	—	2,909

#1. Reconciliations of segment income (loss) amounting to ¥2 million ($13 thousand) and ¥(10) million for the years ended March 31, 2025 and 2024 are eliminations of intersegment transactions.

#2. Reconciliations of identifiable assets amounting to ¥ (3,312) million ($(22,150) thousand) and ¥ (3,306) million for the years ended March 31, 2025 and 2024 are eliminations of intersegment transactions.

#3. Consolidated amounts of segment income above correspond to the amounts of operating income in the consolidated financial statements of operations.

#4. All assets are allocated to the respective business segments.

#5. Sales are mainly revenue generated from contacts with customers, and other sales are not material.

(4) Related information

(a) Information by product or service

As the same information is disclosed in "(1) General information about reportable segments," this information is omitted.

(b) Information by region

(Sales)

Disclosure of sales information by region is omitted as the proportion of sales in Japan to total sales is over 90%.

(Property and equipment)

Disclosure of property and equipment information by region is omitted as the proportion of property and equipment in Japan to total property and equipment is over 90%.

(c) Information about major customers

For sales to external customers, sales to any specific customer account for less than 10% of net sales in the consolidated financial statements. Therefore, this information is omitted.

(5) Information about impairment loss on fixed assets by reportable segment for the year ended March 31, 2025, is as follows:

(Fiscal year March 31, 2025)

(Millions of yen)

	Civil engineering	Building construction	Other	Elimination and/or corporate	Total
Impairment loss on fixed assets	¥ 66	¥ 59	¥ —	¥ —	¥ 126

(Thousands of U.S. Dollar)

	Civil engineering	Building construction	Other	Elimination and/or corporate	Total
Impairment loss on fixed assets	$ 441	$ 394	$ —	$ —	$ 842

(Fiscal year March 31, 2024)

(Millions of yen)

	Civil engineering	Building construction	Other	Elimination and/or corporate	Total
Impairment loss on fixed assets	¥ 16	¥ 20	¥ —	¥ —	¥ 36

(6) Amortization and balance of goodwill by reportable segment

Not applicable

(7) Amount of gain on negative goodwill by reportable segment

Not applicable

20. Information on related parties

(1) Transactions with related parties
Year ended March 31, 2025

In the current consolidated fiscal year, this information is omitted due to lack of materiality.

Year ended March 31, 2024

In the current consolidated fiscal year, this information is omitted due to lack of materiality.

(2) Parent company information
Aso Corporation (unlisted)

21. Loss on litigation

Components of the loss on litigation for the years ended March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Settlement packages	¥ —	¥ 14	$ —
Others	31	5	207
Total	¥ 31	¥ 20	$ 207

22. Financial instruments

Information on financial instruments for the years ended March 31, 2025 and 2024 is as follows:
(A) Status of financial instruments

(1) Policy for financial instruments
The Companies limit their fund management to short-term deposits and raise funds through borrowings from financial institutions including banks.
The Company use derivatives for the purpose of avoiding risks as described below and not for speculative transactions.

(2) Types of financial instruments, related risk and risk management
Trade notes and accounts receivable and electronically recorded monetary claims - operating are exposed to credit risk in relation to customers. The Companies regularly monitor the credit standing of their main customers, due dates and outstanding balances of individual customers.
Advances paid is a credit occurring mainly through construction transactions excluded trade notes and accounts receivables, and the account is exposed to credit risk in relation to customers.
Investment securities are exposed to the risk of market price fluctuations. Those securities are composed mainly of the shares of other companies with which the Companies have a business relationship. The fair values of those securities are periodically reviewed and reported to the Board of Directors.
Loans receivable are mainly loans to affiliated companies and the repayment schedule is managed.
Trade notes and accounts payable and electronically recorded obligations – operating have payment due dates mainly within one year.
The purpose of loans payable is mainly for working capital finance.
Borrowings are primarily used to raise funds for business transactions, and borrowings with variable interest rates are exposed to interest rate fluctuation risk.
Convertible bond-type bonds with share acquisition rights are intended to raise funds necessary for working capital and capital investment.
Derivatives used by the company are forward foreign exchange contracts for the purpose of hedging exchange rate fluctuations, which affect overseas transactions. The execution and management of derivative transactions are conducted in accordance with the Company's internal regulations. Furthermore, in actual operations, derivative transactions are entered into only with financial institutions that possess high credit ratings in order to mitigate the counterparties' default risks.

(B) Fair values of financial instruments

Book values of the financial instruments included in the consolidated balance sheet and their fair values as at March 31, 2025 and 2024 are as follows. The following table does not include equity securities without market prices (Refer to #2 below). Notes are omitted for cash, as the fair values of deposits, trade notes and accounts receivable, electronically recorded monetary claims - operating, short-term loans receivable, advances paid, trade notes and accounts payable, electronically recorded obligations-operating, short-term loans payable and deposits received their book values due to their short maturities.

	Millions of yen		
	2025		
	Book value	Fair value	Difference
Investment securities			
Other securities	¥ 8,510	¥ 8,510	¥ —
Total assets	¥ 8,510	¥ 8,510	¥ —
Current portion of convertible-bond-type bonds with share acquisition rights	¥ 18	¥ 17	¥ 0
Long term loans payable	6,000	6,000	—
Total liabilities	¥ 6,018	¥ 6,017	¥ 0

	Millions of yen		
	2024		
	Book value	Fair value	Difference
Investment securities			
Other securities	¥ 8,780	¥ 8,780	¥ —
Total assets	¥ 8,780	¥ 8,780	¥ —
Long-term loans payable	¥ 6,000	¥ 6,075	¥ 75
Convertible bond-type bonds with shares acquisition rights	23	23	—
Total liabilities	¥ 6,023	¥ 6,098	¥ 75

	Thousands of U.S. dollars		
	2025		
	Book value	Fair value	Difference
Investment securities			
Other securities	$ 56,915	$ 56,915	$ —
Total assets	$ 56,915	$ 56,915	$ —
Current portion of convertible-bond-type bonds with share acquisition rights	$ 120	$ 113	$ 7
Long term loans payable	40,128	40,128	—
Total liabilities	$ 40,248	$ 40,242	$ 7

#1. As quoted prices are not readily available for unlisted stocks and the future cash flows cannot be estimated reliably, the fair value of the items is deemed to be extremely difficult to measure and are not included in “(2) Investment securities other securities".

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Unlisted stocks	¥ 2,981	¥ 2,210	$ 19,942

#2. Monetary claims and Securities with scheduled redemption amounts maturing after March 31, 2025

	Millions of yen			
	2025			
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 21,669	¥ —	¥ —	¥ —
Trade notes and accounts receivable	88,397	—	—	—
Electronically recorded monetary claims - operating	393	—	—	—
Short-term loans receivable	29	—	—	—
Advances paid	7,408	—	—	—
Investment securities				
Available-for-sale securities with contractual maturities	10	—	—	—
Total	¥ 117,908	¥ —	¥ —	¥ —

	Millions of yen			
	2024			
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 17,533	¥ —	¥ —	¥ —
Trade notes and accounts receivable	100,024	—	—	—
Electronically recorded monetary claims - operating	5,779	—	—	—
Short-term loans receivable	2	—	—	—
Advances paid	9,554	—	—	—
Investment securities				
Available-for-sale securities with contractual maturities	—	10	—	—
Total	¥ 132,893	¥ 10	¥ —	¥ —

	Thousands of U.S. dollars			
	2025			
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	$ 144,923	$ —	$ —	$ —
Trade notes and accounts receivable	591,205	—	—	—
Electronically recorded monetary claims - operating	2,628	—	—	—
Short-term loans receivable	193	—	—	—
Advances paid	49,545	—	—	—
Investment securities				
Available-for-sale securities with contractual maturities	66	—	—	—
Total	$ 788,576	$ —	$ —	$ —

#3. Other interest-bearing liabilities amounts maturing after March 31, 2025

	Millions of yen					
	2025					
Type	Within one year	Over one year and less than two years	Over two years and less than three years	Over three years and less than four years	Over four years and less than five years	Over five years
Short-term loans payable	¥ 850	¥ —	¥ —	¥ —	¥ —	¥ —
Current portion of convertible bond-type bonds with share acquisition rights	18	—	—	—	—	—
Long term loans payable	—	—	6,000	—	—	—
Total	868	—	6,000	—	—	—

Type	Millions of yen 2024 Within one year	Over one year and less than two years	Over two years and less than three years	Over three years and less than four years	Over four years and less than five years	Over five years
Short-term loans payable	¥ 6,950	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans payable	—	—	—	6,000	—	—
Convertible bond-type bonds with share acquisition rights	—	23	—	—	—	—
Total	6,950	23	—	6,000	—	—

Type	Millions of yen 2025 Within one year	Over one year and less than two years	Over two years and less than three years	Over three years and less than four years	Over four years and less than five years	Over five years
Short-term loans payable	$ 5,684	$ —	$ —	$ —	$ —	$ —
Current portion of convertible bond-type bonds with share acquisition rights	120	—	—	—	—	—
Long term loans payable	—	—	40,128	—	—	—
Total	5,805	—	40,128	—	—	—

(C) Fair value information of financial instruments by level of inputs

The fair values of financial instruments are categorized into the following three levels based on the observability and significance of the inputs used to calculate fair values.

Level 1 Fair Values: Of observable inputs used in fair value measurement, fair values measured at quoted prices in active markets for identical assets or liabilities.

Level 2 Fair Values: Of observable inputs used in fair value measurement, fair values measured using inputs other than Level 1 inputs

Level 3 Fair Values: Fair values measured using unobservable inputs

If multiple inputs are used in the calculation of fair value, the fair value is categorized in its entirety based on the lowest level of a significant input.

(1) Financial instruments which are recognized at fair value in the consolidated balance sheets

	As of March 31, 2025			
	Fair value (Millins of Yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	¥ 7,864	¥ —	¥ —	¥ 7,864
Government bonds	10	—	—	10
Investment trusts	—	635	—	635
Total assets	7,874	635	—	8,510

	As of March 31, 2024			
	Fair value (Millins of Yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	¥ 8,258	¥ —	¥ —	¥ 8,258
Government bonds	10	—	—	10
Investment trusts	—	511	—	511
Total assets	8,268	511	—	8,780

	As of March 31, 2025			
	Fair value (Thousands of U.S. Dollars)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	$ 52,594	$ —	$ —	$ 52,594
Government bonds	66	—	—	66
Investment trusts	—	4,246	—	4,246
Total assets	52,660	4,246	—	56,906

(2) Financial instruments which are not recognized at fair value in the consolidated balance sheets

	As of March 31, 2025			
	Fair value (Millins of Yen)			
	Level 1	Level 2	Level 3	Total
Current portion of convertible bond-type bonds with share acquisition rights	¥ —	¥ 17	¥ —	¥ 17
Long-term loans payable	—	6,000	—	6,000
Total liabilities	—	6,017	—	6,017

	As of March 31, 2024			
	Fair value (Millins of Yen)			
	Level 1	Level 2	Level 3	Total
Long-term loans payable	—	6,075	—	6,075
Convertible bond-type bonds with share acquisition rights	—	23	—	23
Total liabilities	—	6,098	—	6,098

	As of March 31, 2025			
	Fair value (Thousands of U.S. Dollars)			
	Level 1	Level 2	Level 3	Total
Current portion of convertible bond-type bonds with share acquisition rights	$ —	$ 113	$ —	$ 113
Long-term loans payable	—	40,128	—	40,128
Total liabilities	—	40,242	—	40,242

(Note) Description of the valuation techniques and inputs used to measure fair value

- Investment securities

The fair values of the listed equity securities and government bonds are estimated based on quoted market prices, and these securities are traded in active markets. Therefore, these securities are classified as Level 1 inputs.

The fair values of the investment trusts with no market transaction price are based on the net asset value. They are and classified as Level 2 inputs if there is no material restriction to require considerations for risks from market participants in relation to their cancellation or repurchase requests.

- Long-term loans payable

The fair values of long-term loans payable are based on the present value of discounted cash flows using the supposed interest rate which may be applicable to the same kind of borrowing. Therefore, long-term loans payable are classified as Level 2 inputs.

- Convertible bond-type bonds with share acquisition rights (including the current portion of convertible bond-type bonds with share acquisition rights)

The fair values of convertible bond-type bonds with share acquisition rights (including the current portion of convertible bond-type bonds with share acquisition rights) are estimated based on quoted market prices, but the convertible bonds are not traded in active markets. Therefore, the convertible bond-type bonds are classified as Level 2 inputs.

23. Accounting standards for presentation of comprehensive income

Amounts reclassified to net income in the current period that are recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income are as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2025	2024	2025
Unrealized gains on securities	¥	¥	$
Increase (decrease) during the year	(238)	2,968	(1,591)
Reclassification adjustments	(54)	(101)	(361)
Before income taxes and tax effect	(292)	2,866	(1,952)
Income taxes and tax effect	55	(869)	367
Subtotal, net of tax	(236)	1,997	(1,578)
Foreign currency translation adjustments			
Increase (decrease) during the year	(14)	(14)	(93)
Remeasurements of defined benefit plans			
Increase (decrease) during the year	893	(75)	5,972
Reclassification adjustments	(13)	(20)	(86)
Before income taxes and tax effect	880	(95)	5,885
Income taxes and tax effect	—	—	—
Subtotal, net of tax	880	(95)	5,885
Total other comprehensive income	¥ 628	¥ 1,886	$ 4,200

24. Per share information

	Yen				U.S. dollars	
	2025		2024		2025	
Net assets per share	¥	810.64	¥	767.77	$	5.4
Net income per share		41.91		(23.54)		0.28
Diluted income per share		41.79		—		0.27

Basis of the calculation of net income per share and diluted earnings per share is as follows:

	Millions of yen				Thousands of U.S. dollars	
	2025		2024		2025	
(Net income per share)						
Profit attributable to owners of parent	¥	3,691	¥	(2,072)	$	24,686
Amount not belonging to ordinary shareholders		—		—		—
Net income attributable to owners of parent related to common stock	¥	3,691	¥	(2,072)	$	24,686
Weighted average number of ordinary shares (thousands of shares)		90,070		88,027		
(Diluted income per share)						
Adjustment of profit attributable to owners of parent	¥	0		—	$	—
Fees (after deduction of tax equivalent)		(0)		(—)		(—)

The Company's shares remaining in the trust, which are recorded as treasury shares in shareholders' equity, are included in the number of treasury shares to be deducted in the calculation of the average number of shares during the period for the calculation of net income per share and diluted net income per share. It is also included in the number of treasury shares to be deducted from the total number of issued shares at the end of the period when calculating net assets per share. In calculating net income per share and diluted net income per share, the average number of shares of the treasury stock deducted during the period was 105,008 shares in the previous fiscal year and was 122,138 shares in the current fiscal year. The number of shares of treasury stock deducted in the calculation of net assets per share at the end of the period was 131,100 shares for the previous fiscal year and 117,100 shares for the current fiscal year.
Diluted net income per share is not disclosed due to the net loss for the year ended March 31, 2025, although there are dilutive stock.
The Company conducted a 5-for-1 stock split of its common shares on April 1, 2025. Net assets per share, net income per share and diluted income per share were calculated assuming that the stock split was conducted at the beginning of the previous fiscal year.

The dilutive factor included in calculating diluted net income per share is as follows:

	2025	2024
Subscription rights to shares (thousands of shares)	209	—
Convertible bond-type bonds with share acquisition rights (thousands of shares)	34	—
Total	244	—

25. Stock options

No stock option expense is accounted for under selling, general and administrative expenses in the consolidated statement of operations for the fiscal years ended March 31, and 2025 and 2024.

A. Outline of stock options

	FY 2014 stock options	FY 2015 stock options	FY 2016 stock options
Title and number of grantees	7 Directors 8 Corporate officers	7 Directors 11 Corporate officers	7 Directors 11 Corporate officers
Number of stock options (a)	264,000 common shares	533,000 common shares	445,000 common shares
Grant date	March 2, 2015	March 1, 2016	March 1, 2017
Exercise conditions	(b)	(b)	(b)
Intended service period	No particular set	No particular set	No particular set
Exercise period	From March 3, 2015 to March 2, 2035	From March 2, 2016 to March 1, 2036	From March 2, 2017 to March 1, 2037

Notes:
(a) The number of stock options means the total shares to be issued upon the exercise of subscription rights to shares. The Company conducted a 5-for-1 stock split of its common shares owned by shareholders listed or recorded in the shareholder registry at the closing on the record date of March 31, 2025.
(b) The following working conditions are required to be met.
(1) The grantees can exercise their rights from the following day of the day after one year from when the grantees lost their position as director or corporate officer. This period is limited to 9 years from the date.
(2) The grantees cannot exercise their rights if one of the following matters happen.
The grantee commits a crime that results in imprisonment, or worse, during the time as a director or corporate officer.
The grantees or legal heirs offer to waive all their rights or a part of their rights in writing using the format provided by the Company.
(3) A grantee’s legal heir can exercise the rights within six months from the date the grantee passes away regardless of the condition mentioned above (1).
(Excluding those who succeeded again from the legal heirs when they pass away during that period)

B. Scale and changes in stock options

The following describes the scale and changes in stock options that existed during the fiscal year ended March 31, 2025. The number of stock options is translated into the number of shares.

Fiscal year ended March 31, 2025:
Number of stock options

	FY 2014 stock options	FY 2015 stock options	FY 2016 stock options
Before vested:			
As of March 31, 2024	2,000	71,000	75,000
Granted	-	-	-
Forfeited	-	-	-
Vested	-	14,000	24,000
Outstanding	2,000	57,000	51,000
After vested:			
As of March 31, 2024	-	47,000	84,000
Vested	-	14,000	24,000
Exercised	-	61,000	75,000
Forfeited	-	-	-
Outstanding	-	-	33,000

Price information

	FY 2014 stock options	FY 2015 stock options	FY 2016 stock options
Exercise price	¥1 ($0.007) per share	¥1 ($0.007) per share	¥1 ($0.007) per share
Average price when exercised	¥- ($-) per share	¥679 ($4.54) per share	¥680 ($4.54) per share
Fair value at the grant date	¥696 ($4.65) per share	¥407 ($2.72) per share	¥487 ($3.25) per share

As of October 1, 2018, the Company carried out a share consolidation at a ratio of 5 common shares to 1. The share prices are calculated after taking into account the share consolidation.

C. Estimation of the number of stock options vested

Because it is difficult to reasonably estimate the number of options that will expire in the future, the number of options that have been forfeited is reflected.

26. Subsequent events

(Stock split and partial amendments to the Articles of Incorporation associated with the stock split)

The Company conducted a 5-for-1 stock split of its common shares on April 1, 2025, in accordance with a resolution at a meeting of the Board of Directors held on February 13, 2025.

(1) The purpose of the stock split

The purpose of the stock split is to create an environment that facilitates making investments for investors, as well as to expand the investor base and increase the liquidity of the Company's stock by lowering the stock price per investment unit.

(2) Overview of the stock split

1) Method of the stock split

The Company conducted a 5-for-1 stock split of its common shares owned by shareholders listed or recorded in the shareholder registry at the closing on the record date of March 31, 2025.

2) Increase in the number of shares due to the stock split

Total number of issued shares before the stock split	18,083,163 shares
Number of shares increased by the stock split	72,332,652 shares
Total number of issued shares after the stock split	90,415,815 shares
Total number of authorized shares after the stock split	160,000,000 shares

3) Schedule of the stock split

Date of public notice of the record date	March 14, 2025
Record date	March 31, 2025
Effective date	April 1, 2025

(3) Partial amendments to the Articles of Incorporation due to the stock split

1) Reason for amendments to the Articles of Incorporation

In connection with the above stock split, based on the resolution of the Board of Directors pursuant to Article 184, Paragraph 2 of the Companies Act, the Articles of Incorporation of the Company were partially amended as of April 1, 2025.

2) Details of the amendments to the Articles of Incorporation

The details of the amendments are as follows.

Current Articles of Incorporation	Amended Articles of Incorporation
(Total Number of Authorized Shares) Article 6. The total number of authorized shares of the Company shall be 32 million (32,000,000) shares.	(Total Number of Authorized Shares) Article 6. The total number of authorized shares of the Company shall be 160 million (160,000,000) shares.

3) Schedule of the amendments to the Articles of Incorporation

Date of resolution by the Board of Directors	February 13, 2025
Effective date	April 1, 2025

(4) Other

1) Change in the amount of capital

The amount of capital did not change as a result of the stock split.

2) Year-end dividend for the fiscal year ending March 2025

Since the effective date of the stock split is April 1, 2025, the year-end dividend for the fiscal year ended March 31, 2025 with a record date of March 31, 2025 is based on the number of shares before the stock split.