

HAZAMA ANDO CORPORATION

FINANCIAL REVIEW 2026

Year ended March 31, 2026



HAZAMA ANDO CORPORATION

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Consolidated Financial Review

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2026, 2025, 2024, 2023 and 2022

Summary

	Millions of yen					Thousands of U.S. dollars
	2026	2025	2024	2023	2022	2026
Operating results:						
Revenues						
Construction contracts	¥409,206	¥398,142	¥364,009	¥345,858	¥316,154	\$2,558,657
Other activities	30,410	27,018	30,119	26,288	24,140	190,146
Total	439,616	425,160	394,128	372,146	340,294	2,748,803
Cost of sales	375,656	364,197	350,815	330,123	293,432	2,348,878
Gross profit	63,960	60,963	43,313	42,023	46,862	399,925
Selling, general and administrative expenses	30,342	25,719	24,722	22,170	20,261	189,721
Operating income	33,618	35,244	18,591	19,853	26,601	210,204
Profit attributable to owners of parent	29,746	26,444	13,879	15,188	17,671	185,994
Financial position:						
Total assets	¥411,575	¥371,974	¥334,146	¥318,014	¥295,333	\$2,573,469
Total liabilities	202,195	199,791	179,676	176,689	153,650	1,264,271
Total net assets	209,380	172,183	154,470	141,325	141,683	1,309,198
Cash flows:						
Cash flows from operating activities	¥28,432	¥11,176	¥(11,115)	¥32,272	¥(36,086)	\$177,778
Cash flows from investing activities	(6,363)	1,600	(6,095)	(4,740)	(4,549)	(39,786)
Cash flows from financing activities	(13,770)	(5,752)	(9,054)	(18,425)	(22,565)	(86,100)
	Yen					U.S. dollars
Per share amounts:						
Profit attributable to owners of parent						
Basic	¥189.68	¥168.75	¥88.64	¥94.02	¥98.84	\$1.19
Diluted	—	—	—	—	98.84	—
Dividends						
Common stock	80.00	70.00	60.00	40.00	40.00	0.50
Net assets	1,327.51	1,092.12	980.49	897.84	834.00	8.30

Note: U.S. dollar amounts in this Financial Review are translated from yen at the rate of ¥159.93 to US\$1.00 for convenience.

Financial Review

Revenues

Revenues in fiscal 2026 totaled ¥439,616 million (US\$2,748,803 thousand), of which ¥409,206 million (US\$2,558,657 thousand) came from construction projects and ¥30,410 million (US\$190,146 thousand) from other activities. These two business segments accounted for 93.1% and 6.9%, respectively, of total revenues.

Costs and Expenses

Cost of sales amounted to ¥375,656 million (US\$2,348,878 thousand), which is equivalent to 85.5% of revenues. Selling, general and administrative expenses amounted to ¥30,342 million (US\$189,721 thousand), which is equivalent to 6.9% of revenues. Operating income reached ¥33,618 million (US\$210,204 thousand), and the operating margin was 7.6%. Profit attributable to owners of parent amounted to ¥29,746 million (US\$185,994 thousand). Basic profit attributable to owners of parent per share was ¥189.68 (US\$1.19). HAZAMA ANDO CORPORATION paid dividend of ¥40 (US\$0.250) per share for the fiscal year ended March 31, 2025 on June 30, 2025, and paid interim dividend of ¥40 (US\$0.250) per share for the fiscal year ended March 31, 2026 on December 5, 2025.

Financial Position and Analysis

Total assets amounted to ¥411,575 million (US\$2,573,469 thousand), total liabilities amounted to ¥202,195 million (US\$1,264,271 thousand), and total net assets amounted to ¥209,380 million (US\$1,309,198 thousand) at the end of fiscal 2026.

Net worth to total assets ratio was 50.6%. Net assets per share amounted to ¥1,327.51 (US\$8.30).

Cash Flows

Cash and cash equivalents at the end of the year increased by ¥8,820 million (US\$55,149 thousand) to ¥64,592 million (US\$403,877 thousand).

Net cash provided by operating activities amounted to ¥28,432 million (US\$177,778 thousand) mainly because cash increasing factors such as income before income taxes of ¥43,049 million (US\$259,174 thousand) absorbed cash decreasing factors such as income taxes paid of ¥13,474 million (US\$84,249 thousand).

Net cash used in investing activities amounted to ¥(6,363) million (US\$(39,786) thousand) mainly because cash decreasing factors such as purchase of shares of subsidiaries resulting in changes in scope of consolidation of ¥3,435 million (US\$21,478 thousand) absorbed cash increasing factors such as proceeds from sales of marketable securities and investment securities of ¥2,572 million (US\$16,082 thousand).

Net cash used in financing activities amounted to ¥(13,770) million (US\$(86,100) thousand) mainly because cash decreasing factors such as cash dividends paid of ¥12,809 million (US\$80,091 thousand) and repayment of long-term loans payable of ¥4,278 million (US\$26,749 thousand) absorbed cash increasing factors such as proceeds from long-term loans payable of ¥3,797 million (US\$23,741 thousand).

Construction Business (Non-Consolidated Construction Projects)

As HAZAMA ANDO CORPORATION's construction business accounts for a large percentage of consolidated group business, the financial performance of the business is presented below for reference.

Revenues	Millions of yen					Thousands of U.S. dollars
	2026	2025	2024	2023	2022	2026
Civil engineering						
Domestic						
Government sector	¥90,484	¥81,607	¥80,881	¥77,905	¥76,436	\$565,773
Private sector	46,056	43,760	44,996	48,299	48,201	287,976
Overseas	4,587	5,895	7,346	7,226	7,627	28,681
Subtotal	141,127	131,262	133,223	133,430	132,264	882,430
Building						
Domestic						
Government sector	34,496	52,029	40,847	33,388	26,662	215,694
Private sector	207,727	183,566	160,636	152,339	144,759	1,298,862
Overseas	20,035	25,824	22,767	20,477	7,106	125,274
Subtotal	262,258	261,419	224,250	206,204	178,527	1,639,830
Total construction projects	¥403,385	¥392,681	¥357,473	¥339,634	¥310,791	\$2,522,260

Revenue from the civil engineering category accounted for ¥141,127 million (US\$882,430 thousand), or 35.0% of total revenue from construction projects, with domestic projects contributing ¥136,540 million (US\$853,749 thousand), or 96.8%.

The government sector contributed ¥90,484 million (US\$565,773 thousand), or 66.3% of total domestic civil engineering revenue, while private-sector civil engineering revenue amounted to ¥46,056 million (US\$287,976 thousand), or 33.7% of total domestic civil engineering revenue. Overseas civil engineering revenue reached ¥4,587 million (US\$28,681 thousand), equivalent to 3.2% of total revenue in the civil engineering category.

Revenue from the building category accounted for ¥262,258 million (US\$1,639,830 thousand), or 65.0% of total construction revenue. Domestic projects accounted for ¥242,223 million (US\$1,514,556 thousand), or 92.4%.

The government sector contributed ¥34,496 million (US\$215,694 thousand), or 14.2% of total domestic building revenue, while private-sector building revenue amounted to ¥207,727 million (US\$1,298,862 thousand), or 85.8% of total domestic building revenue. Overseas building revenue reached ¥20,035 million (US\$125,274 thousand), equivalent to 7.6% of total revenue in the building category.

Total overseas construction revenue reached ¥24,622 million (US\$153,955 thousand) and accounted for 6.1% of total construction revenue. Civil engineering projects and building accounted for 18.6% and 81.4% of this total, respectively.

Orders Received	Millions of yen					Thousands of U.S. dollars
	2026	2025	2024	2023	2022	2026
Civil engineering	¥143,579	¥129,942	¥115,624	¥103,275	¥122,593	\$897,762
Building	390,005	297,672	235,580	244,946	187,250	2,438,598
Total construction projects	¥533,584	¥427,614	¥351,204	¥348,221	¥309,843	\$3,336,360

Orders received for construction projects during fiscal 2026 amounted to ¥533,584 million (US\$3,336,360 thousand). Overseas work contributed 3.6% of orders in the construction category. Civil engineering orders amounted to ¥143,579 million (US\$897,762 thousand), or 26.9% of total construction orders. Building orders amounted to ¥390,005 million (US\$2,438,598 thousand), which is equivalent to 73.1% of total construction orders.

Year-end Backlog	Millions of yen					Thousands of U.S. dollars
	2026	2025	2024	2023	2022	2026
Civil engineering	¥273,971	¥271,480	¥272,820	¥290,138	¥320,145	\$1,713,068
Building	414,220	286,583	250,166	237,932	198,538	2,590,008
Total construction projects	¥688,191	¥558,063	¥522,986	¥528,070	¥518,683	\$4,303,076

Order backlog for construction projects at the end of fiscal 2026 amounted to ¥688,191 million (US\$4,303,076 thousand), with civil engineering work accounting for ¥273,971 million (US\$1,713,068 thousand), or 39.8%, and building accounting for ¥414,220 million (US\$2,590,008 thousand), or 60.2%.

Consolidated Balance Sheets

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
March 31, 2026 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Assets			
Current assets:			
Cash and deposits (Notes 18 and 20)	¥66,171	¥57,294	\$413,750
Receivables (Notes 7, 20 and 26):			
Notes	11,074	8,653	69,243
Accounts	189,583	205,533	1,185,412
Inventories (Note 3)	11,989	8,270	74,964
Other (Note 5)	21,940	8,320	137,185
Less allowance for doubtful accounts	(22)	(257)	(138)
Total current assets	300,735	287,813	1,880,416
Property, plant and equipment (Notes 5, 6, 12 and 13):			
Land	15,645	15,620	97,824
Buildings and structures	29,646	29,111	185,369
Machinery and equipment	17,343	16,179	108,441
Other	2,233	435	13,962
	64,867	61,345	405,596
Less accumulated depreciation	(29,093)	(25,905)	(181,911)
Net property, plant and equipment	35,774	35,440	223,685
Investments and other assets:			
Investment securities (Notes 5, 20 and 21)	49,171	27,685	307,453
Investments in unconsolidated subsidiaries and affiliates (Note 20)	374	363	2,338
Long-term loans receivable (Note 5)	22	33	138
Net defined benefit asset (Note 23)	9,210	5,548	57,588
Deferred tax assets (Note 24)	687	5,810	4,296
Other (Note 5)	15,602	9,282	97,555
Less allowance for doubtful accounts	(0)	(0)	(0)
Total investments and other assets	75,066	48,721	469,368
Total assets	¥411,575	¥371,974	\$2,573,469

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Liabilities and Net Assets			
Current liabilities:			
Short-term loans payable (Notes 4, 5 and 20)	¥17,181	¥17,084	\$107,428
Current maturities of long-term loans payable (Notes 4, 5 and 20)	3,814	3,898	23,848
Payables (Note 20):			
Accounts	65,152	62,917	407,378
Income taxes payable	7,172	7,782	44,845
Advances received (Notes 8, 9 and 26)	34,727	38,009	217,139
Accrued expenses	146	59	913
Provision for losses on construction contracts	605	966	3,783
Other (Notes 8 and 26)	57,585	55,759	360,063
Total current liabilities	186,382	186,474	1,165,397
Long-term liabilities:			
Long-term loans payable, less current maturities (Notes 4, 5 and 20)	6,520	6,917	40,768
Net defined benefit liability (Note 23)	1,634	3,339	10,217
Provision for management board incentive plan trust	618	384	3,864
Provision for employee stock ownership plan trust	1,635	1,229	10,223
Deferred tax liabilities (Note 24)	3,531	—	22,078
Other	1,875	1,448	11,724
Total long-term liabilities	15,813	13,317	98,874
Total liabilities	202,195	199,791	1,264,271
Net assets (Notes 16 and 17):			
Shareholders' equity:			
Capital stock			
Common stock	Authorized – 400,000,000 shares		
	Issued – 181,021,197 shares		
	17,006	17,006	106,334
Capital surplus	17,678	17,678	110,536
Retained earnings	162,349	145,412	1,015,125
Less treasury stock, at cost	(21,335)	(21,455)	(133,402)
Total shareholders' equity	175,698	158,641	1,098,593
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	21,969	6,788	137,366
Deferred gains or losses on hedges	4,720	2,996	29,513
Foreign currency translation adjustment	474	398	2,964
Accumulated remeasurements of defined benefit plans	5,403	2,383	33,784
Total accumulated other comprehensive income	32,566	12,565	203,627
Non-controlling interests	1,116	977	6,978
Total net assets	209,380	172,183	1,309,198
Total liabilities and net assets	¥411,575	¥371,974	\$2,573,469

See accompanying notes.

Consolidated Statements of Income

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2026 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Revenues (Notes 14, 26 and 27):			
Construction contracts	¥409,206	¥398,142	\$2,558,657
Other activities	30,410	27,018	190,146
	439,616	425,160	2,748,803
Cost of sales:			
Construction contracts (Note 10)	349,393	340,361	2,184,662
Other activities (Note 11)	26,263	23,836	164,216
	375,656	364,197	2,348,878
Gross profit	63,960	60,963	399,925
Selling, general and administrative expenses (Note 11):	30,342	25,719	189,721
Operating income	33,618	35,244	210,204
Other income (expenses):			
Interest and dividends income	851	738	5,321
Interest expense	(664)	(529)	(4,152)
Share of loss of entities accounted for using equity method	(110)	(206)	(688)
Foreign exchange gain (loss)	(278)	(289)	(1,738)
Compensation for forced relocation	271	—	1,694
Commission fee	(441)	(377)	(2,757)
Subsidy income	31	51	194
Gain on sales of noncurrent assets (Note 12)	138	332	863
Gain on sales of investment securities (Note 21)	10,389	4,033	64,960
Impairment losses (Note 13)	—	(33)	—
Loss on tax purpose reduction entry of noncurrent assets	(31)	(51)	(194)
Loss on retirement of noncurrent assets	(118)	(78)	(738)
Loss on valuation of investment securities (Note 21)	(205)	(3)	(1,282)
Loss on sales of investment securities (Note 21)	(397)	—	(2,482)
Loss on litigation	(16)	(16)	(100)
Other, net	11	(524)	69
	9,431	3,048	58,970
Income before income taxes	43,049	38,292	269,174
Income taxes (Note 24):			
Current	12,686	11,900	79,322
Deferred	562	(33)	3,514
	13,248	11,867	82,836
Profit	29,801	26,425	186,338
Profit (loss) attributable to non-controlling interests	55	(19)	344
Profit attributable to owners of parent	¥29,746	¥26,444	\$185,994

	Yen		U.S. dollars (Note 1)
	2026	2025	2026
Per share amounts (Note 28):			
Profit attributable to owners of parent			
Basic	¥189.68	¥168.75	\$1.19
Diluted	—	—	—
Cash dividends applicable to the year			
Common stock	80.00	70.00	0.500

See accompanying notes.

Consolidated Statements of Comprehensive Income

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2026 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Profit	¥29,801	¥26,425	\$186,338
Other comprehensive income			
Valuation difference on available-for-sale securities	15,181	150	94,923
Foreign currency translation adjustment	163	213	1,019
Remeasurements of defined benefit plans	3,020	(626)	18,883
Share of other comprehensive income of entities accounted for using equity method	1,724	1,022	10,780
Total other comprehensive income (Note 15)	20,088	759	125,605
Comprehensive income	49,889	27,184	311,943
Comprehensive income attribute to:			
Comprehensive income attribute to owners of the parent	49,746	27,104	311,049
Comprehensive income attribute to non-controlling interests	143	80	894

See accompanying notes.

Consolidated Statements of Changes in Net Assets

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2026 and 2025

	Millions of yen			
	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Treasury Stock
Balance at April 1, 2024	¥17,006	¥17,678	¥128,575	¥(21,595)
Cash dividends paid			(9,607)	
Profit attributable to owners of parent			26,444	
Acquisition of treasury stock				(2)
Disposal of treasury stock				142
Net changes in items other than shareholders' equity				
Balance at April 1, 2025	¥17,006	¥17,678	¥145,412	¥(21,455)
Cash dividends paid			(12,809)	
Profit attributable to owners of parent			29,746	
Acquisition of treasury stock				(4)
Disposal of treasury stock				124
Net changes in items other than shareholders' equity				
Balance at March 31, 2026	¥17,006	¥17,678	¥162,349	¥(21,335)

	Millions of yen					Total
	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans	Non-controlling interests	
Balance at April 1, 2024	¥6,638	¥1,975	¥283	¥3,009	¥901	¥154,470
Cash dividends paid						(9,607)
Profit attributable to owners of parent						26,444
Acquisition of treasury stock						(2)
Disposal of treasury stock						142
Net changes in items other than shareholders' equity	150	1,021	115	(626)	76	736
Balance at April 1, 2025	¥6,788	¥2,996	¥398	¥2,383	¥977	¥172,183
Cash dividends paid						(12,809)
Profit attributable to owners of parent						29,746
Acquisition of treasury stock						(4)
Disposal of treasury stock						124
Net changes in items other than shareholders' equity	15,181	1,724	76	3,020	139	20,140
Balance at March 31, 2026	¥21,969	¥4,720	¥474	¥5,403	¥1,116	¥209,380

Thousands of U.S. dollars (Note 1)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained Earnings	Treasury stock
Balance at April 1, 2025	\$106,334	\$110,536	\$909,222	\$(134,152)
Cash dividends paid			(80,091)	
Profit attributable to owners of parent			185,994	
Acquisition of treasury stock				(25)
Disposal of treasury stock				775
Net changes in items other than shareholders' equity				
Balance at March 31, 2026	\$106,334	\$110,536	\$1,015,125	\$(133,402)

Thousands of U.S. dollars (Note 1)

	Accumulated other comprehensive income				Non-controlling interests	Total
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans		
Balance at April 1, 2025	\$42,443	\$18,733	\$2,489	\$14,901	\$6,109	\$1,076,615
Cash dividends paid						(80,091)
Profit attributable to owners of parent						185,994
Acquisition of treasury stock						(25)
Disposal of treasury stock						775
Net changes in items other than shareholders' equity	94,923	10,780	475	18,883	869	125,930
Balance at March 31, 2026	\$137,366	\$29,513	\$2,964	\$33,784	\$6,978	\$1,309,198

See accompanying notes.

Consolidated Statements of Cash Flows

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2026 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Cash flows from operating activities:			
Income before income taxes	¥43,049	¥38,292	\$269,174
Adjustment to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	3,659	3,505	22,879
Loss on tax purpose reduction entry of noncurrent assets	31	51	194
Subsidy income	(31)	(51)	(194)
Impairment losses	—	33	—
Increase (decrease) in allowance for doubtful accounts	(237)	(493)	(1,482)
Increase (decrease) in provision for warranties for completed construction	(519)	160	(3,245)
Increase (decrease) in provision for losses on construction contracts	(361)	513	(2,257)
Increase (decrease) in net benefit defined liability	(594)	(684)	(3,714)
Decrease (increase) in net benefit defined asset	(370)	(374)	(2,314)
Interest and dividends income	(851)	(738)	(5,321)
Interest expense	664	529	4,152
Foreign exchange loss (gain)	(363)	141	(2,270)
Loss (gain) on sales of investment securities	(9,992)	(4,033)	(62,478)
Share of loss (profit) of entities accounted for using equity method	110	206	688
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	13,890	(32,609)	86,851
Decrease (increase) in costs on uncompleted construction contracts	181	1,420	1,132
Decrease (increase) in other inventories	(1,850)	(535)	(11,568)
Decrease (increase) in advances paid	(4,225)	556	(26,418)
Decrease (increase) in consumption taxes refund receivable	114	1,008	713
Increase (decrease) in accounts payable	(22)	2,815	(138)
Increase (decrease) in advances received	(3,666)	1,760	(22,923)
Increase (decrease) in deposit received	1,929	2,465	12,062
Increase (decrease) in consumption tax payable	(143)	1,889	(894)
Other, net	1,770	3,248	11,068
Subtotal	42,173	19,074	263,697
Interest and dividends received	740	705	4,627
Interest paid	(679)	(547)	(4,246)
Compensation for damage paid	(371)	(446)	(2,320)
Income taxes paid	(13,474)	(7,993)	(84,249)
Proceeds from insurance income	43	383	269
Net cash provided by operating activities	28,432	11,176	177,778
Cash flows from investing activities:			
Payments into time deposits	(1,418)	(1,426)	(8,866)
Proceeds from withdrawal of time deposits	1,509	1,426	9,435
Purchase of marketable securities and investment securities	(1,727)	(118)	(10,798)
Proceeds from sales of marketable securities and investment securities	2,572	4,817	16,082
Purchase of property, plant and equipment	(2,521)	(4,126)	(15,763)
Proceeds from sales of property, plant and equipment	180	1,857	1,125
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 18)	(3,435)	—	(21,478)
Payments for investments in capital of subsidiaries and affiliates	(922)	(332)	(5,765)
Proceeds from subsidies	31	51	194
Other, net	(632)	(549)	(3,952)
Net cash provided by (used in) investing activities	(6,363)	1,600	(39,786)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(13)	4,911	(81)
Proceeds from long-term loans payable	3,797	3,962	23,741
Repayments of long-term loans payable	(4,278)	(4,559)	
Redemption of bonds	—	(36)	—
Cash dividends paid	(12,809)	(9,607)	(80,091)
Dividends paid to non-controlling interests	(3)	(3)	(19)
Other, net	(464)	(420)	(2,901)
Net cash used in financing activities	(13,770)	(5,752)	(86,100)
Effect of exchange rate changes on cash and cash equivalents	521	(101)	3,257
Net increase (decrease) in cash and cash equivalents	8,820	6,923	55,149
Cash and cash equivalents at beginning of year	55,772	48,849	348,728
Cash and cash equivalents at end of year (Note 18)	¥64,592	¥55,772	\$403,877

See accompanying notes.

Notes to Consolidated Financial Statements

HAZAMA ANDO CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2026 and 2025

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of HAZAMA ANDO CORPORATION (“the Company”) and its consolidated subsidiaries (collectively, “the Companies”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act 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 application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions 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 Financial Instruments and Exchange Act. Some 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 translations of the Japanese yen amount into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2026, which was ¥159.93 to U.S. \$1.00. 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.

2. Summary of Significant Accounting Policies

(1) Consolidation and equity method accounting

(a) Consolidation

As of March 31, 2026 and 2025, the number of consolidated subsidiaries was seven and six, respectively, as described below:

2026	2025
Hazama Ando Kogyo Co., Ltd.	Hazama Ando Kogyo Co., Ltd.
Aoyama Kiko Co., Ltd.	Aoyama Kiko Co., Ltd.
Ryoko Kaihatsu Co., Ltd.	Ryoko Kaihatsu Co., Ltd.
HAZAMA ANDO (THAILAND) CO., LTD.	HAZAMA ANDO (THAILAND) CO., LTD.
PT. Hazama Ando Murinda (Indonesia)	PT. Hazama Ando Murinda (Indonesia)
VIETNAM DEVELOPMENT CONSTRUCTION CO., LTD.	VIETNAM DEVELOPMENT CONSTRUCTION CO., LTD.
QXY Resources Pte. Ltd.	

QXY Resources Pte. Ltd. became a consolidated subsidiary during the fiscal year ended March 31, 2026, through a share acquisition. Due to the deemed acquisition date being December 31, 2025, only the balance sheet was consolidated.

There was no principal unconsolidated subsidiary as of March 31, 2026 and 2025.

(b) Equity method accounting

As of March 31, 2026 and 2025, there were no unconsolidated subsidiaries accounted for using the equity method. The Company had one affiliate accounted for using the equity method, namely, Sakaide Biomass Power LLC. Also, the Company had one principal affiliate not accounted for using the equity method, namely, Choshi Gakko Kyushoku Service Co., Ltd. as of March 31, 2026 and 2025. This company, along with other unconsolidated subsidiaries and affiliates not accounted for using the equity method, were excluded from the scope of the equity method as they do not have a significant impact on the consolidated financial statements in terms of profit (loss) (amount corresponding to the Company’s equity) and retained earnings (amount corresponding to the Company’s equity), and are immaterial as a whole.

(c) Fiscal years of consolidated subsidiaries

The fiscal year closes on December 31 at four (three in 2025) foreign consolidated subsidiaries including HAZAMA ANDO (THAILAND) CO., LTD. These subsidiaries were consolidated using their financial statements as of that date, with necessary adjustments made to reflect any significant transactions that occurred from January 1 to March 31.

All other consolidated subsidiaries close their fiscal years on March 31.

(2) Foreign currency translation

Revenues and expenses denominated in foreign currencies are translated at the rates of exchange prevailing when transactions are made. Assets and liabilities denominated in foreign currencies are generally translated at the rates of foreign exchange prevailing at the balance sheet date and the resulting translation gains or losses are included in earnings.

(3) Securities

Available-for-sales securities are accounted for as follows:

(a) Securities other than those without market prices are stated at fair value (with the entire amounts of valuation differences recorded directly into net assets, and cost of sales calculated using the moving-average method).

(b) Securities without market prices are stated at moving-average cost.

Investments in investment limited partnerships and similar partnerships (that are deemed as securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are stated at the amount corresponding to the Company's interests of the partnership's equity based on the latest financial statements available according to the financial reporting dates stipulated in the partnership agreements. The amount corresponding to the Company's interests of profits or losses resulting from the operations of the partnership is recorded in other income or expenses and added to or deducted from investment securities.

(4) Derivatives

Derivatives are stated at fair value.

(5) Inventories

(a) Real estate for sale

Real estate for sale is stated at cost based on the specific-identification method (with amount shown on balance sheet written down as profitability declines).

(b) Costs on uncompleted construction contracts

Costs on uncompleted construction contracts are stated at cost based on the specific-identification method.

(c) Costs on other activities

Costs on other activities are stated at cost based on the specific-identification method (with amount shown on balance sheet written down as profitability declines).

(d) Raw materials and supplies

Raw materials and supplies are stated at cost based on the moving-average method (with amount shown on balance sheet written down as profitability declines).

(6) Property, plant and equipment and intangible assets

(a) Property, plant and equipment (except for leased assets)

Depreciation of buildings (excluding facilities attached to buildings) and facilities attached to buildings and structures which were acquired on or after April 1, 2016 is recorded using the straight-line method, except that the declining-balance method is applied to buildings of one consolidated subsidiary. Depreciation of other property, plant and equipment is recorded using the declining-balance method.

Useful lives and residual values are estimated according to Japanese tax regulations.

(b) Intangible assets (except for leased assets)

Amortization of intangible fixed assets is recorded using the straight-line method. Useful lives are estimated according to Japanese tax regulations.

Software for internal use is amortized over the estimated useful life of five years, using the straight-line method.

(7) Lease transactions

Finance leases which do not transfer ownership of leased assets

Leased assets arising from finance lease transactions which do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the contract term as useful life.

(8) Allowance for doubtful accounts

To prepare for credit loss on receivables, collectability of normal receivables is estimated by applying the historical overall credit loss rates, and collectability of doubtful receivables is analyzed individually and the estimated uncollectible amount is recorded.

(9) Provision for warranties for completed construction

To prepare for repairs on completed construction, the provision is recorded based on the actual repair rate in a certain period of time, and based on the estimated future repair costs of specific projects.

(10) Provision for bonuses

To prepare for the payment of employee bonuses, an amount corresponding to the amount of estimated bonus payments to employees is recorded.

(11) Provision for losses on construction contracts

To prepare for future losses related to construction contracts, the amount of estimated losses is recorded for the construction contracts when losses are probable to occur and such losses can be reasonably estimated.

(12) Provision for management board incentive plan trust

To prepare for future awards of the Company's stock to the directors and executive officers, the estimated cost for stock award obligation based on predetermined regulations for awarding stock is recorded.

(13) Provision for employee stock ownership plan trust

To prepare for future awards of the Company's stock to employees, the estimated cost for stock award obligation based on predetermined regulations for awarding stock is recorded.

(14) Retirement and severance benefits

Retirement benefit obligation is calculated by allocating the estimated retirement benefit amount to periods until the end of the current consolidated fiscal year on a benefit formula basis. Actuarial differences are recognized in expenses using the straight-line method over periods less than the average of the estimated remaining years of service (9 years) commencing with the succeeding period. Prior service costs are recognized in expenses using the straight-line method over periods less than the average of the estimated remaining years of service (3 years) commencing with the present period.

Some of the Companies including the Company adopt certain lump-sum payment plans, and apply a simplified method where the amount that would be required for voluntary termination at the fiscal year-end is recorded as retirement benefit obligation in the calculation of net defined benefit liability and retirement benefit costs.

(15) Significant recognition criteria for revenue and cost

(a) Recognition criteria for revenue arising from contracts with customers

The Company's primary performance obligation is construction of civil engineering and building in Japan and overseas. In principle, the Company makes estimates for every construction contract. The Company enters into a construction contract with a customer after agreeing on a contract amount based on the estimate and contract terms (e.g., payment term), and afterwards, recognizes a contract amount (excluding consumption tax) as the transaction price. This process is also applied to construction works for additional and specification changes to an original agreement. If a customer agrees on additional construction works, but a construction contract has not yet been concluded, revenue is recognized as the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

The Company recognizes revenue from construction of civil engineering and building at an amount expected to be received in exchange for goods or services when control over the promised goods or services is transferred to the customer. If control over the promised goods or services is transferred to the customer over time, revenue is recognized based on progress toward complete satisfaction of a performance obligation. The outcome of a construction contract is measured based on the proportion of construction costs incurred by the end of the reporting period to the total expected construction costs. In some circumstances, the Company may not be able to reasonably measure the outcome of a performance obligation, but expects to recover the costs incurred in satisfying the performance obligation. In those circumstances, the Company recognizes revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation. For a construction contract where the period from the date of the contract commencement to the date when the performance obligation is expected to be fully satisfied is very short, the Company applies the alternative treatment; and recognizes revenue when the performance obligation is fully satisfied, instead of recognizing revenue over time. Incidentally, the Company has no significant financing components in contracts with customers at the end of the current consolidated fiscal year.

The performance obligation and the timing for revenue recognition in reportable segments (including civil engineering and building) are as follows:

Business segments	Major performance obligations	When to recognize revenue
Civil engineering and Building	Construction in Japan and overseas	As described above.
Group business	Sales of construction materials and Construction of civil engineering and buildings by consolidated subsidiaries	Sales of construction materials: at a point in time when the product is transferred to the customer. Construction of civil engineering and buildings: same as the Civil engineering and Building segment.
Other business	Commissioned business in research and study	At a point in time when the deliverables are transferred to the customer.

(b) Recognition criteria for recording revenue and cost from finance lease transactions

Revenue and cost are recognized at a point in time of receipt of lease payment.

(16) Hedging transactions

(a) Hedge accounting method

In principle, the deferred hedge method is applied. For monetary receivables and payables denominated in foreign currencies with forward foreign exchange contracts, the allocation method is applied. For interest rate swap contracts that meet specific matching criteria, special case interest swap treatment is applied.

(b) Hedging instruments and hedged items

Hedging instruments are derivative transactions such as interest rate swap contracts and forward foreign exchange contracts. Hedged items are assets or liabilities with a probability of losses due to fluctuations in markets and other factors for which fluctuations are not reflected in their valuation, or whose cash flows are fixed and thereby such fluctuations are avoided.

(c) Hedging policy

Currently or in the future, the Company uses derivative transactions only when there are assets or liabilities to be hedged, and does not use them for trading or speculative purposes.

(d) Method of evaluating hedge effectiveness

The Company evaluates hedge effectiveness by comparing the cumulative changes in markets or cash flows of hedged items and those of the hedging instruments during the period from the inception date of hedging to the evaluation date of hedge effectiveness. However, the evaluation of hedge effectiveness is omitted for interest rate swap contracts to which special case interest swap treatment is applied.

(17) Amortization of goodwill

Goodwill is amortized on a straight-line basis over an individually determined reasonable period not exceeding 20 years.

(18) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments that are readily convertible into cash and are exposed to insignificant risk of changes in value, all of which mature or become due within three months of the date of acquisition.

See Note 18 “Cash and Cash Equivalents” for a reconciliation of cash and cash equivalents reported in the consolidated statements of cash flows with cash and deposits reported in the consolidated balance sheets.

(19) Other significant matters in preparation of the consolidated financial statements

(Accounting policies and procedures applied in the absence of specific regulations in relevant accounting standards, etc.)

The Company accounts for joint venture constructions according to the investment ratio.

(20) Significant accounting estimates

(Estimate of total construction costs in relation to revenue recognition)

(a) Amount recorded in the consolidated financial statements for the current consolidated fiscal year:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Revenues from completed construction contracts recognized over time	¥395,344	¥381,568	\$2,471,981

(b) Information on nature of significant accounting estimate for identified item

The Company recognizes over time “Revenues of completed construction contracts” and “Cost of completed construction contracts” of constructions whose total amounts of revenues, costs, and progresses can be estimated reliably as of the account closing date. In estimating total amount of cost, the Company creates an individual working budget which incorporates factors specific to each project based on past construction results, and reflects modifications of construction content due to changes in the situations after the start of construction and so on in the budget as they arise. However, increases in construction cost caused by an unexpected event (e.g., surges in subcontracting, material, and equipment costs, and additional cost for correction) will affect the Company’s future business performance.

(21) Changes in accounting policy

For the fiscal year ended March 31, 2026

There were no items to report.

For the fiscal year ended March 31, 2025

(Application of “Accounting Standard for Current Income Taxes,” etc.)

The Company has applied ASBJ Statement No. 27 “Accounting Standard for Current Income Taxes” (October 28, 2022) (hereinafter referred to as “the Accounting Standard Revised in 2022”) and other related standards since the beginning of the fiscal year ended March 31, 2025.

With respect to the revision to the accounting classification of income taxes (taxation on other comprehensive income), the Company follows the transitional treatment provided for in the proviso of Paragraph 20-3 of the Accounting Standard Revised in 2022 and the transitional treatment provided for in the proviso of Paragraph 65-2 (2) of ASBJ Guidance No. 28, “Implementation Guidance on Tax Effect Accounting” (October 28, 2022) (hereinafter referred to as “the Implementation Guidance Revised in 2022”). The application of the accounting policies has no impact on the consolidated financial statements.

In addition, regarding the revision related to changes in treatment in consolidated financial statements in the case of deferring gains or losses from sales of shares, etc. of subsidiaries between consolidated companies for tax purposes, the Company has applied the Implementation Guidance Revised in 2022 since the beginning of the fiscal year ended March 31, 2025.

(22) Changes in presentation

(Consolidated Statements of Income)

“Insurance claim income” and “Compensation for damage,” both of which were presented separately for the fiscal year ended March 31, 2025, are included in “Other, net” under other income (expenses) for the fiscal year ended March 31, 2026, as they account for less than 10% of the total amount of non-operating income or expenses.

The consolidated financial statements for the fiscal year ended March 31, 2025 have been reclassified in order to reflect these changes in presentation. As a result, “Insurance claim income” of ¥383 million, “Foreign law related expenses” of ¥(710) million, and “Other, net” of ¥(197) million under other income (expenses) in the consolidated statement of income for the fiscal year ended March 31, 2025 have been reclassified into “Other, net” of ¥(524) million.

(Consolidated Statements of Cash Flows)

“Payments for investments in capital of subsidiaries and affiliates,” which was included in “Other, net” under cash flows from investing activities for the fiscal year ended March 31, 2025, is presented separately for the fiscal year ended March 31, 2026 due to an increase in materiality.

The consolidated financial statements for the fiscal year ended March 31, 2025 have been reclassified in order to reflect this change in presentation. As a result, “Other, net” of ¥(881) million under cash flows from investing activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2025 has been reclassified into “Payments for investments in capital of subsidiaries and affiliate” of ¥(332) million and “Other, net” of ¥(549) million.

(23) New accounting standard, etc. not yet applied

“Accounting Standard for Leases” (ASBJ Statement No. 34, September 13, 2024)

“Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024) and other related Accounting Standards, Guidance, Practical Solutions and Transferred Guidance issued by ASBJ

(a) Outline

These standards and guidance prescribe the accounting treatment whereby lessees are required to recognize assets and liabilities for all leases in the same manner as accounting principles generally accepted internationally.

(b) Scheduled date of the application

The Company will apply the above standards and guidance from the beginning of the fiscal year ending March 31, 2028.

(c) Effects of application of the accounting standards, etc.

The effects of this application on the consolidated financial statements are under assessment.

“Practical Guidance on Accounting Standard for Financial Instruments” (ASBJ Transferred Guidance No. 9, March 11, 2025)

(a) Outline

To provide useful information to investors, this guidance reexamines the accounting treatment of equity interests in venture capital funds held by listed companies, and requires unquoted stocks included in such funds to be measured at fair value.

(b) Scheduled date of the application

The Company will apply the above guidance from the beginning of the fiscal year ending March 31, 2027.

(c) Effects of application of the accounting standards, etc.

The effects of this application on the consolidated financial statements are under assessment.

(24) Additional information

(Performance-linked stock compensation plan)

The Company has introduced a performance-linked stock compensation plan for directors and executive officers, and an employee stock ownership plan trust as a performance-linked stock compensation plan.

(a) Performance-linked stock compensation plan for directors and executive officers

(i) Transaction summary

The Company has introduced a performance-linked stock compensation plan as an incentive plan for its directors and executive officers (excluding a director who is an audit and supervisory committee member, external board directors, and domestic non-residents; hereinafter collectively referred to as “the Directors, etc.”). The plan is highly transparent and objective and closely linked with the Company’s performance for the Directors, etc. with the goal of increasing awareness of the importance of contributing to further enhancing the corporate value and performance over the medium to long term.

The Company’s stock is acquired through the Board Incentive Plan Trust (“BIP Trust”) and awarded to the Directors, etc. according to their rank and performance targets achieved.

(ii) The Company’s own stock in the Trust

The Company’s own stock in the Trust is recorded in treasury stock under net assets based on the book value in the Trust (excluding ancillary expenses). The book value of these shares of treasury stock in the Trust at the end of fiscal years ended March 31, 2026 and 2025 were ¥1,193 million (US\$7,460 thousand) and ¥1,211 million, respectively, while the number of such treasury stock was 1,237,029 shares and 1,255,055 shares, respectively.

(b) Employee stock ownership plan trust

(i) Transaction summary

The Company has introduced an Employee Stock Ownership Plan Trust (“ESOP Trust”) as an incentive plan for its employees (the “Employees”). The ESOP Trust is an incentive plan intended to improve employee treatment and raise their awareness about the Company’s performance over the medium to long term and its stock price, thereby to further promote business operations aimed at the sustainable improvement of corporate value. At the same time, it is designed to strengthen the linkage with the development of the Company’s future management personnel and the growth of the Company and the enhancement of its corporate value.

The Company’s stock is acquired through the ESOP Trust and awarded to beneficiaries, who are the Employees meeting certain requirements, according to their working status and performance targets achieved during the trust period.

(ii) The Company’s own stock in the Trust

The Company’s own stock in the Trust is recorded in treasury stock under net assets based on the book value in the Trust (excluding ancillary expenses). The book value of these shares of treasury stock in the Trust at the end of fiscal years ended March 31, 2026 and 2025 were ¥2,097 million (US\$13,112 thousand) and ¥2,203 million, respectively, while the number of such treasury stock was 1,990,911 shares and 2,092,177 shares, respectively.

(25) Income taxes

The Companies recognize tax effects of temporary differences between the book values of assets and liabilities for tax and financial reporting purposes. The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(26) 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.

(27) Amounts per share

Basic profit attributable to owners of parent per share is based on the weighted average number of common stock outstanding during the period, and diluted profit per share reflects the potential dilution that could occur if preferred stock were converted into common stock or share subscription rights were exercised. Diluted profit per share for the fiscal years ended March 31, 2026 and 2025 is not presented because the Company had no potential shares.

Cash dividends per share represent amounts applicable for the respective years on accrual basis.

Net assets per share of ¥1,327.51 (US\$8.30) and ¥1,092.12 were reported at March 31, 2026 and 2025, respectively.

3. Inventories

Inventories at March 31, 2026 and 2025 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Costs on uncompleted construction contracts	¥5,453	¥3,583	\$34,096
Others	6,536	4,687	40,868
Total	¥11,989	¥8,270	\$74,964

4. Short-Term Loans Payable and Long-Term Loans Payable

Short-term loans payable are represented mainly by loan on deed. The average interest rates of short-term loans payable were 2.4% and 2.0% at March 31, 2026 and 2025.

Long-term loans payable at March 31, 2026 and 2025 are summarized below:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Long-term loans payable from banks, insurance companies, and others due serially through 2030:			
Secured 2.6% (average interest rates)	¥169	¥214	\$1,057
Unsecured 1.8% (average interest rates)	10,165	10,601	63,559
Less current maturities	(3,814)	(3,898)	(23,848)
Total	¥6,520	¥6,917	\$40,768

Repayment schedules for long-term loans payable are summarized below:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2027	¥3,814	\$23,848
2028	2,934	18,345
2029	1,973	12,337
2030	1,211	7,572
2031	402	2,514
Total	¥10,334	\$64,616

As is customary in Japan, long-term and short-term bank loans are made under general agreements which provide that additional security and guarantees for present and future indebtedness will be given under certain circumstances at the request of the banks, and that any collateral furnished will be applicable to all indebtedness due to that bank.

In addition, the agreements provide that the bank has the right to offset cash deposited against any long-term and short-term loans payable that become due and in case of default and certain other specified events, against all other loans payable to the bank. Such rights have never been exercised by the bank.

5. Pledged Assets

The following assets were pledged to secure short-term loans payable, long-term loans payable and certain other obligation at March 31, 2026 and 2025:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Property, plant and equipment	¥1,280	¥1,303	\$8,004
Investment securities	71	68	444
Investments and other assets: other (Investments in capital)	6,211	4,089	38,835
Other assets	32	42	200
Total	¥7,594	¥5,502	\$47,483

6. Tax Purpose Reduction Entry

Amount of tax purpose reduction entry deducted from corresponding acquisition costs due to receiving subsidies at March 31, 2026 and 2025 are as follows:

Type of assets	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Land	¥91	¥91	\$569
Buildings and structures	506	475	3,164
Machinery and equipment	73	73	456
Total	¥670	¥639	\$4,189

7. Receivables from Contracts with Customers and Contract Assets

Of “Receivables” recorded in the consolidated balance sheets, amounts of “Receivables from contracts with customers” and “Contract assets” at March 31, 2026 and 2025 are as follows:

Receivables	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Notes	¥33	¥459	\$206
Electronically recorded monetary claims - operating	10,980	8,192	68,655
Accounts			
Completed construction contracts	30,439	37,163	190,327
Others	1,886	1,608	11,793
Contract assets	157,233	166,712	983,136
Total	¥200,571	¥214,134	\$1,254,117

8. Contract Liabilities

Contract liabilities included in “Advances received” and “Other” on the consolidated balance sheets at March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Contract liabilities	¥34,659	¥37,951	\$216,714

9. Advances Received

As is customary in Japan, the Companies normally receive payments from customers on a progress basis in accordance with the terms of the respective construction contracts.

10. Provision for Losses on Construction Contracts Included in Construction Contracts under Cost of Sales

Provision for losses on construction contracts included in construction contracts under cost of sales for the fiscal years ended March 31, 2026 and 2025 were ¥279 million (US\$1,745 thousand) and ¥930 million, respectively.

11. Research and Development Expenses

Research and development expenses included in manufacturing costs and general and administrative expenses amounted to ¥5,106 million (US\$31,926 thousand) and ¥4,548 million for the fiscal years ended March 31, 2026 and 2025, respectively.

12. Gain on Sales of Noncurrent Assets

Gain on sales of noncurrent assets for the fiscal years ended March 31, 2026 and 2025 are as follows:

Type of assets	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Land and buildings	¥110	¥324	\$688
Other	28	8	175
Total	¥138	¥332	\$863

13. Impairment Losses

No impairment losses were recognized for the fiscal year ended March 31, 2026.

The Company recognized impairment losses for the fiscal year ended March 31, 2025 as follows:

Use	Type of assets	Location	Millions of yen
Idle assets	Land	Chiba Prefecture	¥33

The Company groups its assets based on the units that it can continuously grasp their incomes and expenses, in principle. In addition, idle assets are grouped by individual property and determined whether or not impairment losses are recognized.

The Company wrote down the book value of the idle assets to their recoverable amounts due to a decline in market prices, and thereby recorded the amounts of such reduction as impairment losses in other expenses.

The recoverable amounts are measured at net selling prices, which are calculated based on real estate appraisal value.

14. Revenue Arising from Contracts with Customers

The Company does not disaggregate revenues from contracts with customers and other sources of revenue. Revenue arising from contracts with customers for the fiscal years ended March 31, 2026 and 2025 are ¥437,734 million (US\$2,737,035 thousand) ¥423,204 million, respectively.

15. Other Comprehensive Income

Amounts reclassified to profit for the fiscal years ended March 31, 2026 and 2025 that were recognized in other comprehensive income in the current or previous periods and income taxes and tax effects for each component of other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	¥31,868	¥4,494	\$199,262
Reclassification adjustment	(9,992)	(3,878)	(62,477)
Sub-total, before tax	21,876	616	136,785
Tax benefit or (expense)	(6,695)	(466)	(41,862)
Sub-total, net of tax	15,181	150	94,923
Foreign currency translation adjustment:			
Increase (decrease) during the year	¥163	¥213	\$1,019
Reclassification adjustment	—	—	—
Sub-total, before tax	163	213	1,019
Tax benefit or (expense)	—	—	—
Sub-total, net of tax	163	213	1,019
Remeasurements of defined benefit plans:			
Increase (decrease) during the year	¥4,801	¥(505)	\$30,019
Reclassification adjustment	(391)	(352)	(2,445)
Sub-total, before tax	4,410	(857)	27,574
Tax benefit or (expense)	(1,390)	231	(8,691)
Sub-total, net of tax	3,020	(626)	18,883
Share of other comprehensive income of entities accounted for using equity method:			
Increase (decrease) during the year	¥1,724	¥1,022	\$10,780
Reclassification adjustment	—	—	—
Adjustment for acquisition cost of assets	—	—	—
Sub-total, before tax	1,724	1,022	10,780
Tax benefit or (expense)	—	—	—
Sub-total, net of tax	1,724	1,022	10,780
Total other comprehensive income	¥20,088	¥759	\$125,605

16. Net Assets

Under the Japanese Companies Act (“the Act”), the entire amount paid for new shares is required to be designated as common stock (or preferred 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 in the accompanying consolidated balance sheets.

Under the Act, in cases where 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 and preferred 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 Act, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit or could be capitalized generally by a resolution of the shareholders’ meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Act, 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 the Act.

17. Consolidated Statements of Changes in Net Assets

(1) Common stock issued

The numbers of shares of common stock issued during the fiscal years ended March 31, 2026 and 2025 are as follows:

	Thousands of shares			
	2026			
	April 1, 2025	Increase	Decrease	March 31, 2026
Common stock	181,021	—	—	181,021

	Thousands of shares			
	2025			
	April 1, 2024	Increase	Decrease	March 31, 2025
Common stock	181,021	—	—	181,021

(2) Treasury stock outstanding

The numbers of shares of treasury stock outstanding during the fiscal years ended March 31, 2026 and 2025 are as follows:

	Thousands of shares			
	2026			
	April 1, 2025	Increase	Decrease	March 31, 2026
Common stock	24,255	2	119	24,138

Note: The number of shares of treasury stock at the beginning and the end of the fiscal year ended March 31, 2026 includes the Company's stock held in the BIP Trust of 1,255 thousand shares and 1,237 thousand shares, respectively. In addition, the number of treasury stock at the beginning and the end of the fiscal year ended March 31, 2026 includes the Company's stock held in the ESOP Trust of 2,092 thousand shares and 1,990 thousand shares, respectively.

The main reasons for the changes are as follows:

Increase due to repurchase of shares of less than one unit	2 thousand shares
Decrease due to shareholders' request to additionally purchase shares of less than one unit	0 thousand shares
Decrease due to the delivery of the Company's stock by the BIP Trust	18 thousand shares
Decrease due to the delivery of the Company's stock by the ESOP Trust	101 thousand shares

	Thousands of shares			
	2025			
	April 1, 2024	Increase	Decrease	March 31, 2025
Common stock	24,396	2	143	24,255

Note: The number of shares of treasury stock at the beginning and the end of the fiscal year ended March 31, 2025 includes the Company's stock held in the BIP Trust of 1,351 thousand shares and 1,255 thousand shares, respectively. In addition, the number of treasury stock at the beginning and the end of the fiscal year ended March 31, 2025 includes the Company's stock held in the ESOP Trust of 2,138 thousand shares and 2,092 thousand shares, respectively.

The main reasons for the changes are as follows:

Increase due to repurchase of shares of less than one unit	2 thousand shares
Decrease due to the delivery of the Company's stock by the BIP Trust	96 thousand shares
Decrease due to the delivery of the Company's stock by the ESOP Trust	46 thousand shares

18. Cash and Cash Equivalents

(1) Cash and cash equivalents reported in the consolidated statements of cash flows at March 31, 2026 and 2025 were reconciled with cash and deposits reported in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Cash and deposits	¥66,171	¥57,294	\$413,750
Time deposits with maturities exceeding 3-months from the date of acquisition	(1,579)	(1,522)	(9,873)
Total: Cash and cash equivalents	¥64,592	¥55,772	\$403,877

(2) Details of assets and liabilities of subsidiaries newly consolidated through share acquisition

For the fiscal year ended March 31, 2026, assets acquired and liabilities assumed at the start of the consolidation, as well as the acquisition cost and net payments for the acquisition in connection with the initial consolidation of QXY Resources Pte. Ltd. through a share acquisition were summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥3,518	\$21,997
Noncurrent assets	234	1,463
Goodwill	3,710	23,198
Current liabilities	(2,856)	(17,858)
Long-term liabilities	(103)	(644)
Acquisition cost	4,503	28,156
Cash and cash equivalents	(1,068)	(6,678)
Net payments for the acquisition	¥3,435	\$21,478

For the fiscal year ended March 31, 2025, there were no items to report.

19. Lease Transactions

(1) Operating leases

(a) As lessee

Future minimum lease payments under non-cancelable operating leases at March 31, 2026 and 2025 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Due in 1 year or less	¥729	¥978	\$4,558
Due after 1 year	303	471	1,895
Total	¥1,032	¥1,449	\$6,453

(b) As lessor

Future minimum lease receipts under non-cancelable operating leases at March 31, 2026 and 2025 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Due in 1 year or less	¥295	¥240	\$1,845
Due after 1 year	464	538	2,901
Total	¥759	¥778	\$4,746

20. Financial Instruments

(1) Status of financial instruments

(a) Policies for using financial instruments

The Companies raise funds mainly by borrowings from banks, and restrict temporary surplus funds to low-risk assets such as deposits. Derivative transactions are employed for hedging the risk described below, and never used for speculation.

(b) Details of financial instruments and related risks

Notes and accounts receivable are exposed to the credit risk of customers. Foreign currency-dominated notes and accounts receivable are also exposed to foreign exchange risk.

Investment securities which are mainly stocks held for maintaining the relationship with business partners are exposed to market price fluctuation risk.

Accounts payable are mostly settled within one year.

Loans payable are primarily used to fund daily business transactions. Those with variable interest rates are exposed to interest rate risk.

Loans payable and accounts payable are also exposed to liquidity risk.

Derivative transactions entered into by the Companies are forward foreign exchange contracts to hedge foreign currency exchange risk involving overseas business and interest rate swap contracts to hedge interest rate risk involving loans payable.

Refer to Note 2 (16) "Hedging transactions" for information about hedging instruments and hedged items, the hedging policy and method of evaluating hedge effectiveness concerning the hedge accounting methods adopted by the Companies.

(c) Policies and processes for risk management

In order to control customers' credit risk, each business and sales management division within the Companies conduct periodic monitoring of key transaction partners and attempt to find out deterioration of the financial situation at the initial stage under internal credit policies.

For the purpose of hedging foreign exchange risk, the Companies manage fluctuations in foreign exchange rates by project and currency, and forward foreign exchange contracts are used for a part of high probability transactions. In addition, the Companies monitor fluctuations in interest rates by loan contract, and use interest rate swap contracts on an individual contract basis to avoid interest rate risk and fix the interest expense of some long-term loans payable.

The fair value of investment securities is periodically reported to the officer in charge at each of the Companies. Holdings of investment securities are reviewed in an ongoing manner taking into account the relationship with the issuers.

With respect to derivative transactions, based on each company's internal rules prescribing the authority to execute and manage transactions, responsibilities and business practice, the head of the administrative division approves transactions while the finance division executes the transaction, confirms its details and manages its risk. The status of derivative transactions is periodically reported to the officer in charge at each of the Companies. In handling derivatives, the Companies deal only with credit-worthy banks to reduce credit risk.

In order to manage liquidity risk, the Companies update their financial plans monthly.

(d) Supplementary description of fair value of financial instruments

Since certain assumptions are used for estimating fair value, fair value may fluctuate if different assumptions are applied. In addition, the derivative contract amounts described in Note 22 "Derivative Financial Instruments" are not indicative of actual market risk involved in derivative transactions.

(e) Concentration of credit risk

Trade receivables for specific and large-scale customers at March 31, 2026 and 2025 accounted for 13.1% and 10.5%, respectively, of the total trade receivables in the consolidated financial statements.

(2) Fair value of financial instruments

The following table summarizes the book value and fair value of financial instruments at March 31, 2026:

Type	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets						
Receivables:						
Notes	¥11,074	¥11,074	¥—	\$69,243	\$69,243	\$—
Accounts	189,583	189,441	(142)	1,185,412	1,184,524	(888)
Investment securities:						
Available-for-sale securities	40,500	40,500	—	253,236	253,236	—
Total assets	¥241,157	¥241,015	¥(142)	\$1,507,891	\$1,507,003	\$(888)
Liabilities						
Long-term loans payable, less current maturities	¥6,520	¥6,485	¥(35)	\$40,768	\$40,549	\$(219)
Total liabilities	¥6,520	¥6,485	¥(35)	\$40,768	\$40,549	\$(219)
Derivative transactions	¥—	¥—	¥—	\$—	\$—	\$—

Stocks and other financial instruments with no market prices are not included in “Investment securities.” Their amounts recorded in the consolidated balance sheet as of March 31, 2026 are as follows:

Unlisted stocks, etc. ¥4,974 million (US\$31,101 thousand)

With respect to investments in partnerships, etc. recorded at the amount corresponding to the Company’s interests of the partnership’s equity, their fair value and differences from book value are not presented in the above table by applying the treatment provided in Paragraph 24-16 of ASBJ Guidance No. 31 “Implementation Guidance on Accounting Standard for Fair Value Measurement” (hereinafter referred to as “the Fair Value Measurement Guidance”). The amounts recorded in the consolidated balance sheet as of March 31, 2026 are as follows:

Investments in partnerships, etc. recorded at the amount corresponding to the Company’s interests of the partnership’s equity ¥4,071 million (US\$25,454 thousand)

The following table summarizes the book value and fair value of financial instruments at March 31, 2025:

Type	Millions of yen		
	Book value	Fair value	Difference
Assets			
Receivables:			
Notes	¥8,653	¥8,653	¥—
Accounts	205,533	205,124	(409)
Investment securities:			
Available-for-sale securities	20,478	20,478	—
Total assets	¥234,664	¥234,255	¥(409)
Liabilities			
Long-term loans payable, less current maturities	¥6,917	¥6,909	¥(8)
Total liabilities	¥6,917	¥6,909	¥(8)
Derivative transactions	¥—	¥—	¥—

Stocks and other financial instruments with no market prices are not included in “Investment securities.” Their amounts recorded in the consolidated balance sheet as of March 31, 2025 are as follows:

Unlisted stocks, etc. ¥4,262 million

With respect to investments in partnerships, etc. recorded at the amount corresponding to the Company’s interests of the partnership’s equity, their fair value and differences from book value are not presented in the above table by applying the treatment provided in Paragraph 24-16 of the Fair Value Measurement Guidance. The amounts recorded in the consolidated balance sheet as of March 31, 2025 are as follows:

Investments in partnerships, etc. recorded at the amount corresponding to the Company’s interests of the partnership’s equity ¥3,308 million

Notes:

1. "Cash and deposits" consists of cash and deposits which are to be settled in a short period and their book value approximates their fair value. Therefore, it is not mentioned in this section.
2. "Payables (Accounts in Current liabilities)," and "Short-term loans payable," are to be settled in a short period and their book value approximates their fair value. Therefore, they are not mentioned in this section.

(3) Derivative transactions

See Note 22 "Derivative Financial Instruments."

(4) Redemption schedules for cash and deposits, receivables, and securities with contractual maturities at March 31, 2026 and 2025 are as follows:

	Millions of yen							
	2026				2025			
	Within 1 year	Over 1 year less than 5 years	Over 5 years less than 10 years	Over 10 years	Within 1 year	Over 1 year less than 5 years	Over 5 years less than 10 years	Over 10 years
Cash and deposits	¥66,171	¥—	¥—	¥—	¥57,294	¥—	¥—	¥—
Receivables:								
Notes	11,074	—	—	—	8,653	—	—	—
Accounts	186,125	3,458	—	—	186,256	19,278	—	—
Total	¥263,370	¥3,458	¥—	¥—	¥252,203	¥19,278	¥—	¥—

	Thousands of U.S. dollars			
	2026			
	Within 1 year	Over 1 year less than 5 years	Over 5 years less than 10 years	Over 10 years
Cash and deposits	\$413,750	\$—	\$—	\$—
Receivables:				
Notes	69,243	—	—	—
Accounts	1,163,790	21,622	—	—
Total	\$1,646,783	\$21,622	\$—	\$—

(5) Redemption schedules for long-term loans payable and other interest-bearing liabilities as of March 31, 2026 and 2025 is as follows:

	Millions of yen					
	2026					
	Within 1 year	Over 1 year less than 2 years	Over 2 years less than 3 years	Over 3 years less than 4 years	Over 4 years less than 5 years	Over 5 years
Short-term loans payable	¥17,181	¥—	¥—	¥—	¥—	¥—
Long-term loans payable	3,814	2,934	1,973	1,211	402	—
Total	¥20,995	¥2,934	¥1,973	¥1,211	¥402	¥—

	Thousands of U.S. dollars					
	2026					
	Within 1 year	Over 1 year less than 2 years	Over 2 years less than 3 years	Over 3 years less than 4 years	Over 4 years less than 5 years	Over 5 years
Short-term loans payable	\$107,428	\$—	\$—	\$—	\$—	\$—
Long-term loans payable	23,848	18,345	12,337	7,572	2,514	—
Total	\$131,276	\$18,345	\$12,337	\$7,572	\$2,514	\$—

Millions of yen						
2025						
	Within 1 year	Over 1 year less than 2 years	Over 2 years less than 3 years	Over 3 years less than 4 years	Over 4 years less than 5 years	Over 5 years
Short-term loans payable	¥17,084	¥—	¥—	¥—	¥—	¥—
Long-term loans payable	3,898	3,055	2,175	1,236	451	—
Total	¥20,982	¥3,055	¥2,175	¥1,236	¥451	¥—

(6) Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(a) Financial instruments measured at fair value at March 31, 2026 and 2025

	Millions of yen							
	2026				2025			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investment securities								
Available-for-sale securities								
Stock	¥40,500	¥—	¥—	¥40,500	¥20,478	¥—	¥—	¥20,478
Total assets	¥40,500	¥—	¥—	¥40,500	¥20,478	¥—	¥—	¥20,478

Thousands of U.S. dollars				
2026				
Fair value				
Level 1	Level 2	Level 3	Total	
Investment securities				
Available-for-sale securities				
Stock	\$253,236	\$—	\$—	\$253,236
Total assets	\$253,236	\$—	\$—	\$253,236

(b) Financial instruments other than those measured at fair value at March 31, 2026 and 2025

	Millions of yen							
	2026				2025			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Receivables:								
Notes	¥—	¥11,074	¥—	¥11,074	¥—	¥8,653	¥—	¥8,653
Accounts	—	189,441	—	189,441	—	205,124	—	205,124
Total assets	¥—	¥200,515	¥—	¥200,515	¥—	¥213,777	¥—	¥213,777
Long-term loans payable, less current maturities	¥—	¥6,485	¥—	¥6,485	¥—	¥6,909	¥—	¥6,909
Total liabilities	¥—	¥6,485	¥—	¥6,485	¥—	¥6,909	¥—	¥6,909

	Thousands of U.S. dollars			
	2026			
	Fair value			
	Level 1	Level 2	Level 3	Total
Receivables:				
Notes	\$—	\$69,243	\$—	\$69,243
Accounts	—	1,184,524	—	1,184,524
Total assets	\$—	\$1,253,767	\$—	\$1,253,767
Long-term loans payable, less current maturities	\$—	\$40,549	\$—	\$40,549
Total liabilities	\$—	\$40,549	\$—	\$40,549

Note: Description of assessment method and input for measuring fair value

Investment securities

Listed stocks are valued at market price. Their fair value is classified into Level 1 fair value as they are traded in active markets.

Receivables

The fair value of receivables is classified by certain periods, and then measured using the discounted cash flow method based on the amounts of receivables, remaining periods to maturity, and interest rates reflecting credit risk. Therefore, they are classified into Level 2 fair value.

Long-term loans payable, less current maturities

The fair value of long-term loans payable is measured by discounting total amounts of principal and interest at interest rates applied to similar new borrowings. However, the fair value of long-term loans payable that have variable interest rates is recorded at book value, since the interest rates are to be renewed at regular intervals based on conditions and reflect market interest rates in a short period of time, and therefore the book value is considered to approximate fair value. Some of the long-term loans payable that have variable interest rates are subject to the special case interest swap treatment. Therefore, they are measured by discounting the total amounts of principal and interest which are treated together with the interest rate swap contracts at interest rates reasonably expected to be applied to similar new borrowings. Accordingly, they are classified into Level 2 fair value.

21. Securities

(1) The following table summarizes the book value and acquisition cost of available-for-sale securities at March 31, 2026 and 2025:

Type	Millions of yen					
	2026			2025		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost						
Stock	¥40,110	¥8,033	¥32,077	¥17,458	¥6,333	¥11,125
Sub total	40,110	8,033	32,077	17,458	6,333	11,125
Securities with book value not exceeding acquisition cost						
Stock	¥390	¥491	¥(101)	¥3,020	¥4,046	¥(1,026)
Sub total	390	491	(101)	3,020	4,046	(1,026)
Total	¥40,500	¥8,524	¥31,976	¥20,478	¥10,379	¥10,099

Type	Thousands of U.S. dollars		
	2026		
	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost			
Stock	\$250,797	\$50,228	\$200,569
Sub total	250,797	50,228	200,569
Securities with book value not exceeding acquisition cost			
Stock	\$2,439	\$3,070	\$(631)
Sub total	2,439	3,070	(631)
Total	\$253,236	\$53,298	\$199,938

(2) Total sales, related gains and losses of available-for-sale securities for the fiscal years ended March 31, 2026 and 2025 are as follows:

Type	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Stock			
Sales	¥11,880	¥4,810	\$74,283
Related gains	10,389	4,033	64,960
Related losses	397	—	2,482

(3) Write down of securities

The Company recognized a loss on valuation of investment securities of ¥205 million (US\$1,282 thousand) and ¥3 million for the fiscal years ended March 31, 2026 and 2025, respectively.

If fair value declines by 50% or more of the acquisition cost, the book value is written down to the fair value. If fair value declines between 30% and 50% of the acquisition cost, the book value is written down to a reasonable amount taking into consideration its recoverability and other factors. With respect to unlisted stocks, if the net asset value declines by 50% or more of the acquisition cost, the book value is in principle written down accordingly.

22. Derivative Financial Instruments

Derivative transactions subject to hedge accounting at March 31, 2026 and 2025 are as follows:

(Currency-related transactions)

An affiliated company accounted for by the equity-method (hereinafter referred to as “the Affiliated Company”) uses forward foreign exchange contracts to hedge foreign currency exchange risks in foreign currency transactions. For these forward foreign exchange contracts, hedge accounting is applied to forecasted foreign currency transactions which are the hedged items. However, forward foreign exchange contracts of the Affiliated Company are not recorded in the consolidated balance sheets, therefore their fair value is not contained in “Derivative transactions” in Note 20 “Financial Instruments (2) Fair value of financial instruments.”

(Interest-related transactions)

		Millions of yen		
		2026		
Type of derivative transactions	Main items hedged	Contract amount		Fair value
		Total	Settled over 1 year	
Special case interest rate swap treatment:				
Interest rate swap contracts: To pay fixed, to receive variable	Short-term loans payable	¥45	¥—	Notes

		Millions of yen		
		2025		
Type of derivative transactions	Main items hedged	Contract amount		Fair value
		Total	Settled over 1 year	
Special case interest rate swap treatment:				
Interest rate swap contracts:				
To pay fixed, to receive variable	Long-term loans payable	¥204	¥45	Notes

		Thousands of U.S. dollars		
		2026		
Type of derivative transactions	Main items hedged	Contract amount		Fair value
		Total	Settled over 1 year	
Special case interest rate swap treatment:				
Interest rate swap contracts:				
To pay fixed, to receive variable	Short-term loans payable	\$281	\$—	Notes

Notes:

1. Fair value is based on the prices obtained from counterparty financial institutions.
2. As of March 31, 2026, the fair value of interest rate swaps subject to special case interest rate swap treatment is included in the fair value of short-term loans payable since such interest rate swap contracts are treated together with the short-term loans payable being hedged.
3. As of March 31, 2025, the fair value of interest rate swaps subject to special case interest rate swap treatment is included in the fair value of long-term loans payable since such interest rate swap contracts are treated together with the long-term loans payable being hedged.
4. The Affiliated Company uses interest rate swap contracts to hedge risks of fluctuations in interest rates on loans payable, but it is not included in the above table. Hedge accounting is applied to these interest rate swap contracts, designating the loans payable as the hedged item. However, the Affiliated Company’s loans payable are not recorded in the consolidated balance sheets, therefore their fair value is not contained in “Derivative transactions” in Note 20 “Financial Instruments (2) Fair value of financial instruments.”

23. Retirement Benefits

The Companies adopt the lump-sum payment plan and the retirement benefit pension plan as their defined benefit plan.

The Companies calculate net defined benefit liability and retirement benefit costs under certain lump-sum payment plans using the simplified method.

Although the Company had several types of retirement benefit plans due to its merger with ANDO Corporation as of April 1, 2013, the Company integrated these retirement benefit plans and transitioned to defined benefit plans as of April 1, 2014.

Defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
(1) Changes in retirement benefit obligation			
Balance at April 1, 2025 and 2024	¥28,998	¥29,544	\$181,317
Service cost	1,335	1,339	8,348
Interest cost	290	295	1,813
Actuarial loss (gain)	(3,012)	271	(18,833)
Benefits paid	(2,662)	(2,451)	(16,645)
Balance at March 31, 2026 and 2025	¥24,949	¥28,998	\$156,000
(2) Changes in plan assets			
Balance at April 1, 2025 and 2024	¥32,453	¥32,976	\$202,920
Expected return on plan assets	399	412	2,495
Actuarial gain (loss)	1,789	(233)	11,186
Contributions paid by the employer	892	905	5,578
Benefits paid	(1,744)	(1,607)	(10,905)
Balance at March 31, 2026 and 2025	¥33,789	¥32,453	\$211,274
(3) Changes in net defined benefit liability using the simplified method			
Balance at April 1, 2025 and 2024	¥1,246	¥1,415	\$7,791
Retirement benefit costs	127	113	794
Benefits paid	(130)	(280)	(813)
Other	21	(2)	131
Balance at March 31, 2026 and 2025	¥1,264	¥1,246	\$7,903
(4) Reconciliation of retirement benefit obligation and plan assets to net defined benefit liability (asset)			
Funded retirement benefit obligation	¥24,949	¥28,998	\$156,000
Plan assets	(33,789)	(32,453)	(211,274)
Sub total	(8,840)	(3,455)	(55,274)
Unfunded retirement benefit obligation	1,264	1,246	7,903
Total net liability (asset) at March 31, 2026 and 2025	(7,576)	(2,209)	(47,371)
Net defined benefit liability	1,634	3,339	10,217
Net defined benefit asset	(9,210)	(5,548)	(57,588)
Total net liability (asset) at March 31, 2026 and 2025	¥(7,576)	¥(2,209)	\$(47,371)

Note: Retirement benefit obligation under the lump-sum payment plan is included in funded retirement benefit obligation because a retirement benefit trust has been established for the lump-sum payment plan. In addition, the retirement benefit trust that has been established for the lump-sum payment plan is included in plan assets.

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
(5) Retirement benefit costs			
Service cost	¥1,335	¥1,339	\$8,348
Interest cost	290	295	1,813
Expected return on plan assets	(399)	(412)	(2,495)
Net actuarial loss (gain)	(391)	(353)	(2,445)
Retirement benefit costs using the simplified method	127	113	794
Total retirement benefit costs for the fiscal years ended March 31, 2026 and 2025	¥962	¥982	\$6,015
(6) Remeasurements of defined benefit plans (before deducting income taxes and tax effect)			
Net actuarial gain (loss)	¥4,410	¥(857)	\$27,574
Total remeasurements of defined benefit plans	¥4,410	¥(857)	\$27,574
(7) Accumulated remeasurements of defined benefit plans (before deducting income taxes and tax effect)			
Unrecognized actuarial differences	¥(7,890)	¥(3,480)	\$(49,334)
Total accumulated remeasurements of defined benefit plans	¥(7,890)	¥(3,480)	\$(49,334)
(8) Plan assets			
1. Plan assets comprise:			
	2026	2025	
Bonds	36%	36%	
Stock	26	25	
General account assets (life insurance companies)	14	15	
Cash and deposits	2	2	
Other	22	22	
Total	100%	100%	

Note: The retirement benefit trust that has been established for the corporate pension plan accounts for 18% and 17% of the total plan assets at March 31, 2026 and 2025.

2. Long-term expected rate of return:

The Company determines the long-term expected rate of return by taking into account the current and future allocation of plan assets and expected returns from their diverse asset classes.

(9) Actuarial assumptions

The principal actuarial assumptions at March 31, 2026 and 2025 (expressed as weighted averages) are as follows:

	2026	2025
Discount rate	2.5%	1.0%
Long-term expected rate of return	1.2%	1.2%

Note: The discount rate used for the actuarial calculation at the beginning of the fiscal year ended March 31, 2026 was 1.0%. However, it was changed to 2.5% because, upon review at the end of that year, it was determined that a change in the discount rate would have a significant effect on the amount of the retirement benefit obligation.

24. Income Taxes

Difference between the statutory effective tax rate and the effective tax rate reflected for the fiscal years ended March 31, 2026 and 2025 is not disclosed since such difference is less than 5% of the statutory effective tax rate.

Significant components of deferred tax assets and liabilities at March 31, 2026 and 2025 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Deferred tax assets:			
Net defined benefit liability	¥3,796	¥4,314	\$23,735
Others	10,345	10,619	64,685
Gross deferred tax assets	14,141	14,933	88,420
Less: Valuation allowance	(2,387)	(2,406)	(14,925)
Total deferred tax assets	11,754	12,527	73,495
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	10,001	3,306	62,533
Others	4,597	3,411	28,744
Total deferred tax liabilities	14,598	6,717	91,277
Net deferred tax assets (liabilities)	¥(2,844)	¥5,810	\$(17,782)

25. Business Combinations

Business combination by acquisition

(1) Outline of the business combination

(a) Company name and business description of the acquiree

Company name: QXY Resources Pte. Ltd. and two other companies

Business description: Building construction business

(b) Reason for the business combination

The Companies formulated Medium-Term Management Plan 2025 in May 2023 and has been taking various measures aimed at realizing “increasing corporate value” and “enhancing the Company’s appeal.” As part of this, in the Overseas Business, with a focus on business stability, the Companies have been working to strengthen business foundations and systems in order to achieve future growth.

QXY Resources Pte. Ltd. is a Singapore-based construction company with an extensive track record and a strong competitive advantage in the refurbishment construction field. Based on its vision of “Leading a new era of urban renewal focused on sustainability by unlocking value of the built environment for tomorrow,” QXY Resources has undertaken many refurbishment projects in diverse sectors, including offices, commercial facilities, and educational facilities, winning high recognition as a highly reliable company in the Singapore construction industry. This share acquisition is implemented with the aim of long-term business growth in Southeast Asia, a priority area for the Company’s Overseas Business under the policy of the abovementioned Medium-Term Management Plan. The Company will continue strengthening the earnings base of the Companies and working for the sustainable increase of corporate value.

(c) Effective date of the business combination

January 5, 2026 (Deemed acquisition date: December 31, 2025)

(d) Legal form of the business combination

The transaction was classified as an acquisition of shares where QXY Resources Pte. Ltd. became the Company’s subsidiary.

(e) Company name following the business combination

The company name has not been changed.

(f) Percentage of voting rights acquired

100%

(g) Principal basis for determining the acquiror

The Company was the acquiror because it acquired 100% of the voting rights of the acquiree through acquisition in interests in exchange for cash.

(2) Period in which the acquiree's business results are reflected in the consolidated financial statements

At the end of the fiscal year ended March 31, 2026, the Company consolidated only the acquiree's balance sheet; therefore, the consolidated statement of income did not reflect its business results. The acquiree's fiscal year-end (December 31) differs from the Companies' fiscal year-end (March 31) by three months.

(3) Acquisition cost and breakdown of consideration by type

	Millions of yen	Thousands of U.S. dollars
Consideration for acquisition: Cash	¥4,510	\$28,200
Acquisition cost	4,510	28,200

(4) Description and amount of major acquisition-related costs

Advisory fees, etc.: ¥266 million (US\$1,663 thousand)

(5) Amount of goodwill recognized, reason for the recognition, method and period of amortization

(a) Amount of goodwill recognized: ¥3,710 million (US\$23,198 thousand)

Note: The above amount is provisional because the allocation of the acquisition cost was not finalized during the fiscal year ended March 31, 2026.

(b) Reason for the recognition

The acquisition cost exceeded the net asset value at the time of the business combination, and the difference was recognized as goodwill.

(c) Method and period of amortization

Amortization using the straight-line method over 10 years

(6) Details of assets acquired and liabilities assumed on the business combination date

	Millions of yen	Thousands of U.S. dollars
Current assets	¥3,518	\$21,997
Noncurrent assets	234	1,463
Total assets	3,752	23,460
Current liabilities	2,856	17,858
Long-term liabilities	103	644
Total liabilities	¥2,959	\$18,502

(7) Estimated impact on the consolidated statements of income for the year ended March 31, 2026 assuming that the business combination was completed on April 1, 2025, and the calculation method for the estimate

This information is not provided because the estimated impact is immaterial.

26. Revenue Recognition

(1) Information on disaggregation of revenue arising from contracts with customers for the fiscal years ended March 31, 2026 and 2025 is as follows:

Millions of yen						
2026						
	Reportable segments				Other	Total
	Civil engineering	Building	Group business	Sub total		
Goods or services transferred over time	¥140,649	¥249,148	¥5,547	¥395,344	¥—	¥395,344
Goods or services transferred at a point in time	215	13,125	19,826	33,166	9,224	42,390
Revenue arising from contracts with customers	140,864	262,273	25,373	428,510	9,224	437,734
Other revenue	—	—	1,150	1,150	732	1,882
Revenue from external customers	¥140,864	¥262,273	¥26,523	¥429,660	¥9,956	¥439,616

Thousands of U.S. dollars						
2026						
	Reportable segments				Other	Total
	Civil engineering	Building	Group business	Sub total		
Goods or services transferred over time	\$879,441	\$1,557,857	\$34,684	\$2,471,982	\$—	\$2,471,982
Goods or services transferred at a point in time	1,344	82,067	123,967	207,378	57,675	265,053
Revenue arising from contracts with customers	880,785	1,639,924	158,651	2,679,360	57,675	2,737,035
Other revenue	—	—	7,191	7,191	4,577	11,768
Revenue from external customers	\$880,785	\$1,639,924	\$165,842	\$2,686,551	\$62,252	\$2,748,803

Millions of yen						
2025						
	Reportable segments				Other	Total
	Civil engineering	Building	Group business	Sub total		
Goods or services transferred over time	¥131,888	¥246,362	¥3,318	¥381,568	¥—	¥381,568
Goods or services transferred at a point in time	897	14,987	19,241	35,125	6,511	41,636
Revenue arising from contracts with customers	132,785	261,349	22,559	416,693	6,511	423,204
Other revenue	—	—	1,233	1,233	723	1,956
Revenue from external customers	¥132,785	¥261,349	¥23,792	¥417,926	¥7,234	¥425,160

Notes:

1. “Other” consists of operations not attributed to “Reportable segments” and includes research and other activities.
2. Construction contracts whose revenues are recognized when performance obligations are fully satisfied are included in “Goods or services transferred at a point in time” in accordance with the alternative treatment specified in Paragraph 95 of “Implementation Guidance on Accounting Standard for Revenue Recognition.”

(2) Fundamental information for understanding revenue from contracts with customers

As described in Note 2 “Summary of Significant Accounting Policies (15) Significant recognition criteria for revenue and cost

(a) Recognition criteria for revenue arising from contracts with customers.”

- (3) Information for understanding amount of revenue in current and subsequent consolidated fiscal years
(a) Receivables and contract balances at the beginning and end of period

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Receivables from contracts with customers (Balance at beginning of period)	¥47,422	¥47,969	\$296,517
Receivables from contracts with customers (Balance at end of period)	43,338	47,422	270,981
Contract assets (Balance at beginning of period)	166,712	133,559	1,042,406
Contract assets (Balance at end of period)	157,233	166,712	983,136
Contract liabilities (Balance at beginning of period)	37,951	35,271	237,298
Contract liabilities (Balance at end of period)	34,659	37,951	216,714

“Contract assets” are assets related to rights to remuneration for revenues recognized over time arising from construction projects whose performance obligations (e.g., completion and delivery of a construction contract object) are not yet fully satisfied. The assets are transferred to “Receivables from contracts with customers” when the performance obligations are fully satisfied.

“Contract liabilities” are liabilities recorded as advances received (e.g., advances received on uncompleted construction contracts arising from constructions whose revenues are recognized over time) and reversed as the corresponding revenues are recognized. The balance at beginning of period is largely recognized as revenue in the current consolidated fiscal year.

The amount of revenue recognized in the fiscal years ended March 31, 2026 and 2025 from performance obligations that were satisfied (or partially satisfied) in previous periods, is immaterial.

- (b) Transaction prices allocated to remaining (or partially satisfied) performance obligations at end of period

At the end of the fiscal years ended March 31, 2026 and 2025, the total amount of transaction price allocated to remaining performance obligations was ¥688,193 million (US\$4,303,089 thousand) and ¥558,063 million, respectively. The amount is largely due to construction of civil engineering and buildings and approximately 80% is expected to be recognized as revenue within two years.

27. Segment Information

- (1) General information about reportable segments

Each reportable segment of the Companies consists of a business unit for which discrete financial information is available. Reportable segments are reviewed periodically at the Board of Directors meeting in order to determine distribution of management resources and evaluate their business results.

Among the Companies which mainly operate the construction and construction-related business, the Company serves as the general constructor. The Company categorizes its business into the civil engineering business unit and the building business unit, and each business unit formulates comprehensive strategies and operates business activities for order taking and production in Japan and overseas. Consolidated subsidiaries operate business by formulating their respective strategies in cooperation with the Company.

Accordingly, the Companies classify their business segments based on products and services, into three reportable segments, namely, “Civil engineering segment,” “Building segment” and “Group business segment.”

The major products and services of each segment are as follows:

Reportable segments	Major products and services
Civil engineering	Civil engineering of the Company in Japan and overseas
Building	Building construction of the Company in Japan and overseas
Group business	Constructions and sales of construction materials of consolidated subsidiaries

(2) Measurement of segment revenues, segment profit or loss, segment assets or liabilities and other material items per reportable segment

Accounting methods of reportable segments are largely the same as those set forth in “Summary of Significant Accounting Policies.” Segment profit or loss is based on operating income in the consolidated statements of income. Intersegment transactions and transfers are based on fair market prices.

Assets are not allocated to the Civil engineering segment and the Building segment, since these segments do not financially administer assets. However, corresponding depreciation expenses including amortization of intangible fixed assets are reasonably allocated to these segments depending on how much they benefit from these assets.

(3) Segment revenues, segment profit or loss, segment assets or liabilities and other material items per reportable segment

(a) Segment information as of and for the fiscal year ended March 31, 2026 is as follows:

	Millions of yen							
	Reportable segments				Other	Total	Reconciliation	Consolidated
	Civil engineering	Building	Group business	Sub total				
Fiscal year ended March 31, 2026:								
Revenues:								
External customers	¥140,864	¥262,273	¥26,523	¥429,660	¥9,956	¥439,616	¥—	¥439,616
Intersegment	—	—	67,292	67,292	13	67,305	(67,305)	—
Total	140,864	262,273	93,815	496,952	9,969	506,921	(67,305)	439,616
Segment profit	15,484	24,372	2,020	41,876	997	42,873	(9,255)	33,618
Assets	Note 4	Note 4	46,980	279,649	12,143	291,792	119,783	411,575
Other material items:								
Depreciation and amortization	930	1,728	483	3,141	253	3,394	265	3,659
Capital expenditures	Note 4	Note 4	1,277	3,659	177	3,836	114	3,950

	Thousands of U.S. dollars							
	Reportable segments				Other	Total	Reconciliation	Consolidated
	Civil engineering	Building	Group business	Sub total				
Fiscal year ended March 31, 2026:								
Revenues:								
External customers	\$880,785	\$1,639,924	\$165,842	\$2,686,551	\$62,252	\$2,748,803	\$—	\$2,748,803
Intersegment	—	—	420,759	420,759	81	420,840	(420,840)	—
Total	880,785	1,639,924	586,601	3,107,310	62,333	3,169,643	(420,840)	2,748,803
Segment profit	96,817	152,392	12,630	261,839	6,234	268,073	(57,869)	210,204
Assets	Note 4	Note 4	293,753	1,748,571	75,927	1,824,498	748,971	2,573,469
Other material items:								
Depreciation and amortization	5,815	10,805	3,020	19,640	1,582	21,222	1,657	22,879
Capital expenditures	Note 4	Note 4	7,985	22,879	1,106	23,985	713	24,698

Notes:

1. “Other” consists of operations not attributed to “Reportable segments” and includes research and other activities.
2. Reconciliation amounts were as follows:
 - (i) Reconciliation of segment profit amounting to ¥(9,255) million (US\$(57,869) thousand) includes ¥(271) million (US\$(1,694) thousand) in intersegment eliminations and others, and ¥(8,984) million (US\$(56,175) thousand) in corporate expenses. Corporate expenses are mainly general and administrative expenses, which are not attributed to reportable segments.
 - (ii) Reconciliation of segment assets amounting to ¥119,783 million (US\$748,971 thousand) includes ¥(14,126) million (US\$(88,326) thousand) in intersegment eliminations and others, and ¥133,909 million (US\$837,297 thousand) in corporate assets. Corporate assets are mainly cash and deposits, investment securities and others, which are not attributed to reportable segments.
3. Segment profit is adjusted to operating income of the consolidated statements of income.
4. As discussed in Note 27 (2), assets and capital expenditures are not allocated to the Civil engineering segment and the Building segment, since these segments do not financially administer assets. The total amount of segment assets attributed to the Civil engineering segment and Building segment amounted to ¥232,669 million (US\$1,454,818 thousand), and capital expenditures of these segments amounted to ¥2,382 million (US\$14,894 thousand).

(b) Segment information as of and for the fiscal year ended March 31, 2025 is as follows:

	Millions of yen							
	Reportable segments				Other	Total	Reconciliation	Consolidated
	Civil engineering	Building	Group business	Sub total				
Fiscal year ended March 31, 2025:								
Revenues:								
External customers	¥132,785	¥261,349	¥23,792	¥417,926	¥7,234	¥425,160	¥—	¥425,160
Intersegment	—	—	57,177	57,177	11	57,188	(57,188)	—
Total	132,785	261,349	80,969	475,103	7,245	482,348	(57,188)	425,160
Segment profit	15,173	26,904	1,061	43,138	681	43,819	(8,575)	35,244
Assets	Note 4	Note 4	38,614	287,095	11,325	298,420	73,554	371,974
Other material items:								
Depreciation and amortization	823	1,638	538	2,999	232	3,231	274	3,505
Capital expenditures	Note 4	Note 4	1,930	3,722	712	4,434	106	4,540

Notes:

1. “Other” consists of operations not attributed to “Reportable segments” and includes research and other activities.
2. Reconciliation amounts were as follows:
 - (i) Reconciliation of segment profit amounting to ¥(8,575) million includes ¥(23) million in intersegment eliminations and others, and ¥(8,552) million in corporate expenses. Corporate expenses are mainly general and administrative expenses, which are not attributed to reportable segments.
 - (ii) Reconciliation of segment assets amounting to ¥73,554 million includes ¥(13,106) million in intersegment eliminations and others, and ¥86,660 million (US\$579,549 thousand) in corporate assets. Corporate assets are mainly cash and deposits, investment securities and others, which are not attributed to reportable segments.
3. Segment profit is adjusted to operating income of the consolidated statements of income.
4. As discussed in Note 27 (2), assets and capital expenditures are not allocated to the Civil engineering segment and the Building segment, since these segments do not financially administer assets. The total amount of segment assets attributed to the Civil engineering segment and Building segment amounted to ¥248,481 million, and capital expenditures of these segments amounted to ¥1,792 million.

(4) Entity-wide disclosures

(a) Information about products and services

Disclosure of information about products and services is omitted, since reportable segments of the Companies are classified by their products and services.

(b) Information about geographic areas

(Revenues)

Revenue information about geographic areas for the fiscal years ended March 31, 2026 and 2025 are as follows:

Geographic areas	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Japan	¥411,118	¥391,443	\$2,570,612
Other	28,498	33,717	178,191
Total	¥439,616	¥425,160	\$2,748,803

Note: Revenues are classified into countries and regions according to the location of the customers.

(Property, plant and equipment)

Disclosure of property, plant and equipment information categorized by geographic areas is omitted, since property, plant and equipment in Japan account for over 90% of total property, plant and equipment.

(c) Information about major customers

Disclosure of information about major customers is omitted, since revenues from no single customer account for 10% or more of consolidated revenues in the consolidated statements of income for the fiscal years ended March 31, 2026 and 2025.

(d) Information about impairment losses on noncurrent assets by reportable segment

No impairment losses were recognized for the fiscal year ended March 31, 2026. Impairment losses on noncurrent assets by reportable segment for the fiscal year ended March 31, 2025 are as follows:

	Millions of yen				
	2025				
	Reportable segments			Other	Eliminations and others
	Civil engineering	Building	Group business		
Impairment losses	¥—	¥—	¥—	¥33	¥—
					¥33

(e) Information about amortization of goodwill and year-end balance of goodwill by reportable segment

Amortization of goodwill and year-end balance of goodwill for the fiscal year ended March 31, 2026 are as follows. This disclosure is not applicable for the fiscal year ended March 31, 2025.

	Millions of yen	Thousands of U.S. dollars
	2026	
Amortization of goodwill	¥—	\$—
Year-end balance of goodwill	3,710	23,198

Note: The goodwill is not allocated to the business segments.

28. Amounts per Share of Common Stock

Basis of calculation of basic and diluted profit attributable to owners of parent per share (the “EPS”) for the fiscal year ended March 31, 2026 is as follows:

	Profit attributable to owners of parent	Weighted-average shares	EPS	
	Millions of yen	Thousands of shares	Yen	U.S. dollars
Fiscal year ended March 31, 2026:				
Profit attributable to owners of parent	¥29,746			
Basic EPS-Profit available to common shareholders	¥29,746	156,820	¥189.68	\$1.19

Notes:

1. The Company’s stock held in the BIP Trust and the ESOP Trust are included in the treasury stock which is excluded from the weighted-average number of shares in the calculation of basic EPS. The weighted-average number of the treasury stock during the fiscal year ended March 31, 2026 was 24,200 thousand shares including those held in the BIP Trust and the ESOP Trust of 1,243 thousand shares and 2,047 thousand shares, respectively.
2. Diluted EPS for the fiscal year ended March 31, 2026 is not presented because the Company had no potential shares.

Basis of calculation of basic and diluted EPS for the fiscal year ended March 31, 2025 is as follows:

	Profit attributable to owners of parent	Weighted-average shares	EPS
	Millions of yen	Thousands of shares	Yen
Fiscal year ended March 31, 2025:			
Profit attributable to owners of parent	¥26,444		
Basic EPS-Profit available to common shareholders	¥26,444	156,704	¥168.75

Notes:

1. The Company’s stock held in the BIP Trust and the ESOP Trust are included in the treasury stock which is excluded from the weighted-average number of shares in the calculation of basic EPS. The weighted-average number of the treasury stock during the fiscal year ended March 31, 2025 was 24,316 thousand shares including those held in the BIP Trust and the ESOP Trust of 1,291 thousand shares and 2,118 thousand shares, respectively.
2. Diluted EPS for the fiscal year ended March 31, 2025 is not presented because the Company had no potential shares.

29. Fees for Audit and Non-audit Services

(1) Fees paid to the independent auditor

	Millions of yen				Thousands of U.S. dollars	
	2026		2025		2026	
	Fees for audit and attestation services	Fees for non-audit services	Fees for audit and attestation services	Fees for non-audit services	Fees for audit and attestation services	Fees for non-audit services
The Company	¥82	¥0	¥82	¥0	\$513	\$0
Consolidated subsidiaries	—	3	—	3	—	19
Total	¥82	¥3	¥82	¥3	\$513	\$19

For the fiscal years ended March 31, 2026 and 2025

The Company paid fees to the independent auditor for non-audit services such as attestation of financial statements for overseas construction bids. Similar fees paid by the Company's consolidated subsidiaries were for non-audit services such as agreed-upon procedures for financial statements.

(2) Fees paid to organizations belonging to the same network as the independent auditor (excluding the above item (1))

	Millions of yen				Thousands of U.S. dollars	
	2026		2025		2026	
	Fees for audit and attestation services	Fees for non-audit services	Fees for audit and attestation services	Fees for non-audit services	Fees for audit and attestation services	Fees for non-audit services
The Company	¥—	¥35	¥—	¥34	\$—	\$219
Consolidated subsidiaries	7	2	3	1	44	12
Total	¥7	¥37	¥3	¥35	\$44	\$231

For the fiscal years ended March 31, 2026 and 2025

The Company paid fees to organizations belonging to the same network as the independent auditor for non-audit services such as contracted support services for the civil engineering business. Similar fees paid by the Company's consolidated subsidiaries were for non-audit services such as tax return support.

(3) Fees based on significant audit and attestation services other than the above

For the fiscal years ended March 31, 2026 and 2025

There were no items to be reported.

(4) Policy on determination of audit fees

The Company determined audit fees by examining audit plans prepared by the independent auditor with the consent of the Audit and Supervisory Committee.

(5) Reason for which the Audit and Supervisory Committee consented to fees paid to the independent auditor

The Audit and Supervisory Committee verified the validity and appropriateness of the audit plans submitted by the independent auditor, and scrutinized the basis for the calculation such as time to be spent for the audit and unit rate of the fees, as well as its contents. The Committee has given its consent required by Article 399, Paragraph 1 of the Companies Act after confirming that fees are reasonable and valid.

Independent Auditor's Report

To the Board of Directors of HAZAMA ANDO CORPORATION:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of HAZAMA ANDO CORPORATION ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2026 and 2025, the consolidated statements of income, 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, 2026 and 2025, 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 of public interest entities 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 the total construction costs in relation to revenue recognition	
The key audit matter	How the matter was addressed in our audit
The Company and its consolidated subsidiaries provide construction service, as described in Note 26 "Revenue recognition, (1) Information on disaggregation of revenue arising from contracts with customers" to the consolidated financial statements, of the revenue from the construction service, the revenue recognized for the performance obligation satisfied over time amounted to ¥395,343 million, representing 89% of the Revenues in the consolidated financial statements. As described in Note 2 "Summary of Significant Accounting Policies, (16) Significant recognition criteria for revenue and cost" to the consolidated financial statements, the Company and its consolidated subsidiaries recognize the revenue for the performance obligation satisfied over time based on the progress towards satisfaction of performance obligations. This progress is measured as the percentage of construction costs incurred up to the end of each reporting period to the total construction costs. The total construction costs are estimated based on the project budget. In preparing the project budget, the specifications and scope of work are determined in accordance with the client's instructions, resulting in a high degree of project-specific characteristics and a wide range of cost components. In addition, revising the total construction costs in a timely and appropriate manner involves considerable complexity due to changes in the scope of work, fluctuations in subcontracting and material costs, and rework requirements. Accordingly, when preparing and revising the project budget, which serves as the basis for the total construction costs, it is necessary to incorporate project-specific circumstances while drawing on past construction experience. However, it is difficult to apply uniform criteria in making such judgments, and since changes in the scope of work resulting from changes in circumstances arising after the start of construction must be reflected on a case-by-case basis, the estimation of the total construction costs involves a high degree of uncertainty. We, therefore, determined that our assessment of the reasonableness of the Company's estimate of the total construction costs in relation to revenue recognition was the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, the key audit matter.	The primary procedures we performed to assess whether the Company's estimate of the total construction costs in relation to revenue recognition 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 preparing the project budget. In this assessment, we focused our testing on the following controls: - controls to ensure the reliability of the project budget by requiring that the project budget be prepared by the project manager and approved by the responsible personnel of the relevant department; and - controls to ensure that any changes in circumstances arising after the start of construction are reflected in the project budget in a timely and appropriate manner. (2) Assessment of the reasonableness of the estimated total construction costs In order to assess the reasonableness of the estimated total construction costs and whether revisions to the underlying project budget were made in a timely and appropriate manner, we selected construction projects for which the estimated total construction costs, or changes therein, could have a significant impact. These included projects with significant fluctuations in profit or loss and projects with a substantial discrepancy between the progress towards satisfaction of performance obligations and the percentage of the contract period elapsed. For the selected projects, among others, we: - compared the latest project budget with the original project budget, analyzed the nature of the variances identified, and assessed the accuracy of the project budget; and - inquired of several people, including the personnel responsible for construction work and the head of accounting, about their judgment on any changes in circumstances that occurred after the start of construction and updates of the project budget as well as compared their responses with the internal and external documents, that served as the basis for their responses, to assess the appropriateness of their judgment.

Other Information

The other information comprises the information included in the Financial Review, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The audit and supervisory committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

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

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

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

We have nothing to report in this regard.

Responsibilities of Management and the Audit and Supervisory Committee 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.

The audit and supervisory committee 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 the audit and supervisory committee 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 the audit and supervisory committee 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 the audit and supervisory committee, 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 are described in Note 29 "Fees for Audit and Non-audit Services" of the Financial Review.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2026 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.

Satoshi Hosoya
Designated Engagement Partner
Certified Public Accountant

Akihiro Takafuji
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
August 28, 2026

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.



HAZAMA ANDO
CORPORATION