

Consolidated Financial Statements

TAKUMA CO., LTD. and Subsidiaries

For the Years ended March 31,
2024 and 2023
Together with Independent
Auditor's Report

KPMG AZSA LLC
June 2024



Independent auditor's report

To the Board of Directors of TAKUMA Co., Ltd.:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of TAKUMA Co., Ltd. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2024 and 2023, the consolidated statements of operations, statements of comprehensive income, statements of changes in net assets and statements of 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, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Reasonableness of the estimate of total construction costs of construction contracts for which performance obligations are satisfied over a certain period of time

The key audit matter	How the matter was addressed in our audit
As discussed in Note 3. “Significant accounting estimates” under “Net sales where the performance obligations in construction	The primary procedures we performed to assess the reasonableness of the estimate of total construction costs of construction contracts for which

contracts are satisfied over a certain period of time and provision for loss on construction contracts" to the consolidated financial statements, when the control over goods or services in connection with a construction contract is transferred to customers over a certain period of time, TAKUMA Co., Ltd. (the "Company") and its consolidated subsidiaries recognize revenue over a certain period as they satisfy the performance obligation to transfer goods or services to customers. The amount of revenue recognized for construction contracts for which performance obligations were satisfied over time during the fiscal year ended March 31, 2024 amounted to ¥45,183million, which accounted for 30% of net sales.

The progress toward complete satisfaction of a performance obligation is estimated on the basis of a percentage of the construction costs incurred by the end of each reporting period compared to the estimate of total construction costs. The estimate of total construction costs involves a high degree of uncertainties, such as the following:

- Since the conditions and specifications of new plant constructions differ from project to project, each construction project is unique in nature, which requires complex estimates in determining total construction costs. In addition, since some projects take a longer period of time from order to delivery, changes in economic conditions during such period may lead to fluctuations in the price of necessary materials and equipment or construction work.
- Additional costs may be incurred if an adverse event, such as failure to achieve performance, delivery delay, or a material incident that causes personal injury or physical damage, occurs due to design or construction work issues.

We, therefore, determined that our assessment of the reasonableness of the estimate of total construction costs of construction contracts for which performance obligations are satisfied over a certain period of time was of most

performance obligations are satisfied over a certain period of time 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 estimate of total construction costs. In this assessment, we focused on the Company's internal controls that ensure the completeness of items to be aggregated and the appropriateness of the estimate of each cost item.

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

To assess the reasonableness of the estimate of total construction costs, we:

- selected certain construction projects which may involve a relatively higher level of uncertainty in the estimate of total construction costs based on our understanding of the terms of the construction contract, the details of the project, the cost structure, and the assumptions used to estimate the total construction costs;
- assessed the accuracy of the estimate of total construction costs by comparing the past estimates of total construction costs with the actual costs of similar projects in the businesses to which the selected construction projects belonged and analyzing any variances;
- traced the main cost items of the selected construction projects to supporting documents including quotations and purchase orders;
- inquired of personnel responsible for the selected construction projects regarding the progress of construction, including their judgment as to whether total construction costs should be updated considering the status of costs incurred against the project budget, and inspected relevant documents supporting their responses to our inquiries; and
- inquired of personnel responsible for the selected construction projects of which total construction costs were updated regarding their judgement leading to the update, and traced the update to approval requests and other relevant documents.

significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	
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Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited financial statements, but does not include the financial statements and our auditor's report thereon.

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

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 is 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit 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 corporate auditors and 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 corporate auditors and 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 for the current year are 65 million yen and 4 million yen, respectively.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 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.



Kazuhiro Matsuyama

Designated Engagement Partner

Certified Public Accountant



Tatsuo Amekawa

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

June 27, 2024

TAKUMA CO., LTD. and Consolidated Subsidiaries

FINANCIAL HIGHLIGHTS

(Years Ended March 31, 2024 and 2023)

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
For the year:			
Net sales	¥ 149,167	¥ 142,652	\$ 985,186
Operating profit	10,229	13,814	67,560
Ordinary income	11,167	14,684	73,753
Profit before income taxes	12,427	14,103	82,080
Profit attributable to owners of parent	8,754	9,622	57,819
As of year-end:			
Total assets	191,180	179,689	1,262,665
Total net assets	111,000	101,168	733,109
Per share data:	Yen		U.S. dollars
Profit	¥ 109.43	¥ 120.22	\$ 0.72
Diluted profit	–	–	–
Net assets	1,378.90	1,258.24	9.11
Cash dividends applicable for the year	48.00	43.00	0.32

Note: 1. U.S. dollar amounts are shown solely for the convenience of readers and are translated at the rate of ¥151.41 to U.S.\$1.00, the exchange rate prevailing as at March 31, 2024.

2. Ordinary income is a measure of accounting profit that equals operating profit plus other income minus other expenses, except for extraordinary items under the Japanese GAAP.

Consolidated Balance Sheets

TAKUMA CO., LTD. and Consolidated Subsidiaries
As of March 31, 2024 and 2023

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Current assets:			
Cash and deposits (Notes 4 and 8)	¥ 45,338	¥ 65,243	\$ 299,436
Notes and accounts receivable			
Notes receivable - trade	3,406	3,175	22,499
Accounts receivable - trade	28,942	32,829	191,147
Contract assets	46,248	24,371	305,448
Unconsolidated subsidiaries and affiliated companies receivable	423	507	2,794
Other	929	188	6,138
Allowance for doubtful accounts	(15)	(16)	(101)
Total	79,933	61,054	527,925
Inventories (Note 5)	9,741	6,012	64,332
Other	4,465	1,941	29,495
Total current assets	139,477	134,250	921,188
 Property, plant and equipment:			
Land	2,611	2,605	17,244
Buildings and structures	21,260	19,028	140,414
Machinery, equipment, lease assets and construction in progress	13,805	13,685	91,175
	37,676	35,318	248,833
Less accumulated depreciation	(18,096)	(16,882)	(119,515)
Total property, plant and equipment	19,580	18,436	129,318
 Investments and other assets:			
Investment securities (Notes 8 and 9)	22,432	16,274	148,154
Investments in:			
Unconsolidated subsidiaries and affiliated companies	2,354	2,255	15,546
Other	3,579	3,872	23,642
Allowance for doubtful accounts	(135)	(136)	(893)
Total	5,798	5,991	38,295
Deferred tax assets (Note 16)	2,967	4,160	19,597
Net defined benefit asset (Note 12)	25	38	165
Other	901	540	5,948
Total investments and other assets	32,123	27,003	212,159
 Total assets	¥ 191,180	¥ 179,689	\$ 1,262,665

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Current liabilities:			
Short-term loans payable (Notes 8 and 11)	¥ 753	¥ 220	\$ 4,975
Notes and accounts payable (Note 8):			
Trade	43,076	41,078	284,495
Unconsolidated subsidiaries and affiliated companies	348	291	2,299
Other	1,745	1,623	11,527
Total	45,169	42,992	298,321
Income taxes payable	2,301	3,363	15,197
Contract liabilities	10,804	11,059	71,353
Provision for product warranties	184	216	1,215
Provision for loss on construction contracts	1,353	626	8,936
Other	7,638	8,365	50,448
Total current liabilities	68,202	66,841	450,445
Non-current liabilities:			
Provision for retirement benefits for directors (and other officers)	264	267	1,741
Retirement benefit liability (Note 12)	11,179	10,980	73,831
Other	535	433	3,538
Total non-current liabilities	11,978	11,680	79,110
Total liabilities	80,180	78,521	529,555
Net assets (Note 13):			
Share capital	13,367	13,367	88,286
Authorized: 321,840,000 shares			
Issued: 83,000,000 shares			
Capital surplus	3,886	3,874	25,670
Retained earnings	86,961	82,046	574,339
Treasury shares	(3,827)	(3,917)	(25,278)
2,978,525 shares in 2024 and			
3,047,184 shares in 2023			
Total shareholders' equity	100,387	95,370	663,017
Valuation difference on available-for-sale securities	9,837	5,227	64,973
Deferred gains or losses on hedges	20	49	134
Foreign currency translation adjustment	137	92	900
Remeasurements of defined benefit plans	(40)	(138)	(266)
Total accumulated other comprehensive income	9,954	5,230	65,741
Non-controlling interests	659	568	4,351
Total net assets	111,000	101,168	733,109
Liabilities and net assets	¥ 191,180	¥ 179,689	\$ 1,262,664

See accompanying notes.

Consolidated Statements of Operations

TAKUMA CO., LTD. and Consolidated Subsidiaries
For the years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Net sales (Note 19)	¥ 149,167	¥ 142,652	\$ 985,186
Cost of sales (Notes 12, 14, 15 and 19)	119,628	111,097	790,092
Gross profit	29,539	31,555	195,094
Selling, general and administrative expenses (Notes 12, 15 and 19)	19,310	17,741	127,534
Operating profit (Note 19)	10,229	13,814	67,560
Other income (expenses):			
Interest and dividend income	655	570	4,327
Interest expenses	(3)	(3)	(18)
Gain on sales of investment securities (Note 9)	1,849	195	12,209
Loss on valuation of investment securities	-	(178)	-
Commitment fees	(29)	(28)	(187)
Loss on investments in investment partnerships	(15)	(27)	(102)
Loss on disposal of non-current assets	(13)	(20)	(85)
Share of profit of entities accounted for using equity method	181	145	1,196
New factory construction expenses	(524)	(599)	(3,463)
Disaster recovery cost	(64)	-	(421)
Other, net	161	207	1,064
Other income (expenses), net	2,198	289	14,520
Profit before income taxes	12,427	14,103	82,080
Income taxes (Note 16):			
Current	4,277	4,412	28,252
Deferred	(723)	9	(4,777)
Total income taxes	3,554	4,421	23,475
Profit	8,873	9,682	58,605
Profit attributable to non-controlling interests in consolidated subsidiaries	119	60	786
Profit attributable to owners of parent	¥ 8,754	¥ 9,622	\$ 57,819
	Yen	Yen	U.S. dollars (Note 1)
Per share:			
Profit	¥ 109.43	¥ 120.22	\$ 0.72
Diluted profit	-	-	-
Cash dividends applicable for the year	48.00	43.00	0.32

See accompanying notes.

Consolidated Statements of Comprehensive Income

TAKUMA CO., LTD. and Consolidated Subsidiaries
For the years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Profit	¥ 8,873	¥ 9,682	\$ 58,605
Other comprehensive income:			
Valuation difference on available-for-sale securities	4,611	1,271	30,454
Deferred gains or losses on hedges	(29)	(62)	(189)
Foreign currency translation adjustment	59	16	389
Remeasurements of defined benefit plans	98	82	647
Total other comprehensive income	4,739	1,307	31,301
Comprehensive income (Note 18)	¥ 13,612	¥ 10,989	\$ 89,906
Comprehensive income attributed to:			
Owners of the parent	¥ 13,478	¥ 10,925	\$ 89,020
Non-controlling interests	134	64	886

See accompanying notes.

Consolidated Statements of Changes in Net Assets

TAKUMA CO., LTD. and Consolidated Subsidiaries
For the years ended March 31, 2024 and 2023

	Millions of yen												
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains and losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets	
For the year ended March 31, 2024													
Balance at the beginning of the current period	¥ 13,367	¥ 3,874	¥ 82,046	¥ (3,917)	¥ 95,370	¥ 5,227	¥ 49	¥ 92	¥ (138)	¥ 5,230	¥ 568	¥ 101,168	
Cash dividends (¥48.00 per share)	-	-	(3,839)	-	(3,839)	-	-	-	-	-	-	(3,839)	
Profit attributable to owners of parent	-	-	8,754	-	8,754	-	-	-	-	-	-	8,754	
Purchase of treasury shares	-	-	-	(0)	(0)	-	-	-	-	-	-	(0)	
Disposal of treasury shares	-	12	-	90	102	-	-	-	-	-	-	102	
Other changes during the year, net	-	-	-	-	-	4,610	(29)	45	98	4,724	91	4,815	
Balance at the end of the current period	¥ 13,367	¥ 3,886	¥ 86,961	¥ (3,827)	¥ 100,387	¥ 9,837	¥ 20	¥ 137	¥ (40)	¥ 9,954	¥ 659	¥ 111,000	
For the year ended March 31, 2023													
Balance at the beginning of the current period	¥ 13,367	¥ 3,872	¥ 75,508	¥ (2,765)	¥ 89,982	¥ 3,957	¥ 110	\$80	¥ (220)	¥ 3,927	¥ 446	¥ 94,355	
Cash dividends (¥43.00 per share)	-	-	(2,973)	-	(2,973)	-	-	-	-	-	-	(2,973)	
Profit attributable to owners of parent	-	-	9,622	-	9,622	-	-	-	-	-	-	9,622	
Change in scope of consolidation	-	-	(111)	-	(111)	-	-	-	-	-	-	(111)	
Purchase of treasury shares	-	-	-	(1,253)	(1,253)	-	-	-	-	-	-	(1,253)	
Disposal of treasury shares	-	2	-	101	103	-	-	-	-	-	-	103	
Other changes during the year, net	-	-	-	-	-	1,270	(61)	12	82	1,303	122	1,425	
Balance at the end of the current period	¥ 13,367	¥ 3,874	¥ 82,046	¥ (3,917)	¥ 95,370	¥ 5,227	¥ 49	¥ 92	¥ (138)	¥ 5,230	¥ 568	¥ 101,168	
For the year ended March 31, 2024													
	Thousands of U.S. dollars (Note 1)												
Balance at the beginning of the current period	\$ 88,286	\$ 25,583	\$ 541,878	\$ (25,867)	\$ 629,880	\$ 34,525	\$ 323	\$ 606	\$ (913)	\$ 34,541	\$ 3,750	\$ 668,171	
Cash dividends (\$0.32 per share)	-	-	(25,358)	-	(25,358)	-	-	-	-	-	-	(25,358)	
Profit attributable to owners of parent	-	-	57,819	-	57,819	-	-	-	-	-	-	57,819	
Purchase of treasury shares	-	-	-	(1)	(1)	-	-	-	-	-	-	(1)	
Disposal of treasury shares	-	87	-	590	677	-	-	-	-	-	-	677	
Other changes during the year, net	-	-	-	-	-	30,448	(189)	294	647	31,200	601	31,801	
Balance at the end of the current period	\$ 88,286	\$ 25,670	\$ 574,339	\$ (25,278)	\$ 663,017	\$ 64,973	\$ 134	\$ 900	\$ (266)	\$ 65,741	\$ 4,351	\$ 733,109	

See accompanying notes.

Consolidated Statements of Cash Flows

TAKUMA CO., LTD. and Consolidated Subsidiaries
For the years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Cash flows from operating activities:			
Profit before income taxes	¥ 12,427	¥ 14,103	\$ 82,080
Adjustments to reconcile profit before income taxes to net cash provided by (used in) operating activities:			
Depreciation	1,797	1,136	11,872
Loss (gain) on sale of investment securities	(1,849)	(195)	(12,209)
Loss (gain) on valuation of investment securities	-	178	-
Loss (gain) on disposal of non-current assets	13	20	85
Increase (decrease) in provision for bonuses	582	413	3,842
Increase (decrease) in provision for loss on construction contracts	728	(891)	4,804
Increase (decrease) in retirement benefit liability	340	306	2,241
Interest and dividend income	(655)	(570)	(4,327)
Interest expenses	3	3	18
Share of loss (profit) of entities accounted for using equity method	(181)	(145)	(1,196)
Decrease (increase) in trade receivables	(18,419)	23,796	(121,648)
Decrease (increase) in inventories	(3,729)	(1,380)	(24,626)
Decrease (increase) in other current assets	(2,892)	701	(19,100)
Increase (decrease) in trade payables	4,521	(10,990)	29,858
Increase (decrease) in other current liabilities	(1,261)	2,618	(8,329)
Other	1,049	2,228	6,929
Subtotal	(7,526)	31,331	(49,706)
Interest and dividends received	705	619	4,653
Interest paid	(3)	(3)	(18)
Income taxes refund (paid)	(5,399)	245	(35,655)
Net cash provided by (used in) operating activities	(12,223)	32,192	(80,726)
Cash flows from investing activities:			
Net decrease (increase) in time deposits	(4,042)	411	(26,694)
Purchase of property, plant and equipment	(5,011)	(5,809)	(33,094)
Sale of property, plant and equipment	1	99	7
Purchase of intangible assets	(500)	(101)	(3,302)
Purchase of investment securities	(593)	(323)	(3,917)
Proceeds from sale of investment securities	2,358	390	15,571
Collection of loans receivable	30	51	202
Other	(682)	(323)	(4,507)
Net cash provided by (used in) investing activities	(8,439)	(5,605)	(55,734)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	533	-	3,522
Repayments of long-term borrowings	-	(80)	-
Purchase of treasury shares	0	(1,253)	(1)
Dividends paid	(3,839)	(2,973)	(25,358)
Dividends paid to non-controlling interests	(78)	(32)	(516)
Other	4	57	31
Net cash provided by (used in) financing activities	(3,380)	(4,281)	(22,322)
Effect of exchange rate change on cash and cash equivalents	68	17	447
Net increase (decrease) in cash and cash equivalents	(23,974)	22,323	(158,335)
Cash and cash equivalents at the beginning of period	63,912	41,244	422,111
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	-	345	-
Cash and cash equivalents at the end of period (Note 4)	¥ 39,938	¥ 63,912	\$ 263,776

See accompanying notes.

Notes to Consolidated Financial Statements

TAKUMA CO., LTD. and Consolidated Subsidiaries

1. Basis of presenting financial statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. However, necessary adjustments are made upon consolidation. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of TAKUMA CO., LTD. (the "Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. 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 amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate as at March 31, 2024, which was ¥151.41 to U.S.\$1.00. The 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) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its 41 significant subsidiaries (the "Companies"). Osakachuo High Trust Co., Ltd., Ashikaga High Trust Co., Ltd., Shiroishi High Trust Co., Ltd., and Amagasaki High Trust Co., Ltd. which were newly established subsidiaries, have also been included in the consolidation from the consolidated fiscal year ended March 31, 2024. All significant intercompany transactions and unrealized profits among the Companies have been eliminated in consolidation. Investments in certain significant affiliates over which the Company and/or its subsidiaries are able to exert influence to a material degree with regard to financial and operating decision making, other than consolidated subsidiaries, are accounted for by the equity method after the elimination of unrealized intercompany profits.

Investments in the remaining unconsolidated subsidiaries and affiliated companies are not accounted for by the equity method because of the immaterial effect on the consolidated financial statements. Therefore, such investments are carried at cost, adjusted for any substantial and non-recoverable decline in value. Income from those unconsolidated subsidiaries and affiliated companies is recognized only when the Companies receive dividends therefrom.

(2) Foreign currency translation

Revenue and expense are translated at the rates of exchange prevailing on the transaction date. Assets and liabilities denominated in foreign currencies are generally translated at the rate of exchange prevailing at the balance sheet date, and the resulting translation gains and losses are included in earnings.

The financial statements of a consolidated overseas subsidiary are translated into Japanese yen at the year-end rate, except that net asset accounts are translated at historical rates and income statement items resulting from transactions with the Company are translated at rates used by the Company. The resulting translation adjustments are shown as "Foreign currency translation adjustment," a separate component of net assets.

(3) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash and cash equivalents include cash on hand, readily available deposits and short-term investments with maturities not exceeding three months from the date of acquisition and which have high liquidity and low risk of price fluctuation.

(4) Securities

Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at cost determined by moving average cost. Available-for-sale securities with available fair market value are stated at fair market value, and unrealized gains and losses on these securities are reported net of applicable income taxes as a separate component of net assets. Realized gains and losses on the sale of such securities are computed at cost using moving average cost. Available-for-sale securities with no available fair market value are stated at cost determined by moving average cost.

If the market value of equity securities issued by unconsolidated subsidiaries and affiliated companies or available-for-sale securities declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as a loss in the period of the decline. If the fair market value of such securities is not readily available, such securities should be written down to the net asset value with a corresponding charge in the income statement in the event the net asset value declines significantly. In these cases, the fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

(5) Allowance for doubtful accounts

The Companies provide an allowance for doubtful accounts by estimating the uncollectible amounts of certain individual accounts and by applying a percentage based on collection experience to the remaining receivables.

(6) Inventories

Merchandise and finished goods are stated at cost using the moving average method. Work-in-process is stated at cost determined by the identified cost method. Materials and supplies are stated at cost using the average method. For these inventories, the carrying amounts on the balance sheet are written down to reflect decreases in profitability.

(7) Property, plant and equipment

Property, plant and equipment are depreciated principally using the declining balance method over the estimated useful life of the asset. However, buildings acquired after March 31, 1998 and facilities attached to buildings and structures acquired after March 31, 2016 are depreciated using the straight-line method. The range of useful lives is principally from 3 to 60 years for buildings and structures and from 2 to 20 years for machinery, equipment and other. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

Lease assets under finance leases in which the ownership of the lease assets is not transferred to the lessee are depreciated using the straight-line method over the lease term with an assumption of no residual value.

(8) Provision for loss on construction contracts

For sales orders on hand at the balance sheet date for projects in which the estimated cost is expected to exceed the price of the order by a wide margin, a provision for loss on construction contracts is recognized at the estimated aggregate amount.

(9) Provision for product warranties

Provision for product warranties is based on estimated amounts of expenditure in the warranty period after products are delivered.

(10) Provision for retirement benefits for directors (and other officers)

Directors are generally entitled to receive retirement benefits based on the Companies' internal rules. The Companies provide an allowance for directors' retirement benefits based on the amount that would be required if all directors retired at the balance sheet date.

(11) Retirement benefit liability

In calculating retirement benefit obligations, the method of attributing expected benefits to periods employs principally a benefit formula basis. Actuarial gains and losses are recognized in expenses using the straight-line method principally over 10 years commencing with the following period. Prior service costs are recognized in expenses using the straight-line method principally over 10 years.

(12) Revenue recognition

For construction contracts, that met one of the following criteria, it is determined that the performance obligations in such contracts are satisfied over time. The progress rate for fulfillment of the performance obligation is estimated and revenue is recognized based on the progress rate over time.

- I. By fulfilling the obligations in the contract with the customer, the asset arises or the value of the asset increases, and the customer obtains control of the asset as the asset arises or the value of the asset increases,
- II. By fulfilling obligations in a contract with a customer, the asset that cannot be diverted to another use arises, and also the company has the enforceable right to receive compensation for the portion of the contract with the customer that has fulfilled its obligations.

Estimates of the progress is measured on the basis of the construction costs incurred by the end of each reporting period, relative to the total expected construction costs. However, adopting alternative treatment, for construction contracts for which the period from the commencement date of the contract to the date when it is expected that the performance obligation will be fully satisfied is very short, revenue is not recognized over a certain period of time, and revenue is recognized at the time the performance obligation is judged to be satisfied. Incidentally, the consideration for the transaction is mainly received in stages during the contract period separately from the fulfillment of the performance obligation, and the remaining amount is received within approximately one year after all the performance obligations are satisfied, and the important financial factor is not included.

For Operation control and O&M contracts, the customer receives the benefits as we fulfill the obligations in the contract with the customer, therefore it is determined that the performance obligations in such contracts are satisfied over time. Since we have the right to receive from the customer the amount of consideration that directly corresponds to the value to the customer for the portion that has been fulfilled so far, we recognize the revenue by the amount that we have the right to claim. Incidentally, the consideration for the transaction is received within approximately one year after the performance obligation is satisfied, and does not include important financial factors.

(13) Income taxes

The Companies are subject to corporation tax, inhabitant tax and enterprise tax based on taxable income. The Companies recognize the tax effects of the temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. The provision for income taxes is computed based on the pretax income of each of the Companies, with certain required adjustments. The asset-liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

The Companies have adopted the group taxation system.

(14) Net income and cash dividends per share

Net income per share is computed based on the weighted average number of shares of share capital outstanding during each period. Diluted net income per share is computed with the assumption that all convertible bonds were converted into share capital at the beginning of each period. Cash dividends per share represent interim dividends declared by the Board of Directors during each year and year-end dividends approved by the shareholders at the annual meeting held subsequent to the end of the fiscal year.

(15) Derivatives and hedge accounting

The Companies generally state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless the derivative financial instruments are used for hedging purposes. If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies generally defer recognition of gain or loss resulting from a change in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized.

The Companies use currency forward contracts to hedge accounts receivable and payable denominated in foreign currencies (mainly U.S. dollars) against the risk of fluctuation in exchange rates that comes from foreign currency transactions. Certain foreign exchange contracts are subject to appropriation if they satisfy the requirements of appropriation treatment. Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not re-measured at market value.

(16) Amortization of goodwill

Goodwill is amortized evenly over the reasonably estimated effective duration recognized. However, when de-minimis, it is charged in full during the fiscal year it arose.

(17) Reclassifications

Certain prior year amounts have been reclassified to conform to the 2024 presentation.

3. Significant accounting estimates

(Net sales where the performance obligations in construction contracts are satisfied over a certain period of time and provision for loss on construction contracts)

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

Net sales where the performance obligations in construction contracts are satisfied over a certain period amounted to ¥ 45,183 million (\$ 298,416 thousand) for the year ended March 31, 2024 and amounted to ¥ 30,977 million for the year ended March 31, 2023.

Provision for loss on construction contracts amounted to ¥ 1,353 million (\$ 8,936 thousand) for the year ended March 31, 2024 and amounted to ¥ 626 million for the year ended March 31, 2023.

(2) Information on the nature of significant accounting estimates for identified items

The performance obligations in such construction contracts are satisfied over time; therefore revenue in The Takuma Group is recognized based on the progress towards complete satisfaction of the performance obligation. Estimates of the progress is measured on the basis of the construction costs incurred by the end of each reporting period relative to the total expected construction costs. In addition, in order to prepare for the loss of order construction, the estimated amount of construction costs generated significantly exceeds the order amount. Excess amounts that are expected to occur after the consolidated fiscal year are recorded as provision for loss on construction contracts.

In calculating the estimated cost of construction, information and conditions available as of the end of the current consolidated fiscal year for each individual project (materials and equipment, construction prices, labor costs, specifications, construction methods, etc.) are the basis for calculation.

However, after-sales service for various construction and delivery plants provided by the Group, the specifications, and some periods from order to delivery and service delivery are long-term. Therefore, changes in the basis of calculations due to construction issues and changes in economic conditions will have a significant impact on consolidated financial statements for the next consolidated fiscal year.

(Deferred tax assets)

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

Deferred tax assets amounted to ¥ 2,967 million (\$ 19,597 thousand) for the year ended March 31, 2024 and ¥ 4,160 million for the year ended March 31, 2023.

(2) Information on the nature of significant accounting estimates for identified items

The Takuma Group reasonably estimates future taxable income based on business plans for deferred tax assets and the amount that is expected to be recoverable.

Each group company determines the classification based on accounting standards, and the expected recoverable amounts is calculated based on future taxation within a reasonably estimated period according to the classification and the scheduling of income and one-time difference in future subtraction.

However, due to changes in the business environment because of a decrease in demand, etc., the estimated period based on the classification and the estimated amount of future taxable income and deferred tax assets will be increased or reduced, which will have a material impact on the consolidated financial statements for the next consolidated fiscal year.

4. Cash and cash equivalents

Amounts of cash and cash equivalents as of March 31, 2024 and 2023 were reconciled with cash and deposits as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Cash and deposits	¥ 45,338	¥ 65,243	\$ 299,436
Time deposits with maturities exceeding three months from the date of acquisition	(5,400)	(1,331)	(35,660)
Total cash and cash equivalents	¥ 39,938	¥ 63,912	\$ 263,776

5. Inventories

Inventories were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Merchandise and finished goods	¥ 1,004	¥ 840	\$ 6,631
Work-in-process	6,296	3,247	41,582
Materials and supplies	2,441	1,925	16,119
Total inventories	¥ 9,741	¥ 6,012	\$ 64,332

6. Notes maturing on the balance sheet date

The Company settles notes maturing on the balance sheet date based on the actual exchange date.

As March 31, 2024 was a bank holiday, the following notes maturing on the balance sheet date were included in each account on the consolidated balance sheet date:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Notes receivable	¥ 253	¥ -	\$ 1,673
Notes and accounts payable	3,370	-	22,257

7. Inventories and provision for loss on construction contracts

Work-in-process related to construction contracts assumed to incur loss on construction contracts are not net out but presented in gross.

Of these, the amount corresponding to provision for loss on construction contracts is as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Work-in-process	¥ 475	¥ 3	\$ 3,136

8. Financial instruments

(1) Status of financial instruments

(a) Financial instruments policy

Under the Group's policy, investments in financial instruments are limited primarily to short-term deposits and bank loans for raising funds. Derivative transactions are used to hedge risks of fluctuations in foreign exchange and interest rates and the Companies do not conduct speculative transactions.

(b) Financial instruments, risks and risk management structure

The Companies are working to reduce customer credit risk associated with notes and accounts receivable and contract assets through customer based due dates and other balance controls in accordance with the Companies' regulations. Investment securities consist mainly comprise stocks and are periodically checked for the fair value of the listed shares.

Notes and accounts payables, or operating payables, are due within one year.

Short-term loans payable is primarily for operating funds, while long-term borrowings are for capital investment.

To cope with operating payables and loans exposed to liquidity risk, each Group company prepares monthly cash flow plans and enters into loan commitment agreements with several financial institutions for raising working capital flexibly and stably.

(c) Supplementary remarks on fair values of financial instruments

The fair values of financial instruments do not reflect the market risks concerning the derivative trading.

(2) Fair value of financial instruments

Amounts recognized on the consolidated balance sheets, fair values and any differences between them as of March 31, 2024 and 2023, except items for which no fair value was obtainable, were as follows:

The following summary excludes cash, and deposits, notes and accounts receivable - trade, notes and accounts payable, income taxes payable and short-term loans payable are not included because the fair values of these instruments approximate their carrying amounts as they are expected to be settled shortly.

(Investment securities)

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Amounts recognized on the consolidated balance sheets	¥ 22,160	¥ 16,110	\$ 146,354
Fair value	22,160	16,110	146,354
Difference	¥ -	¥ -	\$ -

Equity securities without market price are not included in (Investment securities).

(Non-listed equity securities)

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Amounts recognized on the consolidated balance sheets	¥ 2,299	¥ 2,170	\$ 15,187
Equity securities	108	-	715
Investments in investment partnerships			

(Derivative transactions)

Derivative transactions recorded in other assets and liabilities are presented as a lump sum.

Net claims and debts that arise from derivative transactions are presented on a net basis.

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Amounts recognized on the consolidated balance sheets	¥ 29	¥ 70	\$ 193
Fair value	29	70	193
Difference	¥ -	¥ -	\$ -

(3) Redemption schedule of monetary assets with contractual maturities and repayment schedule of short-term loans payable and long-term borrowings

As of March 31, 2024

	Millions of yen					
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Cash and deposits	¥ 45,338	¥ -	¥ -	¥ -	¥ -	¥ -
Notes receivable	3,407	-	-	-	-	-
Accounts receivable	29,325	-	-	-	-	-
Investment securities	-	-	-	-	-	800
Total	¥ 78,070	¥ -	¥ -	¥ -	¥ -	¥ 800
Short-term loans payable	¥ 753	¥ -	¥ -	¥ -	¥ -	¥ -
Total	¥ 753	¥ -	¥ -	¥ -	¥ -	¥ -

As of March 31, 2023

	Millions of yen					
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Cash and deposits	¥ 65,243	¥ -	¥ -	¥ -	¥ -	¥ -
Notes receivable	3,175	-	-	-	-	-
Accounts receivable	33,305	-	-	-	-	-
Investment securities	-	-	-	-	-	800
Total	¥ 101,723	¥ -	¥ -	¥ -	¥ -	¥ 800
Short-term loans payable	¥ 220	¥ -	¥ -	¥ -	¥ -	¥ -
Total	¥ 220	¥ -	¥ -	¥ -	¥ -	¥ -

As of March 31, 2024

	Thousands of U.S. dollars					
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Cash and deposits	\$ 299,436	\$ -	\$ -	\$ -	\$ -	\$ -
Notes receivable	22,499	-	-	-	-	-
Accounts receivable	193,682	-	-	-	-	-
Investment securities	-	-	-	-	-	5,284
Total	\$ 515,617	\$ -	\$ -	\$ -	\$ -	\$ 5,284
Short-term loans payable	\$ 4,975	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 4,975	\$ -	\$ -	\$ -	\$ -	\$ -

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

Based on the observability and significance of inputs used to determine fair values, fair value information of financial instruments is presented by categorizing measurements into the following three levels:

Level 1 fair value: the fair value is measured by quoted prices of identical assets or liabilities in active markets.

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

Level 3 fair value: the fair value is measured using unobservable inputs.

When multiple inputs of different categories are used in measuring the fair value, the Company and its subsidiaries classify fair values into a category to which the lowest priority is assigned.

(a) financial instruments measured at fair values in the consolidated balance sheet

As of March 31, 2024

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other investments in securities				
Equity securities	¥ 21,369	¥ -	¥ -	¥ 21,369
Corporate bonds	-	791	-	791
Derivative transactions				
Currency related	-	29	-	29
Total assets	¥ 21,369	¥ 820	¥ -	¥ 22,189

As of March 31, 2023

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other investments in securities				
Equity securities	¥ 15,322	¥ -	¥ -	¥ 15,322
Corporate bonds	-	788	-	788
Derivative transactions				
Currency related	-	70	-	70
Total assets	¥ 15,322	¥ 858	¥ -	¥ 16,180

As of March 31, 2024

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other investments in securities				
Equity securities	\$ 141,133	\$ -	\$ -	\$ 141,133
Corporate bonds	-	5,222	-	5,222
Derivative transactions				
Currency related	-	193	-	193
Total assets	\$ 141,133	\$ 5,415	\$ -	\$ 146,548

(b) Financial instruments other than those measured at fair values in the consolidated balance sheet

Not applicable

(Note) Valuation techniques and inputs used in measuring fair values

Investments in securities classified as current or non-current

Listed equity securities and corporate bonds are measured using quoted prices. The fair value of listed equity securities are classified as level 1, because they are exchanged in active markets. The fair value of corporate bonds are classified as level 2, because their quoted prices are not considered to be a quoted price in active markets due to their low frequency of transactions.

Derivative transactions

Derivatives are classified as Level 2, as they are measured at fair value using observable market inputs obtained from financial institutions.

9. Securities

(1) Acquisition costs and book values of available-for-sale securities with available fair values as of March 31, 2024 and 2023 were as follows:

As of March 31, 2024		Millions of yen		
	Acquisition cost	Book value	Difference	
Securities with book values exceeding acquisition costs:				
Equity securities	¥ 7,108	¥ 21,308	¥ 14,200	
Subtotal	7,108	21,308	14,200	
Securities with book values not exceeding acquisition costs:				
Equity securities	65	61	(4)	
Debt securities	829	791	(38)	
Subtotal	894	852	(42)	
Total	¥ 8,002	¥ 22,160	¥ 14,158	

As of March 31, 2023		Millions of yen		
	Acquisition cost	Book value	Difference	
Securities with book values exceeding acquisition costs:				
Equity securities	¥ 7,216	¥ 14,866	¥ 7,650	
Subtotal	7,216	14,866	7,650	
Securities with book values not exceeding acquisition costs:				
Equity securities	531	456	(75)	
Debt securities	829	788	(41)	
Subtotal	1,360	1,244	(116)	
Total	¥ 8,576	¥ 16,110	¥ 7,534	

As of March 31, 2024		Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference	
Securities with book values exceeding acquisition costs:				
Equity securities	\$ 46,947	\$ 140,732	\$ 93,785	
Subtotal	46,947	140,732	93,785	
Securities with book values not exceeding acquisition costs:				
Equity securities	431	400	(31)	
Debt securities	5,470	5,222	(248)	
Subtotal	5,901	5,622	(279)	
Total	\$ 52,848	\$ 146,354	\$ 93,506	

(2) Available-for-sale securities sold for the years ended March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Total sales amount	¥ 2,884	¥ 390	¥ 19,045
Gains	1,849	195	12,209

10. Pledged assets

The following assets were pledged to secure short-term loans payable, long-term borrowings, and contingent liabilities under guarantees for bank loans of affiliated companies and fulfillment of contracts as of March 31, 2024 and 2023:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Time deposits as construction contract guarantees	¥ 80	¥ 83	\$ 531
Total	¥ 80	¥ 83	\$ 531

11. Short-term loans payable and long-term borrowings

Short-term loans payable as of March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Secured	¥ -	¥ -	\$ -
Unsecured	753	220	4,975
	¥ 753	¥ 220	\$ 4,975

The annual average interest rates applicable for bank loans as at March 31, 2024 and 2023 were as follows:

	2024	2023
Short-term loans payable	0.9%	1.1%
Current portion of long-term borrowings	-	1.0%

12. Employees' retirement benefits

(1) Outline of adopted retirement benefit scheme

The Company and a part of consolidated subsidiaries provide three types of post-employment benefit plans, unfunded lump sum payment plans, funded non-contributory pension plans and defined contribution plans. A part of consolidated subsidiaries which provide funded non-contributory pension plans and unfunded lump sum payment plans, calculate retirement benefit liability and retirement benefit costs by applying the simplified method.

(2) Defined benefit plans

Movements in retirement benefit obligations (except plans applying the simplified method) for the years ended March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Balance as at April 1, 2024 and 2023	¥ 10,197	¥ 10,026	\$ 67,344
Service cost	664	657	4,384
Interest cost	56	55	368
Actuarial loss (gain)	(73)	(8)	(483)
Benefits paid	(483)	(533)	(3,185)
Balance as at March 31, 2024 and 2023	¥ 10,361	¥ 10,197	\$ 68,428

Movement in retirement benefit liability of plans applying the simplified method for the years ended March 31, 2024 and 2023 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Balance as at April 1, 2024 and 2023	¥ 746	¥ 726	\$ 4,926
Retirement benefit costs	124	114	820
Contributions paid by the employer	(25)	(29)	(163)
Benefits paid	(51)	(46)	(337)
Other	(1)	(19)	(9)
Balance as at March 31, 2024 and 2023	¥ 793	¥ 746	\$ 5,237

Reconciliation from retirement benefit obligations and plan assets to retirement benefit liability as of March 31, 2024 and 2023 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Funded retirement benefit obligations	¥ 632	¥ 629	\$ 4,172
Plan assets	(421)	(435)	(2,780)
	211	194	1,392
Unfunded retirement benefit obligations	10,943	10,749	72,273
Total retirement benefit liability (asset) as at March 31, 2024 and 2023	11,154	10,943	73,665
Retirement benefit liability	11,179	10,980	73,831
Net defined benefit asset	(25)	(37)	(166)
Total retirement benefit liability (asset) as at March 31, 2024 and 2023	¥ 11,154	¥ 10,943	\$ 73,665

(Note)Including plans applying the simplified method

Retirement benefit costs for the years ended March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Service cost	¥ 664	¥ 657	\$ 4,384
Interest cost	56	55	368
Amortization of actuarial differences	68	109	449
Retirement benefit costs based on the simplified method	124	114	820
Total retirement benefit costs for the fiscal years ended March 31, 2024 and 2023	¥ 912	¥ 935	\$ 6,021

Remeasurements of defined benefit plans for the years ended March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Actuarial gains and losses	¥ 141	¥ 118	\$ 932
Total remeasurements of defined benefit plans for the fiscal years ended March 31, 2024 and 2023	¥ 141	¥ 118	\$ 932

Accumulated remeasurements of defined benefit plans as of March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Actuarial gains and losses yet to be recognized	¥ (58)	¥ (199)	\$ (383)
Total balance as at March 31, 2024 and 2023	¥ (58)	¥ (199)	\$ (383)

The principal actuarial assumptions as at March 31, 2024 and 2023 were as follows:

	2024	2023
Discount rate	principally 0.64%	principally 0.64%
Expected rate of salary increase	principally 5.5%	principally 5.3%

(3) Defined contribution plan

The amount of contribution required for the defined contribution plans of the Companies for the years ended March 31, 2024 and 2023 was ¥151 million (\$994 thousand) and ¥152 million, respectively.

13. Net assets

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as share capital. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Corporate Law (the "Law"), in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of share capital 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. The legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit or be capitalized by a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and 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 nonconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

The appropriation of retained earnings with respect to a given financial year is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial year. Therefore, the accounts for that year do not reflect such appropriations.

14. Provision for losses on construction contracts

Provision for losses on construction contracts included in cost of sales for the years ended March 31, 2024 and 2023 was as follows:

Millions of yen		Thousands of U.S. dollars
2024	2023	2024
¥ 869	¥ 30	\$ 5,741

15. Research and development expenses

Research and development expenses are charged to income as incurred. Such expenses included in cost of sales and selling, and general and administrative expenses for the years ended March 31, 2024 and 2023 were as follows:

Millions of yen		Thousands of U.S. dollars
2024	2023	2024
¥ 1,630	¥ 1,151	\$ 10,765

16. Income taxes

Components of the Companies' deferred tax assets and liabilities as of March 31, 2024 and 2023 were as follows:

		Millions of yen		Thousands of U.S. dollars
		2024	2023	2024
Deferred tax assets:				
Retirement benefit liability	¥	3,444	¥ 3,384	\$ 22,745
Accrued cost of sales		2,028	2,420	13,394
Provision for bonuses		1,348	1,169	8,900
Unrealized income on non-current assets		677	672	4,474
Contract assets		533	-	3,519
Loss on valuation of inventories		274	268	1,809
Provision for loss on construction contracts		423	200	2,793
Other		1,814	1,642	11,984
Deferred tax assets - subtotal		10,541	9,755	69,618
Valuation reserves		(3,032)	(2,991)	(20,023)
Total deferred tax assets	¥	7,509	¥ 6,764	\$ 49,595
Deferred tax liabilities:				
Valuation difference on available-for-sale securities	¥	(4,299)	¥ (2,292)	\$ (28,395)
Other		(376)	(328)	(2,481)
Total deferred tax liabilities		(4,675)	(2,620)	(30,876)
Net deferred tax assets	¥	2,834	¥ 4,144	\$ 18,719

The significant differences between the statutory tax rate and the Companies' effective tax rate for financial statement purposes were set forth in the table below.

There was no significant difference between the normal effective statutory tax rates and effective tax rates reflected in the accompanying consolidated income statements for the year ended March 31, 2023.

	2024
Statutory tax rate	30.6%
Nondeductible expenses	1.1
Dividend income	(0.4)
Share of profit of entities accounted for using equity method	(0.4)
Council tax on per capita basis	0.6
Tax credits	(3.4)
Valuation allowance	0.3
Other	0.2
The Companies' effective tax rate	28.6%

Accounting for corporation tax and local corporation tax and tax effect accounting

The Company and some of its domestic consolidated subsidiaries have adopted the group tax sharing system. In addition, corporation tax and local corporation tax, as well as their tax effects, are accounted for and disclosed under Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System (PITF No.42, August 12, 2021).

17. Revenue

Disaggregated revenue by business unit was as follows:

As of March 31, 2024

As of March 31, 2024					Millions of yen			
	Reportable segments							Total
	Domestic Environment and Energy Business				Overseas Environment and Energy Business	Package Boiler Business	Equipment and System Business	
	Municipal Solid Waste Plants	Energy Plants	Other	Subtotal				
Net sales	78,956	28,830	11,101	118,887	2,405	18,441	9,434	149,167

As of March 31, 2023

As of March 31, 2023					Millions of yen			
	Reportable segments							Total
	Domestic Environment and Energy Business				Overseas Environment and Energy Business	Package Boiler Business	Equipment and System Business	
	Municipal Solid Waste Plants	Energy Plants	Other	Subtotal				
Net sales	70,027	33,551	12,116	115,694	1,327	17,286	8,345	142,652

As of March 31, 2024

As of March 31, 2024		Thousands of U.S. dollars						
	Reportable segments							Total
	Domestic Environment and Energy Business				Overseas Environment and Energy Business	Package Boiler Business	Equipment and System Business	
	Municipal Solid Waste Plants	Energy Plants	Other	Subtotal				
Net sales	521,474	190,406	73,317	785,197	15,887	121,793	62,309	985,186

Information about the relationship between the fulfillment of performance obligations based on the contract with the customer and cash flow generated from the contract, and the amount and timing of revenue expected to be recognized from the contract with the customer existing at the end of the current consolidated fiscal year after the next consolidated fiscal year.

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Receivables arising from contracts with customers (balance at the beginning of the period)	¥ 36,480	¥ 33,916	\$ 240,936
Receivables arising from contracts with customers (balance at the end of the period)	32,732	36,480	216,181
Contract assets (balance at the beginning of the period)	24,371	48,185	160,962
Contract assets (balance at the end of the period)	46,248	24,371	305,448
Contract liabilities (balance at the beginning of the period)	11,059	8,669	73,042
Contract liabilities (balance at the end of the period)	10,804	11,059	71,353

Contract assets comprise of the rights to receive consideration in exchange for the fulfilled portion of contractual obligations, which is measured based on the progress of such obligations for construction contracts at the end of the reporting period, and when they become unconditional, the rights to the consideration are transferred to receivables arising from contracts with customers.

Contract liabilities are advances received from customers for construction contracts, which are used for expenditures as revenue is recognized.

The revenue recognized at the current consolidated fiscal year, which was included in contract liabilities at the beginning of the years ended March 31, 2024 and 2023 was ¥8,766 million (\$57,893 thousand) and ¥6,551 million, respectively.

Further, the amount of revenue recognized from performance obligations fulfilled in the previous periods is not material for the current fiscal year.

(2) Transaction price allocated to the remaining performance obligation

The aggregate amounts of the transaction price allocated to the performance obligations that were not fulfilled (or partially not fulfilled) were ¥460,023 million (\$3,038,262 thousand) and ¥447,646 million for the years ended March 31, 2024 and 2023, respectively. These performance obligations were related to construction, operational control and O&M contracts in the Domestic Environment and Energy Business and are expected to be recognized as revenue within approximately 5 years in construction contracts and 20 years in operational control and O&M contracts.

There is no significant variable consideration which is not included in transaction price in the amount of consideration from contracts with customers.

18. Comprehensive income

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Valuation difference on available-for-sale securities			
Increase (decrease) during the year	¥ 8,466	¥ 1,856	\$ 55,910
Reclassification adjustments	(1,849)	(17)	(12,209)
Subtotal, before tax	6,617	1,839	43,701
Tax (expense) or benefit	(2,006)	(568)	(13,247)
Subtotal, net of tax	¥ 4,611	¥ 1,271	\$ 30,454
Deferred gains or losses on hedges			
Increase (decrease) during the year	¥ (41)	¥ (89)	\$ (272)
Reclassification adjustments	-	-	-
Subtotal, before tax	(41)	(89)	(272)
Tax (expense) or benefit	12	27	83
Subtotal, net of tax	¥ (29)	¥ (62)	\$ (189)
Foreign currency translation adjustment			
Increase (decrease) during the year	¥ 59	¥ 16	\$ 389
Reclassification adjustments	-	-	-
Subtotal, before tax	59	16	389
Tax (expense) or benefit	-	-	-
Subtotal, net of tax	¥ 59	¥ 16	\$ 389
Remeasurements of defined benefit plans			
Increase (decrease) during the year	¥ 73	¥ 9	\$ 483
Reclassification adjustments	68	109	449
Subtotal, before tax	141	118	932
Tax (expense) or benefit	(43)	(36)	(285)
Subtotal, net of tax	¥ 98	¥ 82	\$ 647
Total other comprehensive income	¥ 4,739	¥ 1,307	\$ 31,301

19. Segment information

(Supplemental information – Accounting Standard for Disclosures about Segments of an Enterprise and Related Information)

(1) General information about reportable segments

In the Group, businesses for which separate financial information is available are grouped into the following four reportable segments in accordance with the similarity of products and services of the respective business. The results of each reportable segment are reviewed periodically by the Board of Directors to assess the segments' business performance.

Domestic Environment and Energy Business

General waste treatment plants, industrial waste treatment plants, waste recycling plants, wastewater treatment plants, sludge combustion plants and biomass power plants

Overseas Environment and Energy Business

Waste combusting power plants and biomass power plants

Package Boiler Business

Compact through-flow boilers and vacuum water heating systems

Equipment and System Business

Construction equipment, equipment for the semiconductor industry and cleaning systems

(2) Basis of measurement about reportable segment profit or loss and other material items

Accounting methods used for reportable segments are the same as those explained in Note 2, "Summary of significant accounting policies."

Profits of reportable units are operating profit. Internal revenue and transfers between reportable segments are recorded using prevailing market prices.

(3) Information about reportable segment profit or loss and other material items

Reportable segment information for the years ended March 31, 2024 and 2023 was as follows:

Year ended March 31, 2024	Millions of yen					Adjustment	Consolidated
	Domestic Environment and Energy Business	Overseas Environment and Energy Business	Package Boiler Business	Equipment and System Business	Total		
Sales:							
Outside customers	¥ 118,887	¥ 2,405	¥ 18,441	¥ 9,434	¥ 149,167	¥ –	¥ 149,167
Intersegment	304	36	51	3	394	(394)	–
Total	119,191	2,441	18,492	9,437	149,561	(394)	149,167
Reportable segment income (loss)	¥ 11,229	¥ 185	¥ 1,177	¥ 341	¥ 12,932	¥ (2,703)	¥ 10,229
Others:							
Depreciation	¥ 1,614	¥ 3	¥ 147	¥ 30	¥ 1,794	¥ 3	¥ 1,797

Year ended March 31, 2023	Millions of yen					Adjustment	Consolidated
	Domestic Environment and Energy Business	Overseas Environment and Energy Business	Package Boiler Business	Equipment and System Business	Total		
Sales:							
Outside customers	¥ 115,694	¥ 1,327	¥ 17,286	¥ 8,345	¥ 142,652	¥ –	¥ 142,652
Intersegment	292	25	27	15	359	(359)	–
Total	115,986	1,352	17,313	8,360	143,011	(359)	142,652
Reportable segment income (loss)	¥ 14,875	¥ (173)	¥ 915	¥ 826	¥ 16,443	¥ (2,629)	¥ 13,814
Others:							
Depreciation	¥ 948	¥ 3	¥ 150	¥ 32	¥ 1,133	¥ 3	¥ 1,136

Year ended March 31, 2024	Thousands of U.S. dollars					Adjustment	Consolidated
	Domestic Environment and Energy Business	Overseas Environment and Energy Business	Package Boiler Business	Equipment and System Business	Total		
Sales:							
Outside customers	\$ 785,197	\$ 15,887	\$ 121,793	\$ 62,309	\$ 985,186	\$ –	\$ 985,186
Intersegment	2,007	232	340	20	2,599	(2,599)	–
Total	787,204	16,119	122,133	62,329	987,785	(2,599)	985,186
Reportable segment income (loss)	\$ 74,163	\$ 1,220	\$ 7,775	\$ 2,255	\$ 85,413	\$ (17,853)	\$ 67,560
Others:							
Depreciation	\$ 10,658	\$ 19	\$ 973	\$ 199	\$ 11,849	\$ 23	\$ 11,872

Adjustments in reportable segment income (loss) include eliminations of transactions between segments and corporate expenses not allocated to reportable segment expenses, including selling, general and administrative expenses not attributable to reportable segments.

Total reportable segment income is adjusted with operating profit reported on the Consolidated Statements of Operations.

Disclosure of information related to segment assets is omitted since assets are not allocated to business segments.

(Related information)

Reportable segment information for the years ended March 31, 2024 and 2023 was as follows:

(1) Information about products and services

Disclosure of this information is omitted since similar information is disclosed in Note 19, "Segment information."

(2) Information about geographic areas

Revenues

Since over 90% of net sales reported on the Consolidated Statements of Operations were sales to outside customers within Japan, disclosure of this information is omitted.

Tangible fixed assets

Since 90% of tangible non-current assets reported on the consolidated balance sheet (in terms of values) were located within Japan, disclosure of this information is omitted.

(3) Information about major customers

Since no outside customer accounted for 10% or more of net sales reported on the income statement, disclosure of this information is omitted.

(Information related to non-current asset impairment loss by reportable segment)

Not applicable

(Information related to amortization and unamortized balance of goodwill)

The note is omitted because it is not important.

(Information related to gain on negative goodwill by reportable segment)

Not applicable

20. Significant subsequent event

Takuma Co., Ltd. announced that a resolution was passed at the meeting of the Board of Directors held on May 14, 2024 on matters related to a share purchase based on the provisions of Article 156 of the Companies Act of Japan as applied pursuant to the provisions of Article 165-3 of the act, and also resolved to cancel treasury shares pursuant to Article 178 of the Companies Act.

1. Reasons for the purchase and cancellation of treasury shares

The purchase and cancellation of treasury shares will be conducted to improve capital efficiency and shareholder return.

2. Details of the purchase

(1) Type of shares to be purchased: Common stock

(2) Total number of shares to be purchased: 3,000,000 (maximum)

(Ratio to total outstanding shares [excluding treasury shares]: 3.75%)

(3) Total amount to be paid for purchase: ¥4,000,000,000 (maximum)

(4) Period of purchase: From May 15, 2024 to January 15, 2025

(5) Method of purchase: Market purchase

3. Details of the cancellation

(1) Type of shares to be cancelled: Common stock

(2) Total number of shares to be cancelled: All of the treasury shares purchased as stated in 2. above

(3) Scheduled date of cancellation: February 28, 2025