TAKUMA CO., LTD. and Subsidiaries

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

KPMG AZSA LLC
June 2025

TAKUMA CO., LTD. and Consolidated Subsidiaries

FINANCIAL HIGHLIGHTS
(Years Ended March 31, 2025 and 2024)

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
For the year:			
Net sales	¥ 151,162	¥ 149,167	$ 1,010,979
Operating profit	13,532	10,229	90,506
Ordinary income	14,096	11,167	94,275
Profit before income taxes	14,932	12,427	99,866
Profit attributable to owners of parent	10,392	8,754	69,499
As of year-end:			
Total assets	190,919	191,180	1,276,881
Total net assets	109,564	111,000	732,770
Per share data:	Yen		U.S. dollars
Profit	¥ 132.24	¥ 109.43	$ 0.88
Diluted profit	−	−	−
Net assets	1,423.03	1,378.90	9.52
Cash dividends applicable for the year	67.00	48.00	0.45

Note: 1. U.S. dollar amounts are shown solely for the convenience of readers and are translated at the rate of ¥149.52 to U.S.$1.00, the exchange rate prevailing as at March 31, 2025.

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, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2025	2024	2025
Current assets:			
Cash and deposits (Notes 5 and 9)	¥ 39,431	¥ 45,338	$ 263,720
Notes and accounts receivable			
Notes receivable - trade	3,685	3,406	24,645
Accounts receivable - trade	38,640	28,942	258,426
Contract assets	39,599	46,248	264,842
Unconsolidated subsidiaries and affiliated companies receivable	384	423	2,570
Other	251	929	1,679
Allowance for doubtful accounts	(16)	(15)	(108)
Total	82,543	79,933	552,054
Inventories (Note 6)	11,935	9,741	79,820
Other	2,401	4,465	16,054
Total current assets	136,310	139,477	911,648
Property, plant and equipment:			
Land	2,582	2,611	17,267
Buildings and structures	21,382	21,260	143,003
Machinery, equipment, lease assets and construction in progress	14,479	13,805	96,839
	38,443	37,676	257,109
Less accumulated depreciation	(19,680)	(18,096)	(131,618)
Total property, plant and equipment	18,763	19,580	125,491
Investments and other assets:			
Investment securities (Notes 9 and 10)	19,342	22,432	129,362
Investments in:			
Unconsolidated subsidiaries and affiliated companies	4,160	2,354	27,825
Other	9,034	3,579	60,423
Allowance for doubtful accounts	(135)	(135)	(906)
Total	13,059	5,798	87,342
Deferred tax assets (Note 17)	2,465	2,967	16,489
Net defined benefit asset (Note 13)	20	25	136
Other	960	901	6,413
Total investments and other assets	35,846	32,123	239,742
Total assets	¥ 190,919	¥ 191,180	$ 1,276,881

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2025	Millions of yen 2024	Thousands of U.S. dollars (Note 1) 2025
Current liabilities:			
Short-term loans payable (Notes 9 and 12)	¥ 12,086	¥ 753	$ 80,833
Notes and accounts payable (Note 9):			
Trade	33,208	43,076	222,100
Unconsolidated subsidiaries and affiliated companies	242	348	1,619
Other	2,097	1,745	14,024
Total	35,547	45,169	237,743
Income taxes payable	1,582	2,301	10,575
Contract liabilities	9,164	10,804	61,292
Provision for product warranties	175	184	1,170
Provision for loss on construction contracts	827	1,353	5,533
Other	10,134	7,638	67,779
Total current liabilities	69,515	68,202	464,925
Non-current liabilities:			
Provision for retirement benefits for directors (and other officers)	249	264	1,662
Retirement benefit liability (Note 13)	11,196	11,179	74,882
Other	395	535	2,642
Total non-current liabilities	11,840	11,978	79,186
Total liabilities	81,355	80,180	544,111
Net assets (Note 14):			
Share capital	13,367	13,367	89,402
Authorized: 321,840,000 shares			
Issued: 83,000,000 shares			
Capital surplus	3,708	3,886	24,802
Retained earnings	89,846	86,961	600,898
Treasury shares	(6,352)	(3,827)	(42,488)
4,125,962 shares in 2025 and 2,978,525 shares in 2024			
Total shareholders' equity	100,569	100,387	672,614
Valuation difference on available-for-sale securities	7,905	9,837	52,868
Deferred gains or losses on hedges	40	20	269
Foreign currency translation adjustment	97	137	646
Remeasurements of defined benefit plans	124	(40)	827
Total accumulated other comprehensive income	8,166	9,954	54,610
Non-controlling interests	829	659	5,546
Total net assets	109,564	111,000	732,770
Liabilities and net assets	¥ 190,919	¥ 191,180	$ 1,276,881

See accompanying notes.

Consolidated Statements of Operations

TAKUMA CO., LTD. and Consolidated Subsidiaries
For the years ended March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Net sales (Note 20)	¥ 151,162	¥ 149,167	$ 1,010,979
Cost of sales (Notes 13, 15, 16 and 20)	117,469	119,628	785,636
Gross profit	33,693	29,539	225,343
Selling, general and administrative expenses (Notes 13, 16 and 20)	20,161	19,310	134,837
Operating profit (Note 20)	13,532	10,229	90,506
Other income (expenses):			
Interest and dividend income	757	655	5,064
Interest expenses	(11)	(3)	(77)
Foreign currency exchange loss	(305)	–	(2,043)
Gain on sales of investment securities (Note 10)	836	1,849	5,592
Commitment fees	(45)	(29)	(300)
Loss on investments in investment partnerships	–	(15)	–
Loss on disposal of non-current assets	–	(13)	–
Share of profit of entities accounted for using equity method	81	181	543
New factory construction expenses	–	(524)	–
Disaster recovery cost	–	(64)	–
Other, net	87	161	581
Other income (expenses), net	1,400	2,198	9,360
Profit before income taxes	14,932	12,427	99,866
Income taxes (Note 17):			
Current	3,371	4,277	22,541
Deferred	967	(723)	6,469
Total income taxes	4,338	3,554	29,010
Profit	10,594	8,873	70,856
Profit attributable to non-controlling interests in consolidated subsidiaries	202	119	1,357
Profit attributable to owners of parent	¥ 10,392	¥ 8,754	$ 69,499

	Yen	Yen	U.S. dollars (Note 1)
Per share:			
Profit	¥ 132.24	¥ 109.43	$ 0.88
Diluted profit	–	–	–
Cash dividends applicable for the year	67.00	48.00	0.45

See accompanying notes.

Consolidated Statements of Comprehensive Income

TAKUMA CO., LTD. and Consolidated Subsidiaries
For the years ended March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Profit	¥ 10,594	¥ 8,873	$ 70,856
Other comprehensive income:			
Valuation difference on available-for-sale securities	(1,933)	4,611	(12,929)
Deferred gains or losses on hedges	20	(29)	131
Foreign currency translation adjustment	(60)	59	(399)
Remeasurements of defined benefit plans	164	98	1,097
Total other comprehensive income	(1,809)	4,739	(12,100)
Comprehensive income (Note 19)	¥ 8,785	¥ 13,612	$ 58,756
Comprehensive income attributed to:			
Owners of the parent	¥ 8,603	¥ 13,478	$ 57,537
Non-controlling interests	182	134	1,219

See accompanying notes.

Consolidated Statements of Changes in Net Assets

TAKUMA CO., LTD. and Consolidated Subsidiaries
For the years ended March 31, 2025 and 2024

	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	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
For the year ended March 31, 2025												
Balance at the beginning of the current period	¥ 13,367	¥ 3,886	¥ 86,961	¥ (3,827)	¥ 100,387	¥ 9,837	¥ 20	¥ 137	¥ (40)	¥ 9,954	¥ 659	¥ 111,000
Cash dividends (¥67.00 per share)	–	–	(4,125)	–	(4,125)	–	–	–	–	–	–	(4,125)
Profit attributable to owners of parent	–	–	10,392	–	10,392	–	–	–	–	–	–	10,392
Purchase of treasury shares	–	–	–	(6,211)	(6,211)	–	–	–	–	–	–	(6,211)
Disposal of treasury shares	–	23	–	103	126	–	–	–	–	–	–	126
Retirement of treasury stock	–	(201)	(3,382)	3,583	–	–	–	–	–	–	–	–
Other changes during the year, net	–	–	–	–	–	(1,932)	20	(40)	164	(1,788)	170	(1,618)
Balance at the end of the current period	¥ 13,367	¥ 3,708	¥ 89,846	¥ (6,352)	¥ 100,569	¥ 7,905	¥ 40	¥ 97	¥ 124	¥ 8,166	¥ 829	¥ 109,564
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
Retirement of treasury stock	–	–	–	–	–	–	–	–	–	–	–	–
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
	Thousands of U.S. dollars (Note 1)											
For the year ended March 31, 2025												
Balance at the beginning of the current period	$ 89,402	$ 25,994	$ 581,600	$ (25,598)	$ 671,398	$ 65,794	$ 136	$ 912	$ (270)	$ 66,572	$ 4,406	$ 742,376
Cash dividends ($0.45 per share)	–	–	(27,583)	–	(27,583)	–	–	–	–	–	–	(27,583)
Profit attributable to owners of parent	–	–	69,499	–	69,499	–	–	–	–	–	–	69,499
Purchase of treasury shares	–	–	–	(41,540)	(41,540)	–	–	–	–	–	–	(41,540)
Disposal of treasury shares	–	151	–	689	840	–	–	–	–	–	–	840
Retirement of treasury stock	–	(1,343)	(22,618)	23,961	–	–	–	–	–	–	–	–
Other changes during the year, net	–	–	–	–	–	(12,926)	133	(266)	1,097	(11,962)	1,140	(10,822)
Balance at the end of the current period	$ 89,402	$ 24,802	$ 600,898	$ (42,488)	$ 672,614	$ 52,868	$ 269	$ 646	$ 827	$ 54,610	$ 5,546	$ 732,770

See accompanying notes.

Consolidated Statements of Cash Flows

TAKUMA CO., LTD. and Consolidated Subsidiaries
For the years ended March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Cash flows from operating activities:			
Profit before income taxes	¥ 14,932	¥ 12,427	$ 99,866
Adjustments to reconcile profit before income taxes to net cash provided by (used in) operating activities:			
Depreciation	1,935	1,797	12,939
Loss (gain) on sale of investment securities	(836)	(1,849)	(5,592)
Loss (gain) on disposal of non-current assets	34	13	229
Increase (decrease) in provision for bonuses	(140)	582	(933)
Increase (decrease) in provision for loss on construction contracts	(525)	728	(3,517)
Increase (decrease) in retirement benefit liability	262	340	1,756
Interest and dividend income	(757)	(655)	(5,064)
Interest expenses	11	3	77
Share of loss (profit) of entities accounted for using equity method	(81)	(181)	(543)
Decrease (increase) in trade receivables	(5,016)	(18,419)	(33,546)
Decrease (increase) in inventories	(2,190)	(3,729)	(14,650)
Decrease (increase) in other current assets	2,213	(2,892)	14,801
Increase (decrease) in trade payables	(8,444)	4,521	(56,475)
Increase (decrease) in other current liabilities	2,880	(1,261)	19,262
Other	(5,213)	1,049	(34,865)
Subtotal	(935)	(7,526)	(6,255)
Interest and dividends received	808	705	5,405
Interest paid	(11)	(3)	(74)
Income taxes refund (paid)	(3,928)	(5,399)	(26,270)
Net cash provided by (used in) operating activities	(4,066)	(12,223)	(27,194)
Cash flows from investing activities:			
Net decrease (increase) in time deposits	4,022	(4,042)	26,901
Purchase of property, plant and equipment	(2,307)	(5,011)	(15,430)
Sale of property, plant and equipment	113	1	754
Purchase of intangible assets	(268)	(500)	(1,796)
Purchase of investment securities	(731)	(593)	(4,887)
Proceeds from sale of investment securities	1,957	2,358	13,090
Loan advances	(1,211)	–	(8,102)
Collection of loans receivable	30	30	204
Other	(348)	(682)	(2,326)
Net cash provided by (used in) investing activities	1,257	(8,439)	8,408
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	11,333	533	75,795
Purchase of treasury shares	(6,235)	0	(41,705)
Dividends paid	(4,125)	(3,839)	(27,583)
Dividends paid to non-controlling interests	(44)	(78)	(297)
Other	10	4	67
Net cash provided by (used in) financing activities	939	(3,380)	6,277
Effect of exchange rate change on cash and cash equivalents	5	68	37
Net increase (decrease) in cash and cash equivalents	(1,865)	(23,974)	(12,472)
Cash and cash equivalents at the beginning of period	39,938	63,912	267,110
Cash and cash equivalents at the end of period (Note 5)	¥ 38,073	¥ 39,938	$ 254,638

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, 2025, which was ¥149.52 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 42 significant subsidiaries (the "Companies").
GyodaHanyu High Trust Co., Ltd. which was newly established subsidiary, has also been included in the consolidation from the consolidated fiscal year ended March 31, 2025. 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 2025 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 ¥ 36,535 million ($ 244,351 thousand) for the year ended March 31, 2025 and amounted to ¥ 45,183 million for the year ended March 31, 2024.
Provision for loss on construction contracts amounted to ¥ 827 million ($ 5,532 thousand) for the year ended March 31, 2025 and amounted to ¥ 1,353 million for the year ended March 31, 2024.

(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 ¥ 2,465 million ($ 16,489 thousand) for the year ended March 31, 2025 and ¥ 2,967 million for the year ended March 31, 2024.

(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. Accounting standards issued but not yet adopted

・Accounting Standard for Leasing (ASBJ Statement No. 34, September 13, 2024)
・Guidance on the Application of Accounting Standard for Leasing (ASBJ Statement No. 33, September 13, 2024)
and related revisions to the ASBJ Statement, the ASBJ Guidance, the Practical Response Report, and the Transfer Guidance

(1) Overview
In the same way as international financial reporting standards, this document sets forth the treatment of all leases of lessees, including the recording of assets and liabilities.

(2) Effective date
Effective from the beginning of the fiscal year ending March 31, 2028.

(3) Effects of application of the standard and guidance
The Company and its consolidated domestic subsidiaries are currently in the process of assessing the effects of the standard and guidance on the consolidated financial statements.

5. Cash and cash equivalents

Amounts of cash and cash equivalents as of March 31, 2025 and 2024 were reconciled with cash and deposits as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Cash and deposits	¥ 39,431	¥ 45,338	$ 263,720
Time deposits with maturities exceeding three months from the date of acquisition	(1,358)	(5,400)	(9,082)
Total cash and cash equivalents	¥ 38,073	¥ 39,938	$ 254,638

6. Inventories

Inventories were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Merchandise and finished goods	¥ 1,160	¥ 1,004	$ 7,760
Work-in-process	8,440	6,296	56,444
Materials and supplies	2,335	2,441	15,616
Total inventories	¥ 11,935	¥ 9,741	$ 79,820

7. 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, 2025 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
	2025	2024	2025
Notes receivable	¥ −	¥ 253	$ −
Notes and accounts payable	−	3,370	−

8. 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 correspondoing to provision for loss on construction contracts is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Work-in-process	¥ 418	¥ 475	$ 2,794

9. 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, 2025 and 2024, 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
	2025	2024	2025
Amounts recognized on the consolidated balance sheets	¥ 18,954	¥ 22,160	$ 126,763
Fair value	18,954	22,160	126,763
Difference	¥ −	¥ −	$ −

Equity securities without market price are not included in (Investment securities).
(Non-listed equity securities)

	Millions of yen		Thousands of U.S. dollars
Amounts recognized on the consolidated balance sheets	2025	2024	2025
Equity securities	¥ 2,924	¥ 2,299	$ 19,559
Investments in investment partnerships	224	108	1,501

(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
	2025	2024	2025
Amounts recognized on the consolidated balance sheets	¥ 58	¥ 29	$ 390
Fair value	58	29	390
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, 2025

	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	¥ 39,431	¥ –	¥ –	¥ –	¥ –	¥ –
Notes receivable	3,685	–	–	–	–	–
Accounts receivable	39,010	–	–	–	–	–
Investment securities	–	–	–	–	–	800
Total	¥ 82,126	¥ –	¥ –	¥ –	¥ –	¥ 800
Short-term loans payable	¥ 12,086	¥ –	¥ –	¥ –	¥ –	¥ –
Total	¥ 12,086	¥ –	¥ –	¥ –	¥ –	¥ –

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, 2025

	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	$ 263,720	$ –	$ –	$ –	$ –	$ –
Notes receivable	24,645	–	–	–	–	–
Accounts receivable	260,901	–	–	–	–	–
Investment securities	–	–	–	–	–	5,350
Total	$ 549,266	$ –	$ –	$	$ –	$ 5,350
Short-term loans payable	$ 80,833	$ –	$ –	$ –	$ –	$ –
Total	$ 80,833	$ –	$ –	$ –	$ –	$ –

(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 classifiy 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, 2025

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other investments in securities				
Equity securities	¥ 18,565	¥ –	¥ –	¥ 18,565
Corporate bonds	–	389	–	389
Derivative transactions				
Currency related	–	58	–	58
Total assets	¥ 18,565	¥ 447	¥ –	¥ 19,012

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, 2025

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other investments in securities				
Equity securities	$ 124,163	$ –	$ –	$ 124,163
Corporate bonds	–	2,601	–	2,601
Derivative transactions				
Currency related	–	390	–	390
Total assets	$ 124,163	$ 2,991	$ –	$ 127,154

(b) Financial instruments other than those measured at fair values in the consolidated balance sheet
Not appliciable
(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.

10. Securities

(1) Acquisition costs and book values of available-for-sale securities with available fair values as of March 31, 2025 and 2024 were as follows:

	Millions of yen		
As of March 31, 2025	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 6,746	¥ 18,327	¥ 11,581
Subtotal	6,746	18,327	11,581
Securities with book values not exceeding acquisition costs:			
Equity securities	246	238	(8)
Debt securities	423	389	(34)
Subtotal	669	627	(42)
Total	¥ 7,415	¥ 18,954	¥ 11,539

	Millions of yen		
As of March 31, 2024	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

	Thousands of U.S. dollars		
As of March 31, 2025	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	$ 45,116	$ 122,571	$ 77,455
Subtotal	45,116	122,571	77,455
Securities with book values not exceeding acquisition costs:			
Equity securities	1,648	1,591	(57)
Debt securities	2,826	2,601	(225)
Subtotal	4,474	4,192	(282)
Total	$ 49,590	$ 126,763	$ 77,173

(2) Available-for-sale securities sold for the years ended March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Total sales amount	¥ 1,020	¥ 2,884	$ 6,819
Gains	836	1,849	5,592

11. 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, 2025 and 2024:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Cash and deposits	¥ 253	¥ 209	$ 1,691
Accounts receivable - trade	1,998	838	13,362
Time deposits as construction contract guarantees	108	80	727
Total	¥ 2,359	¥ 1,127	$ 15,780

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

Short-term loans payable as of March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Secured	¥ 886	¥ 533	$ 5,927
Unsecured	11,200	220	74,906
	¥ 12,086	¥ 753	$ 80,833

The annual average interest rates applicable for bank loans as at March 31, 2025 and 2024 were as follows:

	2025	2024
Short-term loans payable	0.9%	0.9%
Current portion of long-term borrowings	–	–

13. 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, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Balance as at April 1, 2025 and 2024	¥ 10,361	¥ 10,197	$ 69,293
Service cost	659	664	4,407
Interest cost	57	56	378
Actuarial loss (gain)	(183)	(73)	(1,220)
Benefits paid	(568)	(483)	(3,800)
Balance as at March 31, 2025 and 2024	¥ 10,326	¥ 10,361	$ 69,058

Movement in retirement benefit liability of plans applying the simplified method for the years ended March 31, 2025 and 2024 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Balance as at April 1, 2025 and 2024	¥ 793	¥ 746	$ 5,304
Retirement benefit costs	128	124	853
Contributions paid by the employer	(29)	(25)	(193)
Benefits paid	(35)	(51)	(236)
Other	(6)	(1)	(40)
Balance as at March 31, 2025 and 2024	¥ 851	¥ 793	$ 5,688

Reconciliation from retirement benefit obligations and plan assets to retirement benefit liability as of March 31, 2025 and 2024 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Funded retirement benefit obligations	¥ 654	¥ 632	$ 4,376
Plan assets	(430)	(421)	(2,877)
	224	211	1,499
Unfunded retirement benefit obligations	10,952	10,943	73,247
Total retirement benefit liability (asset) as at March 31, 2025 and 2024	11,176	11,154	74,746
Retirement benefit liability	11,196	11,179	74,882
Net defined benefit asset	(20)	(25)	(136)
Total retirement benefit liability (asset) as at March 31, 2025 and 2024	¥ 11,176	¥ 11,154	$ 74,746

(Note)Including plans applying the simplified method

Retirement benefit costs for the years ended March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Service cost	¥ 659	¥ 664	$ 4,407
Interest cost	57	56	378
Amortization of actuarial differences	55	68	377
Retirement benefit costs based on the simplified method	128	124	853
Total retirement benefit costs for the fiscal years ended March 31, 2025 and 2024	¥ 899	¥ 912	$ 6,015

Remeasurements of defined benefit plans for the years ended March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Actuarial gains and losses	¥ 239	¥ 141	$ 1,597
Total remeasurements of defined benefit plans for the fiscal years ended March 31, 2025 and 2024	¥ 239	¥ 141	$ 1,597

Accumulated remeasurements of defined benefit plans as of March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Actuarial gains and losses yet to be recognized	¥ 181	¥ (58)	$ 1,209
Total balance as at March 31, 2025 and 2024	¥ 181	¥ (58)	$ 1,209

The principal actuarial assumptions as at March 31, 2025 and 2024 were as follows:

	2025	2024
Discount rate	principally 0.64%	principally 0.64%
Expected rate of salary increase	principally 4.9%	principally 5.5%

(3) Defined contribution plan

The amount of contribution required for the defined contribution plans of the Companies for the years ended March 31, 2025 and 2024 was ¥168 million ($1,120 thousand) and ¥151 million, respectively.

14. 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.

15. Provision for losses on construction contracts

Provision for losses on construction contracts included in cost of sales for the years ended March 31, 2025 and 2024 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
	¥ 54	¥ 869	$ 360

16. 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, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollar
	2025	2024	2025
	¥ 1,782	¥ 1,630	$ 11,920

17. Income taxes

Components of the Companies' deferred tax assets and liabilities as of March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollar
	2025	2024	2025
Deferred tax assets:			
Retirement benefit liability	¥ 3,597	¥ 3,444	$ 24,060
Accrued cost of sales	2,891	2,028	19,338
Provision for bonuses	1,305	1,348	8,725
Unrealized income on non-current assets	676	677	4,523
Loss on valuation of inventories	299	274	2,000
Contract assets	82	533	546
Provision for loss on construction contracts	273	423	1,823
Other	2,108	1,814	14,099
Deferred tax assets - subtotal	11,231	10,541	75,114
Valuation reserves	(3,279)	(3,032)	(21,929)
Total deferred tax assets	¥ 7,952	¥ 7,509	$ 53,185
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	¥ (3,632)	¥ (4,299)	$ (24,294)
Inventories	(1,365)	-	(9,128)
Other	(490)	(376)	(3,274)
Total deferred tax liabilities	(5,487)	(4,675)	(36,696)
Net deferred tax assets	¥ 2,465	¥ 2,834	$ 16,489

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.

	2025	2024
Statutory tax rate	30.6%	30.6%
Nondeductible expenses	0.9	1.1
Dividend income	(0.4)	(0.4)
Share of profit of entities accounted for using equity method	(0.2)	(0.4)
Council tax on per capita basis	0.5	0.6
Tax credits	(3.2)	(3.4)
Valuation allowance	1.0	0.3
Other	(0.3)	0.2
The Companies' effective tax rate	29.0%	28.6%

Revision of Deferred Tax Assets and Deferred Tax Liabilities Due to Change in Corporate Tax Rates

The "Act for Partial Revision of the Income Tax Act, etc." (Act No. 13 of 2025) was enacted on March 31, 2025. As a result, the "Special Defense Corporation Tax" will be imposed from fiscal years beginning on or after April 1, 2026. In accordance with this change, for deferred tax assets and deferred tax liabilities relating to temporary differences and so on that are expected to be reversed in fiscal years beginning on or after April 1, 2026, the statutory effective tax rate applied to the calculation has been changed from 30.6% to 31.5%.
The effect of this change in tax rate is immaterial.

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).

18. Revenue

Disaggregated revenue by business unit was as follows:

As of March 31, 2025 — 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	74,714	24,026	14,511	113,251	5,542	19,814	12,555	151,162

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, 2025 — 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	499,691	160,685	97,055	757,431	37,064	132,516	83,968	1,010,979

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 2025	Millions of yen 2024	Thousands of U.S. dollar 2025
Receivables arising from contracts with customers (balance at the beginning of the period)	¥ 32,732	¥ 36,480	$ 218,913
Receivables arising from contracts with customers (balance at the end of the period)	42,695	32,732	285,546
Contract assets (balance at the beginning of the period)	46,248	24,371	309,309
Contract assets (balance at the end of the period)	39,599	46,248	264,842
Contract liabilities (balance at the beginning of the period)	10,804	11,059	72,255
Contract liabilities (balance at the end of the period)	9,164	10,804	61,292

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 31,2025 and 2024 was ¥6,477 million ($43,320 thousand) and ¥8,766 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 ¥561,165 million ($3,753,113 thousand) and ¥460,023 million for the years ended March 31,2025 and 2024, 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.

19. 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. dollar
	2025	2024	2025
Valuation difference on available-for-sale securities			
Increase (decrease) during the year	¥ (1,783)	¥ 8,466	$ (11,924)
Reclassification adjustments	(836)	(1,849)	(5,592)
Subtotal, before tax	(2,619)	6,617	(17,516)
Tax (expense) or benefit	686	(2,006)	4,587
Subtotal, net of tax	¥ (1,933)	¥ 4,611	$ (12,929)
Deferred gains or losses on hedges			
Increase (decrease) during the year	¥ 29	¥ (41)	$ 194
Reclassification adjustments	−	−	−
Subtotal, before tax	29	(41)	194
Tax (expense) or benefit	(9)	12	(63)
Subtotal, net of tax	¥ 20	¥ (29)	$ 131
Foreign currency translation adjustment			
Increase (decrease) during the year	¥ (60)	¥ 59	$ (399)
Reclassification adjustments	−	−	−
Subtotal, before tax	(60)	59	(399)
Tax (expense) or benefit	−	−	−
Subtotal, net of tax	¥ (60)	¥ 59	$ (399)
Remeasurements of defined benefit plans			
Increase (decrease) during the year	¥ 183	¥ 73	$ 1,221
Reclassification adjustments	56	68	376
Subtotal, before tax	239	141	1,597
Tax (expense) or benefit	(75)	(43)	(500)
Subtotal, net of tax	¥ 164	¥ 98	$ 1,097
Total other comprehensive income	¥ (1,809)	¥ 4,739	$ (12,100)

20. 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, 2025 and 2024 was as follows:

	Millions of yen						
Year ended March 31, 2025	Domestic Environment and Energy Business	Overseas Environment and Energy Business	Package Boiler Business	Equipment and System Business	Total	Adjustment	Consolidated
Sales:							
Outside customers	¥ 113,251	¥ 5,542	¥ 19,814	¥ 12,555	¥ 151,162	¥ –	¥ 151,162
Intersegment	399	4	32	3	438	(438)	–
Total	113,650	5,546	19,846	12,558	151,600	(438)	151,162
Reportable segment income (loss)	¥ 13,081	¥ 1,070	¥ 1,394	¥ 890	¥ 16,435	¥ (2,903)	¥ 13,532
Others:							
Depreciation	¥ 1,765	¥ 2	¥ 139	¥ 25	¥ 1,931	¥ 4	¥ 1,935

	Millions of yen						
Year ended March 31, 2024	Domestic Environment and Energy Business	Overseas Environment and Energy Business	Package Boiler Business	Equipment and System Business	Total	Adjustment	Consolidated
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

	Thousands of U.S. dollars						
Year ended March 31, 2025	Domestic Environment and Energy Business	Overseas Environment and Energy Business	Package Boiler Business	Equipment and System Business	Total	Adjustment	Consolidated
Sales:							
Outside customers	$ 757,431	$ 37,064	$ 132,516	$ 83,968	$1,010,979	$ –	$1,010,979
Intersegment	2,671	28	214	17	2,930	(2,930)	–
Total	760,102	37,092	132,730	83,985	1,013,909	(2,930)	1,010,979
Reportable segment income (loss)	$ 87,488	$ 7,154	$ 9,325	$ 5,955	$ 109,922	$ (19,416)	$ 90,506
Others:							
Depreciation	$ 11,804	$ 15	$ 928	$ 166	$ 12,913	$ 26	$ 12,939

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, 2025 and 2024 was as follows:
(1) Information about products and services
Disclosure of this information is omitted since similar information is disclosed in Note 20, “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

21. Significant subsequent event

Takuma Co., Ltd. resolved at the Board of Directors meeting held on October 28, 2024 to acquire all shares of IHI Packaged Boiler Co., Ltd., a subsidiary of IHI Corporation. On the same date, a share transfer agreement was executed, and all shares were acquired on April 1, 2025.

1. Name and Business Description of the Acquired Company
Name : IHI Packaged Boiler Co., Ltd.
Principal Business : Design, manufacturing, sales, installation, construction supervision, technical support, equipment diagnostics, operation, maintenance services, and supply of parts and water treatment chemicals for small to medium-sized boilers, heat management equipment, energy-saving equipment, pollution prevention equipment, and ancillary facilities

2. Reason for Share Acquisition
To strengthen competitiveness in Package Boiler Business

3. Timing of Share Acquisition
April 1, 2025

4. Percentage of Voting Rights Acquired
100%

5. Acquisition Cost of the Acquired Company and Breakdown by Type of Consideration
Consideration for acquisition : Cash ¥ 1,417 million($ 9,477 thousand)

KPMG

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, 2025 and 2024, 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, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Reasonableness of the 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	The primary procedures we performed to assess the reasonableness of the estimate of total construction costs of construction contracts for which performance

construction 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, 2025 amounted to ¥36,535million, which accounted for 24% 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

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.

construction contracts for which performance obligations are satisfied over a certain period of time was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	

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.
- 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 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 68 million yen and 3 million yen, respectively.

Convenience Translation

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

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

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

三宅 潔

Kiyoshi Miyake

Designated Engagement Partner

Certified Public Accountant

雨河竜夫

Tatsuo Amekawa

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

June 25, 2025