

Consolidated Financial Statements

Year ended March 31, 2025

 **INFRONEER Holdings Inc.**

Financial Information

1. Basis for preparation of consolidated and non-consolidated financial statements

- (1) The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS Standards), pursuant to the provisions set forth in Article 312 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976; hereinafter referred to as "Ordinance for Consolidated Financial Statements").
- (2) The Company's non-consolidated financial statements have been prepared in accordance with the "Ordinance on the Terminology, Forms, and Preparation Methods of Financial Statements, etc." (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter referred to as "Ordinance for Non-consolidated Financial Statements"). In addition, the Company falls under the category of a special company submitting financial statements and prepares financial statements in accordance with Article 127 of the Ordinance for Non-consolidated Financial Statements.
- (3) For the purpose of presentation in the consolidated and non-consolidated financial statements, amounts less than one million yen are rounded down to the nearest million yen.

2. Audit certificate

The Company's consolidated and non-consolidated financial statements for the fiscal year from April 1, 2024 to March 31, 2025 have been audited by Ernst & Young ShinNihon LLC in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

3. Special efforts to ensure the appropriateness of consolidated financial statements, etc.

The Company makes special efforts to ensure the appropriateness of its consolidated financial statements and other financial data. Specifically, in order to develop a system to properly understand the details of accounting standards and other pronouncements and changes thereof, the Company has joined the Financial Accounting Standards Foundation (FASF) and participates in seminars and other events hosted by FASF, auditing firms, and other organizations.

4. Development of a system that enables the proper preparation of consolidated financial statements, etc., in accordance with IFRS Standards

In order to prepare proper consolidated financial statements in accordance with IFRS Standards, the Company obtains press releases and standards issued by the International Accounting Standards Board (IASB) as needed to stay informed of the latest standards as well as to analyze the impact of such standards. In addition, we have prepared group accounting policies in compliance with IFRS Standards and account for transactions and events under these policies. Furthermore, we strive to accumulate relevant expertise within the Group by participating in seminars hosted by FASF, auditing firms, and other organizations.

Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(Millions of yen)

	Notes	As of March 31, 2025	As of March 31, 2024
Assets			
Current assets			
Cash and cash equivalents	8, 24	119,502	113,421
Trade and other receivables	9, 24, 30, 39	150,755	145,514
Contract assets	30	230,141	245,485
Inventories	10, 24	12,810	12,575
Other financial assets	11, 24, 39	5,622	4,447
Other current assets	12, 24	32,338	29,592
Subtotal		551,170	551,036
Assets held for sale	21	49,689	—
Total current assets		600,859	551,036
Non-current assets			
Property, plant and equipment	13, 15, 24	222,507	217,564
Right-of-use assets	17	18,985	18,107
Goodwill	14, 15	158,642	159,046
Intangible assets	14, 15, 16, 24	234,338	243,007
Investment property	15, 18	28,898	26,752
Investments accounted for using equity method	20	25,732	22,470
Other financial assets	11, 24, 39	134,375	149,603
Deferred tax assets	22	2,000	955
Other non-current assets	12, 24	24,396	22,013
Total non-current assets		849,878	859,520
Total assets		1,450,738	1,410,557

(Millions of yen)

	Notes	As of March 31, 2025	As of March 31, 2024
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	23, 39	272,222	273,792
Contract liabilities	30	49,113	54,162
Bonds and borrowings	24, 39	60,179	342,063
Lease liabilities	17, 24	8,982	9,328
Income taxes payable		16,598	11,873
Other financial liabilities	25, 39	5,175	5,428
Provisions	26	3,846	5,543
Other current liabilities	12	28,518	27,102
Subtotal		444,637	729,294
Liabilities directly associated with assets held for sale	21	6,259	–
Total current liabilities		450,897	729,294
Non-current liabilities			
Bonds and borrowings	24, 39	335,001	139,482
Lease liabilities	17, 24	14,520	13,408
Other financial liabilities	25, 39	1,799	2,524
Retirement benefit liability	27	15,044	15,599
Provisions	26	37,238	36,355
Deferred tax liabilities	22	53,019	54,344
Other non-current liabilities	12	360	375
Total non-current liabilities		456,986	262,089
Total liabilities		907,883	991,383
Equity			
Share capital	28	20,000	20,000
Capital surplus	28	214,289	111,467
Treasury shares	28	(27,043)	(28,626)
Retained earnings	28	278,544	255,671
Other components of equity		33,348	41,411
Total equity attributable to owners of parent		519,139	399,923
Non-controlling interests		23,715	19,249
Total equity		542,854	419,173
Total liabilities and equity		1,450,738	1,410,557

(2) Consolidated Statement of Profit or Loss

(Millions of yen)			
	Notes	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Net sales	6,30	847,548	793,264
Cost of sales	13, 14, 27, 32, 41	(732,034)	(681,379)
Gross profit		115,514	111,885
Selling, general and administrative expenses	13, 14, 27, 31, 32, 41	(68,330)	(62,097)
Share of profit of investments accounted for using equity method	6, 20	1,355	1,673
Business profit	6	48,539	51,461
Other income	33	1,765	1,710
Other expenses	15, 34	(3,156)	(2,111)
Operating profit	6	47,148	51,060
Finance income	35	10,500	3,045
Finance costs	35	(7,893)	(4,665)
Profit before tax	6	49,756	49,439
Income tax expense	22	(16,912)	(16,444)
Profit		32,843	32,995
Profit attributable to:			
Owners of parent		32,416	32,571
Non-controlling interests		427	424
Profit		32,843	32,995
Earnings per share			
Basic earnings per share (Yen)	37	124.15	130.51
Diluted earnings per share (Yen)	37	111.14	130.17

(3) Consolidated Statement of Comprehensive Income

(Millions of yen)			
	Notes	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Profit		32,843	32,995
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	27, 36	(473)	(427)
Financial assets measured at fair value through other comprehensive income	36, 39	(2,527)	28,421
Share of other comprehensive income of investments accounted for using equity method	20, 36	504	263
Total of items that will not be reclassified to profit or loss		(2,496)	28,257
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	36	33	107
Cash flow hedges	36	2,992	6,838
Share of other comprehensive income of investments accounted for using equity method	20, 36	66	—
Total of items that may be reclassified to profit or loss		3,093	6,945
Total other comprehensive income		597	35,203
Comprehensive income		33,440	68,198
Comprehensive income attributable to:			
Owners of parent		31,234	64,024
Non-controlling interests		2,206	4,174
Comprehensive income		33,440	68,198

(4) Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2025

(Millions of yen)

	Notes	Equity attributable to owners of parent					Other components of equity	
		Share capital	Capital surplus	Treasury shares	Retained earnings		Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income
Balance at April 1, 2024		20,000	111,467	(28,626)	255,671		–	38,365
Profit		–	–	–	32,416		–	–
Other comprehensive income		–	–	–	–		(114)	(2,397)
Comprehensive income		–	–	–	32,416		(114)	(2,397)
Issuance of new shares		48,750	48,133	–	–		–	–
Capital reduction		(48,750)	48,750	–	–		–	–
Issuance of convertible bonds	28	–	2,553	–	–		–	–
Purchase of treasury shares		–	–	(91)	–		–	–
Disposal of treasury shares		–	358	1,674	–		–	–
Dividends	29	–	–	–	(17,008)		–	–
Share-based payment transactions		–	3,019	–	–		–	–
Change in scope of consolidation		–	–	–	–		–	–
Changes in ownership interest in subsidiaries		–	5	–	0		–	–
Change in treasury shares arising from change in equity in entities accounted for using equity method		–	–	(0)	–		–	–
Other		–	0	–	(317)		–	–
Transfer to retained earnings		–	–	–	7,783		114	(7,897)
Total transactions with owners		–	102,821	1,583	(9,543)		114	(7,897)
Balance at March 31, 2025		20,000	214,289	(27,043)	278,544		–	28,070

(Millions of yen)

		Equity attributable to owners of parent					
		Other components of equity					
	Notes	Exchange differences on translation of foreign operations	Cash flow hedges	Total	Total	Non-controlling interests	Total equity
Balance at April 1, 2024		137	2,908	41,411	399,923	19,249	419,173
Profit		–	–	–	32,416	427	32,843
Other comprehensive income		(95)	1,425	(1,181)	(1,181)	1,778	597
Comprehensive income		(95)	1,425	(1,181)	31,234	2,206	33,440
Issuance of new shares		–	–	–	96,883	–	96,883
Capital reduction		–	–	–	–	–	–
Issuance of convertible bonds	28	–	–	–	2,553	–	2,553
Purchase of treasury shares		–	–	–	(91)	–	(91)
Disposal of treasury shares		–	–	–	2,033	–	2,033
Dividends	29	–	–	–	(17,008)	(406)	(17,414)
Share-based payment transactions		–	–	–	3,019	–	3,019
Change in scope of consolidation		–	–	–	–	22	22
Changes in ownership interest in subsidiaries		–	901	901	907	2,641	3,549
Change in treasury shares arising from change in equity in entities accounted for using equity method		–	–	–	(0)	–	(0)
Other		–	–	–	(317)	2	(315)
Transfer to retained earnings		–	–	(7,783)	–	–	–
Total transactions with owners		–	901	(6,881)	87,980	2,259	90,240
Balance at March 31, 2025		42	5,235	33,348	519,139	23,715	542,854

Fiscal year ended March 31, 2024

(Millions of yen)

	Notes	Equity attributable to owners of parent					Other components of equity	
		Share capital	Capital surplus	Treasury shares	Retained earnings	Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income	
Balance at April 1, 2023		20,000	106,542	(18,395)	242,570	–	11,420	
Profit		–	–	–	32,571	–	–	
Other comprehensive income		–	–	–	–	(411)	28,459	
Comprehensive income		–	–	–	32,571	(411)	28,459	
Purchase of treasury shares		–	–	(17,280)	–	–	–	
Disposal of treasury shares		–	1,993	7,049	–	–	–	
Dividends	29	–	–	–	(20,573)	–	–	
Share-based payment transactions		–	2,872	–	–	–	–	
Change in scope of consolidation		–	–	–	–	–	–	
Changes in ownership interest in subsidiaries		–	58	–	–	–	–	
Transfer to retained earnings		–	–	–	1,103	411	(1,514)	
Total transactions with owners		–	4,924	(10,230)	(19,470)	411	(1,514)	
Balance at March 31, 2024		20,000	111,467	(28,626)	255,671	–	38,365	

(Millions of yen)

	Notes	Equity attributable to owners of parent					Other components of equity	
		Exchange differences on translation of foreign operations	Cash flow hedges	Total	Total	Non-controlling interests	Total equity	
Balance at April 1, 2023		54	(413)	11,061	361,778	12,310	374,088	
Profit		–	–	–	32,571	424	32,995	
Other comprehensive income		82	3,322	31,453	31,453	3,749	35,203	
Comprehensive income		82	3,322	31,453	64,024	4,174	68,198	
Purchase of treasury shares		–	–	–	(17,280)	–	(17,280)	
Disposal of treasury shares		–	–	–	9,043	–	9,043	
Dividends	29	–	–	–	(20,573)	(168)	(20,741)	
Share-based payment transactions		–	–	–	2,872	–	2,872	
Change in scope of consolidation		–	–	–	–	2,631	2,631	
Changes in ownership interest in subsidiaries		–	–	–	58	301	360	
Transfer to retained earnings		–	–	(1,103)	–	–	–	
Total transactions with owners		–	–	(1,103)	(25,879)	2,765	(23,113)	
Balance at March 31, 2024		137	2,908	41,411	399,923	19,249	419,173	

(5) Consolidated Statement of Cash Flows

(Millions of yen)

	Notes	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Cash flows from operating activities			
Profit before tax		49,756	49,439
Depreciation and amortization		35,318	33,549
Impairment losses		1,310	372
Finance income and finance costs		5,105	1,788
Share of loss (profit) of investments accounted for using equity method		(1,355)	(1,673)
Loss (gain) on sale of property, plant and equipment		(432)	(991)
Decrease (increase) in inventories		(234)	(1,869)
Decrease (increase) in trade and other receivables		(31,481)	5,508
Decrease (increase) in contract assets		15,343	(58,494)
Increase (decrease) in trade and other payables		6,038	2,456
Increase (decrease) in contract liabilities		(5,048)	21,750
Increase (decrease) in retirement benefit liability		(554)	(439)
Increase (decrease) in provisions		1,303	759
Other		(20,076)	3,142
Subtotal		54,994	55,299
Dividends received		4,313	2,432
Interest received		313	838
Interest paid		(5,579)	(2,815)
Income taxes paid		(14,437)	(16,839)
Net cash provided by (used in) operating activities		39,604	38,916
Cash flows from investing activities			
Purchase of property, plant and equipment, and intangible assets		(37,855)	(42,762)
Proceeds from sale of property, plant and equipment, and intangible assets		1,343	1,187
Purchase of investment property	18	(2,157)	(1,802)
Purchase of rights to operate public facilities		(4,368)	(4,317)
Payments for replacement investment to operate public facilities		(1,586)	(8)
Purchase of investments accounted for using equity method		(2,918)	(2,256)
Purchase of other financial assets		(359)	(22,603)
Proceeds from sale of other financial assets		24,401	3,652
Payments for acquisition of subsidiaries	7	—	(210,320)
Other		(4,000)	(23)
Net cash provided by (used in) investing activities		(27,500)	(279,254)

(Millions of yen)

	Notes	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	38	(283,869)	275,951
Proceeds from long-term borrowings	38	107,133	49,878
Repayments of long-term borrowings	38	(15,726)	(12,101)
Proceeds from non-recourse borrowings	38	10,262	—
Decrease in non-recourse payable	38	(888)	(922)
Proceeds from issuance of bonds	38	47,776	—
Redemption of bonds	38	(5,000)	(10,000)
Proceeds from issuance of convertible bond-type bonds with subscription rights to shares	38	59,834	—
Proceeds from issuance of shares		96,611	—
Capital contribution from non-controlling interests		4,546	—
Payments for acquisition of interests in subsidiaries from non-controlling interests		(990)	(64)
Repayments of lease liabilities	38	(9,123)	(10,679)
Purchase of treasury shares		(0)	(10,003)
Proceeds from sale of treasury shares		2,033	—
Dividends paid	29	(17,008)	(20,573)
Dividends paid to non-controlling interests		(406)	(168)
Other		(66)	—
Net cash provided by (used in) financing activities		(4,882)	261,316
Effect of exchange rate changes on cash and cash equivalents		(45)	503
Net increase (decrease) in cash and cash equivalents		7,175	21,482
Cash and cash equivalents at beginning of period		113,421	91,938
Net increase (decrease) in cash and cash equivalents included in assets held for sale	21	(1,094)	—
Cash and cash equivalents at end of period	8	119,502	113,421

Notes to Consolidated Financial Statements

1. Reporting Entity

INFRONEER Holdings Inc. (the “Company”) is a joint-stock company incorporated under the Companies Act of Japan and located in Japan.

The Company and its subsidiaries (collectively the “Group”) is mainly engaged in the Building Construction, Civil Engineering, Road Civil Engineering, Machinery, and Infrastructure Management businesses, as well as a wide range of other businesses including retail and real estate businesses.

The Company’s consolidated financial statements for the year ended March 31, 2025 were approved by the Board of Directors on June 20, 2025. These English language consolidated financial statements were approved by Kazunari Kibe, Chief Executive Officer, on September 26, 2025. Refer to Note 44 for details of material events which occurred subsequent to the date of the Japanese language Consolidated Financial Statements, which required additional disclosures in these English language Consolidated Financial Statements.

2. Basis of Preparation

(1) Compliance with IFRS Standards

The Group’s consolidated financial statements have been prepared in accordance with IFRS Standards. Since the Company satisfies all the requirements of a “specified company complying with any designated international accounting standards” as prescribed in Article 1-2, Item 1 of the Ordinance on Consolidated Financial Statements, the Company has applied the provisions set forth in Article 312 of the same ordinance.

(2) Basis of measurement

The consolidated financial statements are prepared on a historical cost basis, except for financial instruments and other items, which are stated in “3. Material Accounting Policies.”

(3) Functional currency and presentation currency

The consolidated financial statements are stated in Japanese yen, the Company’s functional currency, with amounts less than one million yen rounded down to the nearest million yen.

3. Material Accounting Policies

(1) Basis of consolidation

i. Subsidiaries

A subsidiary refers to an entity controlled by the Group. The Group determines that it controls an entity when the Group has exposures, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When the Group determines that it substantially controls the decision-making body of an entity even if the Group holds less than a majority of the voting rights of the entity, it is deemed to be a subsidiary.

Financial statements of a subsidiary are included in the Company's consolidated financial statements from the date on which the Company obtains control of the subsidiary until the date on which it loses control of the subsidiary. Financial statements of a subsidiary are adjusted as necessary to be consistent with the Company's accounting policies.

Transactions involving changes in the parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are accounted for as equity transactions. If the Company loses control of a subsidiary, the Company derecognizes the related assets, liabilities, non-controlling interests and other components of equity and recognizes the resulting gain or loss in profit or loss.

ii. Associates and joint arrangements

An associate is an entity over which the Group has significant influence over management decisions regarding its operating and financial policies but does not have control or joint control of those policies. When the Group holds 20% or more but no more than 50% of the voting rights of another entity, it is presumed that the Group has significant influence over the entity. Even if the voting rights held by the Group are less than 20%, the entity is also considered an associate if the Group is able to exercise significant influence over it.

Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control under a contractual arrangement. Joint arrangements are classified as either joint operations or joint ventures based on the contractual rights and obligations of the parties that have joint control of the arrangement. The arrangement is a joint operation when an entity has rights to the assets, and obligations for the liabilities, relating to the arrangement, whereas the arrangement is a joint venture when an entity only has rights to the net assets of the arrangement.

Investments in an associate or a joint venture are accounted for using the equity method.

For investments in a joint operation, the Group recognizes its share of assets, liabilities, revenue, and expenses.

iii. Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. If the Group has effective control over a structured entity, it consolidates the structured entity as a subsidiary.

The Company has never provided or does not intend to provide significant financial or other significant support to the consolidated structured entities without a contractual obligation to do so.

iv. Transactions to be eliminated for consolidation purposes

Balances of receivables and payables, transactions between Group companies, and unrealized gains or losses arising from transactions between Group companies are eliminated in the preparation of the consolidated financial statements.

(2) Business combinations

Business combinations are accounted for using the acquisition method.

The consideration of acquisition is measured as the aggregate of the acquisition-date fair value of the assets transferred in exchange for control of the acquiree, the liabilities assumed, and the equity interests issued by the Group. Identifiable assets acquired and liabilities assumed are measured in principle at the acquisition-date fair value.

When the aggregate of the fair value of the consideration transferred in a business combination, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree exceeds the net amount of the identifiable assets of the acquiree and the liabilities assumed, the excess is recognized as goodwill. When the contrary is the case, the excess is recognized as profit or loss at the acquisition date.

Acquisition-related costs incurred are recognized as expenses when incurred.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company recognizes in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group retrospectively adjusts the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. The measurement period will not exceed one year from the acquisition date.

(3) Foreign currency translation

i. Translation of foreign currency transactions

The financial statements of the Group companies are prepared in their functional currency. When each company prepares its non-consolidated financial statements, transactions denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing on the transaction date or at a rate that approximates it.

Monetary items denominated in foreign currencies are translated into the functional currency at the year-end exchange rate. Non-monetary items denominated in foreign currencies that are measured at cost are translated into the functional currency at the exchange rate at the acquisition date, and those measured at fair value are translated into the functional currency at the exchange rate at the measurement date of such fair value.

Exchange differences on translation arising from translation and settlement are recognized in profit or loss. However, exchange differences on translation arising from equity financial assets measured at fair value through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

ii. Translation of foreign operations

Assets and liabilities of foreign operations are translated using the exchange rates at the end of the reporting period. Revenue and expenses are translated into Japanese yen using the average exchange rate for the period, except in the case of significant fluctuations in exchange rates. Exchange differences on translation arising from the translation of financial statements of foreign operations are recognized in other comprehensive income.

Cumulative exchange differences on translation related to foreign operations are transferred to profit or loss in the period in which the foreign operations are disposed of.

(4) Financial instruments

i. Non-derivative financial assets

(i) Initial recognition and measurement

Non-derivative financial assets are recognized on the transaction date when the Group becomes a party to a contract related to such financial assets and are classified as financial assets measured at amortized cost or those measured at fair value through other comprehensive income or profit or loss. The Group classifies financial assets as those measured at amortized cost if both of the following conditions are met:

- the financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets other than those measured at amortized cost are classified as those measured at fair value.

Among financial assets measured at fair value, for investments in equity instruments that are not held for trading purposes, IFRS Standards permit an entity to make an irrevocable election at initial recognition to present subsequent changes in the fair value in other comprehensive income, and the Group makes such designation on an instrument-by-instrument basis.

Among financial assets measured at fair value, financial assets other than those measured at fair value through other comprehensive income are classified as those measured at fair value through profit or loss.

Financial assets are measured at fair value plus transaction costs, unless they are measured at fair value through profit or loss.

(ii) Subsequent measurement

Subsequent measurement of non-derivative financial assets is summarized as follows:

(a) Financial assets measured at amortized cost

After initial recognition, such financial assets are measured at amortized cost using the effective interest method.

Amortization using the effective interest method and gains or losses upon derecognition are recognized in profit or loss.

(b) Financial assets measured at fair value through other comprehensive income

Subsequent changes in the fair value of equity financial assets measured at fair value through other comprehensive income are recognized in other comprehensive income. When such financial assets are disposed of or their fair value declines significantly, the accumulated gain or loss recognized through other comprehensive income is transferred to retained earnings. Dividends are recognized as profit or loss.

(c) Financial assets measured at fair value through profit or loss

Subsequent changes in the fair value of financial assets measured at fair value through profit or loss are recognized in profit or loss.

(iii) Derecognition

The Group derecognizes financial assets when the contractual rights to the cash flows from the financial assets expire, or when substantially all the risks and rewards of ownership of the financial assets are transferred in conjunction with the transfer of the financial assets.

ii. Impairment of financial assets

The Group recognizes an allowance for doubtful accounts for expected credit losses on financial assets measured at amortized cost, contract assets and lease receivables.

The Group assesses, at the end of each reporting period, whether the credit risk on financial assets has increased significantly since initial recognition.

Whether credit risk has increased significantly is determined at each reporting date based on changes in the risk of default since initial recognition. In assessing whether credit risk has increased significantly, the Group considers past due and other financial information that are reasonably available to the Group and supportable.

If the credit risk has not increased significantly since initial recognition, the Group recognizes an amount equal to 12-month expected credit losses as an allowance for doubtful accounts, or otherwise, the Group recognizes an amount equal to lifetime expected credit losses as an allowance for doubtful accounts.

However, the Group always recognizes an allowance for doubtful accounts at an amount equal to lifetime expected credit losses on trade receivables, lease receivables, and contract assets that do not contain a significant financing component, regardless of whether the credit risk has or has not increased significantly since initial recognition.

Expected credit losses are calculated by discounting at the original execution interest rate the difference between the contractual cash flows to be paid to the Group and the cash flows the Group expects to receive, and changes in the allowance for doubtful accounts are recognized as profit or loss.

The Group considers a debtor to be in default when all or part of the financial assets are deemed uncollectible or extremely difficult to collect due to reasons such as a material deterioration in the debtor's financial position or breach of contract including delinquency in payment. In the event of default, the Group determines that objective evidence of credit impairment exists and estimates expected credit losses on an individual basis to calculate allowance for doubtful accounts. Financial assets with no evidence of credit impairment are grouped into those with similar credit risk profile based on internal credit ratings and other factors, and expected credit losses are collectively estimated to calculate the allowance for doubtful accounts.

When it is reasonably determined that all or part of a financial asset is uncollectible, the carrying amount of the asset is written off directly.

iii. Non-derivative financial liabilities

(i) Initial recognition and measurement

Non-derivative financial liabilities are recognized on the transaction date when the Group becomes a party to the financial liability and are classified as financial liabilities measured at amortized cost or those measured at fair value through profit or loss. Financial liabilities are measured at fair value less transaction costs, unless they are measured at fair value through profit or loss.

(ii) Subsequent measurement

Subsequent measurement of non-derivative financial liabilities is summarized as follows:

(a) Financial liabilities measured at amortized cost

After initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

Amortization using the effective interest method and gains or losses upon derecognition are recognized in profit or loss.

(b) Financial liabilities measured at fair value through profit or loss

Subsequent changes in the fair value of financial liabilities measured at fair value through profit or loss are recognized in profit or loss.

(iii) Derecognition

The Group derecognizes financial liabilities when the contractual obligation is discharged, cancelled or expires.

iv. Derivatives and hedge accounting

The Group uses derivatives, including forward exchange contracts and interest rate swaps, to hedge foreign exchange fluctuation risk, interest fluctuation risk, and other risks. Derivatives are initially recognized at fair value when the contracts are entered into, and are subsequently measured also at fair value.

At the inception of the hedge, the Group formally documents the relationship between the hedging instrument and the hedged item, the risk management objective and strategy. At the inception of the hedge and on an ongoing basis at each reporting date, the Group also assesses whether the derivatives used in hedging transactions meet all hedge effectiveness requirements in offsetting changes in the fair value or cash flows of the hedged item.

(i) Fair value hedges

Changes in the fair value of derivatives are recognized in profit or loss. Changes in the fair value of the hedged item that are attributable to the risk being hedged are recognized in profit or loss with the carrying amount of the hedged item being adjusted.

(ii) Cash flow hedges

For derivatives designated as cash flow hedges, the portion of the change in fair value that is determined to be an effective hedge is recognized in other comprehensive income and the ineffective portion is recognized in profit or loss.

The amount reported in other comprehensive income is transferred to profit or loss at the time the hedged transaction affects profit or loss. When the hedged item results in the recognition of non-financial assets or non-financial liabilities, the amount recognized in other comprehensive income is accounted for as an adjustment to the initial carrying amount of the non-financial assets or non-financial liabilities.

(iii) Derivatives that do not meet the requirements for hedge accounting

Changes in the fair value are recognized in profit or loss.

v. Compound financial instruments

The Group has issued convertible bond-type bonds with subscription rights to shares (convertible bonds). At initial recognition, the amount paid in for the issuance of a convertible bond is classified into consideration for the bond and stock acquisition right, and then the bond component and stock acquisition right component are classified and presented as liabilities and equity, respectively. Share acquisition rights are initially recognized at the difference between the paid-in amount and the initial measurement (fair value) of the liability component. Any transaction costs that relate to the issuance of a convertible bond are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost under the effective interest method.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with maturity of three months or less from the acquisition date that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(6) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories is measured mainly based on the specific identification method, and comprises all costs of acquisition, costs of outsourcing, and other costs incurred in bringing the inventories to their present location and condition.

(7) Property, plant and equipment (excluding right-of-use assets)

The Group measures property, plant and equipment using the cost model after initial recognition and subsequently measures them at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes costs directly related to the acquisition of the asset, demolition, removal and restoration costs, and borrowing costs to be capitalized.

The Group recognizes post-acquisition expenditures in the carrying amount of the acquired asset or as a separate asset only if it is probable that future economic benefits associated with the expenditure will flow to the Company and the amount can be measured reliably.

Repair or maintenance costs are recognized in profit or loss as incurred.

The Group depreciates property, plant and equipment other than land and construction in progress using the straight-line method over the estimated useful lives of the assets, based on the depreciable value of the assets at cost less residual value.

The estimated useful lives of major property, plant and equipment items are as follows:

- Buildings and structures: 2 to 60 years
- Machinery, vehicles, tools, furniture and fixtures: 2 to 35 years

Depreciation methods, estimated useful lives and residual values are reviewed at the end of each fiscal year and revised as necessary.

(8) Goodwill and intangible assets

i. Intangible assets (excluding rights to operate public facilities)

The Group measures intangible assets using the cost model after initial recognition and subsequently measures them at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets acquired separately are measured at cost on initial recognition, while the cost of intangible assets acquired in a business combination is measured at fair value at the acquisition date.

All costs for internally generated intangible assets are recognized as an expense in the period in which they are incurred, except for expenditures related to development that meets the requirements for capitalization.

The Group amortizes intangible assets with finite useful lives using the straight-line method over the estimated useful lives. The estimated useful lives of major intangible asset items are as follows:

- Software for in-house use: Within 5 years
- Contract-related assets: Within 20 years

Intangible assets or intangible assets not yet available for use with indefinite useful lives are not amortized, but are tested for impairment annually and whenever there is an indication of impairment.

Amortization methods, estimated useful lives and residual values are reviewed at the end of each fiscal year and revised as necessary.

ii. Intangible assets (rights to operate public facilities)

To the extent that the Company obtains the right to charge users of public services, it measures the rights to operate public facilities at fair value at the acquisition date. In addition, with respect to the portion of the replacement investment to operate public facilities that falls under capital expenditures, if the total amount expected to be spent over the term of the operating right and the timing of spending can be reasonably estimated, the present value of the total amount expected to be spent at the time of acquisition is recorded as provisions, and the same amount is recognized as assets related to replacement investment to operate public facilities.

Details on amortization methods and useful lives are provided in “16. Service Concession Arrangements.”

iii. Goodwill

The measurement of goodwill at the time of initial recognition is described in “(2) Business combinations.” Goodwill is carried at cost less accumulated impairment losses.

Goodwill is not amortized, but is tested for impairment annually and whenever there is any indication of impairment. Impairment losses of goodwill are recognized as profit or loss in the consolidated statement of profit or loss and are not subsequently reversed.

(9) Leases

Contracts are assessed to determine whether a contract is, or contains, a lease at the inception of a contract. A contract is, or contains, a lease if the contract transfers the right to control the use of an identified asset for a period of time in exchange for consideration.

i. Leases as lessee

A lease liability in a lease transaction is measured as the discounted present value of the total lease payments yet to be made at the inception of the lease. The discount rate that should be used to calculate the discounted present value of the total lease payments yet to be made is the interest rate implicit in the lease, if practicable, or the lessee's incremental borrowing rate, if not practicable.

A right-of-use asset is initially measured at the initial measurement of the lease liability, adjusted for any initial direct costs and any prepaid lease payments, plus any costs to fulfill restoration obligations and other costs required under the lease contract.

Lease payments are allocated between finance costs and the repayment portion of the outstanding lease liability so that the interest rate is constant on the outstanding lease liability. Finance costs are presented separately from depreciation for right-of-use assets in the consolidated statement of profit or loss.

The right-of-use asset is depreciated over the shorter of the lease term and its economic life, unless it is reasonably certain that the Group will obtain ownership of the asset by the end of the lease contract.

For short-term leases and leases of low-value assets, IFRS 16 Leases, paragraph 6 is applied and lease payments are recognized as expenses on a straight-line basis over the lease term.

ii. Leases as lessor

The Group classifies leases as finance leases or operating leases based on the substance of the transaction rather than the form of the contract. Assets held under a finance lease are presented as a receivable at an amount equal to the net investment in the lease.

When classifying subleases, an intermediate lessor classifies them by reference to the right-of-use asset arising from the head lease.

In operating leases, the subject asset is recognized in the consolidated statement of financial position and the lease payments to be received are recognized as revenue on a straight-line basis over the lease term.

(10) Investment property

Investment property is real estate held for the purpose of earning rental income or capital gains or both.

The Group measures investment properties using the cost model and records them at cost less any accumulated depreciation and any accumulated impairment losses.

Investment properties are depreciated primarily on a straight-line basis over the following estimated useful lives.

The estimated useful lives of major investment properties range from 2 to 50 years.

Depreciation methods, estimated useful lives and residual values are reviewed at the end of each fiscal year and revised as necessary.

(11) Impairment of non-financial assets

The Group reviews its property, plant and equipment, intangible assets, investment properties, and right-of-use assets for indications that they may be impaired as of the end of each reporting period. If there is any indication of impairment, the recoverable amount of the asset is estimated. The Group performs an impairment test for goodwill and intangible assets with indefinite useful lives annually and whenever there is any indication of impairment.

The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use, and if this cannot be estimated for an individual asset, the recoverable amount is estimated for each cash-generating unit to which the asset belongs.

An impairment loss is recognized in profit or loss when the recoverable amount of an asset or cash-generating unit is less than its carrying amount. For impairment losses recognized for cash-generating units, the carrying amount of goodwill allocated to the unit is reduced and then allocated pro rata to each asset based on the carrying amount of each asset within the unit.

At the end of each reporting period, the Group assesses whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Group estimates the recoverable amount of individual assets or cash-generating units. If the estimated recoverable amount exceeds the carrying amount, the Group increases the carrying amount to the estimated recoverable amount, limited to the carrying amount net of depreciation that would have been determined if no impairment loss had been recognized, and recognizes the reversal of impairment loss as profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

(12) Employee benefits

The Group has a defined benefit plan consisting of a corporate pension fund plan, an employees' pension fund plan, and a lump-sum retirement allowance plan, as well as a defined contribution pension plan.

i. Defined benefit post-employment benefits

The Group uses the projected unit credit method to determine the present value of its defined benefit obligations, the related current service cost, and past service cost.

A discount rate is determined based on market yields at the end of the reporting period on high quality corporate bonds that match the discount period, which is set based on a period until an estimated date of benefit payments in each future fiscal year.

All remeasurements of defined benefit plans are recognized in other comprehensive income in the period in which they occur, and are immediately transferred to retained earnings.

Past service cost is recognized as an expense in profit or loss in the period in which it occurs.

Net interest expense on the service cost and net defined benefit liability is recognized as profit or loss.

ii. Defined contribution post-employment benefits

Contributions to defined contribution plans are recognized as an expense in the period in which the employee renders service.

iii. Multi-employer plan

Some of the consolidated subsidiaries participate in a multi-employer plan. Multi-employer plans are classified into defined benefit post-employment benefit plans and defined contribution post-employment benefit plans in accordance with the terms and conditions of such plans, and are accounted for based on each of these post-employment benefit plans. For multi-employer plans classified as defined benefit post-employment plans, however, the Company applies the accounting treatment for defined contribution post-employment plans when sufficient information is not available for accounting for the defined benefit post-employment plans.

iv. Short-term employee benefits

Short-term employee benefits are not discounted, and the amount of benefit expected to be paid in return for service rendered by the employee during the accounting period is recognized in profit or loss.

The Group recognizes a liability for estimated bonus payments when the Group has a legal or constructive obligation to make the payment and a reliable estimate of the obligation can be made.

(13) Provisions

The Group recognizes provisions when it has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

If the effect of the time value of money is material, the Group measures provisions at an amount discounted using the discount rate that reflects the risks specific to the liability.

(14) Share-based payments

i. Restricted stock compensation plan

The Group has adopted a restricted stock compensation plan as equity-settled share-based payment. Consideration for services received is measured at the fair value of the Company's shares at the date of grant and is recognized as an expense on a straight-line basis over a period of time from the date of grant, with an equal amount recognized as an increase in equity.

ii. Stock benefit trust (BBT)

The Group has adopted a stock benefit trust (BBT, or Board Benefit Trust) as equity-settled share-based payment. Compensation for services received is measured as points based on the fair value of the Company's shares at the date of grant multiplied by a performance index, with an expense recognized over the vesting period and an equal amount recognized as an increase in equity.

iii. Stock benefit trust (J-ESOP)

The Group has adopted a stock benefit trust (J-ESOP) as equity-settled share-based payment. Consideration for services received is measured based on the fair value of the Company's shares at the date of grant, as points in accordance with the share benefit regulations, with an expense recognized over the vesting period or at a single point in time and an equal amount recognized as an increase in equity.

iv. Stock benefit trust (employee shareholding association purchase-type)

The Group has adopted a stock benefit trust (employee shareholding association purchase-type) as cash-settled stock-based compensation. Consideration for services received is measured at the fair value of the liability incurred and is recognized as an expense from the date of grant through the end of the trust period, with an equal amount recognized as an increase in the liability. The liability is remeasured at its fair value at each balance sheet date through the end of the trust period in which it is settled, with changes in fair value recognized in profit or loss.

(15) Assets held for sale

Assets or disposal groups expected to be recovered primarily through sale rather than through continuing use are classified as held-for-sale if it is highly probable that they will be sold within one year. To be classified as held for sale, they must also be available for immediate sale in the present condition, and management is committed to the sale plan.

If the Group is committed to a sale plan involving loss of control of a subsidiary and meets the above conditions, all the assets and liabilities of the subsidiary are classified as held-for-sale, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Assets classified as held-for-sale are measured at the lower of their carrying amount and fair value less cost to sell.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held-for-sale.

(16) Revenue

The Group recognizes revenue based on the following five-step approach for contracts with customers, except for interest, dividend income and other income under IFRS 9 Financial Instruments and lease income under IFRS 16 Leases.

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The identification of performance obligations and the point in time at which revenue is recognized in the Group's principal operations are as follows.

i. Revenue recognition with regard to construction work

The Group enters into construction contracts with customers, mainly in the Building Construction, Civil Engineering, and Road Civil Engineering businesses, to construct buildings or structures and to perform the related services. The Group identifies the work it performs with respect to these contracts as performance obligations.

Under the construction contracts, assets are created or increased in value as the Group satisfies its performance obligations, and as the assets are created or increased in value, the customer gains control over the assets. Therefore, the performance obligations are satisfied over a period of time, and they are satisfied according to the progress of construction over the contract period.

For construction contracts for which the progress toward satisfying performance obligations can be reasonably estimated, the percentage of completion is estimated by the input method based on the cost incurred, and revenue is recognized over a period of time as the performance obligation to transfer goods or services to the customer is satisfied because the Group determines that the use of the percentage of the cost incurred to the estimated total cost incurred for the construction to be delivered faithfully depicts the increase in assets by satisfying the performance obligations. Revenue is recognized on a cost recovery basis for construction projects for which the progress of completion cannot be reasonably estimated.

The transaction price is determined by the construction contract, and the consideration for the transaction is received in accordance with the payment terms determined by each construction contract. Therefore, there is no standard payment term. For construction projects that require a long period of time from the satisfaction of performance obligations to the receipt of consideration from the customer and for which a significant financing component is recognized, an adjustment shall be made for the portion that corresponds to finance income.

ii. Revenue recognition with regard to sales of merchandise, product manufacturing, and sales

The Group manufactures and sells asphalt mixture, emulsion, and other construction materials in the Road Civil Engineering business, and sells construction equipment products and manufactures and sells industrial machinery and other equipment in the Machinery business. The Group identifies the work it performs with respect to these as performance obligations.

For the sale of these goods and products in the Road Civil Engineering business, the Group recognizes revenue at the time of product shipment because the Group determines that control is transferred to the customer when the product is shipped to the customer, as shipment and acceptance inspection occur at approximately the same time due to the nature of asphalt mixtures. In addition, in the Machinery business, the Group recognizes revenue at the time of delivery of the goods or products because the Group determines that control is transferred to the customer when the goods or products are delivered to the customer based on contracts with customers.

The Group does not recognize a significant financing component because the consideration is generally received within approximately one year of satisfaction of the performance obligation.

iii. Revenue recognition with regard to renewable energy and concession businesses

In the Infrastructure Management business, the Group sells electricity from renewable energy sources and maintains, manages, and operates public facilities for which the Group holds operating rights. In these businesses, revenue is recognized when the services are rendered because the performance obligation is satisfied when the services are rendered to the customer in accordance with power supply contracts, facility use contracts, etc. with customers.

The Group does not recognize a significant financing component because the consideration is generally received within approximately one year of satisfaction of the performance obligation.

(17) Finance income and finance costs

Finance income consists primarily of interest income and dividend income. Interest income is recognized as earned using the effective interest method. Dividend income is recognized when the right to receive dividends is established.

Finance costs consist primarily of interest expenses. Interest expenses are recognized as incurred using the effective interest method.

(18) Government grants

The Group recognizes government subsidy at fair value when the collateral conditions for the subsidy have been met and a reasonable assurance has been obtained that the subsidy will be received.

Government subsidy related to revenue is recognized as revenue over the period in which the related costs intended to be compensated by the subsidy are recognized as an expense.

The amount of government subsidy related to assets is deducted from the cost of the assets.

(19) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or manufacture of an asset that will take a substantial period of time before it can be put to its intended use or sold are included in the cost of that asset until it can be put to its intended use or sold. Other borrowing costs are recognized as an expense in the period incurred.

(20) Income taxes

Income tax expense consists of current and deferred tax expense. These taxes are recognized in profit or loss, except for taxes arising from items directly recognized in other comprehensive income or equity, and taxes arising from business combinations.

Current tax expense is measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are recognized in relation to temporary differences arising from differences between the carrying amount of assets or liabilities and its tax base, tax loss carryforwards, and tax credits carryforwards, and is measured using the tax rates and tax laws that will be applied in the fiscal year in which the temporary differences are expected to reverse.

Deferred tax assets are recognized for deductible temporary differences, net operating loss carryforwards and unused tax credits to the extent that it is probable that taxable income will be available against which they can be utilized. Deferred tax liabilities are generally recognized for all additional temporary differences.

Deferred tax assets and liabilities are not recognized for the following temporary differences:

- temporary differences arising from the initial recognition of goodwill;
- temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and affects, at the time of the transaction, neither accounting profit nor taxable profit (deficit), and does not give rise to an equal amount of taxable temporary differences and deductible temporary differences at the time of the transaction;
- taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements when the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future;
- deductible temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements when it is unlikely that the temporary differences will reverse in the foreseeable future or that taxable profit will be available against which the temporary differences can be utilized; and
- temporary differences in respect of income taxes arising from the global minimum tax rules, based on the exceptions provided for in IAS 12.

Deferred tax assets and deferred tax liabilities are offset only if the Group has a legally enforceable right to offset current tax assets and current tax liabilities and either of the following requirements is met:

- the income tax relates to income taxes levied by the same taxation authority on the same taxable entity; or
- the income tax relates to income taxes levied by the same taxation authority on different taxable entities, which intend to settle current tax liabilities and current tax assets on a net basis and to realize the assets and settle the liabilities simultaneously.

(21) Treasury shares

When treasury shares are acquired, the consideration paid, including direct transaction costs, is recognized as a deduction from equity.

(22) Earnings per share

Basic earnings per share is calculated by dividing the amount of profit or loss attributable to the parent's common shareholders by the weighted average number of shares of common stock outstanding, adjusted for treasury shares, during the relevant fiscal year. Diluted earnings per share is computed by adjusting for the effect of all potential shares with dilutive effect.

4. Significant Accounting Estimates and Judgments

To prepare the consolidated financial statements, the Group uses judgments, accounting estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues, and expenses. Estimates and assumptions are based on management's best judgment based on historical experience and various factors that are believed to be reasonable under the circumstances. However, actual results, by their nature, may differ from estimates and assumptions.

Estimates and underlying assumptions are reviewed on an ongoing basis. The effect of these revised estimates is recognized in the period in which the estimates are revised and in future periods.

The main estimates and judgments that could have a significant impact on the Group's consolidated financial statements are as follows:

(1) Recognition of sales revenue over a certain period of time

For construction works for which revenue is recognized over a certain period as the performance obligation is satisfied, the Group estimates the progress of completion for each construction work using the input method based on the cost incurred, and recognizes sales for the portion completed by the end of the current fiscal year. The amount of net sales recognized by the revenue recognition method over a certain period of time was ¥661,464 million for the current fiscal year.

In calculating sales by the method of recognizing revenue over a certain period of time, the Group uses the following estimates:

- Total construction revenue

In the course of construction, there are cases in which a portion of total construction revenue is recorded based on estimates due to design changes agreed upon with the customer, etc., for which such consideration is not fixed in a timely manner (the portion of total construction revenue recorded based on such estimates is hereinafter referred to as "contract amount not yet contracted"). The contract amount not yet contracted is continually reviewed as the estimates may change due to the progress of negotiations with the client or the conclusion of a contract.

- Total construction costs

Total construction costs are continuously reviewed because construction projects are highly customized in terms of specifications and work content, and because changes in the construction period, unexpected costs, fluctuations in unit prices of construction materials and labor, and changes in design may occur during the course of construction. As mentioned above, the recognition of sales based on the method of recognizing revenue over a certain period of time requires estimates based on certain assumptions and involves uncertainty and the judgment of those responsible for the construction site and others. Therefore, changes in such estimates may have a certain impact on the amount of sales in the consolidated financial statements for the next fiscal year.

(2) Valuation of goodwill and intangible assets

The Group conducts an impairment test for goodwill and intangible assets not yet available for use resulting from business investments at least once a year. The Group also tests goodwill and intangible assets for impairment whenever there is an indication that such assets may be impaired. In the current fiscal year, the Company recognized material estimation risk with respect to goodwill of ¥138,507 million, intangible assets not yet available for use (contract-related assets of ¥88,139 million) to make Japan Wind Development Co., Ltd. and other companies subsidiaries, and goodwill of ¥19,933 million arising from the acquisition of Maeda Road Construction Co., Ltd. as a subsidiary.

As part of the impairment tests, recoverability is calculated based on value in use or fair value less costs of disposal, which are estimated future cash flows based on a business plan approved by management discounted to present value based on the weighted average cost of capital of the relevant cash-generating unit. In estimating future cash flows, we consider historical and future sales volumes, unit sales prices, the amount of capital expenditures, and project success rates, as well as the average growth rate of certain markets. The weighted average cost of capital is calculated to appropriately reflect the risks associated with the business and other factors, utilizing evaluations by external experts. (Details of the impairment test are described in "15. Impairment of Non-financial Assets, (2) Goodwill impairment testing").

With respect to the goodwill and contract-related assets, the recoverable amount of the cash-generating unit is well in excess of its carrying amount. Therefore, even if these estimates were to change to a reasonable extent, we estimate that it is unlikely that the recoverable amount of the cash-generating unit would be less than its carrying amount as a result of such changes.

However, these estimates may be affected by future changes in economic conditions, and if the assumed conditions change, the results of the fair value in use or fair value less costs of disposal may differ, which may affect the impairment test and the amount of impairment loss recognized in the next fiscal year and beyond.

5. New Standards Issued But Not Yet Adopted

The major new standards and interpretations that were issued or revised before the approval date of the consolidated financial statements, but not yet adopted by the Group, are as follows. The impact of these adoptions is under assessment at the time of preparation of these consolidated financial statements.

Standard	Title	Mandatory effective date (fiscal year beginning on or after)	Effective fiscal year for the Group (fiscal year ending)	Outline of new or revised standards
IAS 21	The Effects of Changes in Foreign Exchange Rates	January 1, 2025	March 31, 2026	Clarify a consistent approach in assessing whether a currency is convertible to another currency, and in determining the exchange rate to use and disclosures to provide if it is not convertible
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	March 31, 2028	Introduce three new requirements that improve reporting of corporate financial performance and provide investors with a better basis for corporate analysis and comparison
IFRS 19	Subsidiaries without Public Accountability: Disclosures	January 1, 2027	March 31, 2028	Reduce disclosure requirements of IFRS Standards for subsidiaries that meet the requirements
IFRS 9 IFRS 7	Financial Instruments Financial Instruments: Disclosures	January 1, 2026	March 31, 2027	Clarify the classification of financial assets containing ESG-linked elements and the date of derecognition in the settlement of financial instruments through electronic funds transfer systems
IFRS 9 IFRS 7	Financial Instruments Financial Instruments: Disclosures	January 1, 2026	March 31, 2027	Targeted amendments to help companies better report the financial effects of nature-dependent electricity contracts

6. Segment Information

(1) Overview of reportable segments

The Group's business segments are components of the group for which separate financial information is available and which are subject to periodic review by the Board of Directors to determine the allocation of management resources and evaluate their performance.

The Group consists of business and service segments based on consolidated subsidiaries, etc., and has five reportable segments: Building Construction, Civil Engineering, Road Civil Engineering, Machinery, and Infrastructure Management. There are no aggregated operating segments in determining the reportable segments. An overview of each reportable segment is as follows.

Reportable segment	Major business lines
Building Construction	Construction work and related businesses primarily for multi-dwelling complexes, factories and logistics centers
Civil Engineering	Construction work and related businesses primarily for bridges and tunnels
Road Civil Engineering	Construction work including pavement, manufacture and sale of asphalt mixture, and related businesses
Machinery	Sales and rental of construction machinery and related businesses
Infrastructure Management	Renewable energy business, which includes business investment in the development, operation and maintenance, and sale of solar and wind power generation business, etc.; concession business, which involves the acquisition of operating rights for public infrastructure, etc., and construction, operation and maintenance of such infrastructure; and related businesses

(2) Information about reportable segments

Segment profit (business profit) represents net sales less cost of sales and selling, general and administrative expenses, plus share of profit (loss) of investments accounted for using equity method.

Inter-segment sales and transactions are based on market prices.

Segment assets and liabilities are not disclosed because they are not subject to periodic review for determining the allocation of management resources and evaluating performance.

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Millions of yen)										
	Reportable segments						Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statement of profit or loss
	Building Construction	Civil Engineering	Road Civil Engineering	Machinery	Infrastructure Management	Total				
Net sales										
Net sales to outside customers	320,692	141,982	263,101	41,018	30,583	797,377	50,170	847,548	–	847,548
Inter-segment net sales	27,162	5,900	4,017	2,817	0	39,898	12,691	52,590	(52,590)	–
Total	347,855	147,882	267,118	43,835	30,583	837,276	62,862	900,139	(52,590)	847,548
Segment profit (loss) [Business profit]	13,998	15,544	19,811	2,262	(2,224)	49,391	2,456	51,848	(3,308)	48,539
Other income	–	–	–	–	–	–	–	–	–	1,765
Other expenses	–	–	–	–	–	–	–	–	–	(3,156)
Operating profit	–	–	–	–	–	–	–	–	–	47,148
Finance income	–	–	–	–	–	–	–	–	–	10,500
Finance costs	–	–	–	–	–	–	–	–	–	(7,893)
Profit before tax	–	–	–	–	–	–	–	–	–	49,756
(Other items)										
Depreciation and amortization	(6,338)	(2,747)	(11,649)	(2,456)	(10,268)	(33,460)	(1,858)	(35,318)	–	(35,318)
Impairment losses	–	–	(1,273)	(1)	–	(1,275)	(34)	(1,310)	–	(1,310)
Share of profit (loss) of investments accounted for using equity method	(25)	14	–	–	(79)	(89)	1,444	1,355	–	1,355

- Notes:
1. The “Others” segment is not included in the reportable segments, and comprises businesses operated by some subsidiaries.
 2. The difference between the total amount of segment profit and the amount recorded in the consolidated statements of profit or loss is due to the elimination of inter-segment transactions.

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)										
	Reportable segments						Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statement of profit or loss
	Building Construction	Civil Engineering	Road Civil Engineering	Machinery	Infrastructure Management	Total				
Net sales										
Net sales to outside customers	273,698	162,425	251,782	39,770	18,373	746,050	47,214	793,264	–	793,264
Inter-segment net sales	1,676	14	4,436	2,133	–	8,261	11,749	20,010	(20,010)	–
Total	275,374	162,439	256,219	41,903	18,373	754,311	58,964	813,275	(20,010)	793,264
Segment profit (loss) [Business profit]	4,367	29,102	15,218	2,158	(1,079)	49,767	2,153	51,920	(459)	51,461
Other income	–	–	–	–	–	–	–	–	–	1,710
Other expenses	–	–	–	–	–	–	–	–	–	(2,111)
Operating profit	–	–	–	–	–	–	–	–	–	51,060
Finance income	–	–	–	–	–	–	–	–	–	3,045
Finance costs	–	–	–	–	–	–	–	–	–	(4,665)
Profit before tax	–	–	–	–	–	–	–	–	–	49,439
(Other items)										
Depreciation and amortization	(6,794)	(3,966)	(11,426)	(1,739)	(8,106)	(32,034)	(1,514)	(33,549)	–	(33,549)
Impairment losses	–	–	(339)	(0)	(33)	(372)	–	(372)	–	(372)
Share of profit (loss) of investments accounted for using equity method	–	18	–	–	192	210	1,462	1,673	–	1,673

- Notes:
1. The “Others” segment is not included in the reportable segments, and comprises businesses operated by some subsidiaries.
 2. The difference between the total amount of segment profit and the amount recorded in the consolidated statements of profit or loss is due to the elimination of inter-segment transactions.

(3) Information about products and services

This information is omitted because the same information is presented in the information about reportable segments.

(4) Information about regions

i. Net sales to outside customers

The description of net sales by region is omitted because sales to external customers in Japan account for the majority of net sales in the consolidated statement of profit or loss.

ii. Non-current assets

The description of non-current assets by region is omitted due to the immateriality of non-current assets located outside Japan.

(5) Information on major custom

This information is omitted because there are no external customers that account for more than 10% of net sales to external customers in the consolidated statement of profit or loss.

7. Business Combinations

(1) Business combination through acquisition

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

As to the business combination conducted by the Group involving JWD Holdings3 K.K. in the fiscal year ended March 31, 2024, while the cost was allocated on a provisional basis in that fiscal year, the allocation has been finalized in the fiscal year ended March 31, 2025. The provisional amounts remained unchanged following the finalization of the provisional allocation of the cost.

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

i. Outline of business combination

(a) Name and business description of acquired company

Name of acquired company: JWD Holdings3 K.K.

Business description of acquired company: Pure holding company for the purpose of holding and managing shares of Japan Wind Development Co., Ltd. (Development of wind farms and sale of electricity from wind power generation)

(b) Acquisition date

January 31, 2024

(c) Percentage of voting equity interest acquired

Percentage of voting rights held immediately prior to the acquisition date: –%

Percentage of voting rights additionally acquired on the acquisition date: 100.00%

Percentage of voting rights after acquisition: 100.00%

(d) Reason for business combination

Japan Wind Development Co., Ltd. (hereinafter “JWD”) is a leading wind power company that has consistently specialized in wind power since the dawn of wind power projects in Japan to the present time. With a prominent development track record as an independent operator, JWD has developed 293 turbines around the world with a combined generation capacity of 570,850kW (as of April 2023). Besides development projects, JWD offers operations and management (hereinafter “O&M”), boasting the largest share in the wind farm O&M market in Japan. JWD also offers extraordinary O&M knowhow and delivers O&M service not only for development projects within the group but for other companies’ projects, which makes JWD stand out from its competitors.

Building on the extensive development track record and O&M knowhow, JWD has significant growth potential with upcoming wind power projects with a combined generation capacity of approximately 3,600MW (including replacement of existing turbines and some pipelines) as of December 2023.

In such a position, JWD delivers comprehensive service from development through operations, maintenance and management of wind power projects, which is in line with the Company’s business model. Therefore, through the partnership, the Company and JWD will strive to create a one-of-a-kind group that is capable of broadly operating comprehensive renewable energy business and to grow together while addressing all kinds of social challenges associated with achieving carbon neutrality as the No. 1 business group, both in name and in reality, in the wind power market, which is expected to grow further.

(e) Method of gaining control of acquired company

Acquisition of equity for cash consideration

ii. Fair value of consideration paid, assets acquired and liabilities assumed

The fair values of consideration paid, assets acquired, and liabilities assumed at the acquisition date are as follows:

	(Millions of yen)
	Amount
Fair value of consideration paid	215,418
Fair value of assets acquired and liabilities assumed	
Current assets (Note 1)	13,034
Property, plant and equipment	26,904
Intangible assets (Note 2)	90,492
Other non-current assets	12,934
Current liabilities	(28,000)
Non-current liabilities	(36,293)
Fair value of assets acquired and liabilities assumed, net	79,073
Non-controlling interests (Note 3)	2,565
Goodwill (Note 4)	138,910

- Notes:
1. The fair value of the acquired trade and other receivables of ¥2,746 million is not estimated to be uncollectible as the contractual amounts receivable are ¥2,746 million.
 2. Intangible assets consisted mainly of contract-related assets of ¥88,139 million and customer-related assets of ¥2,304 million.
 3. Non-controlling interests are in a subsidiary of JWD and are measured by multiplying the identifiable net assets of the subsidiary at the date of gaining control by the non-controlling interest ratio after the business combination.
 4. Goodwill arises from the excess earning power expected from future business development. There is no amount of goodwill recognized that is expected to be deductible for tax purposes. As of March 31, 2024, the amount of goodwill incurred and the amount of assets acquired and liabilities assumed as of the date of the business combination are tentatively accounted for because the identification of identifiable assets and liabilities as of the date of the business combination is ongoing and the allocation of the acquisition price has not been completed.
 5. Acquisition-related costs of ¥549 million related to this business combination are included in selling, general and administrative expenses.

iii. Information about profit or loss after the acquisition date related to the business combination

	(Millions of yen)
	Fiscal year ended March 31, 2024
Net sales	1,075
Net loss	(317)

Pro forma financial information

The Group's pro forma operating results (unaudited information) for the year ended March 31, 2024, assuming this business combination had been conducted at the beginning of the year, are as follows:

	(Millions of yen)
	Fiscal year ended March 31, 2024
Net sales	8,125
Net loss	(738)

iv. Payments for acquisition of subsidiaries

	(Millions of yen)
Cash and cash equivalents paid for acquisition	215,418
Cash and cash equivalents held by the acquired company at the time of acquisition	(5,403)
Payments for acquisition of subsidiaries	210,015

(2) Transaction by entities under common control, etc.

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

i. Outline of business combination

(a) Name and business description of acquired company

Name of acquired company: JWD Holdings3 K.K.

Business description of acquired company: Pure holding company for the purpose of holding and managing shares of Japan Wind Development Co., Ltd. (Development of wind farms and sale of electricity from wind power generation)

(b) Date of business combination

March 7, 2025

(c) Reason for business combination

After the careful consideration of matters such as the Group's structure following the acquisition of all shares of JWD Holdings3 K.K. (hereinafter "JWDH3"), which held all shares of Japan Wind Development Co., Ltd. (hereinafter "JWD"), the Company concluded that the best way to streamline the Group's management resource allocation and operations is to manage the business of the companies in an integrated fashion by dissolving the indirect holding of shares of JWD through an absorption-type merger of JWDH3 by the Company.

(d) Legal form of business combination

An absorption-type merger with the Company as the surviving company and JWDH3 as the dissolving company

(e) Name and business description of acquiring company

INFRONEER Holdings Inc.

ii. Outline of accounting treatment implemented

A business combination under common control refers to a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The Group accounts for all business combinations under common control based on carrying amount on an ongoing basis.

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

Not applicable

8. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

	(Millions of yen)	
	As of March 31, 2025	As of March 31, 2024
Cash and deposits	117,141	110,418
Short-term investment	2,360	3,002
Total	119,502	113,421

- Notes:
1. Cash and cash equivalents are classified as financial assets measured at amortized cost.
 2. It is consistent with cash and cash equivalents in the consolidated statement of cash flows.

9. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

	(Millions of yen)	
	As of March 31, 2025	As of March 31, 2024
Notes receivable	16,614	25,946
Accounts receivable from completed construction contracts and others	102,946	96,056
Accounts receivable - other	10,110	7,517
Advances paid	18,891	13,598
Other	2,476	2,729
Allowance for doubtful accounts	(284)	(335)
Total	150,755	145,514

- Notes:
1. In the consolidated statement of financial position, the amount is presented net of allowance for doubtful accounts.
 2. Trade and other receivables are classified as financial assets measured at amortized cost.

10. Inventories

The breakdown of inventories is as follows:

(Millions of yen)

	As of March 31, 2025	As of March 31, 2024
Costs on construction contracts in progress	1,459	1,758
Real estate for sale (Note 1)	2,107	2,107
Merchandise and finished goods	4,182	4,326
Raw materials and supplies	5,061	4,382
Total	12,810	12,575

- Notes:
1. As of March 31, 2025 and 2024, the amounts expected to be sold beyond one year are ¥2,067 million and ¥2,067 million, respectively.
 2. As of March 31, 2025 and 2024, the amount of write-downs of inventories recognized as expenses due to decreased profitability amounted to ¥64 million and ¥2 million, respectively. Such amounts are included in "Cost of sales" in the consolidated statement of profit or loss.
 3. Inventories recognized as expense during the period accounted for a large portion of the cost of sales.

11. Other Financial Assets

(1) The breakdown of other financial assets is as follows:

	(Millions of yen)	
	As of March 31, 2025	As of March 31, 2024
Financial assets measured at amortized cost		
Loans	535	562
Other	12,939	8,556
Allowance for doubtful accounts	(1,954)	(264)
Subtotal	11,520	8,854
Financial assets measured at fair value through profit or loss		
Investments in capital	29,615	21,966
Derivative assets	10,680	7,774
Other	1,197	1,239
Subtotal	41,493	30,980
Equity instruments measured at fair value through other comprehensive income		
Equity securities	86,984	114,215
Subtotal	86,984	114,215
Total	139,998	154,050

Note: Other financial assets are presented at the amount less allowance for doubtful accounts in the consolidated statement of financial position.

(2) Equity instruments measured at fair value through other comprehensive income

Equity securities are designated as equity instruments measured at fair value through other comprehensive income because they are held primarily for medium- to long-term sustainable growth by maintaining and strengthening business relationships.

i. Principal securities and their fair value

The principal securities of equity instruments measured at fair value through other comprehensive income and their fair value are as follows:

	(Millions of yen)
Issuer	As of March 31, 2025
Sumitomo Realty & Development Co., Ltd.	40,515
Central Japan Railway Company	4,330
SEIBU HOLDINGS INC.	2,428
Hulic Co., Ltd.	2,238
Tokyo Tatemono Co., Ltd.	1,813

	(Millions of yen)
Issuer	As of March 31, 2024
Sumitomo Realty & Development Co., Ltd.	44,196
Mitsui Fudosan Co., Ltd.	7,443
Central Japan Railway Company	5,654
Maruichi Steel Tube Ltd.	3,784
Hulic Co., Ltd.	3,302

ii. Dividend income

The breakdown of dividend income from equity instruments measured at fair value through other comprehensive income is as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Financial assets derecognized during the year	903	113
Financial assets held at the end of the year	1,344	1,808

iii. Derecognized equity instruments measured at fair value through other comprehensive income

Equity instruments measured at fair value through other comprehensive income was sold (derecognized) for the efficiency and effective use of assets held.

The fair value of such instruments at the time of sale and the cumulative gain (loss) recognized as other comprehensive income are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Fair value at the time of sale	24,415	4,155
Cumulative gain (loss)	11,616	2,622

Note: The cumulative gain (loss) recognized as other comprehensive income was transferred to retained earnings at the time of sale and when the fair value declined significantly. The cumulative gain (loss) (after tax) of other comprehensive income that was transferred to retained earnings for the fiscal years ended March 31, 2025 and 2024 were ¥7,897 million and ¥1,514 million, respectively.

12. Other Assets and Liabilities

The breakdown of other current assets and other non-current assets and the breakdown of other current liabilities and other non-current liabilities are as follows:

(1) Other current assets and other non-current assets

	(Millions of yen)	
	As of March 31, 2025	As of March 31, 2024
Advance payments to suppliers	955	2,771
Prepaid expenses	32,267	28,558
Consumption taxes receivable	15,185	9,996
Other	8,327	10,279
Total	56,735	51,606

(2) Other current liabilities and other non-current liabilities

	(Millions of yen)	
	As of March 31, 2025	As of March 31, 2024
Consumption taxes payable	2,854	2,143
Accrued expenses	10,360	10,161
Accrued bonuses	9,457	9,323
Other	6,206	5,848
Total	28,879	27,477

13. Property, Plant and Equipment

(1) Changes

Changes in the carrying amount of property, plant and equipment during the fiscal years ended March 31, 2025 and 2024 are as follows:

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Millions of yen)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Total
Beginning balance	40,295	42,162	80,683	54,421	217,564
Purchase	4,186	6,242	749	17,639	28,818
Sale or disposal	356	(816)	(180)	36	(604)
Decrease due to exclusion from consolidation	(174)	(2,664)	–	–	(2,838)
Depreciation	(3,452)	(12,222)	–	–	(15,674)
Impairment losses	(242)	(1,028)	(2)	–	(1,273)
Transfer from construction in progress	10,546	28,282	673	(39,502)	–
Transfer to assets held for sale	(66)	(117)	–	(12)	(196)
Other	167	1,423	(631)	(4,247)	(3,288)
Ending balance	51,616	61,262	81,293	28,334	222,507

- Notes:
1. Depreciation is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.
 2. The amount of borrowing costs capitalized during the fiscal years ended March 31, 2025 and 2024 was ¥64 million and ¥174 million, respectively. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization during the fiscal years ended March 31, 2025 and 2024 was 0.67% and 0.67%, respectively.

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Total
Beginning balance	39,193	33,688	78,795	21,637	173,314
Purchase	1,803	8,713	70	22,912	33,500
Business combinations	1,476	8,646	980	14,808	25,911
Sale or disposal	(355)	(852)	(54)	–	(1,261)
Depreciation	(2,745)	(10,368)	–	–	(13,113)
Impairment losses	(82)	(257)	(13)	(18)	(372)
Transfer from construction in progress	1,035	2,592	982	(4,610)	–
Other	(29)	(0)	(75)	(307)	(414)
Ending balance	40,295	42,162	80,683	54,421	217,564

The cost, accumulated depreciation, accumulated impairment losses, and carrying amount of property, plant and equipment are as follows:

	(Millions of yen)				
	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Total
As of March 31, 2025					
Cost	107,447	221,455	82,150	33,268	444,320
Accumulated depreciation and accumulated impairment losses	(55,830)	(160,192)	(857)	(4,933)	(221,813)
Carrying amount	51,616	61,262	81,293	28,334	222,507
As of March 31, 2024					
Cost	93,821	196,664	82,886	59,355	432,727
Accumulated depreciation and accumulated impairment losses	(53,526)	(154,501)	(2,202)	(4,933)	(215,163)
Carrying amount	40,295	42,162	80,683	54,421	217,564

14. Goodwill and Intangible Assets

(1) Changes

Changes in the carrying amount of goodwill and intangible assets during the fiscal years ended March 31, 2025 and 2024 are as follows:

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Millions of yen)

	Intangible assets					
	Goodwill	Rights to operate public facilities	Assets related to replacement investment to operate public facilities	Contract-related assets	Other	Total
Beginning balance	159,046	99,101	31,392	88,139	24,374	243,007
Purchase	—	—	—	—	25,023	25,023
Business combinations	—	—	—	—	—	—
Sale or disposal	—	—	—	—	(398)	(398)
Decrease due to exclusion from consolidation	(403)	—	—	—	—	—
Amortization	—	(6,052)	(1,099)	—	(4,029)	(11,181)
Impairment losses	—	—	—	—	(34)	(34)
Transfer to assets held for sale	—	—	—	—	(21,399)	(21,399)
Other	—	—	(844)	—	166	(677)
Ending balance	158,642	93,049	29,448	88,139	23,701	234,338

- Notes:
1. Amortization is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.
 2. The amount of borrowing costs capitalized during the fiscal years ended March 31, 2025 and 2024 was ¥134 million and ¥35 million, respectively. The capitalization rates used to determine the amount of borrowing costs eligible for capitalization during the fiscal years ended March 31, 2025 and 2024 were 0.6%–0.9% and 0.6%–0.9%, respectively.

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Intangible assets					
	Goodwill	Rights to operate public facilities	Assets related to replacement investment to operate public facilities	Contract-related assets	Other	Total
Beginning balance	19,891	105,154	33,004	—	16,436	154,595
Purchase	—	—	—	—	9,525	9,525
Business combinations	139,155	—	—	88,139	2,372	90,511
Sale or disposal	—	—	—	—	(538)	(538)
Amortization	—	(6,052)	(1,150)	—	(3,459)	(10,662)
Other	—	—	(461)	—	37	(423)
Ending balance	159,046	99,101	31,392	88,139	24,374	243,007

The cost, accumulated amortization, accumulated impairment losses, and carrying amount of goodwill and intangible assets are as follows:

(Millions of yen)

	Intangible assets					Total
	Goodwill	Rights to operate public facilities	Assets related to replacement investment to operate public facilities	Contract-related assets:	Other	
As of March 31, 2025						
Cost	158,642	138,173	38,060	88,139	46,535	310,908
Accumulated amortization and accumulated impairment losses	–	(45,123)	(8,611)	–	(22,834)	(76,570)
Carrying amount	158,642	93,049	29,448	88,139	23,701	234,338
As of March 31, 2024						
Cost	159,046	138,173	38,904	88,139	43,450	308,667
Accumulated amortization and accumulated impairment losses	–	(39,071)	(7,512)	–	(19,076)	(65,659)
Carrying amount	159,046	99,101	31,392	88,139	24,374	243,007

(2) Significant intangible assets

The Group's major intangible assets include rights to operate public facilities, assets related to replacement investment to operate public facilities, and contract-related assets.

The details of rights to operate public facilities and assets related to replacement investment to operate public facilities are as stated in "16. Service Concession Arrangements."

Contract-related assets are intangible assets arising from the acquisition of Japan Wind Development Co., Ltd. ("JWD") and are attributable to the earning power of projects certified under the Feed-in Tariff (FIT) or Feed-in Premium (FIP) program owned by JWD.

Their carrying amount as of March 31, 2025 and 2024 was ¥88,139 million and ¥88,139 million, respectively. The amortization period is 20 years from the commencement of operations, which is the validity period of the FIT or FIP program. However, as all the contract-related assets are related to projects before the commencement of operations, they have not been amortized and are treated as intangible assets not yet available for use. Therefore, the contract-related assets are tested for impairment annually and whenever there is an indication of impairment. The details of the impairment testing are as stated in "15. Impairment of Non-financial Assets."

(3) Research and development expenses

Research and development expenses recorded as "Cost of sales" and "Selling, general and administrative expenses" for the fiscal years ended March 31, 2025 and 2024 were ¥5,705 million and ¥5,104 million, respectively.

15. Impairment of Non-financial Assets

(1) Impairment losses

The Group groups its non-financial assets in the smallest cash-generating unit that generates largely independent cash inflows, and recognizes impairment losses on the following assets. Impairment losses are recorded as “Other expenses” in the consolidated statement of profit or loss.

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Buildings and structures	242	82
Machinery, vehicles, tools, furniture and fixtures	1,028	257
Land	2	13
Construction in progress	–	18
Investment property	1	0
Other intangible assets	34	–
Total	1,310	372

Major impairment losses recognized for the fiscal year ended March 31, 2025 were on property, plant and equipment in the Road Civil Engineering business.

The Group measured the fair value of the assets less costs of disposal estimated to incur from the assets or calculated discounted future cash flows, due to a decline in profitability resulting from changes in the business environment and other circumstances. As a result, the recoverable amount of the assets was less than their carrying amount, and the carrying amount was reduced to the recoverable amount, with the reduction being recognized as an impairment loss.

When the recoverable amount was value in use, it was calculated by discounting future cash flows by a pre-tax discount rate of 10.6%. When the recoverable amount was fair value less costs of disposal, the assets were valued based on their market value or the like. The fair value was Level 3 in the fair value hierarchy.

Major impairment losses recognized for the fiscal year ended March 31, 2024 were on property, plant and equipment in the Road Civil Engineering business.

The Group measured the fair value of the assets less costs of disposal estimated to incur from the assets or calculated discounted future cash flows, due to a decline in profitability resulting from changes in the business environment and other circumstances. As a result, the recoverable amount of the assets was less than their carrying amount, and the carrying amount was reduced to the recoverable amount, with the reduction being recognized as an impairment loss.

When the recoverable amount was value in use, it was calculated by discounting future cash flows by a pre-tax discount rate of 8.5%. When the recoverable amount was fair value less costs of disposal, the assets were valued based on their market value or the like. The fair value was Level 3 in the fair value hierarchy.

(2) Goodwill impairment testing

The Group allocates goodwill acquired in a business combination to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the business combination from the acquisition date onward. The Group tests goodwill for impairment every fiscal year and whenever there is an indication that goodwill may be impaired. The impairment testing of primary goodwill allocated to a cash-generating unit or a group of cash-generating units is as follows.

Road Civil Engineering

The carrying amount of goodwill acquired in the acquisition of Maeda Road Construction, Co., Ltd. that engages in the Road Civil Engineering business was ¥19,933 million and ¥19,933 million as of March 31, 2025 and 2024, respectively.

The recoverable amount of the goodwill is determined at value in use, and the underlying key assumptions are as follows.

Value in use was determined by discounting the amount of future cash flows, which was estimated based on a three-year business plan approved by management, to the present value based on the pre-tax weighted average cost of capital of the cash-generating unit. The discount rate used in the impairment testing was 10.6% and 8.5% as of March 31, 2025 and 2024, respectively.

Financial results forecasts in the business plan were prepared based on historical data obtained from external and internal sources as well as management's assessment of future trends in the industry. The certain key assumptions on which management has based its future cash flow projections included future net sales and gross profit margin for construction work in the Road Civil Engineering business; future sales volumes and unit selling prices for the manufacture and sale of asphalt mixture and other materials; and crude oil prices affecting material costs. Cash flows beyond the period covered by the business plan were determined based mainly on an estimated perpetual growth rate of 1.0%, which is within the long-term average growth rate for the market to which the group of cash-generating units was dedicated.

The recoverable amount of the cash-generating unit to which the goodwill was allocated was well in excess of its carrying amount. Management therefore forecasted that any change in the key assumptions, such as the growth rate and discount rate, within a reasonable range would not likely cause the recoverable amount of the cash-generating unit to fall below its carrying amount.

Infrastructure Management

The carrying amount of goodwill associated with the acquisition of Japan Wind Development Co., Ltd. that engages in part of the Infrastructure Management business was ¥138,507 million and ¥138,910 million as of March 31, 2025 and 2024, respectively.

The recoverable amount of the goodwill was determined at fair value less costs of disposal, and the underlying key assumptions are as follows.

Fair value was determined by discounting the amount of future cash flows, which was estimated based on a business plan approved by management, to the present value based on the after-tax weighted average cost of capital of the cash-generating unit. The fair value as of March 31, 2025 was determined by discounting the future cash flows estimated on a real basis at a real discount rate (a discount rate that takes into account the inflation rate) of 3.3%. The fair value as of March 31, 2024 was determined by discounting the future cash flows estimated on a nominal basis at nominal discount rates (discount rates that do not take into account the inflation rate) of 4.7%–4.8%. Consistent assumptions on inflation were used for the estimation of future cash flows and discount rates, and valuation techniques have remained unchanged.

Financial results forecasts in the business plan were prepared based on historical data obtained from external and internal sources as well as management's assessment of future trends in the industry. The forecasts were determined based on future cash flows over a period (approximately 35 years), which mainly includes the period of the FIT or FIP program plus the period during which the renewable energy development business is expected to be economically feasible to operate thereafter in consideration of the nature of the business cycle. The certain key assumptions on which management has based its future cash flow projections included the unit price of electricity sold, the project success rate, the facility utilization rate for each project, the amount of capital expenditures, and the market growth rate of the operation and maintenance (O&M) business. Cash flows beyond the period covered by the business plan were determined based on the terminal value without reference to the perpetual growth rate. The fair value was Level 3 in the fair value hierarchy.

The recoverable amount of the goodwill was ¥86,541 million higher than its carrying amount as of March 31, 2025. If the discount rate increases by more than 0.5%, an impairment loss may be incurred.

(3) Contract-related asset impairment testing

A cash-generating unit used for impairment testing for contract-related assets is projects for which the assets were recognized. The recoverable amount of the contract-related assets was determined at fair value less cost of disposal.

Fair value was determined by discounting the amount of future cash flows, which was estimated based on a business plan approved by management, to the present value based on the after-tax weighted average cost of capital of the cash-generating unit. The certain key assumptions on which management has based its future cash flow projections included the unit price of electricity sold, the project success rate, the facility utilization rate for each project, and the amount of capital expenditures.

The recoverable amount of the cash-generating unit to which the contract-related assets were allocated was well in excess of its carrying amount. Management therefore forecasted that any change in the key assumptions, such as the discount rate, within a reasonable range would not likely cause the recoverable amount of the cash-generating unit to fall below its carrying amount.

The details of the contract-related assets are as stated in “14. Goodwill and Intangible Assets, (2) Significant intangible assets.”

16. Service Concession Arrangements

Significant intangible assets recorded in the consolidated statement of financial position are as follows: Service concession arrangements were classified as intangible assets of service concession arrangements in accordance with IFRIC 12 Service Concession Arrangements.

Aichi Road Concession Co., Ltd.

(1) Rights to operate public facilities

The payment for rights to operate public facilities related to the Toll Road Operation Management, etc. in Aichi Prefecture was recorded as an intangible asset. The payment was calculated by discounting the future cash flows assumed in the simulation run based on certain expected expenses and investments from the amount of revenue to be estimated based on traffic volume.

Rights to operate public facilities were amortized using the unit-of-production method based on traffic volume. A summary of rights to operate public facilities is as follows:

Descriptions of public facilities	Toll Road Operation Management, etc. in Aichi Prefecture				
	4 Roads in Chita Area consisting of Minami Chita Road, Chita Hanto Road, Chita Odan Road, and Access Road to Chubu Centrair Int'l Airport	Sanage Green Road	Kinuura Tunnel	Kinuura Toyota Road	Nagoya Seto Road
	Rights are made on above-mentioned roads respectively				
Terms of payments	The payment is the sum of an upfront payment for the rights to operate public facilities and usage fees for road facilities. The usage fees for road facilities are paid in installments each year over the duration of the right of operation.				Pay in full as right is obtained
Duration of rights	October 1, 2016 to March 31, 2046	October 1, 2016 to June 22, 2029	October 1, 2016 to November 29, 2029	October 1, 2016 to March 5, 2034	October 1, 2016 to November 26, 2044
Remaining duration of rights	April 1, 2025 to March 31, 2046	April 1, 2025 to June 22, 2029	April 1, 2025 to November 29, 2029	April 1, 2025 to March 5, 2034	April 1, 2025 to November 26, 2044
Summary of profit-share clause	Increased and decreased revenues belong to or are compensated as follows, provided that the revenue amounts of each fiscal-year end are increased or decreased compared to the scheduled revenue amounts: • Within 6% of increase (or decrease) Belong to Aichi Road Concession Co., Ltd. • Above 6% of increase 6% or less of increase belongs to Aichi Road Concession Co., Ltd. 6% or above of increase belongs to Aichi Prefectural Road Public Corporation • Above 6% of decrease 6% or less of decrease belongs to Aichi Road Concession Co., Ltd. 6% or above of decrease belongs to Aichi Prefectural Road Public Corporation				

As of the expiration date of the rights to operate public facilities, the assets under the contract will be returned to Aichi Prefectural Road Public Corporation.

(2) Assets related to replacement investment to operate public facilities

Regarding assets related to replacement investment to operate public facilities for the extent of the replacement investments that constitutes capital expenditures (limited to those for which ownership belongs to the management company, etc.), the total amount and timing of expenditures expected to be incurred over the duration of the right of operation were estimated, and the present value of the total amount expected to be incurred was recorded as a provision and the same amount was recorded as an intangible asset at the time of acquisition of the rights to operate public facilities.

The asset was amortized as an asset related to replacement investment, using the same method as the rights to operate public facilities.

Descriptions and scheduled dates are as follows:

4 roads in Chita Area

Descriptions of main replacement investments	Scheduled dates
Remote monitoring facilities	Fiscal year ending March 31, 2030
Replacement of main computer system	Fiscal year ending March 31, 2031
Replacement of lanes for Electronic Toll Collection System ("ETC")	From fiscal year ending March 31, 2026 to fiscal year ending March 31, 2033
Replacement of lanes for Ordinary Toll Collection Machines	From fiscal year ending March 31, 2027 to fiscal year ending March 31, 2036

Sanage Green Road

Descriptions of main replacement investments	Scheduled dates
ITV cameras	Fiscal year ending March 31, 2027

Kinuura Tunnel

Descriptions of main replacement investments	Scheduled dates
Replacement of road information displays	Fiscal year ending March 31, 2027
Uninterruptible power-supply system	Fiscal year ending March 31, 2027

Kinuura Toyota Road

Descriptions of main replacement investments	Scheduled dates
Replacement of road information displays	Fiscal year ending March 31, 2027

Nagoya Seto Road

Descriptions of main replacement investments	Scheduled dates
Replacement of lanes for Ordinary Toll Collection Machines	Fiscal year ending March 31, 2032
Replacement of road information displays	Fiscal year ending March 31, 2027
Replacement of lanes for ETC	Fiscal year ending March 31, 2031
Replacement of power receiving and distribution facilities	Fiscal year ending March 31, 2035

As of the expiration date of the operations for public facilities, the assets under the contract will be returned to Aichi Prefectural Road Public Corporation.

Miotsukushi Industrial Water Concession Co., Ltd.

(1) Rights to operate public facilities

The payment for rights to operate public facilities related to the Industrial Water Supply Management, etc. in Osaka City was recorded as an intangible asset. The payment was calculated by discounting the future cash flows assumed in the simulation run based on certain expected expenses and investments from the amount of revenue to be estimated based on water supply volume.

Rights to operate public facilities were amortized using the straight-line method over 10 years, the duration of rights.

A summary of rights to operate public facilities is as follows:

Descriptions of public facilities	Industrial Water Supply Specified Operation Management, etc. in Osaka City
Terms of payments	Payment will be made in installments over the duration of rights (10 years) in accordance with the method stipulated in the implementation contract.
Duration of rights	October 7, 2021 to March 31, 2032
Remaining duration of rights	April 1, 2025 to March 31, 2032

As of the expiration date of the rights to operate public facilities, the assets under the contract will be returned to the Osaka Municipal Waterworks Bureau.

In addition, upon notification by Miotsukushi Industrial Water Concession Co., Ltd., if Osaka City and Miotsukushi Industrial Water Concession Co., Ltd. agree, the duration of rights may be extended until Miotsukushi Industrial Water Concession Co., Ltd. desires to extend the duration within the stipulated limit.

(2) Assets related to replacement investment to operate public facilities

Regarding assets related to replacement investment to operate public facilities for the extent of the replacement investments that constitutes capital expenditures (limited to those for which ownership belongs to the management company, etc.), the total amount and timing of expenditures expected to be incurred over the duration of the right of operation were estimated, and the present value of the total amount expected to be incurred was recorded as a provision and the same amount was recorded as an intangible asset at the time of acquisition of the rights to operate public facilities.

The asset was amortized as an asset related to replacement investment, using the same method as the rights to operate public facilities.

Descriptions and scheduled dates are as follows:

8 roads of pipelines

Replacement investments of main pipelines	Scheduled dates
From 1 chome, Mitejima, Nishiyodogawa-ku to 3 chome, Kashiwazato, Nishiyodogawa-ku	Fiscal year ending March 31, 2030
2 chome, Chibune, Nishiyodogawa-ku	Fiscal year ending March 31, 2029
2 chome, Ono, Nishiyodogawa-ku	Fiscal year ending March 31, 2028
From 3 chome, Baika, Konohana-ku to 1 chome, Kasugadekita, Konohana-ku	Fiscal year ending March 31, 2028
8 chome, Ebie, Fukushima-ku	Fiscal year ending March 31, 2027
From 6 chome, Ebie, Fukushima-ku to 8 chome, Ebie, Fukushima-ku	Fiscal year ending March 31, 2027
From 1 chome, Nakatsu, Kita-ku to 3 chome, Nakatsu, Kita-ku	Fiscal year ending March 31, 2026
1 chome, Kunijima, Higashiyodogawa-ku	Fiscal year ending March 31, 2028

As of the expiration date of the rights to operate public facilities, the assets under the contract will be returned to the Osaka Municipal Waterworks Bureau.

In addition, upon notification by Miotsukushi Industrial Water Concession Co., Ltd., if Osaka City and Miotsukushi Industrial Water Concession Co., Ltd. agree, the duration of rights may be extended until Miotsukushi Industrial Water Concession Co., Ltd. desires to extend the duration within the stipulated limit.

Miura Sewerage & Concession Co., Ltd.

(1) Rights to operate public facilities

The payment for rights to operate public facilities related to the Public Sewerage (for East Area Treatment District) Management in Miura City was recorded as an intangible asset. The payment was calculated by discounting the future cash flows assumed in the simulation run based on certain expected expenses and investments from the amount of revenue to be estimated based on the volume of wastewater discharged. Rights to operate public facilities were amortized using the straight-line method over 20 years, the duration of rights.

A summary of rights to operate public facilities is as follows:

Descriptions of public facilities	Public Sewerage (for East Area Treatment District) Operation Management in Miura City
Terms of payments	Lump-sum payment was made by March 31, 2023 in accordance with the method stipulated in the implementation contract.
Duration of rights	September 28, 2022 to March 31, 2043
Remaining duration of rights	April 1, 2025 to March 31, 2043

As of the expiration date of the rights to operate public facilities, the assets under the contract will be returned to Miura City.

(2) Assets related to replacement investment to operate public facilities

Regarding assets related to replacement investment to operate public facilities for the extent of the replacement investments that constitutes capital expenditures (limited to those for which ownership belongs to the management company, etc.), the total amount and timing of expenditures expected to be incurred over the duration of the right of operation were estimated, and the present value of the total amount expected to be incurred was recorded as a provision and the same amount was recorded as an intangible asset at the time of acquisition of the rights to operate public facilities.

The asset was amortized as an asset related to replacement investment, using the same method as the rights to operate public facilities.

Descriptions and scheduled dates are as follows:

Tobu Purification Center

Descriptions of main replacement investments	Scheduled dates
Sludge dewatering units	From fiscal year ending March 31, 2033 to fiscal year ending March 31, 2034, and fiscal year ending March 31, 2043

Kaneda Relay Center

Descriptions of main replacement investments	Scheduled dates
Main inflow gate units (pump station)	Fiscal year ending March 31, 2027, from fiscal year ending March 31, 2041 to fiscal year ending March 31, 2042

Manhole Pumps

Descriptions of main replacement investments	Scheduled dates
Shimomiyada No. 3 MP units	Fiscal year ending March 31, 2031

Pipelines

Descriptions of main replacement investments	Scheduled dates
Replacement of caps	From fiscal year ending March 31, 2026 to fiscal year ending March 31, 2043

As of the expiration date of the rights to operate public facilities, the assets under the contract will be returned to Miura City.

17. Leases

Leases as lessee

The Group leases buildings and structures, machinery, vehicles, tools, furniture and fixtures, and land as a lessee. Some of leases have an extension option or termination option. The Group determines the lease term after assessing whether it is reasonably certain to exercise the extension option (or not to exercise the termination option).

The Group recognizes lease payments associated with short-term leases for which the lease term ends within 12 months and certain leases for which the underlying asset is of low value as an expense over the lease term.

(1) Disclosure of lessee's lease expense

The breakdown of the lessee's lease expense is as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Depreciation of right-of-use assets		
Buildings and structures:	3,443	3,591
Machinery, vehicles, tools, furniture and fixtures:	2,717	3,721
Land	1,657	1,801
Subtotal	7,818	9,114
Interest expense on lease liabilities	206	191
Expense relating to short-term leases	19,390	20,616
Expense relating to leases of low-value assets (excluding expense relating to short-term leases)	69	60
Income from subleasing right-of-use assets	(280)	(17)
Profit (loss) related to lessee's leases	27,203	29,965

(2) Breakdown of carrying amount of right-of-use assets

The breakdown of the carrying amount of right-of-use assets is as follows:

	(Millions of yen)	
	As of March 31, 2025	As of March 31, 2024
Right-of-use assets		
Buildings and structures:	7,676	5,122
Machinery, vehicles, tools, furniture and fixtures:	5,133	6,767
Land	6,175	6,217
Total	18,985	18,107

(3) Other disclosure of lessee's leases

Other disclosure of the lessee's leases is as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Total cash outflow for leases	28,788	31,548
Additions to right-of-use assets	10,608	9,875

Leases as lessor

The Group leases buildings, machinery and equipment, etc. as a lessor. The Group accepts leasehold deposit for buildings, etc. and periodically monitors customer status, equipment usage and other conditions for machinery and equipment, etc. to manage risks associated with the underlying assets. Disclosure of the lessor's lease income is as follows:

(1) Income or loss from operating leases

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Lease income	7,032	7,401

(2) Maturity analysis of operating lease payments

	(Millions of yen)	
	As of March 31, 2025	As of March 31, 2024
Due within one year	2,582	2,045
Due after one year through two years	1,799	1,389
Due after two years through three years	1,458	1,290
Due after three years through four years	1,371	1,298
Due after four years through five years	703	1,251
Due after five years	593	1,098
Total	8,508	8,374

18. Investment Property

(1) Changes

The carrying amount, cost, accumulated depreciation, and accumulated impairment losses of investment property are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Beginning balance	26,752	25,469
Purchase	2,157	1,802
Depreciation	(686)	(624)
Impairment losses	(1)	(0)
Sale or disposal	(18)	–
Other	696	105
Ending balance	28,898	26,752
Cost (beginning balance)	55,948	54,050
Accumulated depreciation and accumulated impairment losses (beginning balance)	(29,196)	(28,581)
Cost (ending balance)	58,879	55,948
Accumulated depreciation and accumulated impairment losses (ending balance)	(29,980)	(29,196)

(2) Carrying amount and fair value

The carrying amount and fair value of investment property are as follows:

	(Millions of yen)			
	As of March 31, 2025		As of March 31, 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Investment property	28,898	37,432	26,752	33,163

(3) Method and inputs used to measure fair value

The fair value of investment property was measured based mainly on valuation or the like presented by an external real estate appraiser using the discounted cash flow method.

The fair value was classified into three levels (fair value hierarchy) based on the inputs used for the valuation techniques, and the description of each level is provided in “39. Financial Instruments.”

The fair value of investment property as of March 31, 2025 and 2024 was classified as Level 3 in the fair value hierarchy because it includes unobservable inputs.

(4) Income and expenses arising from investment property

The amounts of rental income and direct operating expenses arising from investment property are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Rental income	1,888	1,766
Direct operating expenses	1,090	947

19. Major Subsidiaries

The major subsidiaries at the end of the fiscal year ended March 31, 2025 are as follows:

Name of subsidiary	Location	Main business	Equity ownership (%)	Share capital (Millions of yen, unless otherwise stated)
Maeda Corporation ^{*4 *5}	Tokyo, Japan	Building Construction Civil Engineering	100.0 (-)	28,463
Maeda Road Construction Co., Ltd. ^{*4 *5}	Tokyo, Japan	Road Civil Engineering	100.0 (-)	19,350
Maeda Seisakusho Co., Ltd. ^{*4}	Nagano, Japan	Machinery	100.0 (-)	3,160
Japan Wind Development Co., Ltd.	Tokyo, Japan	Infrastructure Management (Wind power)	100.0 (-)	100
Aichi Road Concession Co., Ltd.	Aichi, Japan	Infrastructure Management (Maintenance and management of roads)	50.0 (50.0)	480
Anonymous Association – Aichi Road Concession ^{*4}	Aichi, Japan	Infrastructure Management (Maintenance and management of roads)	- (-)	-
JM Corporation	Tokyo, Japan	Other (Building construction)	100.0 (100.0)	350
Fujimi Koken Co., Ltd.	Saitama, Japan	Other (Production and sales of construction materials)	56.6 (56.6) [27.6]	281
FBS Co., Ltd.	Tokyo, Japan	Other (Building construction)	75.0 (75.0) [25.0]	100
Thai Maeda Corporation Ltd.	Thailand	Other (Building construction)	45.0 (45.0) [4.0]	20,000 thousand baht
Miotsukushi Industrial Water Concession Co., Ltd.	Osaka, Japan	Infrastructure Management (Waterworks)	71.0 (71.0)	100
Miura Sewerage & Concession Co., Ltd.	Kanagawa, Japan	Infrastructure Management (Waterworks)	49.0 (49.0)	41
Aichi International Arena Co., Ltd.	Aichi, Japan	Infrastructure Management (Arena development, maintenance, and operation)	55.1 (55.1)	1,139
80 other subsidiaries				

- Notes:
1. In the “Main business” column, the names presented in the segment information are used for description.
 2. In the “Equity ownership (%)” column, the figures in parentheses () are indirect ownership percentages that are included in the total, and the figures in brackets [] are ownership percentages of those closely related to or in agreement with the Company that are not included in the total.
 3. Cash management system (CMS) has been introduced in major consolidated subsidiaries for centralized management of lending and receiving of funds.
 4. This company is a specified subsidiary.
 5. For Maeda Corporation and Maeda Road Construction Co., Ltd., the ratio of net sales (excluding internal sales among consolidated companies) to consolidated net sales exceeds 10%. The key financial information in the companies’ financial statements prepared in accordance with accounting principles generally accepted in Japan is as follows.

(Millions of yen)		
Key financial information	Maeda Corporation	Maeda Road Construction Co., Ltd.
(1) Net sales	493,768	247,010
(2) Ordinary profit	30,198	17,583
(3) Profit	29,519	12,212
(4) Net assets	290,375	169,043
(5) Total assets	562,827	237,521

20. Investments Accounted for Using Equity Method

(1) Material associates

Toyo Construction Co., Ltd.

Toyo Construction Co., Ltd. (located in Chuo-ku, Osaka City) primarily engages in construction work related to building construction and civil engineering as well as related business activities.

The Group hopes to create synergies with Toyo Construction Co., Ltd. by utilizing each other's management resources to foster and expand each other's business.

Toyo Construction Co., Ltd.'s condensed financial information under IFRS is as follows:

	(Millions of yen, unless otherwise stated)	
	As of March 31, 2025	As of March 31, 2024
Current assets	111,331	104,456
Non-current assets	64,333	50,834
Current liabilities	79,520	68,694
Non-current liabilities	20,969	10,075
Equity	75,175	76,520
Share of ownership interest (%)	20.3	20.2
Equity attributable to the Group	15,253	15,472
Consolidation adjustments	5	(235)
Carrying amount of interest in Toyo Construction Co., Ltd.	15,258	15,236
Fair value of interest in Toyo Construction Co., Ltd.	25,085	24,990

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Net sales	154,934	162,150
Profit	6,696	7,047
Other comprehensive income	1,859	2,260
Comprehensive income	8,555	9,307

Dividends received from Toyo Construction Co., Ltd. for the fiscal years ended March 31, 2025 and 2024 amounted to ¥1,980 million and ¥476 million, respectively.

(2) Immaterial associates and joint ventures

The carrying amount of investments in immaterial associates and joint ventures is as follows:

	(Millions of yen)	
	As of March 31, 2025	As of March 31, 2024
Associates and joint ventures	10,474	7,233

Financial information of immaterial associates and joint ventures is as follows: These amounts were after taking into account the Group's share of equity.

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Associates and joint ventures		
Profit	(3)	248
Other comprehensive income	(88)	33
Comprehensive income	(92)	281

21. Assets Held for Sale and Liabilities Directly Associated with Assets Held for Sale

The breakdown of assets held for sale and liabilities directly associated with assets held for sale is as follows:

	(Millions of yen)	
	As of March 31, 2025	As of March 31, 2024
Assets held for sale		
Cash and cash equivalents	1,094	—
Trade and other receivables	26,345	—
Property, plant and equipment	196	—
Right-of-use assets	235	—
Intangible assets	21,399	—
Other	416	—
Total	49,689	—
Liabilities directly associated with assets held for sale		
Trade and other payables	5,014	—
Other	1,245	—
Total	6,259	—

During the fiscal year ended March 31, 2025, the Company entered into an agreement to transfer part of its shareholdings in Aichi International Arena Co., Ltd., a consolidated subsidiary categorized under the Infrastructure Management business. As a result, the consolidated subsidiary will be converted into an entity accounted for using the equity method. For this reason, at the end of the fiscal year ended March 31, 2025, the Company has reclassified the subsidiary's assets and liabilities as assets held for sale and liabilities directly associated with assets held for sale. In accordance with the transfer agreement, the Company has completed the transfer of the shareholdings to NTT DOCOMO, INC. as of April 1, 2025.

The assets were recognized at their carrying amount because the carrying amount was less than their fair value less costs to sell. The fair value was based on the transfer price under the transfer agreement and was classified as Level 3 in the fair value hierarchy.

22. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

i. The breakdown of deferred tax assets and deferred tax liabilities by major cause and changes thereof

The breakdown of deferred tax assets and deferred tax liabilities by major cause is as follows:

	(Millions of yen)	
	As of March 31, 2025	As of March 31, 2024
Deferred tax assets		
Tax loss carried forward	520	273
Lease liabilities	7,105	6,670
Retirement benefit liability	5,393	6,098
Inventories	44	26
Property, plant and equipment	2,074	819
Intangible assets	631	564
Provisions	437	596
Accrued bonuses	3,216	3,158
Stock benefit expenses	1,392	524
Other	6,786	6,215
Total deferred tax assets	27,602	24,947
Deferred tax liabilities		
Financial assets measured at fair value through other comprehensive income	(16,041)	(17,186)
Property, plant and equipment	(13,988)	(13,708)
Intangible assets	(32,423)	(31,658)
Right-of-use assets	(7,127)	(6,674)
Retained earnings of subsidiaries and associates	(1,702)	(1,702)
Other	(7,335)	(7,405)
Total deferred tax liabilities	(78,620)	(78,336)
Net deferred tax assets (liabilities)	(51,018)	(53,389)

The breakdown of changes in net deferred tax assets (liabilities) is as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Beginning balance	(53,389)	(10,408)
Recognized through profit or loss	(2,107)	(1,695)
Recognized through other comprehensive income	4,478	(10,018)
Business combinations	—	(31,266)
Ending balance	(51,018)	(53,389)

Note: In recognizing deferred tax assets, taxable temporary differences, future taxable profit calculation, and tax planning were taken into consideration.

ii. Deductible temporary differences, etc. for which no deferred tax assets were recognized

The breakdown of deductible temporary differences and tax loss carried forward for which no deferred tax assets were recognized in the consolidated statement of financial position is as follows:

(Millions of yen)

	As of March 31, 2025	As of March 31, 2024
Deductible temporary differences	54,914	55,209
Tax loss carried forward	9,419	8,528

Note: The scheduled expiry date of tax loss carried forward for which no deferred tax assets were recognized in the consolidated statement of financial position is as follows:

(Millions of yen)

	As of March 31, 2025	As of March 31, 2024
Year 1	119	3,345
Year 2 through Year 5	1,365	1,229
Due after five years	7,934	3,952
Total	9,419	8,528

iii. Taxable temporary differences for which no deferred tax liabilities were recognized

The total amount of taxable temporary differences associated with investments in subsidiaries and other entities for which no deferred tax liabilities were recognized as of March 31, 2025 and 2024 were ¥93,115 million and ¥62,809 million, respectively.

The Group does not recognize deferred tax liabilities for the temporary differences because it is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

(2) Income tax expense

The breakdown of income tax expense is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Current tax expense	19,019	18,139
Deferred tax expense		
Origination and reversal of temporary differences, etc.	(7,208)	(4,460)
Changes in unrecognized deferred tax assets, etc.	5,100	2,765

Note: Income taxes recognized in other comprehensive income are stated in "36. Other Comprehensive Income."

(3) Reconciliation of effective tax rates

A reconciliation between the statutory tax rate and the effective tax rate reflected in the consolidated statement of profit or loss is as follows:

	(%)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Statutory tax rate	30.6	30.6
Reconciliation:		
Permanent differences	1.0	0.4
Special credit of income taxes	(1.9)	(2.6)
Retained earnings of subsidiaries and associates	0.0	0.4
Share of profit (loss) of investments accounted for using equity method	(0.8)	(1.0)
Effect of assessment of recoverability of deferred tax assets	0.7	4.5
Other	4.4	0.9
Effective tax rate reflected in the consolidated statement of profit or loss	34.0	33.3

Note: The Company is mainly subject to income tax, inhabitant tax and enterprise tax, and calculates the statutory tax rate based on these taxes.

(4) Impact of the Pillar Two model rules

In jurisdictions where the Company and its certain subsidiaries operate, the Pillar Two legislation published by OECD has been enacted and put in place since the fiscal year ended March 31, 2025. However, no taxes in connection with this legislation were incurred during the fiscal year ended March 31, 2025.

(5) Accounting treatment of corporate income tax and local corporate income tax, and tax effect accounting in relation to these taxes

The Company and its certain subsidiaries submitted an application for approval to adopt the group tax sharing system during the fiscal year ended March 31, 2025 and will apply the system from the next fiscal year. Accordingly, tax effect accounting has been applied at the end of the fiscal year ended March 31, 2025 based on the assumption that the group tax sharing system will be adopted.

(6) Revisions to the amounts of deferred tax assets and deferred tax liabilities to reflect changes in the rates of corporate and other taxes

The Act for Partial Amendment of the Income Tax Act, etc. (Act No. 13 of 2025) was promulgated on March 31, 2025, and as a result, the special corporation tax for defense will be imposed from fiscal years beginning on or after April 1, 2026. Accordingly, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities will be changed from the previous 30.62% to 31.52% for the temporary differences expected to be reversed in or after the fiscal years beginning on or after April 1, 2026.

As a result of this change, the amount of deferred tax liabilities (net of deferred tax assets) for the fiscal year ended March 31, 2025 increased by ¥449 million, and income taxes – deferred (debit) increased by ¥277 million.

23. Trade and Other Payables

The breakdown of trade and other payables is as follows:

(Millions of yen)

	As of March 31, 2025	As of March 31, 2024
Notes payable - trade	48	476
Electronically recorded obligations - operating	13,852	19,085
Accounts payable for construction contracts	121,641	119,523
Accounts payable - other	15,661	14,340
Liabilities related to rights to operate public facilities (Note 2)	94,883	99,596
Other	26,134	20,770
Total	272,222	273,792

- Notes:
1. Trade and other payables were classified into financial liabilities measured at amortized cost.
 2. Liabilities related to rights to operate public facilities with a scheduled settlement date exceeding one year from the financial position date amounted to ¥90,110 million and ¥94,878 million as of March 31, 2025 and 2024, respectively.

24. Bonds, Borrowings, and Lease Liabilities

(1) The breakdown of bonds, borrowings, and lease liabilities is as follows:

(Millions of yen, unless otherwise stated)

	As of March 31, 2025	As of March 31, 2024	Average interest rate	Due date
Short-term borrowings	36,373	320,438	1.05%	–
Current portion of bonds (Note 3)	10,000	5,000	(Note 3)	(Note 3)
Current portion of long-term borrowings	12,313	15,736	0.89%	–
Current portion of non-recourse borrowings	1,492	888	0.89%	–
Lease liabilities (current)	8,982	9,328	–	–
Bonds (Note 3)	80,726	42,864	(Note 3)	(Note 3)
Convertible bonds (Note 4)	57,805	–	(Note 4)	(Note 4)
Long-term borrowings	187,437	93,627	0.99%	2026–2043
Non-recourse borrowings	9,033	2,989	1.47%	–
Lease liabilities (non-current)	14,520	13,408	–	–
Total	418,684	504,282	–	–

- Notes:
1. Bonds, borrowings, and lease liabilities were classified into financial liabilities measured at amortized cost.
 2. Bonds, borrowings, and lease liabilities were not subject to financial covenants that have a significant impact on the Group's financing activities.
 3. The outline of the conditions for bond issuance is as follows:

(Millions of yen, unless otherwise stated)

Company name	Issue	Date of issuance	As of March 31, 2025	As of March 31, 2024	Interest rate	Collateral	Date of redemption
INFRONEER Holdings Inc.	The MAEDA CORPORATION 25th Unsecured Bonds with inter-bond pari passu clause	September 12, 2019	10,000	10,000	0.31% per year	None	September 12, 2029
INFRONEER Holdings Inc.	The MAEDA CORPORATION 26th Unsecured Bonds with inter-bond pari passu clause	September 12, 2019	–	5,000	0.15% per year	None	September 12, 2024
INFRONEER Holdings Inc.	The MAEDA CORPORATION 27th Unsecured Bonds with inter-bond pari passu clause	September 9, 2020	10,000	10,000	0.48% per year	None	September 9, 2030
INFRONEER Holdings Inc.	The MAEDA CORPORATION 28th Unsecured Bonds with inter-bond pari passu clause	September 9, 2020	10,000	10,000	0.22% per year	None	September 9, 2025
INFRONEER Holdings Inc.	INFRONEER Holdings Inc. 1st Unsecured Bonds with inter-bond pari passu clause (green bonds)	September 14, 2022	13,000	13,000	0.42% per year	None	September 14, 2027
INFRONEER Holdings Inc.	INFRONEER Holdings Inc. 2nd Unsecured Bonds with inter-bond pari passu clause	September 12, 2024	24,000	–	0.893% per year	None	September 10, 2027
INFRONEER Holdings Inc.	INFRONEER Holdings Inc. 3rd Unsecured Bonds with inter-bond pari passu clause (green bonds)	September 14, 2024	24,000	–	1.273% per year	None	September 12, 2030
Total	–	–	91,000	48,000	–	–	–

4. The outline of the issuance terms of the convertible bonds is as follows:

(Millions of yen)

Company name	Issue	Date of issuance	As of March 31, 2025	As of March 31, 2024	Interest rate	Collateral	Date of redemption
INFRONEER Holdings Inc.	Euro-yen denominated convertible bonds due 2029 (green CBs)	April 8, 2024	60,000	–	No interest	None	March 30, 2029
Total	–	–	60,000	–	–	–	–

(2) Assets pledged as collateral and corresponding liabilities are as follows:

i. Assets pledged as collateral

(Millions of yen)

	As of March 31, 2025	As of March 31, 2024
Cash and cash equivalents	20,024	15,179
Trade and other receivables	9,986	1,506
Inventories	1,005	–
Other financial assets (current assets)	1,943	–
Property, plant and equipment	32,451	1
Intangible assets	92,716	98,721
Other financial assets (non-current assets)	8,769	37
Other assets	875	275
Total	167,773	115,720

- Notes:
1. Assets are pledged as collateral for non-recourse borrowings of Aichi Road Concession Co., Ltd. and ENE SEA BASE KAGOSHIMA Co., Ltd. and for long-term borrowings of Anonymous Association Ozu Biomass Power.
 2. Assets pledged as collateral for debts included the assets listed above and shares of subsidiaries that have been eliminated on consolidation.

ii. Liabilities corresponding to assets pledged as collateral

(Millions of yen)

	As of March 31, 2025	As of March 31, 2024
Current portion of long-term borrowings	2,390	350
Current portion of non-recourse borrowings	1,492	888
Long-term borrowings	20,998	2,422
Non-recourse borrowings	9,033	2,989
Total	33,915	6,652

- Note: Non-recourse borrowings of Aichi Road Concession Co., Ltd. and ENE SEA BASE KAGOSHIMA Co., Ltd.

25. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

(Millions of yen)

	As of March 31, 2025	As of March 31, 2024
Financial liabilities measured at amortized cost		
Deposits	6,914	7,136
Other	54	61
Subtotal	6,969	7,197
Financial liabilities measured at fair value through profit or loss		
Derivative liabilities	5	745
Other	–	9
Subtotal	5	755
Total	6,975	7,953

26. Provisions

Changes in provisions for the fiscal years ended March 31, 2025 and 2024 are as follows:

Fiscal year ended March 31, 2025

(Millions of yen)

	Provision for warranties for completed construction	Provision for loss on construction contracts	Liabilities related to replacement investment to operate public facilities	Other provisions	Total
Beginning balance	1,082	911	34,675	5,230	41,899
Increase during the period	541	230	–	1,570	2,342
Interest cost of unwinding the discount on the liabilities	–	–	367	56	424
Decrease due to intended use	(592)	(454)	(1,590)	(22)	(2,660)
Decrease due to reversal	(31)	(125)	–	(0)	(156)
Increase (decrease) due to changes in estimates	–	–	(573)	–	(573)
Other	(0)	13	–	(203)	(190)
Ending balance	1,000	575	32,878	6,630	41,085
Current liabilities	1,000	575	1,097	1,173	3,846
Non-current liabilities	–	–	31,781	5,457	37,238
Total	1,000	575	32,878	6,630	41,085

i. Provision for warranties for completed construction

To provide for expenses related to contractual non-conformities and other costs related to completed construction works, a provision is recognized based on actual results in a certain period of time in the past. Provision for warranties for completed construction is primarily used over the warranty period.

ii. Provision for loss on construction contracts

To provide for future losses on construction contracts, a provision is provided for estimated losses on construction contracts in progress at the end of the current fiscal year for which losses are expected and the amount of such losses can be reasonably estimated.

Provision for loss on construction contracts is primarily used by reference to the stage of completion of the construction.

Certain assumptions are used for the calculation of the provision because construction projects are highly customized in terms of specifications and work content, and because changes in the construction period, unexpected costs, fluctuations in unit prices of construction materials and labor, and changes in design may occur during the course of construction.

iii. Liabilities related to replacement investment to operate public facilities

Regarding the extent of the replacement investments to operate public facilities that constitutes capital expenditures (limited to those for which ownership belongs to the management company, etc.), the total amount and timing of expenditures expected to be incurred over the duration of the right of operation are estimated, and the present value of the total amount expected to be incurred is recognized as a liability and the same amount is recognized as an asset at the time of acquisition of the rights to operate public facilities.

iv. Other provisions

Other provisions include asset retirement obligations.

These provisions are attributable to transactions in the ordinary course of business, and, are not individually significant.

27. Post-employment Benefits

The Group has a corporate pension fund plan and an employees' pension fund plan as defined benefit pension plans, as well as defined contribution pension plans and the retirement lump sum payment plans.

The defined benefit corporate pension plans, in compliance with relevant laws and regulations and with the consent of the employees, set the pension plan rules that stipulate the policies on eligibility, what is provided through the plans, and contributions to be made by the Group, which have been approved by the Minister of Health, Labour and Welfare. Under the pension plan rules, the Group enters into agreements with entrusted pension management institutions on the payment of contributions as well as the management of plan assets to operate the plans.

The entrusted pension management institutions have a fiduciary responsibility to manage the plan assets in accordance with the agreements, among other things.

While the basic management policy is to ensure the sound management of the plan assets, the assets are exposed to investment risks associated with financial instruments. In addition, because defined benefit obligation is measured based on discount rates and various other actuarial assumptions, the obligation is exposed to risk of changes in such assumptions.

The Group may provide extra severance payments, which are not subject to the retirement benefit obligation calculated in accordance with the retirement benefit accounting, to employees upon retirement and in other circumstances.

Certain consolidated subsidiaries calculate the liabilities for retirement benefits and retirement benefit expenses by using the simplified method.

As of March 31, 2025, the Group has two corporate pension funds and a single employees' pension fund, and 20 companies of the Group have the retirement lump sum payment plan.

(1) Reconciliation of defined benefit obligation and plan assets

Reconciliation between defined benefit obligation and plan assets and retirement benefit liability and asset recognized in the consolidated statement of financial position as of March 31, 2025 and 2024 is as follows:

	(Millions of yen)	
	As of March 31, 2025	As of March 31, 2024
Funded defined benefit obligation	41,051	45,171
Plan assets	(73,636)	(73,109)
Subtotal	(32,585)	(27,938)
Unfunded defined benefit obligation	15,044	15,599
Effect of the asset ceiling	32,585	27,938
Total	15,044	15,599
Amount recognized in the consolidated statement of financial position		
Retirement benefit liability	15,044	15,599
Retirement benefit asset	—	—
Net retirement benefit liability (asset) recognized in the consolidated statement of financial position	15,044	15,599

(2) Reconciliation of defined benefit obligation

Changes in defined benefit obligation for the fiscal years ended March 31, 2025 and 2024 are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Beginning balance	60,770	63,066
Current service cost	2,250	2,412
Interest cost	912	672
Gains and losses on remeasurements		
Actuarial gains and losses arising from changes in demographic assumptions	(150)	352
Actuarial gains and losses arising from changes in financial assumptions	(2,231)	(2,639)
Actuarial gains and losses arising from experience adjustments	(1,825)	169
Benefits paid	(3,630)	(3,288)
Other	0	25
Ending balance	56,095	60,770

The weighted average duration of defined benefit obligation as of March 31, 2025 and 2024 is as follows:

	(Years)	
	As of March 31, 2025	As of March 31, 2024
Weighted average duration	9.2	10.0

(3) Reconciliation of plan assets

Changes in plan assets for the fiscal years ended March 31, 2025 and 2024 are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Beginning balance	73,109	66,108
Interest revenue	1,116	692
Gains and losses on remeasurements		
Return on plan assets (excluding interest revenue)	(966)	5,973
Contribution by the employer	2,607	2,557
Benefits paid	(2,231)	(2,222)
Ending balance	73,636	73,109

The Group will contribute ¥2,812 million for the fiscal year ending March 31, 2026.

(4) Effect of the asset ceiling

Changes in the effect of the asset ceiling for the fiscal years ended March 31, 2025 and 2024 are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Beginning balance	27,938	19,056
Interest revenue	339	184
Remeasurements		
Changes in the effect of the asset ceiling	4,308	8,697
Ending balance	32,585	27,938

Note: If the defined benefit plan has been overfunded, "retirement benefit asset" recognized in the consolidated statement of financial position is limited to the asset ceiling that is the present value of any future economic benefits available in the form of reductions in future contributions to the plan.

(5) Main components of plan assets

The components of total plan assets by major category as of March 31, 2025 and 2024 are as follows:

	As of March 31, 2025			As of March 31, 2024		
	Market price in an active market		Total	Market price in an active market		Total
	Quoted	Unquoted		Quoted	Unquoted	
Cash and deposits	2,043	–	2,043	1,611	–	1,611
Equity instruments						
Domestic shares	11,987	746	12,733	12,828	0	12,828
Foreign shares	8,262	0	8,262	8,991	0	8,991
Debt instruments						
Domestic bonds	5,844	9,280	15,124	4,754	9,996	14,750
Foreign bonds	9,199	1,697	10,897	9,189	2,479	11,669
General accounts of life insurance companies	4,653	4,119	8,772	4,622	4,088	8,710
Other	–	15,802	15,802	–	14,547	14,547
Total	41,990	31,646	73,636	41,997	31,112	73,109

The objective of the Group's plan asset management is to generate investment returns in excess of the minimum rate of return required to maintain the plan over medium to long term through safe and efficient asset management in order to ensure the payment of defined benefit obligation into the future. To this end, the pension funds carefully examine their risk tolerance and determine an optimal asset mix within the tolerable risk level, thereby invest in a diversified portfolio of assets.

(6) Actuarial assumptions

Key actuarial assumptions as of March 31, 2025 and 2024 are as follows:

	As of March 31, 2025		As of March 31, 2024	
Discount rate	1.7–2.3		1.3–1.6	

(7) Sensitivity analysis of actuarial assumptions

The sensitivities of defined benefit obligation as of March 31, 2025 and 2024 that were affected by changes in key actuarial assumptions are as follows. Each of these sensitivities assumes that all the other variables remain constant, but in reality, they do not always change independently. Negative figures represent a decrease in defined benefit obligation, while positive figures represent an increase in defined benefit obligation.

(Millions of yen)			
	Change in actuarial assumptions	As of March 31, 2025	As of March 31, 2024
Discount rate	0.5% increase	(2,764)	(3,060)
	0.5% decrease	3,074	3,326

(8) Defined contribution plans

The contributions to the defined contribution pension plans for the fiscal years ended March 31, 2025 and 2024 were ¥6,812 million and ¥6,348 million, respectively. The above figures include amounts recognized as expenses for the employees' pension insurance premium.

(9) Multi-employer pension plan

One of the consolidated subsidiaries participates in an employees' pension plan, which is a multi-employer pension plan, as a defined benefit pension plan. Such plans do not specify a contribution rate for past service liability or share of contributions for each employer so the participants pay contributions at a uniform rate. Therefore, the required contribution amount is accounted for as retirement benefit expenses.

i. Funded status of the multi-employer pension plan

(Millions of yen, unless otherwise stated)		
	As of March 31, 2024	As of March 31, 2023
Plan assets	24,859	23,274
Sum of actuarial liabilities of pension plan and minimum actuarial reserve	19,739	19,660
Net balance	5,120	3,614
The Group's contribution ratio in the multi-employer pension plan	1.74%	1.74%

ii. Expected contribution to the multi-employer pension plan for the next fiscal year

As of March 31, 2025, the Group expects to contribute ¥20 million to the multi-employer pension plan for the fiscal year ending March 31, 2026.

iii. The Group's responsibility for the multi-employer pension plan

The Group may be liable to pay additional contributions or assume any other liability to the multi-employer pension plan it participates in due to the dissolution of the plan, withdrawal from the plan, or any other event.

28. Share Capital and Other Equity Items

(1) Share capital

i. Number of shares authorized

The number of shares authorized as of March 31, 2025 and 2024 was as follows:

	(Thousands of shares)	
	As of March 31, 2025	As of March 31, 2024
Number of shares of common stock	1,200,000	1,200,000
Series 1 Bond-Type Class Shares	20,000	–

ii. Fully paid issued shares

Changes in the number of shares of common stock issued for the fiscal years ended March 31, 2025 and 2024 are as follows:

	(Thousands of shares)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Beginning balance	274,845	274,845
Increase during the period	–	–
Decrease during the period	–	–
Ending balance	274,845	274,845

Changes in the number of Series 1 Bond-Type Class Shares issued for the fiscal years ended March 31, 2025 and 2024 are as follows:

	(Thousands of shares)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Beginning balance	–	–
Increase during the period	20,000	–
Decrease during the period	–	–
Ending balance	20,000	–

(2) Treasury shares

Changes in the number of treasury shares for the fiscal years ended March 31, 2025 and 2024 are as follows:

	(Thousands of shares)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Beginning balance	27,863	22,329
Increase during the period	84	6,864
Decrease during the period	1,590	1,329
Ending balance	26,358	27,863

- Notes:
1. The increase of 6,864 thousand shares in the number of treasury shares during the fiscal year ended March 31, 2024 is composed of an increase of 6,861 thousand shares from the acquisition of treasury shares based on a resolution of the Board of Directors and an increase of 2 thousand shares from the purchase of shares of less than one unit.
 2. The increase of 84 thousand shares in the number of treasury shares during the fiscal year ended March 31, 2025 is composed of an increase of 84 thousand shares due to changes in equity and an increase of 0 thousand shares from the purchase of shares of less than one unit.
 3. The decrease of 1,329 thousand shares in the number of treasury shares during the fiscal year ended March 31, 2024 is composed of a decrease of 208 thousand shares due to the disposal of treasury shares as restricted stock compensation and a decrease of 1,121 thousand shares due to sale to the employee stock holding partnership through the stock benefit trust (employee shareholding association purchase-type).
 4. The decrease of 1,590 thousand shares in the number of treasury shares during the fiscal year ended March 31, 2025 is composed of a decrease of 215 thousand shares due to the disposal of treasury shares as restricted stock compensation and a decrease of 1,375 thousand shares due to sale to the employee stock holding partnership through the stock benefit trust (employee shareholding association purchase-type).
 5. The ending balance as of March 31, 2024 includes 2,145 thousand shares held by the stock benefit trust (employee shareholding association purchase-type), 2,806 thousand shares held by the Stock Benefit Trust (BBT), and 2,967 thousand shares held by the Stock Benefit Trust (J-ESOP).
 6. The ending balance as of March 31, 2025 includes 770 thousand shares held by the stock benefit trust (employee shareholding association purchase-type), 2,806 thousand shares held by the Stock Benefit Trust (BBT), and 2,967 thousand shares held by the Stock Benefit Trust (J-ESOP).

(3) Surplus

i. Capital surplus

Capital surplus consists of legal capital surplus and other capital surplus.

Under the Companies Act of Japan (the "Companies Act"), at least 50% of the contribution for share issuance shall be credited to share capital, and the remainder shall be credited to legal capital surplus that is included in capital surplus.

The amount classified as the equity component of a compound financial instrument at the time of issuance of the convertible bonds has been included in other capital surplus.

ii. Retained earnings

Retained earnings consists of legal retained earnings and other retained earnings.

The Companies Act provides that 10% of the amount paid as dividends of surplus shall be appropriated as legal capital surplus or as legal retained earnings until the aggregate amount of legal capital surplus and legal retained earnings included in retained earnings equals 25% of share capital.

(4) Other components of equity

i. Remeasurements of defined benefit plans

This represents the effect of differences between the actuarial assumptions on defined benefit plans at the beginning of the fiscal year and what has actually occurred and the effect of changes in actuarial assumptions.

ii. Financial assets measured at fair value through other comprehensive income

This represents the valuation differences on fair value of financial assets measured at fair value through other comprehensive income.

iii. Exchange differences on translation of foreign operations

This represents the exchange differences arising from the consolidation of financial statements of foreign operations prepared in foreign currencies.

iv. Cash flow hedges

The Group uses derivatives to hedge the risk of fluctuations in future cash flows. Cash flow hedges represent the effective portion of changes in fair value of derivative transactions designated as cash flow hedges.

v. Share of other comprehensive income of investments accounted for using equity method

This represents the Company's share of the exchange differences on translation of financial statements of foreign operations of entities accounted for using the equity method.

29. Dividends

(1) Dividends paid

Fiscal year ended March 31, 2025

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 10, 2024	Common stock	9,133	35.0	March 31, 2024	June 26, 2024
Board of Directors' meeting held on November 12, 2024	Common stock	7,835	30.0	September 30, 2024	December 10, 2024
Board of Directors' meeting held on November 12, 2024	Series 1 Bond-Type Class Shares	434	21.7	September 30, 2024	December 10, 2024

- Notes:
1. The amount of dividends reported in the consolidated statement of changes in equity is calculated by deducting the amount of dividends on the Company's shares held by entities accounted for using the equity method from the amount of total dividends.
 2. The total dividends resolved at the Board of Directors' meeting held on May 10, 2024 include dividends of ¥75 million, ¥98 million, and ¥103 million on the Company's shares held by the stock benefit trust (employee shareholding association purchase-type), the Stock Benefit Trust (BBT), and the Stock Benefit Trust (J-ESOP), respectively.
 3. The total dividends resolved at the Board of Directors' meeting held on November 12, 2024 include dividends of ¥44 million, ¥84 million, and ¥89 million on the Company's shares held by the stock benefit trust (employee shareholding association purchase-type), the Stock Benefit Trust (BBT), and the Stock Benefit Trust (J-ESOP), respectively.

Fiscal year ended March 31, 2024

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 8, 2023	Common stock	14,421	55.0	March 31, 2023	June 21, 2023
Board of Directors' meeting held on November 10, 2023	Common stock	6,636	25.0	September 30, 2023	December 11, 2023

- Notes:
1. The amount of dividends reported in the consolidated statement of changes in equity is calculated by deducting the amount of dividends on the Company's shares held by entities accounted for using the equity method from the amount of total dividends.
 2. The total dividends resolved at the Board of Directors' meeting held on May 8, 2023 include dividends of ¥179 million and ¥20 million on the Company's shares held by the stock benefit trust (employee shareholding association purchase-type) and the Stock Benefit Trust (BBT), respectively.
 3. The total dividends resolved at the Board of Directors' meeting held on November 10, 2023 include dividends of ¥65 million, ¥70 million, and ¥74 million on the Company's shares held by the stock benefit trust (employee shareholding association purchase-type), the Stock Benefit Trust (BBT), and the Stock Benefit Trust (J-ESOP), respectively.

(2) Dividends whose record date falls in the current fiscal year but whose effective date falls in the next fiscal year

Fiscal year ended March 31, 2025

Resolution	Class of shares	Source of dividends	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 8, 2025	Common stock	Retained earnings	7,835	30.0	March 31, 2025	June 6, 2025
Board of Directors' meeting held on May 8, 2025	Series 1 Bond-Type Class Shares	Retained earnings	1,300	65.0	March 31, 2025	June 6, 2025

Note: The total dividends resolved at the Board of Directors' meeting held on May 8, 2025 include dividends of ¥23 million, ¥84 million, and ¥89 million on the Company's shares held by the stock benefit trust (employee shareholding association purchase-type), the Stock Benefit Trust (BBT), and the Stock Benefit Trust (J-ESOP), respectively.

30. Revenue

(1) Disaggregation of revenue

Reconciliation between disaggregation of net sales and “6. Segment Information” for the fiscal years ended March 31, 2025 and 2024 is as follows:

Fiscal year ended March 31, 2025

	(Millions of yen)						
	Building Construction	Civil Engineering	Road Civil Engineering	Machinery	Infrastructure Management	Others	Total
Revenue recognized from contracts with customers							
Satisfied at a point in time	–	–	80,989	34,934	25,747	36,395	178,067
Satisfied over time	319,059	141,982	181,804	939	3,934	13,743	661,464
Total	319,059	141,982	262,793	35,873	29,682	50,139	839,531
Revenue recognized from other sources (Note)	1,633	–	307	5,144	900	31	8,017
Total	320,692	141,982	263,101	41,018	30,583	50,170	847,548

Note: Revenue recognized from other sources includes revenues recognized based on IFRS 9 Financial Instruments and IFRS 16 Leases.

Fiscal year ended March 31, 2024

	(Millions of yen)						
	Building Construction	Civil Engineering	Road Civil Engineering	Machinery	Infrastructure Management	Others	Total
Revenue recognized from contracts with customers							
Satisfied at a point in time	–	–	81,488	33,999	17,818	34,059	167,366
Satisfied over time	272,140	162,425	170,112	134	555	13,121	618,488
Total	272,140	162,425	251,600	34,134	18,373	47,181	785,855
Revenue recognized from other sources (Note)	1,558	–	181	5,635	–	33	7,409
Total	273,698	162,425	251,782	39,770	18,373	47,214	793,264

Note: Revenue recognized from other sources includes revenues recognized based on IFRS 16 Leases.

(2) Information on contract balances

	(Millions of yen)		
	As of March 31, 2025	As of March 31, 2024	As of April 1, 2023
Receivables arising from contracts with customers			
Notes receivable	16,614	25,946	19,715
Accounts receivable from completed construction contracts and others	102,946	96,056	100,370
Total	119,560	122,002	120,086
Contract assets	230,141	245,485	186,836
Contract liabilities	49,113	54,162	32,200

- Notes:
1. Contract assets relate to the right to consideration for construction contracts with customers for which revenue has been recognized based on the progress of performance obligations, but which have not yet been invoiced. Once the Group's right to the consideration becomes unconditional, contract assets are reclassified to receivables from contracts with customers.
 2. Contract liabilities primarily relate to advances received from customers based on construction contracts, and they are reversed as revenue is recognized. Revenue recognized in the fiscal years ended March 31, 2025 and 2024 that was included in the contract liability balance at the beginning of the period was ¥43,856 million and ¥29,582 million, respectively.
 3. Since the payment terms of construction contracts by customer vary from contract to contract, there is no clear relationship between the satisfaction of performance obligations and the timing of payment.

(3) Information on remaining performance obligations

The total transaction prices allocated to unsatisfied or partially unsatisfied performance obligations as of March 31, 2025 and 2024 were ¥876,022 million and ¥768,095 million, respectively. The remaining performance obligations are expected to result in revenue recognition of approximately 50% within one year as the relevant construction projects are completed.

31. Selling, General and Administrative Expenses

The components of selling, general and administrative expenses for the fiscal years ended March 31, 2025 and 2024 are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Employee benefit expenses	35,429	32,174
Experimental research costs	8,244	8,198
Depreciation and amortization	6,675	5,988
Other	17,980	15,736
Total	68,330	62,097

32. Employee Benefit Expenses

The total employee benefit expenses included in the consolidated statement of profit or loss for the fiscal years ended March 31, 2025 and 2024 were ¥92,205 million and ¥87,343 million, respectively.

Employee benefit expenses include salaries, bonuses, legal welfare expenses, retirement benefit expenses, and share-based payment expenses, and are recognized in “Cost of sales” and “Selling, general and administrative expenses.”

33. Other Income

The components of other income for the fiscal years ended March 31, 2025 and 2024 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Gain on sale of fixed assets	435	992
Other	1,329	717
Total	1,765	1,710

34. Other Expenses

The components of other expenses for the fiscal years ended March 31, 2025 and 2024 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Loss on sale and retirement of fixed assets	926	1,199
Impairment losses	1,310	372
Other	919	539
Total	3,156	2,111

35. Finance Income and Finance Costs

(1) The components of finance income for the fiscal years ended March 31, 2025 and 2024 are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Interest income		
Financial assets measured at amortized cost	280	381
Dividend income		
Equity financial assets measured at fair value through other comprehensive income	2,248	1,922
Gain on valuation and sale of investments in capital		
Financial assets measured at fair value through profit or loss	7,954	66
Foreign exchange gains	–	672
Other	18	1
Total	10,500	3,045

Note: Foreign exchange gains include loss or gain on valuation of currency derivatives.

(2) The components of finance costs for the fiscal years ended March 31, 2025 and 2024 are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Interest expenses		
Financial liabilities measured at amortized cost	5,288	2,772
Loss on valuation and sale of investments in capital		
Financial liabilities measured at fair value through profit or loss	461	1,833
Foreign exchange losses	269	–
Other	1,873	59
Total	7,893	4,665

36. Other Comprehensive Income

Amounts arising during the fiscal year, reclassification adjustment to profit or loss, and tax effects for each component of other comprehensive income for the fiscal years ended March 31, 2025 and 2024 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans		
Amount arising during the period	(1,481)	(745)
Before tax effects	(1,481)	(745)
Tax effects	1,008	318
After tax effects	(473)	(427)
Financial assets measured at fair value through other comprehensive income		
Amount arising during the period	(2,622)	40,774
Before tax effects	(2,622)	40,774
Tax effects	95	(12,352)
After tax effects	(2,527)	28,421
Share of other comprehensive income of investments accounted for using equity method		
Amount arising during the period	504	263
Before tax effects	504	263
Tax effects	–	–
After tax effects	504	263
Total of items that will not be reclassified to profit or loss	(2,496)	28,257
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations		
Amount arising during the period	33	107
Reclassification adjustment	–	–
Before tax effects	33	107
Tax effects	–	–
After tax effects	33	107
Cash flow hedges		
Amount arising during the period	4,259	8,278
Reclassification adjustment	(250)	26
Before tax effects	4,009	8,304
Tax effects	(1,016)	(1,465)
After tax effects	2,992	6,838
Share of other comprehensive income of investments accounted for using equity method		
Amount arising during the period	66	–
Reclassification adjustment	–	–
Before tax effects	66	–
Tax effects	–	–
After tax effects	66	–
Total of items that may be reclassified to profit or loss	3,093	6,945
Total other comprehensive income	597	35,203

37. Earnings Per Share

Basic earnings per share, diluted earnings per share, and the basis for the calculation thereof for the fiscal years ended March 31, 2025 and 2024 are as follows:

(Millions of yen, unless otherwise stated)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Profit attributable to owners of parent	32,416	32,571
Profit not attributable to common shareholders of parent		
Dividends to class shareholders related to Bond-Type Class Shares	1,734	–
Profit used to calculate basic earnings per share	30,682	32,571
Profit adjustments	363	–
Profit used to calculate diluted earnings per share	31,045	32,571
Average number of shares of common stock during the period (Thousands of shares)	247,135	249,578
Effect of potential shares of common stock with dilutive effect (Thousands of shares)		
Stock Benefit Trust (BBT)	1,071	651
Stock Benefit Trust (J-ESOP)	873	–
Convertible bonds	30,257	–
Average number of diluted shares of common stock during the period (Thousands of shares)	279,337	250,230
Basic earnings per share (Yen)	124.15	130.51
Diluted earnings per share (Yen)	111.14	130.17

- Notes:
1. The Company's shares held by the trust accounts of the Stock Benefit Trust are included in the number of treasury shares that are deducted in the calculation of the weighted-average number of shares used to calculate basic earnings per share. The average numbers of such treasury shares deducted to calculate basic earnings per share for the fiscal years ended March 31, 2025 and 2024 were 7,248 thousand shares and 6,375 thousand shares, respectively.
 2. Of the shares granted under the restricted stock compensation plan, those not satisfying the requirements for the lifting of transfer restriction are excluded from the weighted-average number of shares used to calculate basic earnings per share. The average numbers of such shares deducted to calculate basic earnings per share for the fiscal years ended March 31, 2025 and 2024 were 647 thousand shares and 436 thousand shares, respectively.

38. Supplementary Information to Consolidated Statement of Cash flows

Liabilities arising from financing activities

Changes in liabilities arising from financing activities during the fiscal years ended March 31, 2025 and 2024 are as follows:

Fiscal year ended March 31, 2025

(Millions of yen)

Liabilities arising from financing activities	Beginning balance	Changes from financing cash flows	Non-cash changes			Ending balance
			Effect of business combinations and disposal	Increase due to new leases	Other	
Short-term borrowings	320,438	(283,869)	–	–	(195)	36,373
Bonds (Note 1)	47,864	42,776	–	–	84	90,726
Convertible bonds (Note 3)	–	57,280	–	–	524	57,805
Long-term borrowings (Notes 1&2)	113,242	100,780	–	–	(3,746)	210,276
Lease liabilities (Note 1)	22,736	(9,123)	–	12,853	(2,963)	23,503
Total	504,282	(92,155)	–	12,853	(6,295)	418,684

- Notes:
1. The amounts include the current portion.
 2. Long-term borrowings include non-recourse borrowings.
 3. Convertible bonds do not include the share acquisition rights component (¥2,553 million) which is recognized in capital surplus.

Fiscal year ended March 31, 2024

(Millions of yen)

Liabilities arising from financing activities	Beginning balance	Changes from financing cash flows	Non-cash changes			Ending balance
			Effect of business combinations and disposal	Increase due to new leases	Other	
Short-term borrowings	34,056	275,951	16,707	–	(6,277)	320,438
Bonds (Note 1)	57,821	(10,000)	–	–	43	47,864
Long-term borrowings (Notes 1&2)	75,036	36,853	3,232	–	(1,880)	113,242
Lease liabilities (Note 1)	22,994	(10,679)	1,583	9,787	(949)	22,736
Total	189,908	292,125	21,523	9,787	(9,063)	504,282

- Notes:
1. The amount includes the current portion.
 2. Long-term borrowings include non-recourse borrowings.

39. Financial Instruments

(1) Capital management

In order to achieve sustainable growth and increase the company's value over the medium to long term, the Group has a basic capital management policy that enhances capital efficiency and financial soundness. The financial indexes are regularly reported to management for monitoring purposes. The main index used by the Group for capital management is ROE (return on shareholders' equity), as stated in "Item 1. Overview of Company, 1. Changes in Major Business Indexes, (1) Consolidated business indexes (the Japanese version only)."

(2) Basic policy on financial risk management

In the course of its performance of business activity, the Group is exposed to various financial risks (credit, liquidity, market, foreign exchange, and interest risks). Therefore, the Company regularly monitors financial risks and takes measures for risk avoidance or alleviation if necessary, in accordance with its internal management regulations.

The Group uses derivatives to avoid the risks described later, prohibiting derivative transactions for speculative or short-term trading purposes.

(3) Credit risk

i. Credit risk management

In the Company, the administrative department of each business division regularly monitors notes and accounts receivable, which are trade receivables, and contract assets for major counterparties, in accordance with order management and accounting regulations. It manages due dates and outstanding balances for each counterparty to ensure early identification and mitigation of collection concerns due to deteriorating financial condition. Consolidated subsidiaries also perform similar management in accordance with order management and accounting regulations of the Company.

The Group's maximum exposure to credit risk is the carrying amount of financial assets after impairment reported in the consolidated statement of financial position.

ii. Changes in allowance for doubtful accounts

Changes in allowance for doubtful accounts during the fiscal years ended March 31, 2025 and 2024 are as follows:

Fiscal year ended March 31, 2025

(Millions of yen)

	Trade receivables, contract assets, and lease receivables	Other financial assets		
		12-month expected credit losses	Financial instruments for which credit risk has increased significantly	Credit-impaired financial instruments
Beginning balance	301	7	290	–
Provision (Note)	78	0	6	1,705
Reversal (Note)	(95)	(1)	(14)	–
Write-off	(11)	–	(26)	–
Other	(1)	–	–	–
Ending balance	271	6	256	1,705

Note: Provisions to and reversals of the allowance for doubtful accounts related to trade receivables, contract assets, and lease receivables were due to increases and decreases in trade and other receivables primarily resulting from sales and collections.

Fiscal year ended March 31, 2024

(Millions of yen)

	Trade receivables, contract assets, and lease receivables	Other financial assets		
		12-month expected credit losses	Financial instruments for which credit risk has increased significantly	Credit-impaired financial instruments
Beginning balance	68	47	265	–
Provision (Note)	313	7	44	–
Reversal (Note)	(61)	(47)	(45)	–
Write-off	(6)	–	–	–
Other	(12)	–	26	–
Ending balance	301	7	290	–

Note: Provisions to and reversals of the allowance for doubtful accounts related to trade receivables, contract assets, and lease receivables were due to increases and decreases in trade and other receivables primarily resulting from sales and collections.

(4) Liquidity risk

i. Liquidity risk management

The Group raises the necessary funds mainly by borrowing from banks and issuing bonds, taking into account the stability and cost of funds. With liquidity risk taken into account, it manages financing in such a way as to avoid concentration of due dates.

The Group also seeks to reduce liquidity risk through concentrated and efficient management of its funds by continuing to monitor the projections and results of cash flows.

ii. Balance of financial liabilities (including derivative financial instruments) by due date

The balances of financial liabilities (including derivative financial instruments) by due date as of March 31, 2025 and 2024 are as follows:

As of March 31, 2025

			(Millions of yen)					
	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade and other payables	272,222	283,298	183,132	5,798	5,802	5,806	5,762	76,995
Bonds and borrowings	395,180	432,837	86,664	35,344	69,435	98,696	32,513	110,182
Lease liabilities	23,503	25,286	9,165	5,349	2,312	983	843	6,632
Other financial liabilities	6,969	6,969	5,833	8	69	11	753	293
Subtotal	697,876	748,391	284,796	46,500	77,619	105,498	39,873	194,103
Derivative financial liabilities								
Forward exchange contracts	5	5	–	–	–	–	–	5
Subtotal	5	5	–	–	–	–	–	5
Total	697,882	748,397	284,796	46,500	77,619	105,498	39,873	194,108

As of March 31, 2024

			(Millions of yen)					
	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade and other payables	273,792	285,945	179,985	5,794	5,798	5,802	5,806	82,758
Bonds and borrowings	481,545	486,077	343,897	22,026	33,896	34,238	30,441	21,576
Lease liabilities	22,736	24,302	9,537	5,686	1,873	734	631	5,838
Other financial liabilities	7,207	7,207	6,124	1	10	–	11	1,059
Subtotal	785,282	803,533	539,545	33,509	41,578	40,775	36,891	111,232
Derivative financial liabilities								
Forward exchange contracts	745	745	26	–	–	–	–	718
Subtotal	745	745	26	–	–	–	–	718
Total	786,027	804,278	539,572	33,509	41,578	40,775	36,891	111,951

(5) Market risk (stock price fluctuation risk)

i. Stock price fluctuation risk management

The Group holds equity securities of companies with which the Group has business relationships for the purpose of smoothly implementing its business strategy, which means that the Group is exposed to price fluctuation risk of equity financial assets (equity securities). The Group regularly monitors the market price of these securities and the financial condition of their issuers, reviewing its holdings of these equity securities on an ongoing basis.

ii. Stock price fluctuation sensitivity analysis

For equity instruments (equity securities) traded in an active market and held by the Group as of March 31, 2025 and 2024, the effect of a uniform 10% decrease in the year-end published price on other comprehensive income (before tax) is as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Effect on other comprehensive income (before tax)	7,714	10,578

(6) Fair value hierarchy of financial instruments

Financial instruments subject to recurring fair value measurement after the initial recognition are classified into the following three levels of the fair value hierarchy according to the observability and significance of the inputs used for the measurement:

- Level 1: Fair value measured using quoted prices in active markets for identical assets or liabilities
- Level 2: Fair value measured using directly or indirectly observable inputs other than Level 1 inputs
- Level 3: Fair value measured using significant unobservable inputs

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

Transfers between levels of the fair value hierarchy are recognized to have occurred at the end of each reporting period.

There were no transfers between Level 1 and Level 2 during the fiscal years ended March 31, 2025 and 2024.

i. Fair value level hierarchy of financial instruments measured at fair value in the consolidated financial statements

As of March 31, 2025

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Investments in capital	–	–	29,615	29,615
Derivative assets	–	10,680	–	10,680
Other	–	800	397	1,197
Equity instruments measured at fair value through other comprehensive income				
Equity securities	77,141	–	9,842	86,984
Total	77,141	11,480	39,855	128,477
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	5	–	5
Total	–	5	–	5

As of March 31, 2024

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Investments in capital	–	–	21,966	21,966
Derivative assets	–	7,774	–	7,774
Other	–	828	410	1,239
Equity instruments measured at fair value through other comprehensive income				
Equity securities	105,787	–	8,428	114,215
Total	105,787	8,603	30,805	145,196
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	745	–	745
Total	–	745	–	745

Equity securities and investments in capital

The fair value of equity securities and investments in capital for which an active market exists is based on quoted market prices and, therefore, classified as Level 1. Of the equity securities for which no active market exists, those whose fair value was determined using significant unobservable inputs principally derived from comparable industry peers were classified as Level 3. Certain illiquid discounts were taken into account where appropriate.

Derivative assets and derivative liabilities

The fair values of forward exchange contracts and interest rate swaps included in derivative assets and liabilities were determined based on prices quoted by financial counterparties and are classified as Level 2.

ii. Fair value of financial instruments not measured at fair value in the consolidated financial statements

The carrying amount and fair value of financial instruments not measured at fair value in the consolidated financial statements are as follows:

Note that the financial instruments whose fair value approximates their carrying amount are not included below.

(Millions of yen)

	As of March 31, 2025		As of March 31, 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Bonds payable	80,726	78,632	42,864	42,266
Convertible bonds	57,805	56,486	–	–
Long-term borrowings	187,437	187,352	93,627	94,038
Non-recourse borrowings	9,033	8,909	2,989	2,994
Liabilities related to rights to operate public facilities	90,110	98,551	94,878	104,862

The fair value of long-term borrowings and non-recourse borrowings were measured at present value, which was determined by discounting the total amount of principal at an interest rate that would be applicable to similar new borrowings and is classified as Level 2.

The fair values of bonds payable and convertible bonds were based on market prices, where available, or measured at present value, which was determined by discounting the total amount of principal at an interest rate commensurate with the expected life of the related bonds and taking into account credit risk, and are classified as Level 2.

The fair value of liabilities related to rights to operate public facilities was determined by discounting the future cash flows at an appropriate interest rate based on the yield of government bonds at the due date, and is classified as Level 2.

iii. Financial instruments classified as Level 3

For financial instruments classified as Level 3, the evaluator determines the valuation method and measures the fair value of target financial instruments in accordance with the valuation policy and procedures for fair value measurement specified by the Group.

The results of fair value measurements are reviewed and approved by the appropriate authorized person.

Net changes in Level 3 financial instruments measured at fair value on a recurring basis during the fiscal years ended March 31, 2025 and 2024 are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Beginning balance	30,805	9,995
Total gains and losses		
Profit (loss) (Note 1)	7,518	(1,863)
Other comprehensive income (Note 2)	1,814	698
Purchase	296	22,283
Sale	(286)	(683)
Transfer from Level 1 (Note 3)	21	–
Business combinations	–	521
Other	(314)	(147)
Ending balance	39,855	30,805

- Notes:
1. Relates to financial assets measured at fair value through profit or loss and included in finance income and finance costs.
Unrealized gains and losses related to financial instruments held at the end of the fiscal years ended March 31, 2025 and 2024 were ¥7,518 million and ¥(1,879) million, respectively.
 2. Relates to financial assets measured at fair value through other comprehensive income and included in financial assets measured at fair value through other comprehensive income.
 3. The transfer from Level 1 to Level 3 was recognized during the fiscal year ended March 31, 2025 since it became difficult to obtain observable inputs due to the delisting of certain shares held. The transfer was made as of the end of the fiscal year.

(7) Hedges

The Group has derivative transactions to mitigate foreign exchange risk and interest rate risk and applies hedge accounting for those that qualify as cash flow hedges or fair value hedges.

Derivative transactions are executed and managed in accordance with decision-making authority rules that define transaction authority. The Group enters into derivative transactions only with highly rated financial institutions to mitigate credit risk.

At the inception of a hedging relationship, the Group determines an appropriate hedge ratio based on the volume of hedged items and the volume of hedging instruments. As a general rule, the Group determines the hedge ratio to be one-to-one.

The Group readjusts the hedge ratio that was determined at the inception of the hedging relationship to restore effectiveness if the hedging relationship is deemed to be no longer effective, but its risk management objective remains the same.

If the risk management objective for the hedging relationship has changed, hedge accounting for the hedging relationship is discontinued.

The Group uses cash flow hedges primarily to mitigate the risk of exposure to variability in future cash flows associated with forecasted foreign currency transactions or floating rate borrowings. The Group uses fair value hedges for floating rate borrowings to reduce the risk of exposure to changes in the fair value of the borrowings.

i. Hedging instruments

Amounts related to hedging instruments are as follows:

As of March 31, 2025

(Millions of yen)				
Hedging instruments	Notional amount	Carrying amount		Average rate
		Assets	Liabilities	
Cash flow hedges				
Foreign exchange risk				
Forward exchange contracts (Buy)				
U.S. Dollar	53,254	9,745	5	¥102.32
Interest rate risk				
Interest rate swap contracts				
Receive variable/Pay fixed	31,480	832	–	0.89%
Fair value hedges				
Interest rate risk				
Interest rate swap contracts				
Receive fixed/Pay variable	10,000	102	–	–

As of March 31, 2024

(Millions of yen)				
Hedging instruments	Notional amount	Carrying amount		Average rate
		Assets	Liabilities	
Cash flow hedges				
Foreign exchange risk				
Forward exchange contracts (Buy)				
U.S. Dollar	55,776	7,437	745	¥102.32
Interest rate risk				
Interest rate swap contracts				
Receive variable/Pay fixed	40,182	305	–	0.90%
Fair value hedges				
Interest rate risk				
Interest rate swap contracts				
Receive fixed/Pay variable	10,000	32	–	–

Cash flows for cash flow hedges and fair value hedges are expected to occur over periods ranging from one to 16 years and one to three years, respectively, and these periods are expected to be approximately concurrent with the periods over which they are expected to affect profit or loss.

In the consolidated statement of financial position, the carrying amount of hedging instruments is included in other financial assets or other financial liabilities.

ii. Hedged items

Amounts related to hedged items are as follows:

(a) Cash flow hedges

	(Millions of yen)	
	As of March 31, 2025	As of March 31, 2024
Surplus from cash flow hedges		
Foreign exchange risk		
Forward exchange contracts (Buy)		
U.S. Dollar	4,691	2,772
Interest rate risk		
Interest rate swap contracts		
Receive variable/Pay fixed	543	136

(b) Fair value hedges

As of March 31, 2025

	(Millions of yen)			
	Carrying amount of hedged items		Cumulative fair value hedge adjustments included in carrying amount of hedged items	
	Assets	Liabilities	Assets	Liabilities
Interest rate risk				
Borrowings	–	10,102	–	102

iii. Effect on other comprehensive income and profit or loss

The effect on other comprehensive income and profit or loss is as follows:
Fiscal year ended March 31, 2025

		(Millions of yen)
	Gains (losses) on hedges recognized in other comprehensive income	Reclassification adjustment transferred to profit or loss
Foreign exchange risk		
Forward exchange contracts (Buy)		
U.S. Dollar	3,482	(76)
Interest rate risk		
Interest rate swap contracts		
Receive variable/Pay fixed	526	(173)

Note: Reclassification adjustment is included in finance income or finance costs in the consolidated statement of profit or loss.

Fiscal year ended March 31, 2024

		(Millions of yen)
	Gains (losses) on hedges recognized in other comprehensive income	Reclassification adjustment transferred to profit or loss
Foreign exchange risk		
Forward exchange contracts (Buy)		
U.S. Dollar	8,128	(9)
Interest rate risk		
Interest rate swap contracts		
Receive variable/Pay fixed	175	35

Note: Reclassification adjustment is included in finance income or finance costs in the consolidated statement of profit or loss.

(8) Transfers of financial assets

The Group securitizes a portion of its trade receivables by endorsing promissory notes. However, some of these securitized receivables may result in a retrospective payment obligation of the Group if the debtor defaults. Such securitized receivables are not derecognized as they do not meet the criteria for derecognition of financial assets.

The assets transferred and the liabilities associated with the assets transferred are included in trade and other receivables and bonds and borrowings, respectively, in the consolidated statement of financial position. Such liabilities are settled when payment is made for the asset transferred. Until then, the Group cannot use the transferred asset.

The carrying amounts of assets transferred in a manner that did not qualify for derecognition and the related liabilities are as follows. These carrying amounts generally approximate fair value.

		(Millions of yen)
	As of March 31, 2025	As of March 31, 2024
Carrying amount of assets transferred	56	251
Carrying amount of related liabilities	56	251

40. Related Parties

(1) Compensation for key management personnel

Compensation for the Company's Directors and Executive Officers is as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Compensation and bonuses	832	861
Share-based payments	644	791
Total	1,477	1,653

(2) Related party transactions

Fiscal year ended March 31, 2025

Not applicable

Fiscal year ended March 31, 2024

Not applicable

41. Share-Based Payments

The Group has adopted stock benefit trust plans and a restricted stock compensation plan as share-based payments.

(1) Restricted stock compensation plan

The Group has entered into a Restricted Stock Allotment Agreement with Directors (excluding Outside Directors) and Executive Officers of the Company and to Directors and Executive Directors of the three operating companies (MAEDA CORPORATION, Maeda Road Construction Co., Ltd., and MAEDA SEISAKUSHO CO., LTD.) (the “Eligible Directors”). The Eligible Directors may not freely transfer, create a security interest in, or otherwise dispose of the shares allotted to them under the agreement during a specified period of time (the “Transfer Restriction Period”) as set forth in the agreement (the “Transfer Restriction”).

The Transfer Restriction Period runs from the date of the grant until the date of the Eligible Director’s resignation. At the end of the Transfer Restriction Period, the Transfer Restriction on all shares of common stock of the Company allotted to him/her will be removed, provided that he/she has served continuously as an Eligible Director for the period of time determined by the Company in light of his/her term of office. Shares whose Transfer Restrictions have not been removed at the end of the Transfer Restriction Period are generally acquired by the Company free of charge. This plan is accounted for as an equity-settled share-based payment plan.

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Date of grant	July 24, 2024	July 20, 2023
Number of restricted shares granted (Shares)	213,901	143,182
Fair value at the date of grant (Yen)	1,286	1,323

Note: The fair value is based on the share price on the business day preceding the date of the resolution by the Board of Directors.

(2) Stock benefit trust plans

i. Performance-linked stock compensation plan for Directors, Executive Officers, and Executive Directors (BBT)

(a) Description of share-based payment plan

This Board Benefit Trust (BBT) Plan grants performance-based points, based on standards established by the Company, to Directors (excluding Outside Directors) and Executive Officers of the Company and to Directors and Executive Directors of the three operating companies (MAEDA CORPORATION, Maeda Road Construction Co., Ltd., and MAEDA SEISAKUSHO CO., LTD.) (the “Eligible Directors”) in accordance with the Stock Benefit Rules for Directors (the “Rules”). On a specified date immediately following the end of the INFRONEER Medium-term Vision 2024 period, Eligible Directors who satisfy the beneficiary eligibility requirements set forth in the Rules (the “Beneficiaries”) will be granted shares of the Company in accordance with the points awarded to them. This plan is accounted for as an equity-settled share-based payment plan. However, Beneficiaries who satisfy the eligibility requirements set forth in the Rules will receive a percentage of the points in cash equal to the current value of the Company’s stock.

(b) Changes in number of points and weighted average fair value of points

Changes in the number of points and weighted average fair value of points are as follows:

The fair value of the shares at the grant date is based on the share price at the grant date, as the former approximates the latter.

(Thousands of points, unless otherwise stated)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Beginning balance	1,111	634
Grants awarded	60	529
Grants exercised	–	–
Grants expired	(97)	(51)
Ending balance	1,074	1,111
Weighted average fair value (Yen)	1,274	1,274

ii. Stock-benefit trust for employees (J-ESOP)
(a) Description of share-based payment plan

This plan is a trust-based benefit scheme modeled on the U.S. Employee Stock Ownership Plan (ESOP). Shares of the Company are granted to all employees of the Company and the Group's subsidiaries (the "Employees") in accordance with the Stock Benefit Rules established by the Company and the Group's subsidiaries that meet the eligibility requirements (collectively, the "Eligible Companies," including the Company).

The Eligible Companies award points to the Employees based on the Group's performance in each fiscal year and grant the Employees the shares of the Company equal to the points awarded when they are entitled to receive them under a specified condition. The shares granted to the Employees, including those to be granted in the future, are purchased with cash provided in advance in trust and held separately as trust asset. This plan is accounted for as an equity-settled share-based payment plan. However, Beneficiaries who satisfy the eligibility requirements set forth in the Rules will receive a percentage of the points in cash equal to the current value of the Company's stock.

(b) Changes in number of points and weighted average fair value of points

Changes in the number of points and weighted average fair value are as follows:

The fair value of the shares at the grant date is based on the share price at the grant date, as the former approximates the latter.

(Thousands of points, unless otherwise stated)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Beginning balance	–	–
Grants awarded	1,233	–
Grants exercised	–	–
Grants expired	–	–
Ending balance	1,233	–
Weighted average fair value (Yen)	1,348	–

iii. Stock benefit trust plan for employees (employee shareholding association purchase-type)

The Group has introduced a stock benefit trust (employee shareholding association purchase-type) (the “Plan”) under which the Company grants its shares to employees of the Group companies through a trust in an employee shareholding association to improve the health and welfare of the employees and to provide incentives to improve the corporate value of the Company. The Plan is accounted for as a cash-settled share-based payment plan.

Upon adoption of the Plan, the Company, as trustor, entered into a stock benefit trust (employee shareholding association purchase-type) Agreement (the trust established under the Agreement is referred to as the “Trust”) with Mizuho Trust & Banking Co., Ltd., as trustee, (the “Trustee”). The Trustee entered into a re-trust agreement with Custody Bank of Japan, Ltd. (the “Trust E Account”) to re-trust the trust assets of the Trust, including the shares of the Company, to Custody Bank of Japan, Ltd. as a sub-trustee. The Trust E Account acquires the number of shares of the Company anticipated to be purchased by the INFRONEER Holdings Employee Shareholding Association (the “Association”) over the five years following the establishment of the Trust, and periodically sells them to the Association. If, by the time the Trust is terminated, the sale of the Company’s shares by the Trust E Account has accumulated in the Trust an amount equal to the gains on the sales of the shares, such cash will be distributed as residual assets to the members of the Association who satisfy the beneficiary eligibility requirements. In addition, because the Company guarantees the Trustee’s borrowings to purchase shares of the Company in the Trust E Account, in the event that the Trustee has an outstanding loan balance equal to the loss on the sale of the shares at the time the Trust is terminated due to a decline in the Company’s stock price, the Company will repay the outstanding loan balance in accordance with the guarantee agreements.

The fair value of the liability for the Plan was estimated using the Monte Carlo method, and the primary input assumptions are as follows. The carrying amount of the liability as of March 31, 2024 was ¥9 million. As of March 31, 2025, no liability was recognized, as the stock price remained relatively stable and the borrowings are expected to be fully repaid within the next few months.

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
The Company’s stock price (Yen)	1,207	1,443
Number of remaining shares (Thousand shares)	770	2,145
Expected volatility (%)	22.19	21.93
Expected life (Years)	1.95	2.95
Risk-free interest rate (%)	0.87	0.02

(3) Share-based payment expense

The amount of share-based payment expense recognized as cost of sales and selling, general and administrative expenses in the consolidated statement of profit or loss is as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024
Cash-settled	(9)	(129)
Equity-settled	3,099	3,206

42. Commitments

Significant commitments for expenditures after the closing date are as follows:

	(Millions of yen)	
	As of March 31, 2025	As of March 31, 2024
Acquisition of property, plant and equipment	1,383	35,060

43. Contingent Liabilities

Contingent liabilities are as follows:
Debt guarantees, etc.

	(Millions of yen)	
	As of March 31, 2025	As of March 31, 2024
Guarantee obligations for borrowings	339	485
Guarantee obligations for associates	31	36

44. Significant Subsequent Events (Scheduled commencement of a tender offer for the shares of Sumitomo Mitsui Construction Co., Ltd.)

(Results of a tender offer for the shares of Sumitomo Mitsui Construction Co., Ltd.)

At its Board of Directors' meeting held on May 14, 2025, the Company (the "Tender Offeror") decided to acquire the common stock (the "Target Company Shares") of Sumitomo Mitsui Construction Co., Ltd. (Stock Code: 1821, Tokyo Stock Exchange, Inc., Prime Market; the "Target Company") by way of tender offer (the "Tender Offer"), for the purpose of making the Target Company a wholly-owned subsidiary, pursuant to the Financial Instruments and Exchange Act. The Tender Offer commenced on August 6, 2025, and was completed on September 18, 2025.

(1) Outline of the Target Company

(i) Name	Sumitomo Mitsui Construction Co., Ltd.
(ii) Address	1-6 Tsukuda 2-chome, Chuo-ku, Tokyo
(iii) Title and name of representative	Representative Director and President, Toshio Shibata
(iv) Business description	Construction projects: design, engineering and execution of civil, building and pre-stressed concrete works, and related operations Development projects: real estate trading, leasing and management services
(v) Share capital	¥12,003 million (as of March 31, 2025)
(vi) Date of establishment	October 14, 1941

(2) Purchase, etc. period

From August 6, 2025 (Wednesday) to September 18, 2025 (Thursday) (30 business days)

(3) Purchase price, etc.

¥600 per share of common stock (the "Tender Offer Price")

(4) Number of share certificates, etc. to be purchased

Number to be purchased	Minimum number to be purchased	Maximum number to be purchased
156,884,782 shares	104,589,800 shares	– shares

- Notes:
- 1 The Tender Offeror will not purchase any of the tendered shares, etc. if the total number of the tendered shares, etc. is less than the minimum number to be purchased (104,589,800 shares). The Tender Offeror will purchase all of the tendered shares, etc. if the total number of the tendered shares, etc. is equal to or greater than the minimum number to be purchased.
 - 2 A maximum number to be purchased has not been set in the Tender Offer, so the largest number of Target Company Shares that the Tender Offeror will purchase, etc. in the Tender Offer is stated as the number to be purchased

(5) Purchase price (planned) ¥94,130 million

Note: The purchase price is stated as the amount obtained by multiplying the number of shares to be purchased (156,884,782 shares) by the Tender Offer Price (¥600). This may change if the actual number purchased in the Tender Offer differs due to future changes, etc.

(6) Results of purchase, etc.

The Tender Offer was subject to the condition that if the total number of the tendered shares, etc. did not reach the minimum number of shares to be purchased (104,589,800 shares), none of the tendered shares etc. would be purchased, but as the total number of the tendered shares, etc. (126,464,423 shares) is equal to or greater than the minimum number of shares to be purchased (104,589,800 shares), as stated in the public notice for commencement of tender offer and the tender offer statement, all of the tendered shares, etc. will be purchased.

(Plan for Transfer of Equity Method Affiliated Company (Share Transfer) and Dissolution of Capital Business Alliance)
At its Board of Directors' meeting held on August 8, 2025, the Company decided to it resolved that Maeda Corporation, a wholly-owned subsidiary of the Company ("Maeda Corporation"), and Taisei Corporation ("Taisei Corporation") shall enter into an agreement regarding the transfer of the common shares of Toyo Construction Co., Ltd. ("Toyo Construction"; and such common shares, the "Toyo Construction Shares") which are held by Maeda Corporation, and subject to the implementation of such share transfer, the capital business alliance between Maeda Corporation and Toyo Construction shall be dissolved.

Subject to the effectuation of the share consolidation rendering only Taisei Corporation and Maeda Corporation as Toyo Construction's shareholders after the completion of the tender offer by Taisei Corporation for Toyo Construction, Maeda Corporation plans to apply for Toyo Construction's stock buyback ("Stock Buyback") and to transfer all of the Toyo Construction Shares held by it.

As Taisei Corporation completed the tender offer for Toyo Construction on September 24, 2025, and the above-mentioned share transfer is to be executed, resulting in Toyo Construction being excluded from our equity-method affiliates, we plan to classify all shares of Toyo Construction included in "Others" under reportable segments as held for sale during the interim consolidated accounting period of the fiscal year ending March 2026.

(1) Background and purpose of the matter

Since entering into a business alliance agreement in July 2002, Maeda Corporation, which is a wholly-owned subsidiary of the Company, and Toyo Construction have been promoting initiatives to mutually utilize Maeda Corporation's strengths in onshore construction and Toyo Construction's strengths in offshore construction. Toyo Construction was made an equity method affiliated company by the subscription of third party allotment of shares in October 2003, and the capital alliance relationship was deepened thereafter through such matters as conversion of preferred shares received from financial institutions to common shares and acquisition from the market, and Maeda Corporation holds 20.19% of the total number of issued shares (excluding treasury shares) of Toyo Construction as of March 31, 2025.

On the other hand, the Company is promoting proactive growth investment based upon value-based thinking while following financial discipline, positioning the next three years as a "Phase of Expanding Investment Business" towards the realization of an "integrated infrastructure services company," a state which it aims enshrined in "INFRONEER Vision 2030," in the mid-term management plan "INFRONEER Medium-term Vision 2027" which commenced in FY 2025. In the midst of implementing large-scale M&As such as the rendering of Japan Wind Development Co., Ltd. as a wholly-owned subsidiary completed on January 31, 2024 and the tender offer for Sumitomo Mitsui Construction Co., Ltd. announced on May 14, 2025 and commenced from August 6, 2025, in order to concentrate management resources in crucial areas and to build a strong financial base towards the steady implementation of M&As and capital investment continuously contributing to the enhancement of corporate value, we understand that it is necessary to promote the strategic replacement of business portfolio.

Under such circumstances, we repeatedly reviewed our desirable future relationship with Toyo Construction, and as a result of discussions between both companies regarding future direction and policies, we reached the decision that it would be desirable to endeavor to enhance corporate value while reviewing and promoting the unique growth strategies of both companies in the future based upon certain achievements of the alliance.

(2) Overview of the transaction

Maeda Corporation, which is a wholly-owned subsidiary of the Company, has executed with Taisei Corporation an agreement including such matters as (i) it will not apply for the tender offer which Taisei Corporation plans to implement for the common shares of Toyo Construction, (ii) subject to the effectuation of the share consolidation rendering only Taisei Corporation and Maeda Corporation as Toyo Construction's shareholders after the tender offer, it will apply for Toyo Construction's buyback and transfer all of the Toyo Construction Shares which are held by Maeda Corporation (20.19% of the total number of issued shares (excluding treasury shares)).

(3) Overview of the transferring equity method affiliated company

(i) Name	Toyo Construction Co., Ltd.	
(ii) Address	4-1-1 Koraibashi, Chuo-ku, Osaka	
(iii) Title and name of representative	Representative Director, Executive Chairperson and CEO: Shinya Yoshida	
(iv) Business description	General contractor (offshore and onshore civil engineering, construction), real estate business, etc.	
(v) Share capital	JPY 14,049 million (as of March 31, 2025)	
(vi) Date of establishment	July 3, 1929	
(vii) Large shareholders and ownership ratios (As of March 31, 2025)	Maeda Corporation	20.19%
	WK 1 LIMITED (standing proxy Philip Securities Japan, Ltd.)	9.75%
	WK 2 LIMITED (standing proxy Philip Securities Japan, Ltd.)	9.74%
	The Master Trust Bank of Japan, Ltd. (trust account)	9.05%
	WK 3 LIMITED (standing proxy Tachibana Securities Co., Ltd.)	6.24%
	G.K. Yamauchi-No.10 Family Office	2.78%
	Custody Bank of Japan, Ltd. (trust account)	2.18%
	Toyo Construction Kyoeikai	1.99%
	MUFG Bank, Ltd.	1.37%
(viii) Relationship Between the Company and the Target Company	JP MORGAN CHASE BANK 385781 (standing proxy Mizuho Bank, Ltd.) 1.05%	
Capital relationship	Maeda Corporation, which is a wholly-owned subsidiary of the Company, holds 19,047,519 common shares of Toyo Construction (20.19% of the total number of issued shares (excluding treasury shares)) as of March 31, 2025. Toyo Construction holds 100,000 common shares of the Company (0.04% of the total number of issued shares (excluding treasury shares)) as of March 31, 2025.	
Personnel relationship	Not applicable.	
Business relationship	Maeda Corporation, which is a wholly-owned subsidiary of the Company, implements such matters as joint acceptance of orders for private sector work and joint research and development with Toyo Construction.	
Status of related party relationship	Toyo Construction is the Company's equity method affiliated company and falls under a related party.	

(4) Number of shares held before transfer and after transfer

Number of shares held before transfer	19,047,510 shares (voting right ownership ratio: 20.19%)
Number of shares transferring by Stock Buyback	19,047,510 shares (voting right ownership ratio: 20.19%)
Number of shares held after transfer	0 shares (voting right ownership ratio: 0.00%)

(5) Sale price, etc.

¥1,476 per share of common stock

(6) Number of shares held before transfer and after transfer

Implementation date of share transfer	Late December 2025
Implementation date of dissolution of capital business alliance	Late December 2025

(7) Sale price (planned)

¥28,114 million

(8) Future prospects

We are currently investigating in detail the impact that this matter would have on the consolidated results for the current period, and if any matter which should be disclosed occurs in the future, we will promptly give notice.

(2) [Other]

Semi-annual information, etc. for the fiscal year ended March 31, 2025.

(Millions of yen, unless otherwise stated)

	Six months ended September 30, 2024	Fiscal year ended March 31, 2025
Net sales	380,739	847,548
Profit before tax	12,898	49,756
Profit attributable to owners of parent	8,105	32,416
Basic earnings per share (Yen)	31.09	124.15

Independent Auditor's Report

The Board of Directors
INFRONEER Holdings Inc.

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of INFRONEER Holdings Inc. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2025, and the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

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 its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

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.

Emphasis of Matter

As described in Note 44 "Significant Subsequent Events" to the consolidated financial statements, INFRONEER Holdings Inc. resolved at the Board of Directors meeting held on May 14, 2025, to acquire the common shares of Sumitomo Mitsui Construction Co., Ltd. through a public tender offer, which was completed on September 18, 2025. Our conclusion is not modified in respect of this matter.

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 the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Estimates of total construction revenue and total construction costs using the method of recognizing revenue over time in the building construction and civil engineering businesses	
Description of Key Audit Matter	Auditor's Response
As described in "i. Revenue recognition with regard to construction work" of "(16)	We mainly performed the following audit procedures in evaluating the reasonableness of

Revenue” in “3. Material Accounting Policies” in the Notes to Consolidated Financial Statements, for construction in which the recognition of revenue as performance obligations are satisfied over time can be reasonably estimated, INFRONEER Holdings Inc. (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) estimate progress using the cost-based input method and apply the method of recognizing revenue as performance obligations to transfer a good or service to the customer are satisfied over time. Net sales of ¥847,548 million were recognized for the fiscal year ended March 31, 2025, of which net sales of ¥461,041 million, or 54%, were recorded using the method of recognizing revenue over time in the building construction and civil engineering businesses. Revenue in the building construction and civil engineering businesses consists of revenue generated by MAEDA CORPORATION, a consolidated subsidiary of the Company. Revenue recorded using the method of recognizing revenue over time is measured based on the progress towards the satisfaction of performance obligations, and such progress is determined based on the ratio of actual incurred costs up to the end of the fiscal year to total construction costs. As described in “(1) Recognition of sales revenue over a certain period of time” in “4. Significant Accounting Estimates and Judgments” in the Notes to Consolidated Financial Statements, total construction costs are continuously reviewed because construction projects are highly customized in nature in terms of specifications and work details as well as due to the possibility of changes in construction periods, unexpected expenses, fluctuations in construction material prices and labor costs, and design changes during the construction process. In addition, there are cases in which design changes based on an agreement with customers are made during the construction process, wherein the amount of the consideration is not fixed in a timely manner and, therefore, a portion of total construction revenue is recognized based on estimates (the portion of total construction	estimates of total construction costs and total construction revenue accounted for using the method of recognizing revenue over time. <u>Estimates of total construction costs</u> (1) Evaluation of internal controls We evaluated the design and operation of the following internal controls relating to estimates of total construction costs. • We evaluated systems confirming that operating budgets, on which estimates of total construction costs are based, and construction management tables, which are used to update estimates of total construction costs based on recent circumstances, have been prepared in a timely and appropriate manner by on-site construction managers. • We evaluated systems confirming that total construction costs are estimated by aggregating each type of construction on the basis of specific considerations, including quotations from subcontractors. • We evaluated systems confirming that monitoring is performed on a timely basis by project managers in the Construction Management Division, with respect to changes in profit or loss throughout projects, comparisons of plans with actual progress, the current status of progress, and other considerations. (2) Evaluation of the reasonableness of estimates We identified construction work for which uncertainty associated with estimates of total construction costs was relatively high in light of the significance of construction contract amounts and profit or loss on construction, changes in profit or loss on construction, and the status of construction, including changes in construction periods, and mainly performed the following audit procedures. • With regard to estimates of total construction costs determined based on operating budgets, we considered whether the costs were calculated by aggregating amounts by each type of construction, whether the costs were consistent with the total construction costs calculated at the time of bidding and so
--	--

revenue recognized based on estimates is hereinafter referred to as the “ contract amounts not yet contracted ”). The contract amounts not yet contracted are reviewed on a continuous basis since there is a possibility the estimates may change based on the progress of negotiations or entering into contracts with ordering parties. These estimates require certain estimates and involve uncertainty and the exercise of judgment by on-site construction managers.

Based on the above, we have determined that estimates of total construction costs and total construction revenue recognized using the method of recognizing revenue over time in the building construction and civil engineering businesses are of particular significance for the fiscal year ended March 31, 2025 and, accordingly, that this is a key audit matter in light of considerations such as the importance of construction work based on the relative amount of net sales using the method of recognizing revenue over time in the building construction and civil engineering businesses as a percentage of net sales for the fiscal year ended March 31, 2025, and considering the complexity of the construction work.

forth, and whether operating budgets were free from reconciliation items involving abnormal amounts included in response to future uncertainty. In addition, we reconciled the costs with unit prices agreed to in contracts and quotations from subcontractors, as necessary.

- We compared operating budgets and past changes with recent estimates for total construction costs. For changes in total construction costs that were above a certain threshold, we made inquiries of responsible personnel and project managers in the Construction Management Division about the reasons for the changes. We compared the results of responses received from the inquiries with corroborative minutes of negotiations with ordering parties and quotations from subcontractors, as necessary.
 - We inquired with the company’s management, including the headquarters general manager and branch managers of MAEDA CORPORATION, regarding the construction implementation status and progress of the work, and considered whether any significant events had occurred that would require a review of the total construction costs.
 - We inspected monthly construction reports, which are documents detailing the overall progress of construction management and issues identified related to construction and other matters and compared the reports with actual overall progress, on-site photographs, and progress towards the satisfaction of performance obligations.
 - We inspected construction sites for certain construction projects and considered whether the status of construction was consistent with the estimates of total construction costs and the progress of construction.
 - We evaluated the processes for estimating total construction costs by comparing prior estimates of the total construction costs with actual amounts or revised estimates.
- In addition, we used a tool that detects anomalies in construction progress (the tool

	detects unusual progress in construction work that apply the method of recognizing revenue as performance obligations are satisfied over time based on forecasts of progress towards construction completion using machine learning, as well as forecasts of loss-generating contracts and detects unusual timing of cost incurrence). For projects identified by the tool as having a significantly different forecasted progress or profit or loss at the reporting date, we compared the actual progress and profitability with the tool's forecasts, and considered whether they were consistent with the monthly construction reports and construction management records. <u>Estimates of total construction revenue when the contract amounts not yet contracted are included in total construction revenue</u> (1) Evaluation of internal controls We evaluated the design and operation of internal controls to confirm that reliable estimates of the contract amount not yet contracted are made in a timely and appropriate manner based on negotiations with ordering parties. (2) Evaluation of the reasonableness of estimates Based on our understanding of reported the contract amounts not yet contracted for each construction project, we selected samples for consideration based on their quantitative or qualitative significance and performed the following procedures. • To evaluate whether estimates were performed taking into consideration agreements or the status of negotiations with ordering parties, or the possibility of entering into a construction contract, we made inquiries of responsible personnel and project managers in the Construction Management Division and inspected quotations submitted to ordering parties, instructions from ordering parties for changes, and minutes of negotiations with ordering parties. • To evaluate accrued costs corresponding to the contract amounts not yet contracted, we
--	--

	inspected invoices and other documents obtained from subcontractors as well as performed a comparative analysis between actual amounts and the contract amounts not yet contracted. • We evaluated the processes for estimating total construction revenue by comparing prior estimates with actual amounts or revised estimates. In addition, we used the progress anomaly detection tool to compare the forecasted profit or loss of construction projects generated by the tool with actual construction profitability, and considered whether the results were consistent with negotiation records and other documentation with customer.
Evaluation of goodwill and contract-related assets arising from the acquisition of Japan Wind Development Co., Ltd.	
Description of Key Audit Matter	Auditor's Response
As disclosed in Note 4 "Significant Accounting Estimates and Judgments" to the Consolidated Financial Statements, the Company recognized goodwill of ¥138,507 million and contract-related assets of ¥88,139 million as of March 31, 2025, arising from the acquisition of Japan Wind Development Co., Ltd. as a subsidiary. Goodwill is tested for impairment annually and whenever there is an indication of impairment. Since contract-related assets are intangible assets not yet available for use, impairment tests are concluded annually and whenever there are indications of impairment. The recoverable amount in the impairment test of goodwill and contract-related assets is measured based on the fair value less costs of disposal. The fair value is calculated by discounting the estimated future cash flows based on the business plan approved by management to the present value based on the after-tax weighted average cost of capital of the cash-generating units. As a result of the impairment test, the recoverable amount of the cash-generating unit exceeded the carrying amount and no impairment loss was recorded.	We performed the following audit procedures in evaluating the valuation of goodwill and the contract-related assets. (1) We analyzed the factors leading to the recognition of goodwill and contract-related assets, conducted inquiries with management regarding the expected scope of related benefits, and evaluated the cash-generating units. (2) We performed the following procedures to evaluate the appropriateness of the material estimates used in the goodwill and contract-related assets impairment test. • We inquired of management about the feasibility of the business plan, which is the basis for estimating future cash flows. • We assessed the assumptions about the unit selling price of electricity with the assistance of specialists of other EY member firms. • We assessed the assumptions about the utilization rate of facilities with the assistance of specialists of other EY member firms. We also examined the consistency of the facility utilization rate with external data, and for certain operating power plants

The significant estimates used in the impairment test of the goodwill and contract-related assets are the unit price of electricity sold, the capacity utilization rate, the project success rate, and the discount rate used in estimating the discounted present value of future cash flows. These estimates are subject to a high degree of uncertainty and management judgment has a significant impact. Accordingly, because of their particular significance for the fiscal year ended March 31, 2025, we determined the valuation of goodwill and the contract-related assets as a key audit matter.	included in the cash-generating unit to which goodwill was allocated, we evaluated the assumptions by comparing them with actual performance. • We assessed the assumptions about the project success rate with the assistance of specialists of other EY member firms and ensured that the rate was consistent with Japan Wind Development Co. Ltd.'s past development performance and the evaluation results of the external specialists used by the Company. • We evaluated the Company's methodology for determining the discount rate and involved specialists from other EY member firms to assess the underlying assumption.
---	---

Other Information

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

We have concluded that other information does not exist. Accordingly, we have not performed any work related to other information.

Responsibilities of Management, the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS Accounting Standards, 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 and disclosing, as required by IFRS Accounting Standards, matters related to going concern.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRS Accounting Standards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to 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 to reduce threats to an acceptable level.

From the matters communicated with the Audit 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

The fees for the audits of the financial statements of INFRONEER Holdings Inc. and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2025 are 218 million yen and 13 million yen, respectively.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

September 26, 2025

/s/ Yoshikatsu Nakahara
Designated Engagement Partner
Certified Public Accountant

/s/ Koji Ojima
Designated Engagement Partner
Certified Public Accountant

/s/ Takehiro Ametani
Designated Engagement Partner
Certified Public Accountant