Consolidated Financial Statements

Year ended March 31, 2024

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 93 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, 2023 to March 31, 2024 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, 2024	As of March 31, 2023	As of April 1, 2022 (IFRS Transition Date)
Assets				
Current assets				
Cash and cash equivalents	8	113,421	91,938	77,911
Trade and other receivables	9, 39	145,514	147,789	132,510
Contract assets		245,485	186,836	219,223
Inventories	10	12,575	9,747	8,433
Other financial assets	11, 24, 39	4,447	3,662	2,221
Other current assets	12, 24	29,592	28,048	25,977
Subtotal		551,036	468,024	466,277
Assets held for sale	21, 24	–	–	6,886
Total current assets		551,036	468,024	473,163
Non-current assets				
Property, plant and equipment	13, 15, 24	217,564	173,314	156,281
Right-of-use assets	17	18,107	18,612	17,545
Goodwill	14, 15	159,046	19,891	19,891
Intangible assets	14, 15	243,007	154,595	154,559
Investment property	15, 18	26,752	25,469	28,067
Investments accounted for using equity method	20	22,470	17,581	17,073
Other financial assets	11, 24, 39	149,603	85,425	105,062
Deferred tax assets	22	955	1,296	852
Retirement benefit asset	27	–	–	1,844
Other non-current assets	12, 24	22,013	13,853	440
Total non-current assets		859,520	510,039	501,619
Total assets		1,410,557	978,063	974,782

(Millions of yen)

	Notes	As of March 31, 2024	As of March 31, 2023	As of April 1, 2022 (IFRS Transition Date)
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	23, 39	273,792	272,121	247,265
Contract liabilities		54,162	32,200	29,459
Bonds and borrowings	24, 39	342,063	57,419	95,417
Lease liabilities	17, 24	9,328	9,356	9,334
Income taxes payable		11,873	10,282	10,926
Other financial liabilities	25, 39	5,428	5,619	5,729
Provisions	26	5,543	2,880	3,034
Other current liabilities	12	27,102	22,629	20,816
Subtotal		729,294	412,509	421,983
Liabilities directly associated with assets held for sale	21, 24	–	–	5,825
Total current liabilities		729,294	412,509	427,808
Non-current liabilities				
Bonds and borrowings	24, 39	139,482	109,495	105,625
Lease liabilities	17, 24	13,408	13,638	13,010
Other financial liabilities	25, 39	2,524	5,675	2,125
Retirement benefit liability	27	15,599	16,014	16,082
Provisions	26	36,355	34,579	29,306
Deferred tax liabilities	22	54,344	11,705	17,137
Other non-current liabilities	12	375	358	532
Total non-current liabilities		262,089	191,465	183,819
Total liabilities		991,383	603,974	611,628
Equity				
Share capital	28	20,000	20,000	20,000
Capital surplus	28	111,467	106,542	134,500
Treasury shares	28	(28,626)	(18,395)	(24,342)
Retained earnings	28	255,671	242,570	202,568
Other components of equity		41,411	11,061	19,682
Total equity attributable to owners of parent		399,923	361,778	352,408
Non-controlling interests		19,249	12,310	10,745
Total equity		419,173	374,088	363,153
Total liabilities and equity		1,410,557	978,063	974,782

(2) Consolidated Statement of Profit or Loss

(Millions of yen)

	Notes	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023
Net sales	6,30	793,264	711,810
Cost of sales	13, 14, 27, 32, 41	(681,379)	(614,069)
Gross profit		111,885	97,740
Selling, general and administrative expenses	13, 14, 27, 31, 32, 41	(62,097)	(52,340)
Share of profit of investments accounted for using equity method	6, 20	1,673	1,029
Business profit		51,461	46,429
Other income	33	1,710	1,474
Other expenses	15, 34	(2,111)	(3,488)
Operating profit	6	51,060	44,415
Finance income	35	3,045	2,939
Finance costs	35	(4,665)	(2,615)
Profit before tax		49,439	44,739
Income tax expense	22	(16,444)	(10,441)
Profit		32,995	34,297
Profit attributable to:			
Owners of parent		32,571	33,487
Non-controlling interests		424	809
Profit		32,995	34,297
Earnings per share			
Basic earnings per share (Yen)	37	130.51	129.35
Diluted earnings per share (Yen)		130.17	129.13

(3) Consolidated Statement of Comprehensive Income

(Millions of yen)

	Notes	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023
Profit		32,995	34,297
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	27, 36	(427)	(1,165)
Financial assets measured at fair value through other comprehensive income	36, 39	28,421	(621)
Share of other comprehensive income of investments accounted for using equity method	20, 36	263	100
Total of items that will not be reclassified to profit or loss		28,257	(1,686)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	36	107	76
Cash flow hedges	36	6,838	(828)
Share of other comprehensive income of investments accounted for using equity method	20, 36	–	(0)
Total of items that may be reclassified to profit or loss		6,945	(752)
Total other comprehensive income		35,203	(2,438)
Comprehensive income		68,198	31,859
Comprehensive income attributable to:			
Owners of parent		64,024	31,547
Non-controlling interests		4,174	311
Comprehensive income		68,198	31,859

(4) Consolidated Statement of Changes in Equity

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 March 31, 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 March 31, 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

Fiscal year ended March 31, 2023

(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, 2022		20,000	134,500	(24,342)	202,568	–	19,804
Profit		–	–	–	33,487	–	–
Other comprehensive income		–	–	–	–	(1,208)	(494)
Comprehensive income		–	–	–	33,487	(1,208)	(494)
Purchase of treasury shares		–	–	(12,173)	–	–	–
Disposal of treasury shares		–	(60)	1,200	–	–	–
Cancellation of treasury shares		–	(16,919)	16,919	–	–	–
Dividends	29	–	(10,721)	–	–	–	–
Share-based payment transactions		–	(210)	–	–	–	–
Change in scope of consolidation		–	–	–	(167)	–	–
Changes in ownership interest in subsidiaries		–	(44)	–	–	–	–
Change in treasury shares arising from change in equity in entities accounted for using equity method		–	–	0	–	–	–
Transfer to retained earnings		–	–	–	6,681	1,208	(7,889)
Total transactions with owners		–	(27,957)	5,946	6,513	1,208	(7,889)
Balance at March 31, 2023		20,000	106,542	(18,395)	242,570	–	11,420

(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, 2022		–	(121)	19,682	352,408	10,745	363,153
Profit		–	–	–	33,487	809	34,297
Other comprehensive income		54	(292)	(1,940)	(1,940)	(498)	(2,438)
Comprehensive income		54	(292)	(1,940)	31,547	311	31,859
Purchase of treasury shares		–	–	–	(12,173)	–	(12,173)
Disposal of treasury shares		–	–	–	1,139	–	1,139
Cancellation of treasury shares		–	–	–	–	–	–
Dividends	29	–	–	–	(10,721)	(314)	(11,036)
Share-based payment transactions		–	–	–	(210)	–	(210)
Change in scope of consolidation		–	–	–	(167)	92	(75)
Changes in ownership interest in subsidiaries		–	–	–	(44)	1,475	1,430
Change in treasury shares arising from change in equity in entities accounted for using equity method		–	–	–	0	–	0
Transfer to retained earnings		–	–	(6,681)	–	–	–
Total transactions with owners		–	–	(6,681)	(22,177)	1,253	(20,924)
Balance at March 31, 2023		54	(413)	11,061	361,778	12,310	374,088

(5) Consolidated Statement of Cash Flows

(Millions of yen)

	Notes	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023
Cash flows from operating activities			
Profit before tax		49,439	44,739
Depreciation and amortization		33,549	34,062
Impairment losses		372	1,756
Finance income and finance costs		1,788	(51)
Share of loss (profit) of investments accounted for using equity method		(1,673)	(1,029)
Loss (gain) on sale of property, plant and equipment		(991)	(598)
Decrease (increase) in inventories		(1,869)	(1,258)
Decrease (increase) in trade and other receivables		5,508	(15,445)
Decrease (increase) in contract assets		(58,494)	32,386
Increase (decrease) in trade and other payables		2,456	25,074
Increase (decrease) in contract liabilities		21,750	2,521
Increase or decrease in retirement benefit asset or liability		(439)	1,742
Increase (decrease) in provisions		759	(607)
Other		3,142	(4,744)
Subtotal		55,299	118,548
Dividends received		2,432	2,619
Interest received		838	193
Interest paid		(2,815)	(2,540)
Income taxes paid		(16,839)	(16,057)
Net cash provided by (used in) operating activities		38,916	102,764
Cash flows from investing activities			
Purchase of property, plant and equipment, and intangible assets		(42,762)	(39,837)
Proceeds from sale of property, plant and equipment, and intangible assets		1,187	2,806
Purchase of investment property	18	(1,802)	(696)
Proceeds from sale of investment property	18	–	2,036
Purchase of rights to operate public facilities		(4,317)	(4,277)
Payments for replacement investment to operate public facilities		(8)	(1,156)
Purchase of investments accounted for using equity method		(2,256)	–
Purchase of other financial assets		(22,603)	(3,367)
Proceeds from sale of other financial assets		3,652	21,963
Payments for acquisition of subsidiaries	7	(210,320)	–
Other		(23)	451
Net cash provided by (used in) investing activities		(279,254)	(22,076)

(Millions of yen)

	Notes	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	38	275,951	(51,172)
Proceeds from long-term borrowings	38	49,878	15,020
Repayments of long-term borrowings	38	(12,101)	(8,958)
Decrease in non-recourse borrowings	38	(922)	(845)
Proceeds from issuance of bonds	38	–	12,914
Redemption of bonds	38	(10,000)	–
Payments for acquisition of interests in subsidiaries from non-controlling interests		(64)	–
Repayments of lease liabilities	38	(10,679)	(11,475)
Purchase of treasury shares		(10,003)	(12,173)
Dividends paid	29	(20,573)	(10,721)
Dividends paid to non-controlling interests		(168)	(315)
Other		–	(66)
Net cash provided by (used in) financing activities		261,316	(67,796)
Effect of exchange rate changes on cash and cash equivalents		503	100
Net increase (decrease) in cash and cash equivalents		21,482	12,991
Cash and cash equivalents at beginning of period		91,938	77,911
Net increase (decrease) in cash and cash equivalents included in assets held for sale	21	–	1,035
Cash and cash equivalents at end of period	8	113,421	91,938

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 Japanese language consolidated financial statements for the year ended March 31, 2024 were approved by the Board of Directors on June 25, 2024. These English language consolidated financial statements were approved by the Board of Directors subsequently on September 24, 2024. There are no material differences between these consolidated financial statements and the Japanese language consolidated financial statements.

2. Basis of Preparation

(1) Compliance with IFRS Standards and first-time adoption of 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 of the Ordinance on Consolidated Financial Statements, the Company has applied the provisions set forth in Article 93 of the same ordinance.
The Group adopted IFRS Standards in the fiscal year ended March 31, 2024, with the date of transition to IFRS Standards (the "IFRS Transition Date") of April 1, 2022. The impact of the transition to IFRS Standards on the Group's financial position, operating results, and cash flows on the IFRS Transition Date and for a comparative fiscal year is described in "45. First-time Adoption of IFRS Standards."
The accounting policies used by the Group are in accordance with IFRS Standards effective on March 31, 2024, except for exemptions granted by provisions set forth in IFRS Standards that the Group did not apply for an earlier period and IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1"). The exemptions applied by the Group are listed in "45. First-time Adoption of IFRS Standards."

(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 the 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 initially 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 are 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.

(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 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 small amounts, 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) 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 Civil Engineering, Building Construction, 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. 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.

(16) 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.

(17) Government subsidy

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.

(18) 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.

(19) 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.

(20) Treasury shares

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

(21) 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

The Group applies the method of recognizing revenue over a certain period for construction works for which the outcome is deemed certain, 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 ¥618,488 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 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 ¥138,910 million, intangible assets of ¥90,443 million arising from the share acquisition of JWD Holdings3 K.K. 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 to dispose of, which are estimated future cash flows discounted to present value based on the pre-tax weighted average cost of capital and other factors of the relevant cash-generating unit. In estimating future cash flows, we consider historical and future sales volumes, unit sales prices, market data, and project success rates, as well as the average growth rate of certain markets. The pre-tax weighted average cost of capital and other factors are 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 this goodwill, 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 disposal costs 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 1	Presentation of Financial Statements	January 1, 2024	March 31, 2025	Clarify how debt and other liabilities are classified as current or non-current
IFRS 16	Leases	January 1, 2024	March 31, 2025	Add requirements to explain how sale-and-leaseback transactions are accounted for post-transaction
IAS 1	Presentation of Financial Statements	January 1, 2024	March 31, 2025	Improve the information an entity provides regarding its long-term debt with covenants
IAS 7 IFRS 7	Statement of Cash Flows Financial Instruments: Disclosures	January 1, 2024	March 31, 2025	Require disclosures to promote transparency in supplier financing
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

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	Description
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.
Assets and liabilities are not allocated to reportable segments.

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 and the deduction of unrealized profit.

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(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	214,411	152,074	244,061	37,340	22,559	670,447	41,363	711,810	–	711,810
Inter-segment net sales	2,361	232	4,965	1,698	–	9,257	12,285	21,543	(21,543)	–
Total	216,772	152,306	249,026	39,039	22,559	679,704	53,649	733,353	(21,543)	711,810
Segment profit [Business profit]	8,134	16,757	11,208	1,278	7,612	44,991	2,256	47,248	(819)	46,429
Other income	–	–	–	–	–	–	–	–	–	1,474
Other expenses	–	–	–	–	–	–	–	–	–	(3,488)
Operating profit	–	–	–	–	–	–	–	–	–	44,415
Finance income	–	–	–	–	–	–	–	–	–	2,939
Finance costs	–	–	–	–	–	–	–	–	–	(2,615)
Profit before tax	–	–	–	–	–	–	–	–	–	44,739
(Other items)										
Depreciation and amortization	(6,641)	(4,636)	(11,425)	(2,019)	(7,749)	(32,471)	(1,591)	(34,062)	–	(34,062)
Impairment losses	(859)	(122)	(773)	(0)	–	(1,756)	–	(1,756)	–	(1,756)
Share of profit (loss) of investments accounted for using equity method	–	–	–	–	(39)	(39)	1,068	1,029	–	1,029

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 and the deduction of unrealized profit.

(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 customers

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, 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

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Not applicable

8. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2023	As of April 1, 2022 (IFRS Transition Date)
Cash and deposits	110,418	89,183	73,975
Short-term investment	3,002	2,755	3,935
Total	113,421	91,938	77,911

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 statements 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, 2024	As of March 31, 2023	As of April 1, 2022 (IFRS Transition Date)
Notes receivable	25,946	19,715	18,899
Accounts receivable from completed construction contracts and others	96,056	100,370	91,383
Accounts receivable - other	7,517	8,961	5,258
Advances paid	13,598	16,322	14,507
Other	2,729	2,534	2,552
Allowance for doubtful accounts	(335)	(115)	(91)
Total	145,514	147,789	132,510

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, 2024	As of March 31, 2023	As of April 1, 2022 (IFRS Transition Date)
Costs on construction contracts in progress	1,758	1,464	1,213
Real estate for sale (Note 1)	2,107	2,107	2,200
Merchandise and finished goods	4,326	2,341	1,573
Raw materials and supplies	4,382	3,834	3,446
Total	12,575	9,747	8,433

Notes:
1. As of April 1, 2022, March 31, 2023 and 2024, the amounts expected to be sold beyond one year are ¥2,107 million, ¥2,107 million, and ¥2,067 million, respectively.
2. As of March 31, 2023 and 2024, the amount of write-downs of inventories recognized as expenses due to decreased profitability amounted to ¥37 million and ¥2 million, respectively. Such amounts are included in cost of sales in the consolidated statement of profit or loss.

11. Other Financial Assets

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

(Millions of yen)

	As of March 31, 2024	As of March 31, 2023	As of April 1, 2022 (IFRS Transition Date)
Financial assets measured at amortized cost			
Loans	562	375	344
Other	8,556	6,982	5,287
Allowance for doubtful accounts	(264)	(265)	(402)
Subtotal	8,854	7,092	5,229
Financial assets measured at fair value through profit or loss			
Investments in capital	21,966	1,861	1,267
Derivative assets	7,774	2,478	7
Other	1,239	1,232	1,403
Subtotal	30,980	5,572	2,678
Equity instruments measured at fair value through other comprehensive income			
Equity securities	114,215	76,423	99,376
Subtotal	114,215	76,423	99,376
Total	154,050	89,088	107,283

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, 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

(Millions of yen)

Issuer	As of March 31, 2023
Sumitomo Realty & Development Co., Ltd.	22,734
Central Japan Railway Company	4,798
Mitsui Fudosan Co., Ltd.	3,740
Maruichi Steel Tube Ltd.	2,738
Hulic Co., Ltd.	2,284

(Millions of yen)

Issuer	As of April 1, 2022 (IFRS Transition Date)
Sumitomo Realty & Development Co., Ltd.	25,837
Central Japan Railway Company	4,845
Mitsui Fudosan Co., Ltd.	3,945
ONO PHARMACEUTICAL CO., LTD.	3,740
YAMATO HOLDINGS CO., LTD.	3,441

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, 2024	Fiscal year ended March 31, 2023
Financial assets derecognized during the year	113	637
Financial assets held at the end of the year	1,808	1,556

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, 2024	Fiscal year ended March 31, 2023
Fair value at the time of sale	4,155	21,026
Cumulative gain (loss)	2,622	11,688

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, 2024 and 2023 were ¥1,514 million and ¥7,889 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, 2024	As of March 31, 2023	As of April 1, 2022 (IFRS Transition Date)
Advance payments to suppliers	2,771	487	6,154
Prepaid expenses	28,558	19,009	4,172
Consumption taxes receivable	9,996	13,240	8,823
Other	10,279	9,164	7,268
Total	51,606	41,901	26,418

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

(Millions of yen)

	As of March 31, 2024	As of March 31, 2023	As of April 1, 2022 (IFRS Transition Date)
Consumption taxes payable	2,143	2,397	2,084
Accrued expenses	10,161	8,608	7,636
Accrued bonuses	9,323	8,821	8,541
Other	5,848	3,159	3,085
Total	27,477	22,987	21,348

13. Property, Plant and Equipment

(1) Changes

Changes in the carrying amount of property, plant and equipment during the fiscal years ended March 31, 2024 and 2023 are as follows:

Fiscal year ended 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

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, 2024 and 2023 was ¥174 million and ¥98 million, respectively. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization during the fiscal years ended March 31, 2024 and 2023 was 0.67% and 0.67%, respectively.

Fiscal year ended March 31, 2023

(Millions of yen)

	Buildings and structures:	Machinery, vehicles, tools, furniture and fixtures:	Land	Construction in progress	Total
Beginning balance	39,553	33,518	79,059	4,150	156,281
Purchase	664	7,489	569	25,216	33,939
Business combinations	0	0	148	–	148
Sale or disposal	(196)	(451)	(746)	–	(1,393)
Depreciation	(2,910)	(10,927)	–	–	(13,837)
Impairment losses	(346)	(385)	(42)	(77)	(851)
Transfer from construction in progress	2,491	4,488	–	(6,979)	–
Other	(63)	(44)	(193)	(671)	(972)
Ending balance	39,193	33,688	78,795	21,637	173,314

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, 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
As of March 31, 2023					
Cost	88,323	176,297	80,973	21,714	367,309
Accumulated depreciation and accumulated impairment losses	(49,130)	(142,609)	(2,178)	(77)	(193,995)
Carrying amount	39,193	33,688	78,795	21,637	173,314
As of April 1, 2022 (IFRS Transition Date)					
Cost	85,562	165,911	81,233	4,150	336,857
Accumulated depreciation and accumulated impairment losses	(46,009)	(132,392)	(2,174)	–	(180,576)
Carrying amount	39,553	33,518	79,059	4,150	156,281

14. Goodwill and Intangible Assets

(1) Changes

Changes in the carrying amount of goodwill and intangible assets during the fiscal years ended March 31, 2024 and 2023 are as follows:

Fiscal year ended March 31, 2024

(Millions of yen)

	Goodwill	Intangible assets				
		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

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, 2024 and 2023 was ¥35 million and ¥5 million, respectively. The capitalization rates used to determine the amount of borrowing costs eligible for capitalization during the fiscal years ended March 31, 2024 and 2023 were 0.6%–0.9% and 0.6%–0.9%, respectively.

Fiscal year ended March 31, 2023

(Millions of yen)

	Goodwill	Intangible assets				
		Rights to operate public facilities	Assets related to replacement investment to operate public facilities	Contract-related assets:	Other	Total
Beginning balance	19,891	110,184	28,468	–	15,906	154,559
Purchase	–	10	5,846	–	4,020	9,876
Business combinations	–	–	–	–	15	15
Sale or disposal	–	–	–	–	(134)	(134)
Amortization	–	(5,040)	(1,035)	–	(3,332)	(9,408)
Impairment losses	–	–	–	–	(45)	(45)
Other	–	–	(274)	–	6	(268)
Ending balance	19,891	105,154	33,004	–	16,436	154,595

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

(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
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
As of March 31, 2023						
Cost	19,891	138,173	39,366	–	32,240	209,780
Accumulated amortization and accumulated impairment losses	–	(33,019)	(6,361)	–	(15,803)	(55,185)
Carrying amount	19,891	105,154	33,004	–	16,436	154,595
As of April 1, 2022 (IFRS Transition Date)						
Cost	19,891	138,163	33,794	–	30,703	202,661
Accumulated amortization and accumulated impairment losses	–	(27,978)	(5,326)	–	(14,796)	(48,101)
Carrying amount	19,891	110,184	28,468	–	15,906	154,559

(2) Significant intangible assets

Significant intangible assets are as stated in “16. Service Concession Arrangements.”

(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, 2024 and 2023 were ¥5,104 million and ¥4,849 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, 2024	Fiscal year ended March 31, 2023
Buildings and structures:	82	346
Machinery, vehicles, tools, furniture and fixtures:	257	385
Land	13	42
Construction in progress	18	77
Investment property	0	859
Other intangible assets	–	45
Total	372	1,756

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.

Major impairment losses recognized for the fiscal year ended March 31, 2023 were on investment property in the Building Construction business and 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 7.3%. 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, ¥19,891 million, and ¥19,891 million as of March 31, 2024 and 2023 and April 1, 2022 (IFRS Transition Date), 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 8.5%, 7.3%, and 7.1% as of March 31, 2024 and 2023 and April 1, 2022 (IFRS Transition Date), 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 JWD Holdings3 K.K. that engages in part of the Infrastructure Management business was ¥138,910 million as of March 31, 2024.
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 mainly on the after-tax weighted average cost of capital of the cash-generating unit. The discount rates used in the impairment testing were 4.7%–4.8% as of March 31, 2024.
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 Feed-in Tariff (FIT) or Feed-in Premium (FIP) period 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 perpetual growth rate of 0.6%. The fair value was Level 3 in the fair value hierarchy.
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.

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:

<table>
<tr><td rowspan="4">Descriptions of public facilities</td><td colspan="5">Toll Road Operation Management, etc. in Aichi Prefecture</td></tr>
<tr><td>4 Roads in Chita Area consisting of</td><td rowspan="2">Sanage Green Road</td><td rowspan="2">Kinuura Tunnel</td><td rowspan="2">Kinuura Toyota Road</td><td rowspan="2">Nagoya Seto Road</td></tr>
<tr><td>Minami Chita Road, Chita Hanto Road, Chita Odan Road, and Access Road to Chubu Centrair Int’l Airport</td></tr>
<tr><td colspan="5">Rights are made on above-mentioned roads respectively</td></tr>
<tr><td>Terms of payments</td><td colspan="4">Pay in lump sum as rights are obtained, and the remaining balances are paid annually</td><td>Pay in full as right is obtained</td></tr>
<tr><td>Duration of rights</td><td>October 1, 2016 to March 31, 2046</td><td>October 1, 2016 to June 22, 2029</td><td>October 1, 2016 to November 29, 2029</td><td>October 1, 2016 to March 5, 2034</td><td>October 1, 2016 to November 26, 2044</td></tr>
<tr><td>Remaining duration of rights</td><td>April 1, 2024 to March 31, 2046</td><td>April 1, 2024 to June 22, 2029</td><td>April 1, 2024 to November 29, 2029</td><td>April 1, 2024 to March 5, 2034</td><td>April 1, 2024 to November 26, 2044</td></tr>
<tr><td>Summary of profit-share clause</td><td colspan="5">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</td></tr>
</table>

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, 2026
Replacement of main computer system	Fiscal year ending March 31, 2025
Replacement of lanes for Electronic Toll Collection System (“ETC”)	From fiscal year ending March 31, 2027 to fiscal year ending March 31, 2032
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
Remote monitoring facilities	Fiscal year ending March 31, 2025
ITV cameras	Fiscal year ending March 31, 2025

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	April 1, 2022 to March 31, 2032
Remaining duration of rights	April 1, 2024 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	From fiscal year ending March 31, 2028 to fiscal year ending March 31, 2030
2 chome, Chibune, Nishiyodogawa-ku	From fiscal year ending March 31, 2028 to fiscal year ending March 31, 2029
2 chome, Ono, Nishiyodogawa-ku	From fiscal year ending March 31, 2026 to fiscal year ending March 31, 2027
From 3 chome, Baika, Konohana-ku to 1 chome, Kasugadekita, Konohana-ku	From fiscal year ending March 31, 2025 to fiscal year ending March 31, 2027
8 chome, Ebie, Fukushima-ku	From fiscal year ending March 31, 2025 to fiscal year ending March 31, 2026
From 6 chome, Ebie, Fukushima-ku to 8 chome, Ebie, Fukushima-ku	From fiscal year ending March 31, 2025 to fiscal year ending March 31, 2026
From 1 chome, Nakatsu, Kita-ku to 3 chome, Nakatsu, Kita-ku	From fiscal year ending March 31, 2025 to fiscal year ending March 31, 2027
1 chome, Kunijima, Higashiyodogawa-ku	From fiscal year ending March 31, 2027 to 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	April 1, 2023 to March 31, 2043
Remaining duration of rights	April 1, 2024 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, 2026, 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, 2025 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, 2024	Fiscal year ended March 31, 2023
Depreciation of right-of-use assets		
Buildings and structures:	3,591	3,399
Machinery, vehicles, tools, furniture and fixtures:	3,721	4,030
Land	1,801	1,832
Subtotal	9,114	9,263
Interest expense on lease liabilities	191	190
Expense relating to short-term leases	20,616	16,697
Expense relating to leases of low-value assets (excluding expense relating to short-term leases)	60	44
Income from subleasing right-of-use assets	(17)	(17)
Profit (loss) related to lessee's leases	29,965	26,178

(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, 2024	As of March 31, 2023	As of April 1, 2022 (IFRS Transition Date)
Right-of-use assets			
Buildings and structures:	5,122	4,720	4,187
Machinery, vehicles, tools, furniture and fixtures:	6,767	6,756	5,666
Land	6,217	7,134	7,691
Total	18,107	18,612	17,545

(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, 2024	Fiscal year ended March 31, 2023
Total cash outflow for leases	31,548	28,408
Additions to right-of-use assets	9,875	12,131

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, 2024	Fiscal year ended March 31, 2023
Lease income	7,401	6,895

(2) Maturity analysis of operating lease payments

(Millions of yen)

	As of March 31, 2024	As of March 31, 2023	As of April 1, 2022 (IFRS Transition Date)
Due within one year	2,045	2,306	2,432
Due after one year through two years	1,389	1,637	1,909
Due after two years through three years	1,290	1,309	1,530
Due after three years through four years	1,298	1,275	1,285
Due after four years through five years	1,251	1,289	1,251
Due after five years	1,098	2,305	3,611
Total	8,374	10,122	12,021

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, 2024	Fiscal year ended March 31, 2023
Beginning balance	25,469	28,067
Purchase	1,802	696
Depreciation	(624)	(725)
Impairment losses	(0)	(859)
Sale or disposal	–	(2,036)
Other	105	328
Ending balance	26,752	25,469
Cost (beginning balance)	54,050	59,799
Accumulated depreciation and accumulated impairment losses (beginning balance)	(28,581)	(31,731)
Cost (ending balance)	55,948	54,050
Accumulated depreciation and accumulated impairment losses (ending balance)	(29,196)	(28,581)

(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, 2024		As of March 31, 2023		As of April 1, 2022 (IFRS Transition Date)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Investment property	26,752	33,163	25,469	30,641	28,067	32,851

(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, 2024 and 2023 and April 1, 2022 (IFRS Transition Date) 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, 2024	Fiscal year ended March 31, 2023
Rental income	1,766	2,020
Direct operating expenses	947	1,009

19. Major Subsidiaries

The major subsidiaries at the end of the fiscal year ended March 31, 2024 are as follows:

Name of subsidiary	Location	Main business	Equity ownership (%)	Common stock (Amount)
Maeda Corporation *4 *5	Tokyo, Japan	Building Construction Civil Engineering	100.0 (–)	28,463 million yen
Maeda Road Construction Co., Ltd. *4 *5	Tokyo, Japan	Road Civil Engineering	100.0 (–)	19,350 million yen
Maeda Seisakusho Co., Ltd. *4	Nagano, Japan	Machinery	100.0 (–)	3,160 million yen
Japan Wind Development Co., Ltd.	Tokyo, Japan	Infrastructure Management (Wind power)	100.0 (100.0)	100 million yen
Aichi Road Concession Co., Ltd.	Aichi, Japan	Infrastructure Management (Maintenance and management of roads)	50.0 (50.0)	480 million yen
Anonymous Association - Aichi Road Concession *4	Aichi, Japan	Infrastructure Management (Maintenance and management of roads)	– (–)	– million yen
JM Corporation	Tokyo, Japan	Other (Building construction)	100.0 (100.0)	350 million yen
Fujimi Koken Co., Ltd.	Saitama, Japan	Other (Production and sales of construction materials)	56.6 (56.6) [27.6]	281 million yen
FBS Co., Ltd.	Tokyo, Japan	Other (Building construction)	75.0 (75.0) [25.0]	100 million yen
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 million yen
Miura Sewerage & Concession Co., Ltd.	Kanagawa, Japan	Infrastructure Management (Waterworks)	49.0 (49.0)	41 million yen
86 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	436,087	235,482
(2) Ordinary profit	33,969	14,692
(3) Profit	25,532	10,341
(4) Net assets	276,359	162,038
(5) Total assets	587,477	232,456

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, 2024	As of March 31, 2023	As of April 1, 2022 (IFRS Transition Date)
Current assets	104,456	103,870	87,389
Non-current assets	50,834	43,371	43,488
Current liabilities	68,694	67,468	52,834
Non-current liabilities	10,075	9,864	11,551
Equity	76,520	69,909	66,492
Share of ownership interest (%)	20.2	20.3	20.3
Equity attributable to the Group	15,472	14,170	13,484
Consolidation adjustments	(235)	(106)	(108)
Carrying amount of interest in Toyo Construction Co., Ltd.	15,236	14,064	13,376
Fair value of interest in Toyo Construction Co., Ltd.	24,990	17,447	14,761

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023
Net sales	162,150	149,447
Profit	7,047	4,832
Other comprehensive income	2,260	456
Comprehensive income	9,307	5,288

Dividends received from Toyo Construction Co., Ltd. for the fiscal years ended March 31, 2024 and 2023 amounted to ¥476 million and ¥380 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, 2024	As of March 31, 2023	As of April 1, 2022 (IFRS Transition Date)
Associates and joint ventures	7,233	3,516	3,697

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, 2024	Fiscal year ended March 31, 2023
Associates and joint ventures		
Profit	248	49
Other comprehensive income	33	9
Comprehensive income	281	58

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, 2024	As of March 31, 2023	As of April 1, 2022 (IFRS Transition Date)
Assets held for sale			
Cash and cash equivalents	–	–	1,035
Trade and other receivables	–	–	131
Property, plant and equipment	–	–	5,508
Other	–	–	210
Total	–	–	6,886
Liabilities directly associated with assets held for sale			
Bonds and borrowings	–	–	5,381
Other	–	–	444
Total	–	–	5,825

As of April 1, 2022 (IFRS Transition Date)
Assets held for sale and liabilities directly associated with assets held for sale as of April 1, 2022 were related to Anonymous Association Happo Wind Development included in the Infrastructure Management business.
At its Board of Directors' meeting held on December 16, 2021, the Company resolved to transfer all investments in its consolidated subsidiary, Anonymous Association Happo Wind Development. Accordingly, the assets were classified as held for sale.
The assets were recognized at their carrying amount because it 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.
The transfer process was completed in June 2022.

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, 2024	As of March 31, 2023	As of April 1, 2022 (IFRS Transition Date)
Deferred tax assets			
Tax loss carried forward	273	17	26
Lease liabilities	6,670	6,600	6,276
Retirement benefit liability	6,098	6,116	5,900
Inventories	26	33	35
Property, plant and equipment	819	831	652
Intangible assets	564	478	409
Provisions	596	295	389
Accrued bonuses	3,158	2,905	2,795
Stock benefit expenses	524	119	126
Other	6,215	5,435	4,166
Total deferred tax assets	24,947	22,834	20,779
Deferred tax liabilities			
Financial assets measured at fair value through other comprehensive income	(17,186)	(5,657)	(9,284)
Property, plant and equipment	(13,708)	(13,759)	(13,818)
Intangible assets	(31,658)	(1,616)	(1,939)
Right-of-use assets	(6,674)	(6,592)	(6,276)
Retained earnings of subsidiaries and associates	(1,702)	(1,489)	(1,365)
Other	(7,405)	(4,128)	(4,379)
Total deferred tax liabilities	(78,336)	(33,242)	(37,064)
Net deferred tax assets (liabilities)	(53,389)	(10,408)	(16,284)

Note: The increase in intangible assets includes changes resulting from business combinations. The majority of the increase in intangible assets, which is reflected in deferred tax liabilities, is due to business combinations.

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

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023
Beginning balance	(10,408)	(16,284)
Recognized through profit or loss	(1,695)	5,032
Recognized through other comprehensive income	(10,018)	843
Business combinations	(31,266)	–
Ending balance	(53,389)	(10,408)

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, 2024	As of March 31, 2023	As of April 1, 2022 (IFRS Transition Date)
Deductible temporary differences	55,209	40,588	48,490
Tax loss carried forward	8,528	2,538	4,210

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, 2024	As of March 31, 2023	As of April 1, 2022 (IFRS Transition Date)
Year 1	3,345	37	615
Year 2 through Year 5	1,229	1,147	1,057
Due after five years	3,952	1,354	2,537
Total	8,528	2,538	4,210

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, 2024 and 2023 and April 1, 2022 (IFRS Transition Date) were ¥62,809 million, ¥59,601 million, and ¥47,441 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, 2024	Fiscal year ended March 31, 2023
Current tax expense	18,139	15,474
Deferred tax expense		
Origination and reversal of temporary differences, etc.	(4,460)	(6,206)
Changes in unrecognized deferred tax assets, etc.	2,765	1,173

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, 2024	Fiscal year ended March 31, 2023
Statutory tax rate	30.6	30.6
Reconciliation:		
Permanent differences	0.4	0.3
Special credit of income taxes	(2.6)	(0.8)
Retained earnings of subsidiaries and associates	0.4	0.3
Share of profit (loss) of investments accounted for using equity method	(1.0)	(0.7)
Effect of assessment of recoverability of deferred tax assets	4.5	(6.0)
Other	0.9	(0.3)
Effective tax rate reflected in the consolidated statement of profit or loss	33.3	23.3

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) Potential impact of the Pillar Two model rules

The Company and its certain subsidiaries operate in jurisdictions that have enacted Pillar Two legislation published by OECD and may be subject to additional taxation under the legislation starting with the fiscal year beginning April 1, 2024; however, we do not expect this to have a material impact on the Group's financial results.

23. Trade and Other Payables

The breakdown of trade and other payables is as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2023	As of April 1, 2022 (IFRS Transition Date)
Notes payable - trade	476	311	372
Electronically recorded obligations - operating	19,085	25,752	6,933
Accounts payable for construction contracts	119,523	115,972	111,371
Accounts payable - other	14,340	9,547	9,755
Liabilities related to rights to operate public facilities (Note 2)	99,596	104,254	108,812
Other	20,770	16,283	10,020
Total	273,792	272,121	247,265

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 ¥94,878 million, ¥99,590 million, and ¥104,214 million as of March 31, 2024 and 2023 and April 1, 2022 (IFRS Transition Date), respectively.

24. Bonds, Borrowings, and Lease Liabilities

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

(Millions of yen)

	As of March 31, 2024	As of March 31, 2023	As of April 1, 2022 (IFRS Transition Date)	Average interest rate (%)	Due date
Short-term borrowings	320,438	34,056	85,639	0.70%	–
Current portion of bonds (Note 3)	5,000	10,000	–	–	–
Current portion of long-term borrowings	15,736	12,440	8,932	0.93%	–
Current portion of non-recourse borrowings	888	922	845	0.60%	–
Lease liabilities (current)	9,328	9,356	9,334	–	–
Bonds (Note 3)	42,864	47,821	44,841	(Note 3)	(Note 3)
Long-term borrowings	93,627	57,803	56,000	0.57%	2026–2028
Non-recourse borrowings	2,989	3,870	4,783	0.60%	–
Lease liabilities (non-current)	13,408	13,638	13,010	–	–
Total	504,282	189,908	223,387	–	–

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)

Company name	Issue	Date of issuance	As of March 31, 2024	As of March 31, 2023	As of April 1, 2022 (IFRS Transition Date)	Interest rate	Collateral	Date of redemption
INFRONEER Holdings Inc.	The MAEDA CORPORATION 23rd Unsecured Bonds with inter-bond pari passu clause	July 28, 2016	–	10,000	10,000	0.28% per year	None	July 28, 2023
INFRONEER Holdings Inc.	The MAEDA CORPORATION 25th Unsecured Bonds with inter-bond pari passu clause	September 12, 2019	10,000	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	5,000	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	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	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
Total	–	–	48,000	58,000	45,000	–	–	–

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

i. Assets pledged as collateral

(Millions of yen)

	As of March 31, 2024	As of March 31, 2023	As of April 1, 2022 (IFRS Transition Date)
Assets held for sale (Note 1)	–	–	6,699
Cash and cash equivalents	15,179	13,566	12,513
Trade and other receivables	1,506	1,424	1,315
Property, plant and equipment	1	2	4
Intangible assets	98,721	104,726	109,721
Other financial assets	37	37	37
Other assets	275	275	400
Total	115,720	120,032	130,691

Notes:
1. Assets held for sale were pledged as collateral for non-recourse borrowings of Anonymous Association Happo Wind Development.
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, 2024	As of March 31, 2023	As of April 1, 2022 (IFRS Transition Date)
Liabilities directly associated with assets held for sale (Note)	–	–	5,381
Current portion of long-term borrowings	350	349	347
Current portion of non-recourse borrowings	888	922	845
Long-term borrowings	2,422	2,773	3,123
Non-recourse borrowings	2,989	3,870	4,783
Total	6,652	7,915	14,481

Note: Liabilities directly associated with assets held for sale were non-recourse borrowings of Anonymous Association Happo Wind Development.

25. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2023	As of April 1, 2022 (IFRS Transition Date)
Financial liabilities measured at amortized cost			
Deposits	7,136	7,405	7,493
Other	61	121	166
Subtotal	7,197	7,527	7,660
Financial liabilities measured at fair value through profit or loss			
Derivative liabilities	745	3,627	180
Other	9	139	13
Subtotal	755	3,767	194
Total	7,953	11,294	7,854

26. Provisions

Changes in provisions for the fiscal years ended March 31, 2024 and 2023 are as follows:

Fiscal year ended March 31, 2024

(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	1,095	342	35,101	920	37,460
Increase during the period	1,199	1,384	–	185	2,769
Interest cost of unwinding the discount on the liabilities	–	–	366	11	378
Decrease due to intended use	(1,190)	(845)	(440)	(40)	(2,517)
Decrease due to reversal	(23)	(37)	–	(8)	(68)
Increase (decrease) due to changes in estimates	–	–	(352)	–	(352)
Increase (decrease) through business combinations	–	–	–	4,124	4,124
Other	0	68	–	36	105
Ending balance	1,082	911	34,675	5,230	41,899
Current liabilities	1,082	911	2,376	1,173	5,543
Non-current liabilities	–	–	32,298	4,056	36,355
Total	1,082	911	34,675	5,230	41,899

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, 2024, 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, 2024 and 2023 and April 1, 2022 (IFRS Transition Date) is as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2023	As of April 1, 2022 (IFRS Transition Date)
Funded defined benefit obligation	45,171	47,052	50,076
Plan assets	(73,109)	(66,108)	(66,217)
Subtotal	(27,938)	(19,056)	(16,141)
Unfunded defined benefit obligation	15,599	16,014	16,082
Effect of the asset ceiling	27,938	19,056	14,296
Total	15,599	16,014	14,237
Amount recognized in the consolidated statement of financial position			
Retirement benefit liability	15,599	16,014	16,082
Retirement benefit asset	–	–	(1,844)
Net retirement benefit liability (asset) recognized in the consolidated statement of financial position	15,599	16,014	14,237

(2) Reconciliation of defined benefit obligation

Changes in defined benefit obligation for the fiscal years ended March 31, 2024 and 2023 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023
Beginning balance	63,066	66,158
Current service cost	2,412	2,556
Interest cost	672	487
Gains and losses on remeasurements		
Actuarial gains and losses arising from changes in demographic assumptions	352	(244)
Actuarial gains and losses arising from changes in financial assumptions	(2,639)	(3,619)
Actuarial gains and losses arising from experience adjustments	169	468
Benefits paid	(3,288)	(3,352)
Other	25	612
Ending balance	60,770	63,066

The weighted average duration of defined benefit obligation as of March 31, 2024 and 2023 is as follows:

(Year)

	As of March 31, 2024	As of March 31, 2023
Weighted average duration	10.0	11.2

(3) Reconciliation of plan assets

Changes in plan assets for the fiscal years ended March 31, 2024 and 2023 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023
Beginning balance	66,108	66,217
Interest revenue	692	496
Gains and losses on remeasurements		
Return on plan assets (excluding interest revenue)	5,973	(710)
Contribution by the employer	2,557	2,442
Benefits paid	(2,222)	(2,337)
Ending balance	73,109	66,108

The Group will contribute ¥2,745 million for the fiscal year ending March 31, 2025.

(4) Effect of the asset ceiling

Changes in the effect of the asset ceiling for the fiscal years ended March 31, 2024 and 2023 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023
Beginning balance	19,056	14,296
Interest revenue	184	111
Remeasurements		
Changes in the effect of the asset ceiling	8,697	4,648
Ending balance	27,938	19,056

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, 2024 and 2023 and April 1, 2022 (date of transition) are as follows:

(Millions of yen)

	As of March 31, 2024			As of March 31, 2023			As of April 1, 2022 (IFRS Transition Date)		
	Market price in an active market		Total	Market price in an active market		Total	Market price in an active market		Total
	Quoted	Unquoted		Quoted	Unquoted		Quoted	Unquoted	
Cash and deposits	1,611	–	1,611	1,959	–	1,959	1,613	–	1,613
Equity instruments									
Domestic shares	12,828	0	12,828	10,370	0	10,370	9,789	–	9,789
Foreign shares	8,991	0	8,991	6,674	13	6,688	7,671	–	7,671
Debt instruments									
Domestic bonds	4,754	9,996	14,750	4,672	7,585	12,258	4,632	9,489	14,121
Foreign bonds	9,189	2,479	11,669	9,556	2,216	11,773	9,242	1,694	10,937
General accounts of life insurance companies	4,622	4,088	8,710	4,585	4,079	8,664	4,569	4,043	8,612
Other	–	14,547	14,547	142	14,251	14,393	155	13,315	13,471
Total	41,997	31,112	73,109	37,962	28,146	66,108	37,674	28,543	66,217

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, 2024 and 2023 and April 1, 2022 (date of transition) are as follows:

(%)

	As of March 31, 2024	As of March 31, 2023	As of April 1, 2022 (IFRS Transition Date)
Discount rate	1.3–1.6	1.1–1.2	0.6–0.8

(7) Sensitivity analysis of actuarial assumptions

The sensitivities of defined benefit obligation as of March 31, 2024 and 2023 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, 2024	As of March 31, 2023
Discount rate	0.5% increase	(3,060)	(2,982)
	0.5% decrease	3,326	3,824

(8) Defined contribution plans

The contributions to the defined contribution pension plans for the fiscal years ended March 31, 2024 and 2023 were ¥6,348 million and ¥6,075 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)

	As of March 31, 2023	As of March 31, 2022
Plan assets	23,274	23,884
Sum of actuarial liabilities of pension plan and minimum actuarial reserve	19,660	19,461
Net balance	3,614	4,423
The Group's contribution ratio in the multi-employer pension plan	1.74%	1.76%

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

As of March 31, 2024, the Group expects to contribute ¥19 million to the multi-employer pension plan for the fiscal year ending March 31, 2025.

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, 2024 and 2023 and April 1, 2022 (IFRS Transition Date) was 1,200,000,000 shares of common stock.

ii. Fully paid issued shares

Changes in the number of shares issued for the fiscal years ended March 31, 2024 and 2023 are as follows. Note that all shares issued by the Company are common stock with no par value that have no restrictions on any rights.

(Thousands of shares)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023
Beginning balance	274,845	291,070
Increase during the period	–	–
Decrease during the period	–	16,225
Ending balance	274,845	274,845

Note: The decrease of 16,225 thousand shares in the number of shares issued during the fiscal year ended March 31, 2023 was due to the cancellation of treasury shares.

(2) Treasury shares

Changes in the number of treasury shares for the fiscal years ended March 31, 2024 and 2023 are as follows:

(Thousands of shares)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023
Beginning balance	22,329	26,694
Increase during the period	6,864	13,294
Decrease during the period	1,329	17,659
Ending balance	27,863	22,329

Notes:
1. The beginning balance as of April 1, 2022 includes 4,221 thousand shares held by the stock benefit trust (employee shareholding association purchase-type) and 657 thousand shares held by the Stock Benefit Trust (BBT).
2. The increase of 13,294 thousand shares in the number of treasury shares during the fiscal year ended March 31, 2023 is composed of an increase of 12,057 thousand shares from the acquisition of treasury shares based on a resolution of the Board of Directors, an increase of 4 thousand shares from the purchase of shares of less than one unit, and an increase of 1,232 thousand shares due to changes in equity.
3. 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.
4. The decrease of 17,659 thousand shares in the number of treasury shares during the fiscal year ended March 31, 2023 is composed of a decrease of 16,225 thousand shares due to the cancellation of treasury shares, a decrease of 479 thousand shares due to the disposal of treasury shares as restricted stock compensation, and a decrease of 954 thousand shares due to sale to the employee stock holding partnership through the stock benefit trust (employee shareholding association purchase-type).

5. 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).
6. The ending balance as of March 31, 2023 includes 3,267 thousand shares held by the stock benefit trust (employee shareholding association purchase-type) and 377 thousand shares held by the Stock Benefit Trust (BBT).
7. 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).

(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.

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, 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.

Fiscal year ended March 31, 2023

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 13, 2022	Common stock	10,963	40.0	March 31, 2022	June 24, 2022

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 13, 2022 include dividends of ¥168 million and ¥26 million on the Company's shares held by the stock benefit trust (employee shareholding association purchase-type) and the Stock Benefit Trust (BBT), 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, 2024

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 10, 2024	Common stock	Retained earnings	9,133	35.0	March 31, 2024	June 26, 2024

Notes: 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.

30. Revenue

(1) Disaggregation of revenue

Reconciliation between disaggregation of net sales and "6. Segment Information" for the fiscal years ended March 31, 2024 and 2023 is as follows:

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 lease income under IFRS 16.

Fiscal year ended March 31, 2023

(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	–	–	79,445	32,361	15,724	29,639	157,170
Satisfied over time	212,619	152,074	164,447	56	177	11,604	540,979
Total	212,619	152,074	243,892	32,417	15,901	41,244	698,150
Revenue recognized from other sources (Note)	1,791	–	168	4,922	6,657	118	13,660
Total	214,411	152,074	244,061	37,340	22,559	41,363	711,810

Note: Revenue recognized from other sources includes lease income under IFRS 16.

(2) Information on contract balances

(Millions of yen)

	As of March 31, 2024	As of March 31, 2023	As of April 1, 2022 (IFRS Transition Date)
Receivables arising from contracts with customers			
Notes receivable	25,946	19,715	18,899
Accounts receivable from completed construction contracts and others	96,056	100,370	91,383
Total	122,002	120,086	110,283
Contract assets	245,485	186,836	219,223
Contract liabilities	54,162	32,200	29,459

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, 2024 and 2023 that was included in the contract liability balance at the beginning of the period was ¥29,582 million and ¥27,860 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, 2024 and 2023 and April 1, 2022 (IFRS Transition Date) were ¥768,095 million, ¥754,134 million, and ¥766,713 million, respectively.

These remaining performance obligations are mainly relating to the Building Construction and Civil Engineering businesses, and the Group expects to recognize revenue for these obligations generally within five years by reference to the stage of completion of the construction.

31. Selling, General and Administrative Expenses

The components of selling, general and administrative expenses for the fiscal years ended March 31, 2024 and 2023 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023
Employee benefit expenses	32,174	28,523
Experimental research costs	8,198	6,127
Depreciation and amortization	5,988	5,669
Other	15,736	12,019
Total	62,097	52,340

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, 2024 and 2023 were ¥92,796 million and ¥83,731 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, 2024 and 2023 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023
Gain on sale of fixed assets	992	608
Other	717	865
Total	1,710	1,474

34. Other Expenses

The components of other expenses for the fiscal years ended March 31, 2024 and 2023 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023
Loss on sale and retirement of fixed assets	1,199	775
Impairment losses	372	1,756
Other	539	956
Total	2,111	3,488

35. Finance Income and Finance Costs

(1) The components of finance income for the fiscal years ended March 31, 2024 and 2023 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023
Interest income		
Financial assets measured at amortized cost	381	301
Dividend income		
Equity financial assets measured at fair value through other comprehensive income	1,922	2,193
Gain on valuation and sale of investments in capital		
Financial assets measured at fair value through profit or loss	66	52
Foreign exchange gains	672	373
Other	1	17
Total	3,045	2,939

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, 2024 and 2023 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023
Interest expenses		
Financial liabilities measured at amortized cost	2,772	2,442
Loss on valuation and sale of investments in capital		
Financial liabilities measured at fair value through profit or loss	1,833	56
Other	59	116
Total	4,665	2,615

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, 2024 and 2023 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans		
Amount arising during the period	(745)	(1,992)
Before tax effects	(745)	(1,992)
Tax effects	318	826
After tax effects	(427)	(1,165)
Financial assets measured at fair value through other comprehensive income		
Amount arising during the period	40,774	(644)
Before tax effects	40,774	(644)
Tax effects	(12,352)	22
After tax effects	28,421	(621)
Share of other comprehensive income of investments accounted for using equity method		
Amount arising during the period	263	100
Before tax effects	263	100
Tax effects	–	–
After tax effects	263	100
Total of items that will not be reclassified to profit or loss	28,257	(1,686)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations		
Amount arising during the period	107	345
Reclassification adjustment	–	(269)
Before tax effects	107	76
Tax effects	–	–
After tax effects	107	76
Cash flow hedges		
Amount arising during the period	8,278	(1,074)
Reclassification adjustment	26	98
Before tax effects	8,304	(975)
Tax effects	(1,465)	147
After tax effects	6,838	(828)
Share of other comprehensive income of investments accounted for using equity method		
Amount arising during the period	–	(0)
Reclassification adjustment	–	–
Before tax effects	–	(0)
Tax effects	–	–
After tax effects	–	(0)
Total of items that may be reclassified to profit or loss	6,945	(752)
Total other comprehensive income	35,203	(2,438)

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, 2024 and 2023 are as follows:

(Millions of yen, unless otherwise stated)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023
Profit attributable to owners of parent	32,571	33,487
Profit adjustments	–	–
Profit used to calculate diluted earnings per share	32,571	33,487
Average number of shares of common stock during the period (Thousands of shares)	249,578	258,898
Effect of potential shares of common stock with dilutive effect (Thousands of shares)		
Stock Benefit Trust (BBT)	651	438
Average number of diluted shares of common stock during the period (Thousands of shares)	250,230	259,337
Basic earnings per share (Yen)	¥130.51	¥129.35
Diluted earnings per share (Yen)	¥130.17	¥129.13

Notes:

1. The Company's shares held by the trust account of the Stock Benefit Trust are included in the number of treasury shares deducted in the calculation of average number of shares during the period used to calculate basic earnings per share. The average number of such treasury shares deducted to calculate basic earnings per share for the fiscal years ended March 31, 2024 and 2023 was 6,375 thousand shares and 3,917 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 average number of shares during the period used to calculate basic earnings per share. The average number of such shares deducted to calculate basic earnings per share for the fiscal years ended March 31, 2024 and 2023 was 436 thousand shares and 298 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, 2024 and 2023 are as follows:

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)	57,821	(10,000)	–	–	43	47,864
Long-term borrowings (Note)	75,036	36,853	3,232	–	(1,880)	113,242
Lease liabilities (Note)	22,994	(10,679)	1,583	9,787	(949)	22,736
Total	189,908	292,125	21,523	9,787	(9,063)	504,282

Note: The amount includes the current portion.

Fiscal year ended March 31, 2023

(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	85,639	(51,172)	–	–	(410)	34,056
Bonds (Note)	44,841	12,914	–	–	65	57,821
Long-term borrowings (Note)	70,562	5,215	46	–	(787)	75,036
Lease liabilities (Note)	22,345	(11,475)	7	11,015	1,102	22,994
Total	223,387	(44,518)	53	11,015	(29)	189,908

Note: The amount includes the current portion.

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 years ended March 31, 2024 and 2023 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024			Fiscal year ended March 31, 2023		
	Trade receivables, contract assets, and lease receivables	Other financial assets		Trade receivables, contract assets, and lease receivables	Other financial assets	
		12-month expected credit losses	Credit-impaired financial instruments		12-month expected credit losses	Credit-impaired financial instruments
Beginning balance	68	47	265	93	17	382
Provision (Note)	313	7	44	67	39	4
Reversal (Note)	(61)	(47)	(45)	(75)	(9)	(20)
Write-off	(6)	–	–	(17)	–	(101)
Other	(12)	–	26	–	–	–
Ending balance	301	7	290	68	47	265

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. A commitment line has been established with several financial institutions to ensure sufficient liquidity.

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, 2024 and 2023 and April 1, 2022 (IFRS Transition Date) are as follows:

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
Interest rate swaps	–	–	–	–	–	–	–	–
Subtotal	745	745	26	–	–	–	–	718
Total	786,027	804,278	539,572	33,509	41,578	40,775	36,891	111,951

As of March 31, 2023

(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	272,121	285,402	173,652	5,790	5,794	5,798	5,802	88,564
Bonds and borrowings	166,914	169,901	58,177	18,891	21,751	15,178	34,029	21,873
Lease liabilities	22,994	24,649	9,300	5,839	2,010	811	631	6,054
Other financial liabilities	7,666	7,666	5,734	659	1	0	139	1,131
Subtotal	469,696	487,620	246,865	31,180	29,557	21,788	40,603	117,625
Derivative financial liabilities								
Forward exchange contracts	3,626	3,626	–	–	–	–	–	3,626
Interest rate swaps	1	1	0	0	–	–	–	–
Subtotal	3,627	3,627	0	0	–	–	–	3,626
Total	473,324	491,248	246,866	31,180	29,557	21,788	40,603	121,251

As of April 1, 2022 (IFRS Transition Date)

(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	247,265	261,770	144,234	5,786	5,790	5,794	5,798	94,367
Bonds and borrowings	201,042	203,960	96,169	23,922	18,542	26,022	11,395	27,909
Lease liabilities	22,345	24,124	9,545	4,540	2,138	892	593	6,414
Other financial liabilities	7,673	7,673	6,513	161	–	–	11	987
Subtotal	478,326	497,529	256,463	34,409	26,470	32,708	17,798	129,678
Derivative financial liabilities								
Forward exchange contracts	–	–	–	–	–	–	–	–
Interest rate swaps	180	180	35	35	33	30	30	15
Subtotal	180	180	35	35	33	30	30	15
Total	478,507	497,709	256,498	34,444	26,504	32,739	17,828	129,694

(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, 2024 and 2023, 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, 2024	Fiscal year ended March 31, 2023
Effect on other comprehensive income (before tax)	10,578	6,870

(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 years ended March 31, 2024 and 2023.

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

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

As of March 31, 2023

(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	–	–	1,861	1,861
Derivative assets	–	2,478	–	2,478
Other	–	736	412	1,148
Equity instruments measured at fair value through other comprehensive income				
Equity securities	68,702	–	7,721	76,423
Total	68,702	3,215	9,995	81,912
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	3,626	–	3,626
Total	–	3,626	–	3,626

As of April 1, 2022 (IFRS Transition Date)

(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	–	–	1,267	1,267
Derivative assets	–	7	–	7
Other	–	1,010	392	1,403
Equity instruments measured at fair value through other comprehensive income				
Equity securities	91,267	–	8,108	99,376
Total	91,267	1,018	9,769	102,054
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	–	–	–
Total	–	–	–	–

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, 2024		As of March 31, 2023		As of April 1, 2022 (IFRS Transition Date)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities						
Bonds payable	42,864	42,266	47,821	47,493	44,841	44,699
Long-term borrowings	93,627	94,038	57,803	58,058	56,000	55,990
Non-recourse borrowings	2,989	2,994	3,870	3,888	4,783	4,811
Liabilities related to rights to operate public facilities	94,878	104,862	99,590	110,371	104,214	115,220

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 value of bonds payable was 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 is 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 years ended March 31, 2024 and 2023 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023
Beginning balance	9,995	9,769
Total gains and losses		
Profit (loss) (Note 1)	(1,863)	25
Other comprehensive income (Note 2)	698	271
Purchase	22,283	806
Sale	(683)	(530)
Business combinations	521	0
Other	(147)	(346)
Ending balance	30,805	9,995

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, 2024 and 2023 were ¥(1,879) million and ¥25 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.

(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, 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	–	–

As of March 31, 2023

(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	56,305	2,347	3,626	¥102.32
Interest rate risk				
Interest rate swap contracts				
Receive variable/Pay fixed	47,824	130	1	0.90%

As of April 1, 2022 (IFRS Transition Date)

(Millions of yen)

Hedging instruments	Notional amount	Carrying amount		Average rate
		Assets	Liabilities	
Cash flow hedges				
Interest rate risk				
Interest rate swap contracts				
Receive variable/Pay fixed	40,082	7	180	0.92%

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:

(Millions of yen)

	As of April 1, 2022 (IFRS Transition Date)	As of March 31, 2023	As of March 31, 2024
Surplus from cash flow hedges			
Foreign exchange risk			
Forward exchange contracts (Buy)			
U.S. Dollar	–	(463)	2,772
Interest rate risk			
Interest rate swap contracts			
Receive variable/Pay fixed	(121)	50	136

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, 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.

Fiscal year ended March 31, 2023

(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	(1,278)	–
Interest rate risk		
Interest rate swap contracts		
Receive variable/Pay fixed	302	98

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, 2024	As of March 31, 2023	As of April 1, 2022 (IFRS Transition Date)
Carrying amount of assets transferred	251	2,642	8,250
Carrying amount of related liabilities	251	2,642	8,250

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, 2024	Fiscal year ended March 31, 2023
Compensation and bonuses	861	1,157
Share-based payments	791	286
Total	1,653	1,443

(2) Related party transactions

Fiscal year ended March 31, 2024
Not applicable

Fiscal year ended March 31, 2023

(Millions of yen)

Type	Name	Description of transaction	Transaction amount	Line item	Outstanding balance
Associates	Hikarigaoka Corporation	Purchase of construction materials (Note)	57,403	Trade and other payables	10,076

Note: The price and other terms of transaction are determined by negotiation based on market prices.

As of April 1, 2022 (IFRS Transition Date)

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, 2024	Fiscal year ended March 31, 2023
Date of grant	July 20, 2023	July 22. 2022
Number of restricted shares granted (shares)	143,182	199,876
Fair value at the date of grant	¥1,323	¥926

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.

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023
Beginning balance (thousands of points)	634	–
Grants awarded (thousands of points)	529	634
Grants exercised (thousands of points)	–	–
Grants expired (thousands of points)	(51)	–
Ending balance (thousands of points)	1,111	634
Weighted average fair value	¥1,274	¥804

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

No points were awarded in the fiscal year ended March 31, 2024.

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 at March 31, 2024 and 2023 and April 1, 2022 (IFRS Transition Date) was ¥9 million, ¥139 million, and ¥13 million, respectively.

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023
The Company's stock price (yen)	¥1,443	¥1,022
Number of remaining shares (thousand)	2,145	3,267
Expected volatility (%)	21.93	28.15
Expected life (years)	2.95	3.95
Risk-free interest rate (%)	0.02	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, 2024	Fiscal year ended March 31, 2023
Cash-settled	(129)	125
Equity-settled	3,206	269

42. Commitments

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

(Millions of yen)

	As of March 31, 2024	As of March 31, 2023	As of April 1, 2022 (IFRS Transition Date)
Acquisition of property, plant and equipment	35,060	2,524	4,641
Acquisition of intangible assets	–	400	–

43. Contingent Liabilities

Contingent liabilities are as follows:
Debt guarantees, etc.

(Millions of yen)

	As of March 31, 2024	As of March 31, 2023	As of April 1, 2022 (IFRS Transition Date)
Guarantee obligations for borrowings	485	706	810
Guarantee obligations for associates	36	41	45

44. Significant Subsequent Events

Issuance of bonds with stock acquisition rights

The Company resolved to issue Zero Coupon Convertible Bonds (Green CBs) due 2029 (bonds with stock acquisition rights) (hereinafter referred to as the "Bonds," and the stock acquisition rights attached thereto are referred to as the "Stock Acquisition Rights") at its Board of Directors' meeting held on March 21, 2024, and completed the payment on April 8, 2024 (London time, the same shall apply hereinafter unless stated otherwise). The following is an overview:

(1) Total amount of issue:

The aggregate of ¥60 billion plus an aggregate principal amount of the Bonds in respect of replacement Bond Certificates (bonds with stock acquisition rights that may be issued with appropriate evidence and compensation in case of loss, theft or destruction of any Bonds certificate; the same shall apply hereinafter)

(2) Issue price: 100.0% of the principal amount of the Bonds (the denomination of ¥10,000,000 each)

(3) Offer price: 102.5% of the principal amount of the Bonds

(4) Coupon rate: No interest will accrue on the Bonds.

(5) Closing date: April 8, 2024

(6) Date of maturity: March 30, 2029

(7) Class, details, and number of shares to be acquired upon exercise of the Stock Acquisition Rights:

i. Class and details of shares:

Shares of common stock of the Company (number of shares constituting one unit: 100)

ii. Number of shares:

The number of shares of common stock of the Company to be issued upon exercise of the Stock Acquisition Rights shall be determined by dividing the aggregate issue price of the Bonds pertaining to the exercise request by the conversion price set forth in (9) below. Any fraction of a share upon exercise will be rounded off and no adjustment by cash payment will be made thereof.

(8) Total number of Stock Acquisition Rights to be issued:

The aggregate of 6,000, plus the number obtained by dividing an aggregate principal amount of the Bonds pertaining to replacement Bond Certificates by ¥10,000,000

(9) Amount to be paid upon exercise of the Stock Acquisition Rights:

i. Upon exercise of each Stock Acquisition Right, the Bond pertaining to such Stock Acquisition Right shall be contributed, and the price of such Bonds shall be equal to the issue price thereof.

ii. Conversion price shall be ¥1,853.5.

iii. Subsequent to the issuance of the Bonds, if the Company issues new shares or disposes of the existing shares of common stock of the Company held at a price less than the current market price of the share, the conversion price shall be adjusted in accordance with the following formula. The “number of shares outstanding” in the formula represents the total number of shares of common stock of the Company issued and outstanding (excluding the shares held by the Company).

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of shares outstanding} + \dfrac{\text{Number of shares newly issued or disposed of} \times \text{Issue or disposal price per share}}{\text{Current market price per share}}}{\text{Number of shares outstanding} + \text{Number of shares newly issued or disposed of}}$$

The conversion price shall also be appropriately adjusted in the case of a stock split or consolidation of the shares of common stock of the Company, a payment of a certain amount of dividends of surplus, or an issue of stock acquisition rights (including stock acquisition rights attached to bonds with stock acquisition rights) to claim the issuance of the common stock of the Company at a price below the current market price per share, or due to certain other reasons as set forth in the terms and conditions.

(10) Exercise period of the Stock Acquisition Rights:

On and after April 22, 2024, up to, and including, the close of business on March 16, 2029 (the local time at the place where exercise requests are received). Provided, however, certain restrictions are set forth in the terms and conditions of the issuance.

(11) Conditions for the exercise of the Stock Acquisition Rights:

Stock Acquisition Rights shall not be exercised in part only.

(12) Use of proceeds:

The net proceeds from the issuance of the Bonds are approximately ¥60 billion, and the Company has applied the entire amount for a partial repayment of the loans from financial institutions incurred in connection with the acquisition of shares of Japan Wind Development Co., Ltd. (“JWD”) (to make JWD a subsidiary of the Company), which amount to ¥218.4 billion, by the end of April 2024.

Issuance of bond-type class shares and reduction of share capital and legal capital surplus

The Company resolved to issue Series 1 Bond-Type Class Shares at the meeting of the Board of Directors held on June 25, 2024. It also resolved to reduce its share capital and legal capital surplus, by the amount of the increase in share capital and legal capital surplus due to the issuance of the Series 1 Bond-Type Class Shares, effective as of the closing date for the issuance of the Series 1 Bond-Type Class Shares. The following is an overview:

1. Issuance of Series 1 Bond-Type Class Shares by public offering

(1) Class and number of shares for subscription:

Series 1 Bond-Type Class Shares of INFRONEER Holdings Inc. 20,000,000 shares

(2) Aggregate amount of issue price (offer price): ¥100,000,000,000 (¥5,000 per share)

(3) Amount to be paid in:¥4,875 per share

(4) Amount of increase in share capital and legal capital surplus:

Amount of increase in share capital ¥48,750,000,000 (¥2,437.5 per share)
Amount of increase in legal capital surplus ¥48,750,000,000 (¥2,437.5 per share)

(5) Offering method:

Public offering in Japan (the “Public Offering”) with firm commitment underwriting of all shares by Nomura Securities Co., Ltd., Mizuho Securities Co., Ltd., SMBC Nikko Securities Inc., and Daiwa Securities Co. Ltd. (the “Underwriters”).

(6) Consideration to the Underwriters:

The Company will not pay any underwriting commission to the Underwriters, although the aggregate amount of the difference between the issue price (offer price) and the amount to be paid to the Company by the Underwriters shall constitute proceeds to the Underwriters.

(7) Subscription period:

From the next business day after the Pricing Date (defined in (10) ii.) to Wednesday, July 31, 2024

(8) Payment date: Thursday, August 1, 2024

(9) Share unit for subscription: 100 shares

(10) Preferred dividends:

i. Preferred dividends

When the Company declares a dividend of surplus with March 31 as the record date, the Company shall pay in cash in the amount per Series 1 Bond-Type Class Share equal to the product of equivalent of the issue price per Series 1 Bond Type Class Share multiplied by the annual dividend rate set forth in ii. below (in no case shall the annual dividend rate exceed 10 percent), to the holders of the Series 1 Bond-Type Class Shares ("Series 1 Bond-Type Class Shareholders") or registered pledgees of the Series 1 Bond-Type Class Shares (collectively with Series 1 Bond-Type Class Shareholders, "Series 1 Bond-Type Class Shareholders, Etc."), entered or registered in the last register of shareholders as of the record date of that dividend, in preference to the common shareholders of the Company ("Common Shareholders") and registered pledgees of common stock (collectively with Common Shareholders, "Common Shareholders, Etc.")

ii. Annual dividend rate

(a) If the record date falls in a fiscal year ending on or before March 31, 2030:

A rate not less than 2.3% per annum and not greater than 3.0% per annum, to be determined on the Pricing Date (the "Fixed Annual Dividend Rate").

(b) If the record date falls in a fiscal year ending on or after April 1, 2030:

The interest rate of One-Year Japanese government bonds (JGBs) as of two business days before the last day of the immediately preceding fiscal year, plus a rate equal to the spread over the secondary yield (biannual compound basis) on 10-year JGBs with a remaining maturity of about 5 years applicable on the date that the Fixed Annual Dividend Rate is determined plus 1% (to be determined on the Pricing Date)

Note: The Company determines the Annual Dividend Rate in the same method as the Book Building procedures provided for in Article 25 of the Rules Concerning Underwriting, Etc. of the Japan Securities Dealers Association, where the Company presents the preliminary pricing range with respect to the Fixed Annual Dividend Rate, and considers the demand under the preliminary pricing range, on a day between Friday, July 12, 2024 and Wednesday, July 17, 2024 (the "Pricing Date").

iii. Accumulation

If the amount of dividends of surplus actually paid to the Series1 Bond-Type Class Shareholders, Etc. per Series 1 Bond-Type Class Share in a given fiscal year in which the record date falls is less than the amount of the Preferred Dividend to Series 1 Bond-Type Class Shares for that fiscal year, that shortfall amount shall accumulate in subsequent fiscal years by a simple interest calculation (the accumulated shortfall, the "Accumulated Dividends Payable to Series 1 Bond-Type Class Shares").

iv. Non-participation

No dividends of surplus shall be paid to the Series 1 Bond Type Class Shareholders, Etc. in excess of the total of the Preferred Dividend to the Series 1 Bond-Type Class Shares and the Accumulated Dividends Payable to Series 1 Bond-Type Class Shares.

(11) Voting rights

The Series 1 Bond-Type Class Shareholders cannot exercise voting rights at the General Meeting of Shareholders with respect to any matter.

(12) Acquisition (Acquisition by the Company in exchange for cash)

i. Acquisition in exchange for cash

If either of the events specified in (a) or (b) below occurs, the Company may acquire all or part of the Series 1 Bond-Type Class Shares upon the arrival of an acquisition date separately determined by a resolution of the Board of Directors or a determination by an executive officer to whom the authority to make such determination has been delegated by a resolution of the Board of Directors. In such case, the Company shall deliver to the Series 1 Bond-Type Class Shareholders cash in the amount per Series 1 Bond-Type Class Share equal to the Reference Amount (defined below) in exchange for the acquisition of those Series 1 Bond-Type Class Shares. However, the Company may not make an acquisition where either the acquisition date or a Book-Entry Transfer Acquisition Date (defined below) pertaining to the acquisition falls on any day from April 1 to June 30. If the Company acquires part of the Series 1 Bond-Type Class Shares, the Company shall determine the scope of Series 1 Bond-Type Class Shares to be acquired from Series 1 Bond-Type Class Shareholders by a reasonable method determined by the Board of Directors or an executive officer to whom the authority to make such determination has been delegated by a resolution of the Board of Directors.

(a) five years have passed from and including the payment date (i.e., on or after August 1, 2029); or

(b) an Equity Credit Change Event (defined below) has occurred and exists.

The term “Reference Amount” means the equivalent of the issue price per Series 1 Bond-Type Class Share plus the sum of the accumulated dividends payable to Series 1 Bond-Type Class Shares and the Accrued Dividend (defined below) as of the Book-Entry Transfer Acquisition Date of that acquisition .

“Accrued Dividend” means the amount obtained by multiplying the amount of the Preferred Dividend to Series 1 Bond-Type Class Shares for which the record date falls within that fiscal year by the number of days in the period beginning from (inclusive) the first day of the fiscal year in which the Book-Entry Transfer Acquisition Date of that acquisition falls (for the fiscal year ending March 31, 2025, the payment date) and ending on (inclusive) the Book-Entry Transfer Acquisition Date of that acquisition, and then dividing such amount by 365 (or 366 if the fiscal year in which the Book-Entry Transfer Acquisition Date of that acquisition falls in a leap year that includes February 29). However, for the fiscal year ending March 31, 2025, such amount shall be divided by the number of days in the period beginning from (inclusive) the payment date and ending on (inclusive) March 31, 2025. (The amount shall be calculated in yen to three decimal places, and such three decimal places shall be discarded). However, if the Company pays the Interim Preferred Dividend to Series 1 Bond-Type Class Shares to the Series 1 Bond-Type Class Shareholders in the fiscal year in which the Book-Entry Transfer Acquisition Date of that acquisition falls, the amount of the Preferred Dividend (or the amount announced by the Company as of September 30 as an expected amount of the relevant dividend if the Book-Entry Transfer Acquisition Date of that acquisition is between October 1 of the year and the previous day or earlier of the date of the resolution by the Board of Directors on the Interim Preferred Dividend to Series 1 Bond-Type Class Shares) shall be deducted.

“Book-Entry Transfer Acquisition Date” means the date on which an entry or record showing an increase in the number of the Series 1 Bond-Type Class Shares pertaining to the acquisition is made in the holdings column of the transferee account of the Company upon an application for book-entry transfer based on the acquisition of monetary consideration described in this section or the date on which the entry or record showing the Series 1 Bond-Type Class Shares is deleted upon a notice of deletion in its entirety based on the acquisition.

“Equity Credit Change Event” means an event in which the credit rating institution (Japan Credit Rating Agency, Ltd. or any entity succeeding to the rating business thereof; the same shall apply hereinafter) announces or gives the Company a written notice to the effect that the credit rating institution has decided to treat the Series 1 Bond-Type Class Shares as having a lower equity credit than the equity credit thereof estimated at the time of the issuance of the Series 1 Bond-Type Class Shares recognized by the credit rating institution due to a revision of the credit rating institution’s evaluation standards for equity credit made after the issuance.

ii. Replacement restrictions

If the Company acquires the Series 1 Bond-Type Class Shares in exchange for cash under this section, or through an agreement with specific Series 1 Bond-Type Class Shareholders or a market transaction, etc. under Article 165, Paragraph 1 of the Companies Act (collectively with an acquisition in exchange for cash, "Acquisition for Monetary Consideration"), the Company shall not conduct that Acquisition for Monetary Consideration unless financing with respect to the Required Refinancing Amount (defined below) is secured by the issuance, disposition, or borrowing ("Issuance, Etc.") of Refinancing Securities (defined below). Such Issuance, Etc. of Refinancing Securities shall take place during the 12 months prior to the date of the Acquisition for Monetary Consideration.

If the Company conducts the Acquisition for Monetary Consideration on or after the date that is five years from (and including) the payment date (i.e., August 1, 2029), the amount of Consolidated Shareholders' Equity (defined below) less ¥499.9 billion (if the result is less than zero, take zero or, at most, the aggregate issue price of the Series 1 Bond-Type Class Shares in relation to the Acquisition for Monetary Consideration) multiplied by 50% may be deducted from the Equity Valuation Equivalent (defined below) of the Series 1 Bond-Type Class Shares to be acquired in exchange for cash if the Debt Equity Ratio (defined below) is 1.0 or less.

"Required Refinancing Amount" means; if the Refinancing Securities are shares of common stock, the Equity Valuation Equivalent (defined below) of the Series 1 Bond-Type Class Shares subject to the Acquisition for Monetary Consideration deducted by the amount equal to the conversion price of the Zero Coupon Convertible Bonds due 2029 (bonds with stock acquisition rights) (hereinafter this refers to the aggregate principal amount of the Bonds pertaining to the exercised stock acquisition rights); if the Refinancing Securities are not shares of common stock, the quotient of the Equity Valuation Equivalent of the Series 1 Bond-Type Class Shares subject to the Acquisition for Monetary Consideration deducted by the amount equal to the conversion price of the Zero Coupon Convertible Bonds due 2029 (bonds with stock acquisition rights) divided by the equity credit of those Refinancing Securities as recognized by a credit rating institution (expressed as a percentage). In case where the Refinancing Securities consist of both shares of common stock and shares that are not common stock; the respective equations shall be applied as appropriate.

"Refinancing Securities" means the securities and obligations specified in a. through c. below; however, (i) limited to those announced by the Company as Refinancing Securities, even if any of a. through c. applies, (ii) in the case of a. or b. below, limited to those subject to Issuance, Etc. to a person other than a subsidiary company of the Company as defined in Article 2, Item 3 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements of the Company or an affiliated company as defined in Article 2, Item 7 of the said Regulation, and (iii) in the case of b. or c. below, limited to those recognized by the credit rating institution as having equity credit equivalent or superior to the Series 1 Bond-Type Class Shares as of the payment date of the Series 1 Bond-Type Class Shares.

a. Common stock
b. Shares of classes other than a.
c. All other securities and obligations of the Company other than a. and b.

"Debt Equity Ratio" means the quotient of the Consolidated Interest-Bearing Debt (defined below) announced by the Company as of the date of the Acquisition for Monetary Consideration deducted by the sum of the Equity Valuation Equivalent of the remaining subordinated bonds payable and loans divided by the sum of the Consolidated Shareholders' Equity and the sum of the Equity Valuation Equivalent of the remaining subordinated bonds payable and loans.

The amount of Consolidated Shareholders' Equity means the total equity attributable to owners of parent at the end of the last fiscal year or the end of the last quarterly period deducted by the issue price of the Series 1 Bond-Type Class Shares subject to the Acquisition for Monetary Consideration.

"Equity Valuation Equivalent" means the aggregate issue price of the Series 1 Bond-Type Class Shares or of the subordinated bonds or the principal amount of the subordinated loans, multiplied by the equity credit (expressed as a percentage) as recognized by the credit rating institution.

"Consolidated Interest-Bearing Debt" means the sum of short-term bonds payable, short-term borrowings, commercial paper, current portion of bonds payable, current portion of bonds payable with stock acquisition rights, current portion of long-term borrowings, bonds payable, bonds with stock acquisition rights, long-term borrowings, and the aggregate issue price of the Series 1 Bond-Type Class Shares subject to the Acquisition for Monetary Consideration, at the end of the last fiscal year or the end of the last quarterly period. Non-recourse obligations and lease obligations are not included.

(13) Use of proceeds

The net proceeds from the issuance of the Series 1 Bond-Type Class Shares are approximately ¥97 billion, and the Company has applied the entire amount for a partial repayment of the loans from financial institutions incurred in connection with the acquisition of shares of Japan Wind Development Co., Ltd. ("JWD") (to make JWD a subsidiary of the Company), which amount to ¥218.4 billion, by the end of August 2024.

2. Reduction of share capital and legal capital surplus

(1) Purpose

In order to promptly and flexibly manage its capital structure, the Company has decided to reduce its share capital and legal capital surplus, by the amount of the increase in share capital and legal capital surplus due to the issuance of the Series 1 Bond-Type Class Shares through the public offering, as of the payment date, on the condition that the public offering successfully closes, and to transfer the full amount of both to "other capital surplus."

(2) General information

i. Amount of reduction of share capital ¥48,750,000,000
ii. Amount of reduction of legal capital surplus ¥48,750,000,000
iii. Method of reduction of share capital and legal capital surplus

The Company will reduce the amounts of share capital and legal capital surplus as described above in accordance with the provisions of Article 447, Paragraphs 1 and 3 and Article 448, Paragraphs 1 and 3 of the Companies Act, and transfer the full amount of both to "other capital surplus."

(3) Schedule

Tuesday, June 25, 2024	Resolution by the Board of Directors
Wednesday, June 26, 2024	Public notice of objection by creditors regarding reduction of share capital and legal capital surplus
Friday, July 26, 2024	Final deadline for objection by creditors regarding reduction of share capital and legal capital surplus
Thursday, August 1, 2024	Effective date of reduction of share capital and legal capital surplus

45. First-Time Adoption of IFRS Standards

The Group has disclosed its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS Standards) from the fiscal year ended March 31, 2024. The consolidated financial statements for the fiscal year ended March 31, 2023 were the last consolidated financial statements prepared under Japanese GAAP, and the IFRS Transition Date to IFRS Standards is April 1, 2022.

(1) Exemptions under IFRS 1

In principle, IFRS 1 requires first-time adopters to apply the standards required by IFRS retrospectively. However, such entities are permitted to apply exemptions from some of the standards. The exemptions applied by the Group are as follows:

i. Business combinations

A first-time adopter may elect not to apply IFRS 3 Business Combinations (“IFRS 3”) retrospectively to past business combinations that occurred before the IFRS Transition Date to IFRS. The Group has elected to apply the exemption and to not apply IFRS 3 retrospectively to business combinations that occurred before the IFRS Transition Date. Accordingly, goodwill arising from business combinations that occurred before the IFRS Transition Date was recorded at the carrying amount under Japanese GAAP at the IFRS Transition Date. However, goodwill was tested for impairment as of the IFRS Transition Date regardless of whether there was an indication of impairment.

ii. Leases

IFRS 1 permits a first-time adopter to assess whether a contract existing at the IFRS Transition Date contains a lease on the basis of facts and circumstances existing at that date. It also permits lease liabilities and right-of-use assets to be recognized by measuring them at the IFRS Transition Date. In addition, a first-time adopter is permitted not to recognize lease liabilities and right-of-use assets for short-term leases and leases for which the underlying asset is of low value.
By applying these exemptions, the Group determines whether a contract contains a lease on the basis of facts and circumstances existing at the IFRS Transition Date and measures the lease liability at the present value of the remaining lease payments, discounted at the lessee’s incremental borrowing rate at the IFRS Transition Date, and right-of-use assets at an amount equal to the lease liability, except for short-term leases and leases for which the underlying asset is of low value.

iii. Borrowing costs

IFRS 1 permits a first-time adopter to begin capitalizing borrowing costs on qualifying assets at the IFRS Transition Date. The Group capitalized borrowing costs on qualifying assets on and after the IFRS Transition Date.

iv. Designation of previously recognized financial instruments

For the classification of IFRS 9 Financial Instruments (“IFRS 9”), IFRS 1 permits a first-time adopter to designate changes in fair value of equity instruments as financial assets measured through other comprehensive income on the basis of the facts and circumstances existing at the IFRS Transition Date, rather than the facts and circumstances existing at the date of initial recognition.
The Group determined the classification under IFRS 9 based on the facts and circumstances existing at the IFRS Transition Date and, in principle, designated equity instruments as financial assets measured through other comprehensive income.

v. Exchange differences on translation of foreign operations

IFRS 1 permits entities to elect to deem the cumulative amount of exchange differences on the translation of foreign operations to be zero at the IFRS Transition Date. The Group has elected to deem the cumulative amount of exchange differences on translation of foreign operations to be zero at the IFRS Transition Date.

(2) Reconciliations

The reconciliations required to be disclosed on the first-time adoption of IFRS are as follows.
In the reconciliations below, “Reclassification” includes items that do not affect retained earnings and comprehensive income, while “Differences in recognition and measurement” include items that affect retained earnings and comprehensive income.

Reconciliation of equity as of April 1, 2022 (IFRS Transition Date)

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS Standards
Assets						Assets
Current assets						Current assets
Cash and deposits	78,035	(3,092)	2,968	77,911	A	Cash and cash equivalents
Notes and accounts receivable from completed construction contracts and other	310,801	(184,082)	5,790	132,510	B, C	Trade and other receivables
		211,754	7,468	219,223	C	Contract assets
Real estate for sale	1,987	18,691	(12,245)	8,433	D	Inventories
Merchandise and finished goods	1,573	(1,573)			D	
Costs on construction contracts in progress	13,698	(13,698)			D	
Raw materials and supplies	3,444	(3,444)			D	
Securities	30	2,134	56	2,221	A, E	Other financial assets
Other	43,149	(19,571)	2,399	25,977	B	Other current assets
Allowance for doubtful accounts	(117)	117			B	
Total current assets	452,602	7,237	6,437	466,277		Subtotal
		6,886	–	6,886	F	Assets held for sale
Total current assets	452,602	14,123	6,437	473,163		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	163,578	(32,876)	25,578	156,281	G, I, a	Property, plant and equipment
		516	17,028	17,545	G, b	Right-of-use assets
Intangible assets						
Goodwill	19,891	–	–	19,891		Goodwill
Right to operate public facilities	109,721	(109,721)			H	
Assets related to replacement investment to operate public facilities	24,122	(24,122)			H	
Other	14,988	133,843	5,727	154,559	H	Intangible assets
Investments and other assets						
		27,877	189	28,067	I	Investment property
		16,368	704	17,073	J	Investments accounted for using equity method
Investment securities	120,123	(12,281)	(2,780)	105,062	E, J, d	Other financial assets
Long-term loans receivable	221	(221)			E	
Bankruptcy reorganization claim	354	(354)			E	
Deferred tax assets	840	–	12	852		Deferred tax assets
Retirement benefit asset	14,907	–	(13,062)	1,844	f	Retirement benefit asset
Other	5,418	(5,088)	110	440	E, I	Other non-current assets
Allowance for doubtful accounts	(402)	402			E	
Total non-current assets	473,767	(5,657)	33,509	501,619		Total non-current assets
Deferred assets	62	–	(62)			
Total assets	926,432	8,465	39,884	974,782		Total assets

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS Standards
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Electronically recorded obligations - operating	6,933	239,320	1,011	247,265	B	Trade and other payables
Accounts payable for construction contracts	110,997	(110,997)			B	
Short-term borrowings	84,492	10,573	351	95,417	K	Bonds and borrowings
Current portion of non-recourse borrowings	1,194	(1,194)			K	
Lease liabilities	236	(3)	9,102	9,334	b	Lease liabilities
Accounts payable	9,614	(9,614)			B	
Income taxes payable	10,896	(6)	36	10,926		Income taxes payable
		5,729	–	5,729	E	Other financial liabilities
Advances received on construction contracts in progress	34,862	(88)	(5,315)	29,459		Contract liabilities
Provision for repairs	181	–	(181)			
Provision for bonuses	8,080	(8,080)			M	
Provision for bonuses for directors	406	(406)			M	
Provision for share awards	379	–	(379)			
Provision for warranties for completed construction	1,083	1,852	97	3,034	L	Provisions
Provision for loss on construction contracts	836	(836)			L	
Liabilities related to right to operate public facilities	4,555	(4,555)			B	
Liabilities related to replacement investment to operate public facilities	1,016	(1,016)			L	
Other	23,468	(8,762)	6,110	20,816	E, M, e	Other current liabilities
Total current liabilities	299,236	111,913	10,833	421,983		Subtotal
		5,825	–	5,825	F	Liabilities directly associated with assets held for sale
Total current liabilities	299,236	117,738	10,833	427,808		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	45,000	57,766	2,859	105,625	K	Bonds and borrowings
Long-term borrowings	52,851	(52,851)			K	
Non-recourse borrowings	9,947	(9,947)			K	
Lease liabilities	451	(107)	12,666	13,010	b	Lease liabilities
		1,734	390	2,125	E	Other financial liabilities
Provision for retirement benefits	16,767	–	(685)	16,082	f	Retirement benefit liability
		25,010	4,295	29,306	L	Provisions
Liabilities related to right to operate public facilities	103,843	(103,843)			B	
Liabilities related to replacement investment to operate public facilities	24,588	(24,588)			L	
Other	3,573	(2,445)	(596)	532	E, L	Other non-current liabilities
Deferred tax liabilities	14,305	–	2,832	17,137		Deferred tax liabilities
Total non-current liabilities	271,330	(109,272)	21,762	183,819		Total non-current liabilities
Total liabilities	570,566	8,465	32,596	611,628		Total liabilities

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS Standards
Net assets						Equity
Share capital	20,000	–	–	20,000		Share capital
Capital surplus	134,117	–	382	134,500		Capital surplus
Treasury shares	(24,342)	–	–	(24,342)		Treasury shares
Retained earnings	198,273	–	4,294	202,568	g	Retained earnings
Total other capital surplus	18,863	–	819	19,682	d, f	Other components of equity
				352,408		Total equity attributable to owners of parent
Non-controlling interests	8,953	–	1,791	10,745		Non-controlling interests
Total net assets	355,865	–	7,288	363,153		Total equity
Total liabilities and net assets	926,432	8,465	39,884	974,782		Total liabilities and equity

Reconciliation of equity as of March 31, 2023

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS Standards
Assets						Assets
Current assets						Current assets
Cash and deposits	88,800	(2,784)	5,923	91,938	A	Cash and cash equivalents
Notes and accounts receivable from completed construction contracts and other	296,088	(154,138)	5,839	147,789	B, C	Trade and other receivables
		181,913	4,923	186,836	C	Contract assets
Real estate for sale	1,894	36,160	(28,306)	9,747	D	Inventories
Merchandise and finished goods	2,341	(2,341)			D	
Costs on construction contracts in progress	30,003	(30,003)			D	
Raw materials and supplies	3,815	(3,815)			D	
Securities	30	4,005	(372)	3,662	A, E	Other financial assets
Other	51,900	(26,171)	2,320	28,048	B	Other current assets
Allowance for doubtful accounts	(140)	140			B	
Total current assets[	474,732	2,963	(9,672)	468,024		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	156,264	(24,579)	41,629	173,314	G, I, a	Property, plant and equipment
		486	18,125	18,612	G, b	Right-of-use assets
Intangible assets						
Goodwill	13,159	–	6,732	19,891	c	Goodwill
Right to operate public facilities	105,144	(105,144)			H	
Assets related to replacement investment to operate public facilities	27,158	(27,158)			H	
Other	13,651	132,302	8,640	154,595	H	Intangible assets
Investments and other assets						
		25,259	210	25,469	I	Investment property
		16,793	787	17,581	J	Investments accounted for using equity method
Investment securities	100,429	(12,333)	(2,670)	85,425	E, J, d	Other financial assets
Long-term loans receivable	267	(267)			E	
Bankruptcy reorganization claim	220	(220)			E	
Deferred tax assets	1,077	–	219	1,296		Deferred tax assets
Retirement benefit asset	16,567	–	(16,567)	–	f	
Other	18,133	(5,406)	1,125	13,853	E, I	Other non-current assets
Allowance for doubtful accounts	(268)	268			E	
Total non-current assets	451,805	–	58,233	510,039		Total non-current assets
Deferred assets	24	–	(24)			
Total assets	926,563	2,963	48,536	978,063		Total assets

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS Standards
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Electronically recorded obligations - operating	25,752	245,971	396	272,121	B	Trade and other payables
Accounts payable for construction contracts	116,170	(116,170)			B	
Short-term borrowings	36,688	20,379	351	57,419	K	Bonds and borrowings
Current portion of non-recourse borrowings	922	(922)			K	
Current portion of bonds payable	10,000	(10,000)			K	
Lease liabilities	133	–	9,222	9,356	b	Lease liabilities
Accounts payable	8,875	(8,875)			B	
Income taxes payable	10,272	–	9	10,282		Income taxes payable
		5,619	–	5,619	E	Other financial liabilities
Advances received on construction contracts in progress	37,807	(65)	(5,541)	32,200		Contract liabilities
Provision for repairs	154	–	(154)			
Provision for bonuses	8,264	(8,264)			M	
Provision for bonuses for directors	488	(488)			M	
Provision for warranties for completed construction	1,082	1,372	426	2,880	L	Provisions
Provision for loss on construction contracts	342	(342)			L	
Liabilities related to right to operate public facilities	4,664	(4,664)			B	
Liabilities related to replacement investment to operate public facilities	1,030	(1,030)			L	
Other	35,625	(19,964)	6,969	22,629	E, M, e	Other current liabilities
Total current liabilities	298,273	102,554	11,681	412,509		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	48,000	58,780	2,714	109,495	K	Bonds and borrowings
Long-term borrowings	54,886	(54,886)			K	
Non-recourse borrowings	3,893	(3,893)			K	
Lease liabilities	413	–	13,224	13,638	b	Lease liabilities
		1,874	3,800	5,675	E	Other financial liabilities
Provision for retirement benefits	17,055	–	(1,041)	16,014	f	Retirement benefit liability
		29,146	5,432	34,579	L	Provisions
Liabilities related to right to operate public facilities	99,590	(99,590)			B	
Liabilities related to replacement investment to operate public facilities	28,225	(28,225)			L	
Other	3,890	(2,795)	(737)	358	E, L	Other non-current liabilities
Deferred tax liabilities	10,018	–	1,687	11,705		Deferred tax liabilities
Total non-current liabilities	265,974	(99,590)	25,081	191,465		Total non-current liabilities
Total liabilities	564,248	2,963	36,762	603,974		Total liabilities

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS Standards
Net assets						Equity
Share capital	20,000	–	–	20,000		Share capital
Capital surplus	106,455	–	87	106,542		Capital surplus
Treasury shares	(18,395)	–	–	(18,395)		Treasury shares
Retained earnings	234,129	–	8,440	242,570	g	Retained earnings
Total other capital surplus	10,502	–	558	11,061	d, f	Other components of equity
				361,778		Total equity attributable to owners of parent
Non-controlling interests	9,622	–	2,687	12,310		Non-controlling interests
Total net assets	362,315	–	11,773	374,088		Total equity
Total liabilities and net assets	926,563	2,963	48,536	978,063		Total liabilities and equity

Notes to reconciliation of equity

(1) Reclassifications

The Group has reclassified line items to comply with IFRS Standards. The main items that have been reclassified are as follows:

A. Cash and cash equivalents

Time deposits with maturities of more than three months, which were included in "Cash and deposits" under Japanese GAAP, are included in "Other financial assets" in current assets under IFRS Standards.

B. Trade and other receivables, and trade and other payables

"Notes and accounts receivable from completed construction contracts and other" and "Allowance for doubtful accounts" in current assets, which were separately presented under Japanese GAAP, and "Accounts receivable - other," which were included in "Other" in current assets, are included in "Trade and other receivables" under IFRS Standards.
"Electronically recorded obligations - operating," "Accounts payable for construction contracts," "Accounts payable," and "Liabilities related to right to operate public facilities" in current and non-current assets, which were separately presented under Japanese GAAP, are included in "Trade and other payables" under IFRS Standards.

C. Contract assets

"Contract assets," which were included in "Notes and accounts receivable from completed construction contracts and other" under Japanese GAAP, are separately presented under IFRS Standards.

D. Inventories

"Real estate for sale," "Merchandise and finished goods," "Costs on construction contracts in progress," and "Raw materials and supplies," which were separately presented under Japanese GAAP, are included in "Inventories" under IFRS Standards.

E. Other financial assets and liabilities

"Securities," which were separately presented under Japanese GAAP, are presented as "Other financial assets" in current assets under IFRS Standards. In addition, "Investment securities," "Long-term loans receivable," "Bankruptcy reorganization claim," and "Allowance for doubtful accounts" in non-current assets, which were separately presented under Japanese GAAP, and "Long-term accounts receivable" and "Leasehold and guarantee deposits," which were included in "Other" in investment and other assets under Japanese GAAP, are presented as "Other financial assets" in non-current assets under IFRS Standards.
Part of "Deposits received," which were included in "Other" in current liabilities under Japanese GAAP, are presented as "Other financial liabilities" in current liabilities under IFRS Standards. In addition, "Long-term accounts payable," "Long-term derivative liabilities," and "Guarantee deposits received," which were included in "Other" in non-current liabilities under Japanese GAAP, are presented as "Other financial liabilities" in non-current liabilities under IFRS Standards.

F. Assets held for sale and liabilities

Under IFRS Standards, assets held for sale or disposal groups are presented as "Assets held for sale" and "Liabilities directly associated with assets held for sale."

G. Right-of-use assets

"Right-of-use assets," which were included in "Property, plant and equipment" under Japanese GAAP, are separately presented under IFRS Standards.

H. Intangible assets

"Right to operate public facilities" and "Assets related to replacement investment to operate public facilities," which were separately presented under Japanese GAAP, are presented as "Intangible assets" under IFRS Standards.

I. Investment property

"Investment property," which was included in "Property, plant and equipment" and "Other" in investments and other assets under Japanese GAAP, is separately presented under IFRS Standards.

J. Investments accounted for using equity method

"Investments accounted for using equity method," which were included in "Investment securities" under Japanese GAAP, are separately presented under IFRS Standards.

K. Bonds and borrowings

"Short-term borrowings," "Current portion of non-recourse borrowings," and "Current portion of bonds payable," which were separately presented under Japanese GAAP, are presented as "Bonds and borrowings" in current liabilities under IFRS Standards. In addition, "Bonds," "Long-term borrowings," and "Non-recourse borrowings," which were separately presented under Japanese GAAP, are presented as "Bonds and borrowings" in non-current liabilities under IFRS Standards.

L. Provisions

"Provision for warranties for completed construction," "Provision for loss on construction contracts," and "Liabilities related to replacement investment to operate public facilities" in current liabilities, which were separately presented under Japanese GAAP, are presented as "Provisions" in current liabilities under IFRS Standards. In addition, "Liabilities related to replacement investment to operate public facilities" in non-current liabilities, which were separately presented, and "Asset retirement obligations," which were included in "Other" in non-current liabilities under Japanese GAAP, are presented as "Provisions" in non-current liabilities under IFRS Standards.

M. Other current liabilities

"Provision for bonuses" and "Provision for bonuses for directors," which were separately presented under Japanese GAAP, are presented as "Other current liabilities" under IFRS Standards.

(2) Differences in recognition and measurement

a. Reconciliation of property, plant and equipment

Property, plant and equipment. which was mainly depreciated using the diminishing balance method under Japanese GAAP, is depreciated using the straight-line method under IFRS Standards.
In applying IFRS, the estimated residual values were revised, resulting in a decrease in "Property, plant and equipment."
Borrowing costs required to acquire qualifying assets, which were recognized as expenses under Japanese GAAP, are included in the cost of property, plant and equipment under IFRS Standards, resulting in an increase in "Property, plant and equipment."
Those that were accounted for under the direct reduction method under Japanese GAAP have been eliminated because IFRS does not permit a reduction for tax purposes due to anything other than government contributions for the acquisition of assets.

b. Reconciliation of lease transactions

Under Japanese GAAP, lessees' leases were classified into finance leases and operating leases and lease payments under operating leases were accounted for in the same manner as regular rental transactions. However, under IFRS Standards, lessees' leases are not classified into finance leases and operating leases, and "Right-of-use assets" and "Lease liabilities" are generally recognized for all lease transactions.
In addition, some transactions that were recorded as expenses under Japanese GAAP are recorded as "Right-of-use assets" and "Lease liabilities" under IFRS Standards because the Company determined that these transactions, by their contractual terms, substantially involve leasing.

c. Reconciliation of goodwill

Under Japanese GAAP, goodwill was amortized over a specific period of time, but under IFRS Standards, goodwill is not amortized, resulting in an increase in "Goodwill."

d. Reconciliation of equity instruments

Unlisted equity securities with no market price, which were carried at cost under Japanese GAAP, are measured at fair value under IFRS Standards. Gain or loss on sale and impairment losses of equity instruments were recognized as profit or loss under Japanese GAAP. In contrast, under IFRS Standards, when changes in the fair value of equity instruments are designated to be recognized in other comprehensive income, subsequent changes in fair value are recognized in other comprehensive income, and when they are derecognized or the fair value declines significantly, the cumulative gain or loss is transferred to retained earnings.

e. Reconciliation of accrued paid absences

Under Japanese GAAP, unused paid absences and special leaves granted on the basis of years of service were not recognized as liabilities. Under IFRS Standards, however, they are recorded as liabilities.

f. Reconciliation of retirement benefit plans

Under Japanese GAAP, actuarial differences relating to retirement benefit plans and past service credits were recognized in other comprehensive income when incurred and amortized over a specified number of years within the average remaining working lives of the employees at the time of incurrence. Under IFRS Standards, however, the re-measurement of defined benefit plans is recognized in "Other comprehensive income" as incurred, while past service credits are recognized as profit or loss as incurred. The re-measurement of defined benefit plans recognized in "Other comprehensive income" is immediately transferred from "Other comprehensive income" to "Retained earnings."

Under IFRS Standards, if a defined benefit plan has been overfunded, the net defined benefit asset is limited to the asset ceiling and, if there is a minimum funding requirement, the reconciliation is recognized in "Other comprehensive income" and immediately transferred to "Retained earnings" because a decrease in the asset or an increase in the liability is conducted to the extent that it is not available either as a reduction in future contributions payable to the plan or as a refund of future contributions.

g. Reconciliation of retained earnings

(Millions of yen)

	As of April 1, 2022 (IFRS Transition Date)	As of March 31, 2023
a. Reconciliation of property, plant and equipment	15,743	15,606
b. Reconciliation of lease transactions	–	94
c. Reconciliation of goodwill	–	6,732
e. Reconciliation of unused paid absences and others	(3,354)	(3,746)
f. Reconciliation of retirement benefit plans	(6,955)	(8,780)
Other	(1,138)	(1,464)
Total adjustments to retained earnings	4,294	8,440

Reconciliation of profit or loss and comprehensive income for the year ended March 31, 2023
Line items presented in consolidated statement of profit or loss

(Millions of yen)

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS Standards
Net sales	709,641	39	2,129	711,810		Net sales
Cost of sales	(611,517)	(39)	(2,512)	(614,069)	c	Cost of sales
Gross profit	98,124	0	(383)	97,740		Gross profit
Selling, general and administrative expenses	(57,628)	(325)	5,613	(52,340)	a, c	Selling, general and administrative expenses
		1,032	(3)	1,029	A	Share of profit of investments accounted for using equity method
				46,429		Business profit
		1,385	88	1,474	A	Other income
		(2,784)	(703)	(3,488)	A	Other expenses
Operating profit	40,495	(691)	4,611	44,415		Operating profit
Non-operating income	4,264	(4,264)			A	
Non-operating expenses	(2,990)	2,990			A	
Ordinary profit	41,768					
Extraordinary income	12,473	(12,473)			A	
Extraordinary losses	(2,436)	2,436			A	
		14,318	(11,379)	2,939	A, b	Finance income
		(2,642)	27	(2,615)	A	Finance costs
Profit before income taxes	51,805	(325)	(6,740)	44,739		Profit before tax
Total income taxes	(14,983)	325	4,216	(10,441)		Income tax expense
Profit	36,821	–	(2,524)	34,297		Profit

Line items presented in statement of comprehensive income

(Millions of yen)

Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS Standards
Profit	36,821	–	(2,524)	34,297		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Remeasurements of defined benefit plans	253	–	(1,419)	(1,165)	c	Remeasurements of defined benefit plans
Valuation difference on available-for-sale securities	(8,414)	–	7,792	(621)	b	Financial assets measured at fair value through other comprehensive income
	-	(6)	107	100		Share of other comprehensive income of investments accounted for using equity method
						Items that may be reclassified to profit or loss
Foreign currency translation adjustment	305	–	(229)	76		Exchange differences on translation of foreign operations
Deferred gains or losses on hedges	(451)	–	(377)	(828)		Cash flow hedges
Share of other comprehensive income of entities accounted for using equity method	(6)	6	–	(0)		Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	(8,313)	–	5,874	(2,438)		Total other comprehensive income
Comprehensive income	28,508	–	3,350	31,859		Comprehensive income

Notes to reconciliation of profit or loss and comprehensive income

(1) Reclassifications

The Group has reclassified line items to comply with IFRS. The main items that have been reclassified are as follows:

A. Reclassifications

Of the items presented as “Non-operating income,” “Non-operating expenses,” “Extraordinary income” or “Extraordinary losses” under Japanese GAAP, financial items are presented as “Finance income” or “Finance costs” and other items are presented as “Other income,” “Other expenses” or “Share of profit of investments accounted for using equity method” under IFRS Standards.

(2) Differences in recognition and measurement

a. Reconciliation of goodwill

Under Japanese GAAP, goodwill was amortized over a certain period of time. Under IFRS Standards, however, goodwill is not amortized, and “Amortization of goodwill” recorded after the IFRS Transition Date under Japanese GAAP is reversed.

b. Reconciliation of equity instruments

Unlisted equity securities with no market price, which were carried at cost under Japanese GAAP, are measured at fair value under IFRS Standards. Gain or loss on sale and impairment losses of equity instruments were recognized as profit or loss under Japanese GAAP. In contrast, under IFRS Standards, when subsequent changes in the fair value of equity instruments are designated to be recognized in other comprehensive income, the changes in fair value are recognized in other comprehensive income, and when they are derecognized or the fair value declines significantly, the cumulative gain or loss is transferred to retained earnings.

c. Reconciliation of retirement benefit plans

Under Japanese GAAP, actuarial differences relating to retirement benefit plans and past service credits were recognized in other comprehensive income when incurred and amortized over a specified number of years within the average remaining working lives of the employees at the time of incurrence. Under IFRS Standards, however, the re-measurement of defined benefit plans is recognized in “Other comprehensive income” as incurred, while past service credits are recognized as profit or loss as incurred. The re-measurement of defined benefit plans recognized in “Other comprehensive income” is immediately transferred from “Other comprehensive income” to “Retained earnings.”
Under IFRS Standards, if a defined benefit plan has been overfunded, the net defined benefit asset is limited to the asset ceiling and, if there is a minimum funding requirement, the reconciliation is recognized in “Other comprehensive income” and immediately transferred to “Retained earnings” because a decrease in the asset or an increase in the liability is conducted to the extent that it is not available either as a reduction in future contributions payable to the plan or as a refund of future contributions.

Reconciliation of cash flows (from April 1, 2022 to March 31, 2023)
Lease payments on operating leases, which were classified as cash flows from operating activities under Japanese GAAP, are classified as cash flows from financing activities as repayments of lease liabilities for the right-of-use asset recognized as an asset under IFRS Standards.

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, 2024, 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, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of 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.

<table>
<tr><td colspan="2">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</td></tr>
<tr><th>Description of Key Audit Matter</th><th>Auditor's Response</th></tr>
<tr><td>As described in "i. Revenue recognition with regard to construction work" of "(15) 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</td><td>We mainly performed the following audit procedures in evaluating the reasonableness of 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</td></tr>
</table>

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. Of net sales of ¥793,264 million for the fiscal year ended March 31, 2024, net sales of ¥436,123 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. 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 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 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 progress of negotiations or entering into contracts with ordering parties. These estimates require	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 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

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, 2024 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, 2024, and the complexity of the construction.	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 not only of the management of the company but also of the management, department heads and branch managers of MAEDA CORPORATION about the progress of each construction work, and we examined whether there were any significant events 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 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 loss-generating

	contracts and detects unusual timing of cost incurrence). For construction work that has been identified as a result of progress towards satisfaction of performance obligations exceeding a certain level from the progress at the closing date as forecasted by the tool, we considered whether such progress towards satisfaction of performance obligations was consistent with monthly reports on construction and construction management tables. **<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 amounts 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

<table>
<tr><td></td><td>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.</td></tr>
<tr><td colspan="2">Appropriateness of allocation of acquisition costs and valuation of goodwill of Japan Wind Development Co., Ltd. and other companies</td></tr>
<tr><td>Description of Key Audit Matter</td><td>Auditor’s Response</td></tr>
<tr><td>As described in “(2) Valuation of goodwill and intangible assets” in “4. Significant Accounting Estimates and Judgments” and “7. Business Combinations” in the Notes to Consolidated Financial Statements, the Company acquired the shares of JWD Holdings3 K.K., making Japan Wind Development Co., Ltd. and other companies its subsidiaries. As a result of provisional accounting for the allocation of acquisition costs, the Company recognized intangible assets of ¥90,443 million and goodwill of ¥138,910 million.
The allocation of acquisition costs involves professional judgment and complexity. The intangible assets identified are material to the consolidated financial statements and the determination of their fair value must be considered carefully.
Goodwill is tested for impairment annually and whenever there is an indication of impairment.
The recoverable amount in the impairment test of goodwill is measured based on the fair value less the 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.
The significant estimates used in the impairment test of the goodwill are the unit price of electricity sold, the capacity utilization rate, the project success rate, and</td><td>We performed the following audit procedures in evaluating the appropriateness of the allocation of acquisition costs and the valuation of goodwill.

<u>Allocation of acquisition costs</u>
・We evaluated the consistency of the method of recognition and measurement of identifiable assets and liabilities performed by the Company in the allocation of acquisition costs with accounting standards.
・We evaluated the valuation model and the management’s estimates that form the basis of the valuation with the assistance of specialists of other EY member firms on the fair value of intangible assets.

<u>Valuation of goodwill</u>
(1) We analyzed the factors that give rise to goodwill and made inquiries with management in examining the cash-generating units.
(2) We performed the following procedures to evaluate the appropriateness of the material estimates used in the goodwill 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 evaluated assumptions by comparing</td></tr>
</table>

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, 2024, we determined the allocation of the acquisition costs and the valuation of goodwill as a key audit matter.	them with the actual results of the plants already in operation. ・ 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 method used by the Company to calculate the discount rate and compared the value calculated by the Company with the value calculated by specialists of other EY member firms.

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

We communicate with the Audit 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, 2024 are 236 million yen and 41 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 24, 2024

/S/Makoto Suzuki
Designated Engagement Partner
Certified Public Accountant

/S/Koji Ojima
Designated Engagement Partner
Certified Public Accountant

/S/Takehiro Ametani
Designated Engagement Partner
Certified Public Accountant