Consolidated Financial Statements

Year ended March 31, 2026

INFRONEER Holdings Inc.

Financial Information

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

(1) The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS Standards), pursuant to the provisions set forth in Article 312 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976; hereinafter referred to as "Ordinance for Consolidated Financial Statements").

(2) The Company's non-consolidated financial statements have been prepared in accordance with the "Ordinance on the Terminology, Forms, and Preparation Methods of Financial Statements, etc." (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter referred to as "Ordinance for Non-consolidated Financial Statements"). In addition, the Company falls under the category of a special company submitting financial statements and prepares financial statements in accordance with Article 127 of the Ordinance for Non-consolidated Financial Statements.

(3) For the purpose of presentation in the consolidated and non-consolidated financial statements, amounts less than one million yen are rounded down to the nearest million yen.

2. Audit certificate

The Company's consolidated and non-consolidated financial statements for the fiscal year from April 1, 2025 to March 31, 2026 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, 2026	As of March 31, 2025
Assets			
Current assets			
Cash and cash equivalents	8, 24	360,981	119,502
Trade and other receivables	9, 24, 30, 39	225,860	150,755
Contract assets	30	372,186	230,141
Inventories	10, 24	15,395	12,810
Other financial assets	11, 24, 39	8,035	5,622
Other current assets	12, 24	54,081	32,338
Subtotal		1,036,540	551,170
Assets held for sale	21	-	49,689
Total current assets		1,036,540	600,859
Non-current assets			
Property, plant and equipment	13, 15, 24	278,771	222,507
Right-of-use assets	17	36,159	18,985
Goodwill	14, 15	176,277	158,642
Intangible assets	14, 15, 16, 24	228,266	234,338
Investment property	15,18	32,832	28,898
Investments accounted for using equity method	20	14,454	25,732
Other financial assets	11, 24, 39	195,997	134,375
Deferred tax assets	22	1,385	2,000
Other non-current assets	12, 24	22,415	24,396
Total non-current assets		986,560	849,878
Total assets		2,023,100	1,450,738

(Millions of yen)

	Notes	As of March 31, 2026	As of March 31, 2025
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	23, 39	380,590	272,222
Contract liabilities	30	105,596	49,113
Bonds and borrowings	24, 39	158,447	60,179
Lease liabilities	17, 24	16,840	8,982
Income taxes payable		18,310	16,598
Other financial liabilities	25, 39	4,814	5,175
Provisions	26	10,469	3,846
Other current liabilities	12	43,904	28,518
Subtotal		738,974	444,637
Liabilities directly associated with assets held for sale	21	-	6,259
Total current liabilities		738,974	450,897
Non-current liabilities			
Bonds and borrowings	24, 39	414,860	335,001
Lease liabilities	17, 24	22,819	14,520
Other financial liabilities	25, 39	71,634	1,799
Retirement benefit liability	27	27,428	15,044
Provisions	26	36,906	37,238
Deferred tax liabilities	22	64,248	53,019
Other non-current liabilities	12	998	360
Total non-current liabilities		638,896	456,986
Total liabilities		1,377,870	907,883
Equity			
Share capital	28	20,000	20,000
Capital surplus	28	216,791	214,289
Treasury shares	28	(21,795)	(27,043)
Retained earnings	28	349,155	278,544
Other components of equity		46,449	33,348
Total equity attributable to owners of parent		610,601	519,139
Non-controlling interests		34,628	23,715
Total equity		645,230	542,854
Total liabilities and equity		2,023,100	1,450,738

(2) Consolidated Statement of Profit or Loss

(Millions of yen)

	Notes	Fiscal year ended March 31, 2026	Fiscal year ended March 31, 2025
Net sales	6, 30	1,124,878	847,548
Cost of sales	13, 14, 27, 32, 41	(960,912)	(732,034)
Gross profit		163,966	115,514
Selling, general and administrative expenses	13, 14, 27, 31, 32, 41	(94,164)	(68,330)
Share of profit (loss) of investments accounted for using equity method	6, 20	(578)	1,355
Gain on sale of investments in associates	6, 20	14,911	-
Business profit	6	84,134	48,539
Other income	33	2,223	1,765
Other expenses	15, 34	(10,552)	(3,156)
Operating profit	6	75,805	47,148
Finance income	35	39,684	10,500
Finance costs	35	(8,244)	(7,893)
Profit before tax	6	107,245	49,756
Income tax expense	22	(29,052)	(16,912)
Profit		78,193	32,843
Profit attributable to:			
Owners of parent		76,573	32,416
Non-controlling interests		1,619	427
Profit		78,193	32,843
Earnings per share			
Basic earnings per share (Yen)	37	295.46	124.15
Diluted earnings per share (Yen)	37	258.09	111.14

(3) Consolidated Statement of Comprehensive Income

(Millions of yen)

	Notes	Fiscal year ended March 31, 2026	Fiscal year ended March 31, 2025
Profit		78,193	32,843
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	27, 36	(167)	(473)
Financial assets measured at fair value through other comprehensive income	36, 39	20,988	(2,527)
Share of other comprehensive income of investments accounted for using equity method	20, 36	(24)	504
Total of items that will not be reclassified to profit or loss		20,796	(2,496)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	36	1,030	33
Cash flow hedges	36	5,695	2,992
Share of other comprehensive income of investments accounted for using equity method	20, 36	(71)	66
Total of items that may be reclassified to profit or loss		6,654	3,093
Total other comprehensive income		27,450	597
Comprehensive income		105,644	33,440
Comprehensive income attributable to:			
Owners of parent		101,373	31,234
Non-controlling interests		4,270	2,206
Comprehensive income		105,644	33,440

(4) Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2026

(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, 2025		20,000	214,289	(27,043)	278,544	-	28,070
Profit		-	-	-	76,573	-	-
Other comprehensive income		-	-	-	-	(219)	20,920
Comprehensive income		-	-	-	76,573	(219)	20,920
Issuance of new shares		-	-	-	-	-	-
Capital reduction		-	-	-	-	-	-
Issuance of convertible bonds	28	-	-	-	-	-	-
Purchase of treasury shares		-	-	(22)	-	-	-
Disposal of treasury shares		-	(642)	5,270	-	-	-
Dividends	29	-	-	-	(17,661)	-	-
Share-based payment transactions		-	3,149	-	-	-	-
Change in scope of consolidation		-	-	-	-	-	-
Changes in ownership interest in subsidiaries		-	(4)	-	-	-	-
Change in treasury shares arising from change in equity in entities accounted for using equity method		-	-	-	-	-	-
Other		-	-	-	-	-	-
Transfer to retained earnings		-	-	-	11,699	219	(11,918)
Total transactions with owners		-	2,502	5,247	(5,962)	219	(11,918)
Balance at March 31, 2026		20,000	216,791	(21,795)	349,155	-	37,071

(Millions of yen)

	Notes	Equity attributable to owners of parent				Non-controlling interests	Total equity
		Other components of equity			Total		
		Exchange differences on translation of foreign operations	Cash flow hedges	Total			
Balance at April 1, 2025		42	5,235	33,348	519,139	23,715	542,854
Profit		-	-	-	76,573	1,619	78,193
Other comprehensive income		1,059	3,040	24,800	24,800	2,650	27,450
Comprehensive income		1,059	3,040	24,800	101,373	4,270	105,644
Issuance of new shares		-	-	-	-	-	-
Capital reduction		-	-	-	-	-	-
Issuance of convertible bonds	28	-	-	-	-	-	-
Purchase of treasury shares		-	-	-	(22)	-	(22)
Disposal of treasury shares		-	-	-	4,628	-	4,628
Dividends	29	-	-	-	(17,661)	(842)	(18,503)
Share-based payment transactions		-	-	-	3,149	-	3,149
Change in scope of consolidation		-	-	-	-	7,656	7,656
Changes in ownership interest in subsidiaries		-	-	-	(4)	(171)	(176)
Change in treasury shares arising from change in equity in entities accounted for using equity method		-	-	-	-	-	-
Other		-	-	-	-	-	-
Transfer to retained earnings		-	-	(11,699)	-	-	-
Total transactions with owners		-	-	(11,699)	(9,911)	6,642	(3,268)
Balance at March 31, 2026		1,101	8,276	46,449	610,601	34,628	645,230

Fiscal year ended March 31, 2025

(Millions of yen)

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

(Millions of yen)

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

(5) Consolidated Statement of Cash Flows

(Millions of yen)

	Notes	Fiscal year ended March 31, 2026	Fiscal year ended March 31, 2025
Cash flows from operating activities			
Profit before tax		107,245	49,756
Depreciation and amortization		44,612	35,318
Impairment losses		7,366	1,310
Finance income and finance costs		(31,656)	5,105
Share of loss (profit) of investments accounted for using equity method		578	(1,355)
Loss (gain) on sale of investments in associates		(14,911)	-
Loss (gain) on sale of property, plant and equipment		(146)	(432)
Decrease (increase) in inventories		495	(234)
Decrease (increase) in trade and other receivables		57,444	(31,481)
Decrease (increase) in contract assets		(10,829)	15,343
Increase (decrease) in trade and other payables		23,798	6,038
Increase (decrease) in contract liabilities		8,049	(5,048)
Increase (decrease) in retirement benefit liability		(3,220)	(554)
Increase (decrease) in provisions		(2,909)	1,303
Other		32,169	(20,076)
Subtotal		218,084	54,994
Dividends received		2,969	4,313
Interest received		2,431	313
Interest paid		(7,884)	(5,579)
Income taxes paid		(29,309)	(14,437)
Net cash provided by (used in) operating activities		186,292	39,604
Cash flows from investing activities			
Purchase of property, plant and equipment, and intangible assets		(42,994)	(37,855)
Proceeds from sale of property, plant and equipment, and intangible assets		1,104	1,343
Purchase of investment property	18	(3,566)	(2,157)
Purchase of rights to operate public facilities		(4,419)	(4,368)
Payments for replacement investment to operate public facilities		(209)	(1,586)
Purchase of investments accounted for using equity method		(4,251)	(2,918)
Proceeds from sale of investments in associates		28,178	-
Purchase of other financial assets		(922)	(359)
Proceeds from sale of other financial assets		26,066	24,401
Payments for acquisition of subsidiaries	7	(34,684)	-
Other		2,931	(4,000)
Net cash provided by (used in) investing activities		(32,767)	(27,500)

(Millions of yen)

	Notes	Fiscal year ended March 31, 2026	Fiscal year ended March 31, 2025
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	38	(83,347)	(283,869)
Proceeds from short-term borrowings	38	94,849	-
Proceeds from long-term borrowings	38	79,508	107,133
Repayments of long-term borrowings	38	(29,671)	(15,726)
Proceeds from non-recourse borrowings	38	6,612	10,262
Decrease in non-recourse payable	38	(1,492)	(888)
Proceeds from issuance of bonds	38	-	47,776
Redemption of bonds	38	(15,000)	(5,000)
Proceeds from issuance of convertible bond-type bonds with subscription rights to shares	38	-	59,834
Proceeds from issuance of shares		-	96,611
Capital contribution from non-controlling interests		196	4,546
Payments for acquisition of interests in subsidiaries from non-controlling interests		(187)	(990)
Proceeds from other financial liabilities	25,38	68,678	-
Repayments of lease liabilities	38	(14,897)	(9,123)
Purchase of treasury shares		(1)	(0)
Proceeds from sale of treasury shares		-	2,033
Dividends paid	29	(17,738)	(17,008)
Dividends paid to non-controlling interests		(842)	(406)
Other		10	(66)
Net cash provided by (used in) financing activities		86,677	(4,882)
Effect of exchange rate changes on cash and cash equivalents		1,276	(45)
Net increase (decrease) in cash and cash equivalents		241,479	7,175
Cash and cash equivalents at beginning of period		119,502	113,421
Net increase (decrease) in cash and cash equivalents included in assets held for sale	21	-	(1,094)
Cash and cash equivalents at end of period	8	360,981	119,502

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") are mainly engaged in the Building Construction, Civil Engineering, Road Civil Engineering, Machinery, and Infrastructure Management businesses, as well as a wide range of other businesses including retail and real estate businesses.
The Company's consolidated financial statements for the year ended March 31, 2026 were approved by the Board of Directors on June 16, 2026. These English language consolidated financial statements were approved by Kazunari Kibe, Chief Executive Officer, on July 24, 2026. Refer to Notes 4 and 44 for details of material events which occurred subsequent to the date of the Japanese language Consolidated Financial Statements, which required additional disclosures in these English language Consolidated Financial Statements.

2. Basis of Preparation

(1) Compliance with IFRS Standards

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

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

3. Material Accounting Policies

(1) Basis of consolidation

i. Subsidiaries

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

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

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

ii. Associates and joint arrangements

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

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

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

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

iii. Structured entities

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

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

iv. Transactions to be eliminated for consolidation purposes

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

(2) Business combinations

Business combinations are accounted for using the acquisition method.
The consideration for 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 in goodwill. When the contrary is the case, the excess is recognized in 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 instruments measured at fair value through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

ii. Translation of foreign operations

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

(4) Financial instruments

i. Non-derivative financial assets

(i) Initial recognition and measurement

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

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

Financial assets other than those measured at amortized cost are classified as those measured at fair value.
Among financial assets measured at fair value, for investments in equity instruments that are not held for trading purposes, IFRS Standards permit an entity to make an irrevocable election at initial recognition to present subsequent changes in the fair value in other comprehensive income, and the Group makes such designation on an instrument-by-instrument basis.
Among financial assets measured at fair value, financial assets other than those measured at fair value through other comprehensive income are classified as those measured at fair value through profit or loss.
Financial assets are measured at fair value plus transaction costs, unless they are measured at fair value through profit or loss.

(ii) Subsequent measurement

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

(a) Financial assets measured at amortized cost

After initial recognition, such financial assets are measured at amortized cost using the effective interest method.
Amortization using the effective interest method and gains or losses upon derecognition are recognized in profit or loss.

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

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

iii. Non-derivative financial liabilities

(i) Initial recognition and measurement

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

(ii) Subsequent measurement

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

(a) Financial liabilities measured at amortized cost

After initial recognition, financial liabilities are measured at amortized cost using the effective interest method.
Amortization using the effective interest method and gains or losses upon derecognition are recognized in profit or loss.

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

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

(iii) Derecognition

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

iv. Derivatives and hedge accounting

The Group uses derivatives, including forward exchange contracts and interest rate swaps, to hedge foreign exchange fluctuation risk, interest fluctuation risk, and other risks. Derivatives are initially recognized at fair value when the contracts are entered into, and are subsequently measured also at fair value.
At the inception of the hedge, the Group formally documents the relationship between the hedging instrument and the hedged item, the risk management objective and strategy. At the inception of the hedge and on an ongoing basis at each reporting date, the Group also assesses whether the derivatives used in hedging transactions meet all hedge effectiveness requirements in offsetting changes in the fair value or cash flows of the hedged item.

(i) Fair value hedges

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

(ii) Cash flow hedges

For derivatives designated as cash flow hedges, the portion of the change in fair value that is determined to be an effective hedge is recognized in other comprehensive income and the ineffective portion is recognized in profit or loss.
The amount reported in other comprehensive income is transferred to profit or loss at the time the hedged transaction affects profit or loss. When the hedged item results in the recognition of non-financial assets or non-financial liabilities, the amount recognized in other comprehensive income is accounted for as an adjustment to the initial carrying amount of the non-financial assets or non-financial liabilities.

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

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

v. Compound financial instruments

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

(5) Cash and cash equivalents

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

(6) Inventories

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

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

The Group measures property, plant and equipment using the cost model after initial recognition and subsequently measures them at cost less any accumulated depreciation and any accumulated impairment losses.
Cost includes costs directly related to the acquisition of the asset, demolition, removal and restoration costs, and borrowing costs to be capitalized.
The Group recognizes post-acquisition expenditures in the carrying amount of the acquired asset or as a separate asset only if it is probable that future economic benefits associated with the expenditure will flow to the Company and the amount can be measured reliably.
Repair or maintenance costs are recognized in profit or loss as incurred.
The Group depreciates property, plant and equipment other than land and construction in progress using the straight-line method over the estimated useful lives of the assets, based on the depreciable value of the assets at cost less residual value.
The estimated useful lives of major property, plant and equipment items are as follows:

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

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

(8) Goodwill and intangible assets

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

The Group measures intangible assets using the cost model after initial recognition and subsequently measures them at cost less any accumulated amortization and any accumulated impairment losses.
Intangible assets acquired separately are measured at cost on initial recognition, while the cost of intangible assets acquired in a business combination is measured at fair value at the acquisition date.
All costs for internally generated intangible assets are recognized as an expense in the period in which they are incurred, except for expenditures related to development that meets the requirements for capitalization.
The Group amortizes intangible assets with finite useful lives using the straight-line method over the estimated useful lives. The estimated useful lives of major intangible asset items are as follows:

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

Intangible assets or intangible assets not yet available for use with indefinite useful lives are not amortized, but are tested for impairment annually and whenever there is an indication of impairment.
Amortization methods, estimated useful lives and residual values are reviewed at the end of each fiscal year and revised as necessary.

ii. Intangible assets (rights to operate public facilities)

To the extent that the Company obtains the right to charge users of public services, it measures the rights to operate public facilities at fair value at the acquisition date. In addition, with respect to the portion of the replacement investment to operate public facilities that falls under capital expenditures, if the total amount expected to be spent over the term of the operating right and the timing of spending can be reasonably estimated, the present value of the total amount expected to be spent at the time of acquisition is recorded as provisions, and the same amount is recognized as assets related to replacement investment to operate public facilities.
Details on amortization methods and useful lives are provided in “16. Service Concession Arrangements.”

iii. Goodwill

The measurement of goodwill at the time of initial recognition is described in “(2) Business combinations.” Goodwill is carried at cost less accumulated impairment losses.
Goodwill is not amortized, but is tested for impairment annually and whenever there is any indication of impairment. Impairment losses of goodwill are recognized in 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 the 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 lowvalue assets, IFRS 16 Leases, paragraph 6 is applied and lease payments are recognized as expenses on a straight-line basis over the lease term.

ii. Leases as lessor

The Group classifies leases as finance leases or operating leases based on the substance of the transaction rather than the form of the contract. Assets held under a finance lease are presented as a receivable at an amount equal to the net investment in the lease.
When classifying subleases, an intermediate lessor classifies them by reference to the right-of-use asset arising from the head lease.
In operating leases, the subject asset is recognized in the consolidated statement of financial position and the lease payments to be received are recognized as revenue on a straight-line basis over the lease term.

(10) Investment property

Investment property is real estate held for the purpose of earning rental income or capital gains or both.
The Group measures investment properties using the cost model and records them at cost less any accumulated depreciation and any accumulated impairment losses.
Investment properties are depreciated primarily on a straight-line basis over the following estimated useful lives.
The estimated useful lives of major investment properties range from 2 to 50 years.
Depreciation methods, estimated useful lives and residual values are reviewed at the end of each fiscal year and revised as necessary.

(11) Impairment of non-financial assets

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

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

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

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

(12) Employee benefits

The Group has corporate pension fund plans, employees' pension fund plans, and lump-sum retirement allowance plans as defined benefit plans. In addition, certain domestic consolidated subsidiaries have adopted the Smaller Enterprise Retirement Allowance Mutual Aid (SERAMA) Scheme, and certain consolidated subsidiaries have established retirement benefit trusts. The Group also has defined contribution pension plans.

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 in 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. Board Benefit Trust (BBT)

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

iii. Stock benefit trust (J-ESOP)

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

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

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

(15) Assets held for sale

Assets or disposal groups expected to be recovered primarily through sale rather than through continuing use are classified as held-for-sale if it is highly probable that they will be sold within one year. To be classified as held for sale, they must also be available for immediate sale in the present condition, and management is committed to the sale plan.
If the Group is committed to a sale plan involving loss of control of a subsidiary and meets the above conditions, all the assets and liabilities of the subsidiary are classified as held-for-sale, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.
Assets classified as held-for-sale are measured at the lower of their carrying amount and fair value less cost to sell.
Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held-for-sale.

(16) Revenue

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

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

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

i. Revenue recognition with regard to construction work

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

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

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

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

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

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

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

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

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

In the Infrastructure Management business, the Group sells electricity from renewable energy sources and maintains, manages, and operates public facilities for which the Group holds operating rights. In these businesses, revenue is recognized when the services are rendered because the performance obligation is satisfied when the services are rendered to the customer in accordance with power supply contracts, facility use contracts, etc. with customers.
The Group does not recognize a significant financing component because the consideration is generally received within approximately one year of satisfaction of the performance obligation.

(17) Finance income and finance costs

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

(18) Government grants

The Group recognizes government subsidy at fair value when the collateral conditions for the subsidy have been met and a reasonable assurance has been obtained that the subsidy will be received.
Government subsidy related to revenue is recognized as revenue over the period in which the related costs intended to be compensated by the subsidy are recognized as an expense.
The amount of government subsidy related to assets is deducted from the cost of the assets.

(19) Borrowing costs

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

(20) Income taxes

Income tax expense consists of current and deferred tax expense. These taxes are recognized in profit or loss, except for taxes arising from items directly recognized in other comprehensive income or equity, and taxes arising from business combinations.
Current tax expense is measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.
Deferred tax assets and liabilities are recognized in relation to temporary differences arising from differences between the carrying amount of assets or liabilities and its tax base, tax loss carryforwards, and tax credits carryforwards, and is measured using the tax rates and tax laws that will be applied in the fiscal year in which the temporary differences are expected to reverse.
Deferred tax assets are recognized for deductible temporary differences, net operating loss carryforwards and unused tax credits to the extent that it is probable that taxable income will be available against which they can be utilized. Deferred tax liabilities are generally recognized for all additional temporary differences.
Deferred tax assets and liabilities are not recognized for the following temporary differences:

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

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

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

(21) Treasury shares

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

(22) Earnings per share

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

4. Significant Accounting Estimates and Judgments

To prepare the consolidated financial statements, the Group uses judgments, accounting estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues, and expenses. Estimates and assumptions are based on management's best judgment based on historical experience and various factors that are believed to be reasonable under the circumstances. However, actual results, by their nature, may differ from estimates and assumptions.
Estimates and underlying assumptions are reviewed on an ongoing basis. The effect of these revised estimates is recognized in the period in which the estimates are revised and in future periods.
The main estimates and judgments that could have a significant impact on the Group's consolidated financial statements are as follows:

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

For construction works for which revenue is recognized over a certain period as the performance obligation is satisfied, the Group estimates the progress of completion for each construction work using the input method based on the cost incurred, and recognizes sales for the portion completed by the end of the current fiscal year. The amount of net sales recognized by the revenue recognition method over a certain period of time was ¥924,385 million for the current fiscal year.
In calculating sales by the method of recognizing revenue over a certain period of time, the Group uses the following estimates:

- Total construction revenue

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

- Total construction costs

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

(2) Valuation of goodwill and intangible assets

The Group conducts an impairment test for goodwill and intangible assets not yet available for use resulting from business investments at least once a year. The Group also tests goodwill and intangible assets for impairment whenever there is an indication that such assets may be impaired. In the current fiscal year, the Company recognized material estimation risk with respect to goodwill of ¥19,933 million arising from the acquisition of Maeda Road Construction Co., Ltd. as a subsidiary; goodwill of ¥139,507 million and intangible assets not yet available for use (contract-related assets of ¥88,139 million) arising from the acquisition of Japan Wind Development Co., Ltd. and other companies as subsidiaries; and goodwill of ¥16,634 million arising from the acquisition of Sumitomo Mitsui Construction Co., Ltd. as a subsidiary.
As part of the impairment tests, recoverability is calculated based on value in use or fair value less costs of disposal, which are estimated future cash flows based on a business plan approved by management discounted to present value based on the weighted average cost of capital of the relevant cash-generating unit. In estimating future cash flows, we consider historical and future sales volumes, unit sales prices, the amount of capital expenditures, and project success rates, as well as the average growth rate of certain markets. The weighted average cost of capital is calculated to appropriately reflect the risks associated with the business and other factors, utilizing evaluations by external experts. (Details of the impairment test are described in "15. Impairment of Non-financial Assets, (2) Goodwill impairment testing").
With respect to the goodwill and contract-related assets, the recoverable amount of the cash-generating unit is well in excess of its carrying amount. Therefore, even if these estimates were to change to a reasonable extent, we estimate that it is unlikely that the recoverable amount of the cash-generating unit would be less than its carrying amount as a result of such changes.
However, these estimates may be affected by future changes in economic conditions, and if the assumed conditions change, the results of the fair value in use or fair value less costs of disposal may differ, which may affect the impairment test and the amount of impairment loss recognized in the next fiscal year and beyond.

(3) Provision for contingent loss

In the current fiscal year, following the consolidation of Sumitomo Mitsui Construction Co., Ltd. as a consolidated subsidiary, the Company reasonably estimated the costs to be borne as the prime contractor under the defect liability provisions of a construction contract in connection with defects in pile construction at a condominium located in Yokohama City that was constructed by Sumitomo Mitsui Construction Co., Ltd., and recorded a provision for contingent loss of ¥2,159 million.
Furthermore, on November 28, 2017, Mitsui Fudosan Residential Co., Ltd. (hereinafter referred to as "Residential"), one of the developers of the condominium, filed a lawsuit against Sumitomo Mitsui Construction Co., Ltd. and two piling contractors seeking indemnification for the costs of rebuilding all buildings of the condominium and other related costs, totaling approximately ¥45.9 billion (subsequently increased to approximately ¥51.0 billion on July 11, 2018, and then reduced to approximately ¥50.6 billion on September 30, 2022). The litigation is currently pending. This lawsuit and related lawsuits (hereinafter collectively referred to as the "Lawsuit") were referred to mediation. On March 13, 2025, the Tokyo District Court issued a ruling in lieu of mediation pursuant to Article 17 of the Civil Conciliation Act (the "Article 17 Ruling"). However, as one of the other parties filed an objection pursuant to Article 18, Paragraph 1 of the Civil Conciliation Act, the Article 17 Ruling ceased to have effect. Following these developments, on December 25, 2025, the Tokyo District Court separated the proceedings for the related lawsuits and concluded the preparatory proceedings and oral arguments. The Court subsequently rendered its judgment (the "Judgment") on June 17, 2026.

<Summary of the Judgment>
The Judgment ordered Sumitomo Mitsui Construction Co., Ltd. and the two piling contractors to pay damages to the plaintiff.
The portion of the Judgment relating to Sumitomo Mitsui Construction Co., Ltd. is as follows:
Sumitomo Mitsui Construction Co., Ltd. is ordered to pay the plaintiff, jointly and severally with the two piling contractors, approximately 1.3 billion yen, together with interest thereon at the rate of 5% per annum for the period from November 30, 2007 until the date of full payment.

<Future Outlook>
Sumitomo Mitsui Construction Co., Ltd. filed an appeal against the Judgment on June 24, 2026, and will continue to appropriately present its case in the appellate proceedings. Depending on the outcome of the litigation, however, the Group's business performance may be affected by a revision to the estimated costs to be borne.

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
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	March 31, 2028	Introduce three new requirements that improve reporting of corporate financial performance and provide investors with a better basis for corporate analysis and comparison
IFRS 19	Subsidiaries without Public Accountability: Disclosures	January 1, 2027	March 31, 2028	Reduce disclosure requirements of IFRS Standards for subsidiaries that meet the requirements
IFRS 9 IFRS 7	Financial Instruments Financial Instruments: Disclosures	January 1, 2026	March 31, 2027	Clarify the classification of financial assets containing ESG-linked elements and the date of derecognition in the settlement of financial instruments through electronic funds transfer systems
IFRS 9 IFRS 7	Financial Instruments Financial Instruments: Disclosures	January 1, 2026	March 31, 2027	Targeted amendments to help companies better report the financial effects of nature-dependent electricity contracts
IAS 21	The Effects of Changes in Foreign Exchange Rates	January 1, 2027	March 31, 2028	Clarification of the method for translating financial information denominated in hyperinflationary currencies

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.
In addition, to strengthen group synergies, the Group revised its management classifications starting from the interim accounting period. As a result, JM Corporation, FBS Co., Ltd., and certain other companies, which were previously included in "Others," have been reclassified into the "Building Construction" segment. In addition, Fujimi Koken Co., Ltd. and certain other companies have been reclassified into the "Civil Engineering" segment, while Morioka Fire Department PFI Service Co., Ltd. and certain other companies have been reclassified into the "Infrastructure Management" segment. Following this change in segments, the segment information for the fiscal year ended March, 31, 2025 has been reclassified in line with the revised reportable segment classifications.
Furthermore, Sumitomo Mitsui Construction Co., Ltd., which was acquired through business combinations in the fiscal year ended March 31, 2026, and 21 consolidated subsidiaries are categorized into the following segments: Building Construction, Civil Engineering, Road Civil Engineering, and Others.

An overview of each reportable segment is as follows.

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

(2) Information about reportable segments

Segment profit (business profit) represents net sales less cost of sales and selling, general and administrative expenses, plus share of profit (loss) of investments accounted for using the equity method and gain (loss) on sale of investments in associates.
Inter-segment sales and transactions are based on market prices.
Segment assets and liabilities are not disclosed because they are not subject to periodic review for determining the allocation of management resources and evaluating performance.
Fiscal year ended March 31, 2026 (April 1, 2025 to March 31, 2026)

(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	497,727	264,954	282,240	39,501	37,417	1,121,842	3,035	1,124,878	–	1,124,878
Inter-segment net sales	1,824	3,758	6,983	2,639	–	15,205	802	16,007	(16,007)	–
Total	499,552	268,713	289,224	42,140	37,417	1,137,048	3,837	1,140,886	(16,007)	1,124,878
Segment profit (loss) [Business profit]	22,160	26,060	21,381	1,927	(1,748)	69,781	15,459	85,240	(1,105)	84,134
Other income	–	–	–	–	–	–	–	–	–	2,223
Other expenses	–	–	–	–	–	–	–	–	–	(10,552)
Operating profit	–	–	–	–	–	–	–	–	–	75,805
Finance income	–	–	–	–	–	–	–	–	–	39,684
Finance costs	–	–	–	–	–	–	–	–	–	(8,244)
Profit before tax	–	–	–	–	–	–	–	–	–	107,245
(Other items)										
Depreciation and amortization	(10,393)	(6,041)	(13,681)	(2,942)	(11,298)	(44,357)	(254)	(44,612)	–	(44,612)
Impairment losses	(480)	(482)	(1,303)	(0)	(5,099)	(7,366)	–	(7,366)	–	(7,366)
Share of profit (loss) of investments accounted for using equity method	(125)	145	–	–	(1,061)	(1,041)	462	(578)	–	(578)
Gain (loss) on sale of investments in associates	–	–	–	–	–	–	14,911	14,911	–	14,911

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

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

(Millions of yen)

	Reportable segments						Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statement of profit or loss
	Building Construction	Civil Engineering	Road Civil Engineering	Machinery	Infrastructure Management	Total				
Net sales										
Net sales to outside customers	363,448	146,357	263,101	41,018	30,777	844,702	2,846	847,548	-	847,548
Inter-segment net sales	28,323	8,984	4,017	2,817	0	44,142	937	45,080	(45,080)	-
Total	391,771	155,341	267,118	43,835	30,777	888,844	3,784	892,628	(45,080)	847,548
Segment profit (loss) [Business profit]	14,223	15,786	19,906	2,277	(2,198)	49,995	1,847	51,843	(3,304)	48,539
Other income	-	-	-	-	-	-	-	-	-	1,765
Other expenses	-	-	-	-	-	-	-	-	-	(3,156)
Operating profit	-	-	-	-	-	-	-	-	-	47,148
Finance income	-	-	-	-	-	-	-	-	-	10,500
Finance costs	-	-	-	-	-	-	-	-	-	(7,893)
Profit before tax	-	-	-	-	-	-	-	-	-	49,756
(Other items)										
Depreciation and amortization	(7,317)	(3,460)	(11,641)	(2,455)	(10,233)	(35,108)	(210)	(35,318)	-	(35,318)
Impairment losses	-	(34)	(1,273)	(1)	-	(1,310)	-	(1,310)	-	(1,310)
Share of profit (loss) of investments accounted for using equity method	(25)	14	-	-	(79)	(89)	1,444	1,355	-	1,355

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

(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, 2026 (April 1, 2025 to March 31, 2026)

i. Outline of business combination

(a) Name and business description of acquired company

Name of acquired company: Sumitomo Mitsui Construction Co., Ltd.
Business description of acquired company: Design, engineering and execution of civil, building and pre-stressed concrete works and related operations, as well as real estate trading, leasing and management services

(b) Date of business combination

September 18, 2025

(c) Percentage of voting equity interest acquired

The Group acquired 80.61% of the company's shares through a tender offer on the acquisition date in September 2025, and made the company a wholly-owned subsidiary by December 2025 through a squeeze-out approved at an extraordinary general meeting of shareholders held in November 2025. Therefore, the tender offer and subsequent squeeze-out were accounted for as a single transaction, and the business combination has been processed as if virtually 100% of the shares were acquired on the acquisition date.

(d) Reason for business combination

Sumitomo Mitsui Construction Co., Ltd. and 21 consolidated subsidiaries primarily operate in three business segments: Civil Engineering, Building Construction, and Road Civil Engineering. In particular, within the Civil Engineering segment, the Group has one of the industry's strongest track records in bridge design and construction. The Group promotes technological development aimed at shortening construction periods and reducing labor needs through the adoption of new structural systems and construction methods, thereby delivering high-quality, highly durable bridges designed to facilitate maintenance. In the Building Construction segment, the Group has accumulated extensive experience in super high-rise residential buildings and possesses a broad range of precast concrete technologies. In its overseas operations, the Group's strengths lie primarily in Southeast Asia and South Asia, where it undertakes ODA-funded and other infrastructure projects in the Civil Engineering segment, as well as manufacturing facility construction projects for Japanese companies in the Building Construction segment.
Through this business integration, MAEDA CORPORATION, one of the core companies of the INFRONEER Group, and Sumitomo Mitsui Construction Co., Ltd. will become sister companies within the Group's construction business. As a result, annual revenue from the Group's construction business is expected to exceed ¥1 trillion. The integration will enable the Group to offer a comprehensive range of construction services covering tunnels, bridges, river improvement works, land development, water and wastewater facilities, and roads, while also creating opportunities for further expansion of its overseas operations. When combined with the infrastructure management business advanced by the INFRONEER Group, the integrated Group will occupy a one-of-a-kind position within the industry. By complementing each other's areas of expertise, MAEDA CORPORATION and Sumitomo Mitsui Construction Co., Ltd. will be able to strengthen their capabilities across the entire infrastructure sector. We are confident that this will further accelerate the Group's evolution into an "integrated infrastructure services company," a vision pursued by INFRONEER Holdings Inc.

(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)

	Provisional Amount	Adjustments	Final Amount
Fair value of consideration paid	94,128	-	94,128
Fair value of assets acquired and liabilities assumed			
Cash and cash equivalents	59,444	-	59,444
Trade and other receivables (Note 1)	89,756	-	89,756
Contract assets	132,182	(967)	131,215
Inventories	3,087	-	3,087
Other current assets	45,324	1,268	46,593
Property, plant and equipment	34,521	8,193	42,714
Right-of-use assets	14,846	2,329	17,175
Intangible assets	1,386	-	1,386
Other non-current assets	30,934	1,145	32,079
Current liabilities	257,299	-	257,299
Non-current liabilities	76,930	4,007	80,938
Fair value of assets acquired and liabilities assumed, net	77,254	7,961	85,215
Non-controlling interests (Note 2)	6,833	888	7,721
Goodwill (Note 3)	23,707	-	16,634

Notes:
1. The contractual amount receivable for the acquired trade and other receivables was ¥90,872 million, of which ¥1,116 million was estimated to be uncollectible.
2. Non-controlling interests are in subsidiaries of Sumitomo Mitsui Construction Co., Ltd. and are measured by multiplying the identifiable net assets of the subsidiaries at the date of gaining control by the non-controlling interest ratio after the business combination.
3. 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. The fair values of identifiable assets and liabilities as of the acquisition date were calculated, and the allocation of the acquisition price was completed by the end of the fiscal year ended March 31, 2026.
4. Acquisition-related costs of ¥770 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, 2026
Net sales	215,638
Profit	12,571

Pro forma financial information

The Group's pro forma operating results (unaudited information) for the year ended March 31, 2026 assuming this business combination had been conducted at the beginning of the year, are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2026
Net sales	1,303,275
Profit	82,307

iv. Payments for acquisition of subsidiaries

(Millions of yen)

	Amount
Cash and cash equivalents paid for acquisition	94,128
Cash and cash equivalents held by the acquired company at the time of acquisition	(59,444)
Payments for acquisition of subsidiaries	34,684

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
The allocation of acquisition costs for the Group's business combination of JWD Holdings3 K.K. conducted in the fiscal year ended March 31, 2024, which was provisionally determined in the same fiscal year, was finalized in the fiscal year ended March 31, 2025. There were no changes in amounts resulting from the finalization of such provisional allocation of acquisition costs.

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

Fiscal year ended March 31, 2026 (April 1, 2025 to March 31, 2026)
Not applicable

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

i. Outline of business combination

(a) Name and business description of acquired company

Name of acquired company: JWD Holdings3 K. K.
Business description of acquired company: Pure holding company for the purpose of holding and managing shares of Japan Wind Development Co., Ltd. (Development of wind farms and sale of electricity from wind power generation)

(b) Date of business combination

March 7, 2025

(c) Reason for business combination

After the careful consideration of matters such as the Group's structure following the acquisition of all shares of JWD Holdings3 K.K. (hereinafter "JWDHD3"), which held all shares of Japan Wind Development Co., Ltd. (hereinafter "JWD"), the Company concluded that the best way to streamline the Group's management resource allocation and operations is to manage the business of the companies in an integrated fashion by dissolving the indirect holding of shares of JWD through an absorption-type merger of JWDHD3 by the Company.

(d) Legal form of business combination

An absorption-type merger with the Company as the surviving company and JWDHD3 as the dissolving company

(e) Name and business description of acquiring company

INFRONEER Holdings Inc.

ii. Outline of accounting treatment implemented

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

8. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

(Millions of yen)

	As of March 31, 2026	As of March 31, 2025
Cash and deposits	348,645	117,141
Short-term investment	12,335	2,360
Total	360,981	119,502

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

9. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

(Millions of yen)

	As of March 31, 2026	As of March 31, 2025
Notes receivable	15,442	16,614
Accounts receivable from completed construction contracts and others	163,739	102,946
Accounts receivable - other	15,854	10,110
Advances paid	29,381	18,891
Other	2,758	2,476
Allowance for doubtful accounts	(1,316)	(284)
Total	225,860	150,755

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, 2026	As of March 31, 2025
Costs on construction contracts in progress	1,894	1,459
Real estate for sale (Note 1)	2,107	2,107
Merchandise and finished goods	4,007	4,182
Raw materials and supplies	7,386	5,061
Total	15,395	12,810

Notes:
1. As of March 31, 2026 and 2025, the amounts expected to be sold beyond one year are ¥2,067 million and ¥2,067 million, respectively.
2. As of March 31, 2026 and 2025, the amount of write-downs of inventories recognized as expenses due to decreased profitability amounted to ¥94 million and ¥64 million, respectively. Such amounts are included in “Cost of sales” in the consolidated statement of profit or loss.
3. Inventories recognized as expense during the period accounted for a large portion of the cost of sales.

11. Other Financial Assets

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

(Millions of yen)

	As of March 31, 2026	As of March 31, 2025
Financial assets measured at amortized cost		
Loans	819	535
Other	18,375	12,939
Allowance for doubtful accounts	(2,119)	(1,954)
Subtotal	17,074	11,520
Financial assets measured at fair value through profit or loss		
Investments in capital	64,972	29,615
Derivative assets	17,267	10,680
Other	1,721	1,197
Subtotal	83,961	41,493
Equity instruments measured at fair value through other comprehensive income		
Equity securities	102,996	86,984
Subtotal	102,996	86,984
Total	204,032	139,998

Note: In the consolidated statement of financial position, the amount is presented net of allowance for doubtful accounts.

(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, 2026
Sumitomo Realty & Development Co., Ltd.	46,063
Central Japan Railway Company	5,508
Hulic Co., Ltd.	2,850
Tokyo Tatemono Co., Ltd.	2,575
SEIBU HOLDINGS INC.	1,903

(Millions of yen)

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

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, 2026	Fiscal year ended March 31, 2025
Financial assets derecognized during the year	128	903
Financial assets held at the end of the year	1,636	1,344

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, 2026	Fiscal year ended March 31, 2025
Fair value at the time of sale	26,079	24,415
Cumulative gain (loss)	17,342	11,616

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, 2026 and 2025 was ¥11,918 million and ¥7,897 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, 2026	As of March 31, 2025
Advance payments to suppliers	11,309	955
Prepaid expenses	30,686	32,267
Consumption taxes receivable	15,880	15,185
Other	18,620	8,327
Total	76,497	56,735

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

(Millions of yen)

	As of March 31, 2026	As of March 31, 2025
Consumption taxes payable	4,288	2,854
Accrued expenses	16,545	10,360
Accrued bonuses	14,791	9,457
Other	9,277	6,206
Total	44,902	28,879

13. Property, Plant and Equipment

(1) Changes

Changes in the carrying amount of property, plant and equipment during the fiscal years ended March 31, 2026 and 2025 are as follows:

Fiscal year ended March 31, 2026 (April 1, 2025 to March 31, 2026)

(Millions of yen)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Total
Beginning balance	51,616	61,262	81,293	28,334	222,507
Purchase	1,555	14,278	946	20,013	36,793
Business combinations	7,975	10,484	23,021	1,233	42,714
Sale or disposal	(501)	(240)	(363)	33	(1,072)
Decrease due to exclusion from consolidation	-	-	-	-	-
Depreciation	(4,375)	(15,153)	-	-	(19,528)
Impairment losses	(682)	(1,046)	(234)	(660)	(2,623)
Transfer from construction in progress	8,351	4,790	730	(13,872)	-
Transfer to assets held for sale	-	-	-	-	-
Other	(202)	857	(914)	240	(18)
Ending balance	63,737	75,233	104,478	35,322	278,771

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 year ended March 31, 2025 was ¥64 million. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization during the fiscal year ended March 31, 2025 was 0.67%.

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

(Millions of yen)

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

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, 2026					
Cost	134,781	275,141	105,580	40,916	556,420
Accumulated depreciation and accumulated impairment losses	(71,044)	(199,908)	(1,102)	(5,593)	(277,648)
Carrying amount	63,737	75,233	104,478	35,322	278,771
As of March 31, 2025					
Cost	107,447	221,455	82,150	33,268	444,320
Accumulated depreciation and accumulated impairment losses	(55,830)	(160,192)	(857)	(4,933)	(221,813)
Carrying amount	51,616	61,262	81,293	28,334	222,507

14. Goodwill and Intangible Assets

(1) Changes

Changes in the carrying amount of goodwill and intangible assets during the fiscal years ended March 31, 2026 and 2025 are as follows:

Fiscal year ended March 31, 2026 (April 1, 2025 to March 31, 2026)

(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	158,642	93,049	29,448	88,139	23,701	234,338
Purchase	-	-	-	-	7,577	7,577
Business combinations	17,634	-	-	-	1,386	1,386
Sale or disposal	-	-	-	-	(2,146)	(2,146)
Decrease due to exclusion from consolidation	-	-	-	-	-	-
Amortization	-	(6,127)	(1,104)	-	(4,972)	(12,204)
Impairment losses	-	-	-	-	(31)	(31)
Transfer to assets held for sale	-	-	-	-	-	-
Other	-	5,137	(461)	-	(5,328)	(652)
Ending balance	176,277	92,059	27,882	88,139	20,185	228,266

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 year ended March 31, 2025 was ¥134 million. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization during the fiscal year ended March 31, 2025 was 0.6% to 0.9%.

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

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

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

(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
As of March 31, 2026						
Cost	176,277	143,310	37,598	88,139	47,929	316,977
Accumulated amortization and accumulated impairment losses	-	(51,251)	(9,715)	-	(27,743)	(88,711)
Carrying amount	176,277	92,059	27,882	88,139	20,185	228,266
As of March 31, 2025						
Cost	158,642	138,173	38,060	88,139	46,535	310,908
Accumulated amortization and accumulated impairment losses	-	(45,123)	(8,611)	-	(22,834)	(76,570)
Carrying amount	158,642	93,049	29,448	88,139	23,701	234,338

(2) Significant intangible assets

The Group's major intangible assets include rights to operate public facilities, assets related to replacement investment to operate public facilities, and contract-related assets.
The details of rights to operate public facilities and assets related to replacement investment to operate public facilities are as stated in "16. Service Concession Arrangements."
Contract-related assets are intangible assets arising from the acquisition of Japan Wind Development Co., Ltd. ("JWD") and are attributable to the earning power of projects certified under the Feed-in Tariff (FIT) or Feed-in Premium (FIP) program owned by JWD.
Their carrying amount as of March 31, 2026 and 2025 was ¥88,139 million and ¥88,139 million, respectively. The amortization period is 20 years from the commencement of operations, which is the validity period of the FIT or FIP program. However, as all the contract-related assets are related to projects before the commencement of operations, they have not been amortized and are treated as intangible assets not yet available for use. Therefore, the contract-related assets are tested for impairment annually and whenever there is an indication of impairment. The details of the impairment testing are as stated in "15. Impairment of Non-financial Assets."

(3) Research and development expenses

Research and development expenses recorded as "Cost of sales" and "Selling, general and administrative expenses" for the fiscal years ended March 31, 2026 and 2025 were ¥6,807 million and ¥5,705 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, 2026	Fiscal year ended March 31, 2025
Buildings and structures:	682	242
Machinery, vehicles, tools, furniture and fixtures	1,046	1,028
Land	234	2
Construction in progress	660	-
Investment property	722	1
Long-term prepaid expenses	3,988	-
Other intangible assets	31	34
Total	7,366	1,310

Major impairment losses recognized for the fiscal year ended March 31, 2025 were on property, plant and equipment in the Road Civil Engineering business.
The Group measured the fair value of the assets less costs of disposal estimated to incur from the assets or calculated discounted future cash flows, due to a decline in profitability resulting from changes in the business environment and other circumstances. As a result, the recoverable amount of the assets was less than their carrying amount, and the carrying amount was reduced to the recoverable amount, with the reduction being recognized as an impairment loss.
When the recoverable amount was value in use, it was calculated by discounting future cash flows by a pre-tax discount rate of 10.6%. When the recoverable amount was fair value less costs of disposal, the assets were valued based on their market value or the like. The fair value was Level 3 in the fair value hierarchy.

Major impairment losses recognized for the fiscal year ended March 31, 2026 were related to construction in progress and long-term prepaid expenses in the Infrastructure Management segment, as well as 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.
The recoverable amount of construction in progress and long-term prepaid expenses in the Infrastructure Management segment was measured primarily at fair value less costs of disposal, while the recoverable amount of property, plant and equipment in the Road Civil Engineering business was measured primarily based on value in use. When the recoverable amount was value in use, it was calculated by discounting future cash flows by a pre-tax discount rate of 10.8%. 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.

Building Construction

The carrying amount of goodwill acquired in the acquisition of Sumitomo Mitsui Construction Co., Ltd. that engages in the Building Construction business was ¥5,102 million as of March 31, 2026.
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 8.9% as of March 31, 2026.
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. Key assumptions used by management in projecting future cash flows included future net sales and gross profit margins for construction work in the Building Construction business. Furthermore, cash flows beyond the period covered by the business plan were estimated using a perpetual growth rate of 1.0%, which was determined within the range of the long-term average growth rate of the market in which the group of cash-generating units operates.
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.

Civil Engineering

The carrying amount of goodwill acquired in the acquisition of Sumitomo Mitsui Construction Co., Ltd. that engages in the Civil Engineering business was ¥10,319 million as of March 31, 2026.
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 8.9% as of March 31, 2026.
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. Key assumptions used by management in projecting future cash flows included future net sales and gross profit margins for construction work in the Civil Engineering business. Furthermore, cash flows beyond the period covered by the business plan were estimated using a perpetual growth rate of 1.0%, which was determined within the range of the long-term average growth rate of the market in which the group of cash-generating units operates.
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.

Road Civil Engineering

The Group's Road Civil Engineering business comprises multiple cash-generating units. The impairment tests for goodwill allocated to the major CGUs are set out below.
While these cash-generating units are included within the Road Civil Engineering business, they are distinguished based on the independence of their cash flows and differences in management units.
The carrying amount of goodwill allocated to the cash-generating unit associated with Maeda Road Construction Co., Ltd. within the Road Civil Engineering business was ¥19,933 million and ¥19,933 million as of March 31, 2026 and 2025, respectively.
The recoverable amount of the goodwill is determined at value in use, and the underlying key assumptions are as follows.
Value in use was determined by discounting the amount of future cash flows, which was estimated based on a three-year business plan approved by management, to the present value based on the pre-tax weighted average cost of capital of the cash-generating unit. The discount rate used in the impairment testing was 10.8% and 10.6% as of March 31, 2026 and 2025, 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 estimated using a perpetual growth rate of 1.0% and 1.0% for the fiscal year ended March 31, 2026 and 2025, respectively, which was determined within the range of the long-term average growth rate of the market in which the group of cash-generating units operates.
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.
The carrying amount of goodwill allocated to the cash-generating unit associated with the road civil engineering business of Sumitomo Mitsui Construction Co., Ltd. within the Road Civil Engineering business was ¥1,212 million as of March 31, 2026.
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 8.9% as of March 31, 2026.
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. Key assumptions used by management in projecting future cash flows included future net sales and gross profit margins for construction work in the Road Civil Engineering business. Furthermore, 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 Japan Wind Development Co., Ltd. that engages in part of the Infrastructure Management business was ¥139,507 million and ¥138,507 million as of March 31, 2026 and 2025, respectively.

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

Fair value was determined by discounting the amount of future cash flows, which was estimated based on a business plan approved by management, to the present value based on the after-tax weighted average cost of capital of the cash-generating unit. The discount rate used in the impairment testing was 3.4% and 3.3% as of March 31, 2026 and 2025, 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 forecasts were determined based on future cash flows over a period (approximately 35 years), which mainly includes the period of the FIT or FIP program plus the period during which the renewable energy development business is expected to be economically feasible to operate thereafter in consideration of the nature of the business cycle. The certain key assumptions on which management has based its future cash flow projections included the unit price of electricity sold, the project success rate, the facility utilization rate for each project, the amount of capital expenditures, and the market growth rate of the operation and maintenance (O&M) business. Cash flows beyond the period covered by the business plan were determined based on the terminal value without reference to the perpetual growth rate. The fair value was Level 3 in the fair value hierarchy.

The recoverable amount of the goodwill was ¥124,611 million higher than its carrying amount as of March 31, 2026. If the discount rate increases by more than 0.4%, an impairment loss may be incurred.

(3) Contract-related asset impairment testing

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

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

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

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

16. Service Concession Arrangements

Significant intangible assets recognized in the consolidated statement of financial position are as follows. The rights arising from the service concession arrangements are classified as intangible assets 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</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>Area consisting of 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">The payment is the sum of an upfront payment for the rights to operate public facilities and usage fees for road facilities.
The usage fees for road facilities are paid in installments each year over the duration of the right of operation.</td><td>Paid in full as right was 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, 2026 to March 31, 2046</td><td>April 1, 2026 to June 22, 2029</td><td>April 1, 2026 to November 29, 2029</td><td>April 1, 2026 to March 5, 2034</td><td>April 1, 2026 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:

- Increase (or decrease) within 6%
Belong to Aichi Road Concession Co., Ltd.
- Increase above 6%
Increase within 6% belongs to Aichi Road Concession Co., Ltd. Increase above 6% belongs to Aichi Prefectural Road Public Corporation
- Decrease above 6%
Decrease within 6% belongs to Aichi Road Concession Co., Ltd. Decrease above 6% 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	From fiscal year ending March 31, 2027 to fiscal year ending March 31, 2030
Replacement of main computer system	Fiscal year ending March 31, 2031
Replacement of lanes for Electronic Toll Collection System (“ETC”)	From fiscal year ending March 31, 2027 to fiscal year ending March 31, 2033
Replacement of lanes for Ordinary Toll Collection Machines	From fiscal year ending March 31, 2027 to fiscal year ending March 31, 2036

Kinuura Tunnel

Descriptions of main replacement investments	Scheduled dates
Replacement of road information displays	Fiscal year ending March 31, 2028
Uninterruptible power-supply system	Fiscal year ending March 31, 2028

Kinuura Toyota Road

Descriptions of main replacement investments	Scheduled dates
Replacement of road information displays	Fiscal year ending March 31, 2028

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, 2028
Replacement of lanes for ETC	Fiscal year ending March 31, 2031
Replacement of power receiving and distribution facilities	Fiscal year ending March 31, 2035

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

Miotsukushi Industrial Water Concession Co., Ltd.

(1) Rights to operate public facilities

The payment for rights to operate public facilities related to the Industrial Water Supply Management, etc. in Osaka City was recorded as an intangible asset. The payment was calculated by discounting the future cash flows assumed in the simulation run based on certain expected expenses and investments from the amount of revenue to be estimated based on water supply volume.
Rights to operate public facilities were amortized using the straight-line method over 10 years, the duration of rights.
A summary of rights to operate public facilities is as follows:

Descriptions of public facilities	Industrial Water Supply Specified Operation Management, etc. in Osaka City
Terms of payments	Payment will be made in installments over the duration of rights (10 years) in accordance with the method stipulated in the implementation contract.
Duration of rights	October 7, 2021 to March 31, 2032
Remaining duration of rights	April 1, 2026 to March 31, 2032

As of the expiration date of the rights to operate public facilities, the assets under the contract will be returned to the Osaka Municipal Waterworks Bureau.
In addition, upon notification by Miotsukushi Industrial Water Concession Co., Ltd., if Osaka City and Miotsukushi Industrial Water Concession Co., Ltd. agree, the duration of rights may be extended until Miotsukushi Industrial Water Concession Co., Ltd. desires to extend the duration within the stipulated limit.

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

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

Descriptions and scheduled dates are as follows:

8 roads of pipelines

Replacement investments of main pipelines	Scheduled dates
From 1 chome, Mitejima, Nishiyodogawa-ku to 3 chome, Kashiwazato, Nishiyodogawa-ku	Fiscal year ending March 31, 2031
2 chome, Chibune, Nishiyodogawa-ku	Fiscal year ending March 31, 2030
2 chome, Ono, Nishiyodogawa-ku	Fiscal year ending March 31, 2029
From 3 chome, Baika, Konohana-ku to 1 chome, Kasugadekita, Konohana-ku	Fiscal year ending March 31, 2029
8 chome, Ebie, Fukushima-ku	Fiscal year ending March 31, 2028
From 6 chome, Ebie, Fukushima-ku to 8 chome, Ebie, Fukushima-ku	Fiscal year ending March 31, 2028
From 1 chome, Nakatsu, Kita-ku to 3 chome, Nakatsu, Kita-ku	Fiscal year ending March 31, 2027
1 chome, Kunijima, Higashiyodogawa-ku	Fiscal year ending March 31, 2030

As of the expiration date of the rights to operate public facilities, the assets under the contract will be returned to the Osaka Municipal Waterworks Bureau.
In addition, upon notification by Miotsukushi Industrial Water Concession Co., Ltd., if Osaka City and Miotsukushi Industrial Water Concession Co., Ltd. agree, the duration of rights may be extended until Miotsukushi Industrial Water Concession Co., Ltd. desires to extend the duration within the stipulated limit.

Miura Sewerage & Concession Co., Ltd.

(1) Rights to operate public facilities

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

Descriptions of public facilities	Public Sewerage (for East Area Treatment District) Operation Management in Miura City
Terms of payments	Lump-sum payment was made by March 31, 2023 in accordance with the method stipulated in the implementation contract.
Duration of rights	September 28, 2022 to March 31, 2043
Remaining duration of rights	April 1, 2026 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, 2028 to fiscal year ending March 31, 2029

Kaneda Relay Center

Descriptions of main replacement investments	Scheduled dates
Main inflow gate units (pump station)	Fiscal year ending March 31, 2028

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, 2027 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.

KDU Frontier Partners Co., Ltd.

(1) Rights to operate public facilities

The consideration paid for the rights to operate public facilities associated with the development and operation of a service building, administration building, and multi-story parking facility, and related facilities and operations in connection with the relocation and development project of Kindai University Faculty of Medicine and Kindai University Hospital has been recognized as an intangible asset. The consideration paid for the rights to operate such facilities was settled through facility improvement costs.
The rights to operate public facilities were amortized using the straight-line method over 35 years, the duration of the rights. A summary of rights to operate public facilities is as follows:

Descriptions of public facilities	Development and operation of a service building, administration building, and multi-story parking facility as part of the relocation and development project of Kindai University Faculty of Medicine and Kindai University Hospital, and related facilities
Terms of payments	The consideration paid for the rights to operate such facilities was settled through facility improvement costs.
Duration of rights	November 1, 2025 to October 31, 2060
Remaining duration of rights	April 1, 2026 to October 31, 2060

As of the expiration date of the operations for the public facilities, the assets under the contract will be returned to Kindai University School Corporation.

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, 2026	Fiscal year ended March 31, 2025
Depreciation of right-of-use assets		
Buildings and structures:	4,644	3,443
Machinery, vehicles, tools, furniture and fixtures	5,458	2,717
Land	1,970	1,657
Subtotal	12,073	7,818
Interest expense on lease liabilities	280	206
Expense relating to short-term leases	22,505	19,390
Expense relating to leases of low-value assets (excluding expense relating to short-term leases)	147	69
Income from subleasing right-of-use assets	(275)	(280)
Profit (loss) related to lessee's leases	34,731	27,203

(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, 2026	As of March 31, 2025
Right-of-use assets		
Buildings and structures:	14,973	7,676
Machinery, vehicles, tools, furniture and fixtures	11,799	5,133
Land	9,386	6,175
Total	36,159	18,985

(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, 2026	Fiscal year ended March 31, 2025
Total cash outflow for leases	37,831	28,788
Additions to right-of-use assets (Note)	14,280	10,608

Note: In addition to the above, the increase resulting from business combinations during the fiscal year ended March 31, 2026 was ¥17,175 million.

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, 2026	Fiscal year ended March 31, 2025
Lease income	7,840	7,032

(2) Maturity analysis of operating lease payments

(Millions of yen)

	As of March 31, 2026	As of March 31, 2025
Due within one year	2,720	2,582
Due after one year through two years	1,822	1,799
Due after two years through three years	1,517	1,458
Due after three years through four years	1,015	1,371
Due after four years through five years	134	703
Due after five years	375	593
Total	7,586	8,508

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, 2026	Fiscal year ended March 31, 2025
Beginning balance	28,898	26,752
Purchase	3,566	2,157
Acquisitions through business combinations	888	-
Depreciation	(527)	(686)
Impairment losses	(722)	(1)
Sale or disposal	(31)	(18)
Other	761	696
Ending balance	32,832	28,898
Cost (beginning balance)	58,879	55,948
Accumulated depreciation and accumulated impairment losses (beginning balance)	(29,980)	(29,196)
Cost (ending balance)	64,020	58,879
Accumulated depreciation and accumulated impairment losses (ending balance)	(31,187)	(29,980)

(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, 2026		As of March 31, 2025	
	Carrying amount	Fair value	Carrying amount	Fair value
Investment property	32,832	43,855	28,898	37,432

(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, 2026 and 2025 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, 2026	Fiscal year ended March 31, 2025
Rental income	2,252	1,888
Direct operating expenses	1,170	1,090

19. Major Subsidiaries

The major subsidiaries at the end of the fiscal year ended March 31, 2026 are as follows:

Name of subsidiary	Location	Main business	Equity ownership (%)	Share capital (Millions of yen, unless otherwise stated)
MAEDA CORPORATION *4 *6	Tokyo, Japan	Building Construction Civil Engineering	100.0 (–)	28,463
Maeda Road Construction Co., Ltd. *4 *6	Tokyo, Japan	Road Civil Engineering	100.0 (–)	19,350
Maeda Seisakusho Co., Ltd. *4	Nagano, Japan	Machinery	100.0 (–)	3,160
Japan Wind Development Co., Ltd.	Tokyo, Japan	Infrastructure Management (Wind power)	100.0 (–)	100
Sumitomo Mitsui Construction Co., Ltd.*4 *6	Tokyo, Japan	Building Construction Civil Engineering	100.0 (–)	12,003
Aichi Road Concession Co., Ltd.	Aichi, Japan	Infrastructure Management (Maintenance and management of roads)	50.0 (50.0)	480
Anonymous Association – Aichi Road Concession *4	Aichi, Japan	Infrastructure Management (Maintenance and management of roads)	– (–)	–
JM Corporation	Tokyo, Japan	Building Construction	100.0 (100.0)	350
Fujimi Koken Co., Ltd.	Saitama, Japan	Civil Engineering	56.6 (56.6) [27.6]	281
FBS Co., Ltd.	Tokyo, Japan	Building Construction	75.0 (75.0) [25.0]	100
Miotsukushi Industrial Water Concession Co., Ltd.	Osaka, Japan	Infrastructure Management (Waterworks)	71.0 (71.0)	100
Miura Sewerage & Concession Co., Ltd.	Kanagawa, Japan	Infrastructure Management (Waterworks)	49.0 (49.0)	41
Sumiken Mitsui Road Co., Ltd.*5	Tokyo, Japan	Road Civil Engineering	53.7 (53.7)	1,329
Sumitomo Mitsui Construction Steel Structures Engineering Co., Ltd.	Chiba, Japan	Civil Engineering	100.0 (100.0)	400
DPS Bridge Works Co.,Ltd.	Hokkaido, Japan	Civil Engineering	100.0 (100.0)	300
Thai Maeda Corporation Ltd.	Thailand	Building Construction	45.0 (45.0) [4.0]	20,000 thousand TBH
SMCC Construction India Private Ltd.	India	Building Construction	100.0 (100.0)	2 million INR
PT. SMCC Utama Indonesia	Indonesia	Building Construction	70.0 (70.0)	35,189 million IDR
SMCC Overseas Singapore Pte. Ltd.	Singapore	Building Construction	100.0 (100.0)	15 million SDG
106 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. The Company files an Annual Securities Report.
6. For MAEDA CORPORATION, Maeda Road Construction Co., Ltd. and Sumitomo Mitsui 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. The key financial information of Sumitomo Mitsui Construction Co., Ltd. is presented for the cumulative period of the current fiscal year. However, in the consolidated financial statements, only the financial results from the acquisition date (September 18, 2025) onward have been included in the scope of consolidation.

(Millions of yen)

Key financial information	MAEDA CORPORATION	Maeda Road Construction Co., Ltd.	Sumitomo Mitsui Construction Co., Ltd.
(1) Net sales	520,355	251,447	264,955
(2) Ordinary profit	37,595	17,007	13,310
(3) Profit	55,941	11,665	13,759
(4) Net assets	345,083	176,231	56,055
(5) Total assets	625,576	239,569	283,183

20. Investments Accounted for Using Equity Method

(1) Material associates

Fiscal year ended March 31, 2026 (April 1, 2025 to March 31, 2026)
During the fiscal year under review, MAEDA CORPORATION, a wholly-owned subsidiary of the Company, entered into an agreement with Taisei Corporation regarding the transfer of common shares of Toyo Construction Co., Ltd., an associate of the Company.
The share transfer was completed in March 2026, and Toyo Construction Co., Ltd. was excluded from the scope of equity-method associates. As a result, a ¥14,911 million gain on sale of investments in associates was recorded for the current fiscal year.

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
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.
Toyo Construction Co., Ltd.'s condensed financial information under IFRS is as follows:

(Millions of yen, unless otherwise stated)

	As of March 31, 2025
Current assets	111,331
Non-current assets	64,333
Current liabilities	79,520
Non-current liabilities	20,969
Equity	75,175
Share of ownership interest (%)	20.3
Equity attributable to the Group	15,253
Consolidation adjustments	5
Carrying amount of interest in Toyo Construction Co., Ltd.	15,258
Fair value of interest in Toyo Construction Co., Ltd.	25,085

(Millions of yen)

	Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
Net sales	154,934
Profit	6,696
Other comprehensive income	1,859
Comprehensive income	8,555

Dividends received from Toyo Construction Co., Ltd. for the fiscal years ended March 31, 2026 and 2025 amounted to ¥1,104 million and ¥1.980 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, 2026	As of March 31, 2025
Associates and joint ventures	14,454	10,474

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, 2026	Fiscal year ended March 31, 2025
Associates and joint ventures		
Profit	(1,078)	(3)
Other comprehensive income	146	(88)
Comprehensive income	(932)	(92)

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, 2026	As of March 31, 2025
Assets held for sale		
Cash and cash equivalents	-	1,094
Trade and other receivables	-	26,345
Property, plant and equipment	-	196
Right-of-use assets	-	235
Intangible assets	-	21,399
Other	-	416
Total	-	49,689
Liabilities directly associated with assets held for sale		
Trade and other payables	-	5,014
Other	-	1,245
Total	-	6,259

During the fiscal year ended March 31, 2026, as a result of the execution of an agreement between MAEDA CORPORATION, a wholly-owned subsidiary of the Company, and Taisei Corporation regarding the transfer of common shares of Toyo Construction Co., Ltd., an associate accounted for using the equity method, the Company classified its investment in Toyo Construction Co., Ltd. as an asset held for sale. The share transfer was completed in March 2026.

In addition, Aichi International Arena Co., Ltd., a consolidated subsidiary included within the "Infrastructure Management" segment and classified as assets held for sale and liabilities directly associated with assets held for sale in the previous fiscal year, became an equity-method affiliate following the completion of the procedures for the sale of a portion of its shares during the fiscal year ended March 31, 2026.

There were no assets held for sale or liabilities directly associated with assets held for sale as of March 31, 2026.

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, 2026	As of March 31, 2025
Deferred tax assets		
Tax loss carried forward	1,319	520
Lease liabilities	11,625	7,105
Retirement benefit liability	8,199	5,393
Inventories	155	44
Property, plant and equipment	2,377	2,074
Intangible assets	883	631
Provisions	1,546	437
Accrued bonuses	5,179	3,216
Stock benefit expenses	2,144	1,392
Other	13,122	6,786
Total deferred tax assets	46,554	27,602
Deferred tax liabilities		
Financial assets measured at fair value through other comprehensive income	(20,630)	(16,041)
Financial assets measured at fair value through profit or loss	(13,367)	-
Property, plant and equipment	(18,294)	(13,988)
Intangible assets	(31,736)	(32,423)
Right-of-use assets	(11,353)	(7,127)
Retained earnings of subsidiaries and associates	(676)	(1,702)
Other	(13,359)	(7,335)
Total deferred tax liabilities	(109,418)	(78,620)
Net deferred tax assets (liabilities)	(62,863)	(51,018)

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

(Millions of yen)

	Fiscal year ended March 31, 2026	Fiscal year ended March 31, 2025
Beginning balance	(51,018)	(53,389)
Recognized through profit or loss	29	(2,107)
Recognized through other comprehensive income	(11,446)	4,478
Business combinations	(428)	-
Ending balance	(62,863)	(51,018)

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, 2026	As of March 31, 2025
Deductible temporary differences	64,465	54,914
Tax loss carried forward	40,070	9,419

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, 2026	As of March 31, 2025
Year 1	4,346	119
Year 2 through Year 5	7,511	1,365
Due after five years	28,212	7,934
Total	40,070	9,419

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, 2026 and 2025 were ¥172,609 million and ¥93,115 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, 2026	Fiscal year ended March 31, 2025
Current tax expense	29,022	19,019
Deferred tax expense		
Origination and reversal of temporary differences, etc.	(14,289)	(7,208)
Changes in unrecognized deferred tax assets, etc.	14,319	5,100

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, 2026	Fiscal year ended March 31, 2025
Statutory tax rate	30.6	30.6
Reconciliation:		
Permanent differences	(2.6)	1.0
Special credit of income taxes	(0.8)	(1.9)
Retained earnings of subsidiaries and associates	(1.0)	0.0
Share of profit (loss) of investments accounted for using equity method	0.2	(0.8)
Effect of assessment of recoverability of deferred tax assets	(2.5)	0.7
Other	3.1	4.4
Effective tax rate reflected in the consolidated statement of profit or loss	27.1	34.0

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

(4) Impact of the Pillar Two model rules

In jurisdictions where the Company and certain subsidiaries operate, the Pillar Two legislation published by the OECD has been enacted. However, the taxes arising from such legislation for the fiscal year ended March 31, 2026 were immaterial.
Furthermore, due to the application of the mandatory temporary exception introduced by the amendments to IAS 12 "Income Taxes" (amended in May 2023), the Company has not recognized or disclosed deferred tax assets or deferred tax liabilities related to income taxes arising from the Pillar Two model rules.

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

The Company and certain subsidiaries apply the group tax sharing system.

23. Trade and Other Payables

The breakdown of trade and other payables is as follows:

(Millions of yen)

	As of March 31, 2026	As of March 31, 2025
Notes payable - trade	710	48
Electronically recorded obligations - operating	31,248	13,852
Accounts payable for construction contracts	187,017	121,641
Accounts payable - other	23,138	15,661
Liabilities related to rights to operate public facilities (Note 2)	90,115	94,883
Other	48,360	26,134
Total	380,590	272,222

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 ¥85,285 million and ¥90,110 million as of March 31, 2026 and 2025, respectively.

24. Bonds, Borrowings, and Lease Liabilities

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

(Millions of yen, unless otherwise stated)

	As of March 31, 2026	As of March 31, 2025	Average interest rate	Due date
Short-term borrowings	111,645	36,373	1.52%	-
Current portion of bonds (Note 3)	-	10,000	(Note 3)	(Note 3)
Current portion of long-term borrowings	45,045	12,313	1.73%	-
Current portion of non-recourse borrowings	1,756	1,492	1.73%	-
Lease liabilities (current)	16,840	8,982	-	-
Bonds (Note 3)	85,805	80,726	(Note 3)	(Note 3)
Convertible bonds (Note 4)	58,346	57,805	(Note 4)	(Note 4)
Long-term borrowings	256,809	187,437	1.28%	2027–2045
Non-recourse borrowings	13,899	9,033	1.61%	-
Lease liabilities (non-current)	22,819	14,520	-	-
Total	612,968	418,684	-	-

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

(Millions of yen, unless otherwise stated)

Company name	Issue	Date of issuance	As of March 31, 2026	As of March 31, 2025	Interest rate	Collateral	Date of redemption
INFRONEER Holdings Inc.	The MAEDA CORPORATION 25th Unsecured Bonds with inter-bond pari passu clause	September 12, 2019	10,000	10,000	0.31% per year	None	September 12, 2029
INFRONEER Holdings Inc.	The MAEDA CORPORATION 27th Unsecured Bonds with inter-bond pari passu clause	September 9, 2020	10,000	10,000	0.48% per year	None	September 9, 2030
INFRONEER Holdings Inc.	The MAEDA CORPORATION 28th Unsecured Bonds with inter-bond pari passu clause	September 9, 2020	-	10,000	0.22% per year	None	September 9, 2025
INFRONEER Holdings Inc.	INFRONEER Holdings Inc. 1st Unsecured Bonds with inter-bond pari passu clause (green bonds)	September 14, 2022	13,000	13,000	0.42% per year	None	September 14, 2027
INFRONEER Holdings Inc.	INFRONEER Holdings Inc. 2nd Unsecured Bonds with inter-bond pari passu clause	September 12, 2024	24,000	24,000	0.893% per year	None	September 10, 2027
INFRONEER Holdings Inc.	INFRONEER Holdings Inc. 3rd Unsecured Bonds with inter-bond pari passu clause (green bonds)	September 12, 2024	24,000	24,000	1.273% per year	None	September 12, 2030
INFRONEER Holdings Inc.	Sumitomo Mitsui Construction Co., Ltd. 2nd Unsecured Bonds with inter-bond pari passu clause (sustainability bond)	June 14, 2022	5,000	-	0.52% per year	None	June 14, 2027
Total	-	-	86,000	91,000	-	-	-

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

(Millions of yen)

Company name	Issue	Date of issuance	As of March 31, 2026	As of March 31, 2025	Interest rate	Collateral	Date of redemption
INFRONEER Holdings Inc.	Euro-yen denominated convertible bonds due 2029 (green CBs)	April 8, 2024	60,000	60,000	No interest	None	March 30, 2029
Total	-	-	60,000	60,000	-	-	-

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

i. Assets pledged as collateral

(Millions of yen)

	As of March 31, 2026	As of March 31, 2025
Cash and cash equivalents	22,494	20,024
Trade and other receivables	10,693	9,986
Inventories	787	1,005
Other financial assets (current assets)	2,349	1,943
Property, plant and equipment	38,199	32,451
Intangible assets	91,772	92,716
Other financial assets (non-current assets)	15,816	8,769
Other assets	835	875
Total	182,948	167,773

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

ii. Liabilities corresponding to assets pledged as collateral

(Millions of yen)

	As of March 31, 2026	As of March 31, 2025
Current portion of long-term borrowings	1,547	2,390
Current portion of non-recourse borrowings	1,756	1,492
Long-term borrowings	19,478	20,998
Non-recourse borrowings	13,899	9,033
Total	36,681	33,915

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

25. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

(Millions of yen)

	As of March 31, 2026	As of March 31, 2025
Financial liabilities measured at amortized cost		
Deposits	6,609	6,914
Other (Note)	69,839	54
Subtotal	76,448	6,969
Financial liabilities measured at fair value through profit or loss		
Derivative liabilities	-	5
Other	-	-
Subtotal	-	5
Total	76,448	6,975

Note: Included in the balance as of March 31, 2026 is ¥68,678 million of Class A Preferred Shares issued by Japan Wind Development Co., Ltd., a consolidated subsidiary.

Under IFRS, these preferred shares are classified as financial liabilities because they are subject to a conditional obligation to deliver cash to the holders of the preferred shares in the future.

26. Provisions

Changes in provisions for the fiscal years ended March 31, 2026 and 2025 are as follows:

Fiscal year ended March 31, 2026

(Millions of yen)

	Provision for warranties for completed construction	Provision for loss on construction contracts	Liabilities related to replacement investment to operate public facilities	Provision for contingent loss	Other provisions	Total
Beginning balance	1,000	575	32,878	-	6,630	41,085
Increase during the period	605	361	-	-	604	1,571
Interest cost of unwinding the discount on the liabilities	-	-	348	-	35	383
Decrease due to intended use	(629)	(486)	(307)	-	(152)	(1,575)
Decrease due to reversal	(10)	(90)	(212)	-	(165)	(478)
Increase (decrease) due to changes in estimates	-	-	128	-	-	128
Increase (decrease) due to business combination, etc.	554	3,078	-	2,159	475	6,267
Other	0	(5)	-	-	(1)	(6)
Ending balance	1,521	3,433	32,834	2,159	7,426	47,376
Current liabilities	1,521	3,433	2,181	2,159	1,173	10,469
Non-current liabilities	-	-	30,653	-	6,253	36,906
Total	1,521	3,433	32,834	2,159	7,426	47,376

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. Provision for contingent loss

A provision is recognized based on a reasonable estimate of the costs expected to be incurred as the prime contractor under the defect liability provisions of construction contracts.

v. 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, 2026, the Group has four corporate pension funds and a single employees' pension fund, and 34 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, 2026 and 2025 is as follows:

(Millions of yen)

	As of March 31, 2026	As of March 31, 2025
Funded defined benefit obligation	36,602	41,051
Plan assets	(81,688)	(73,636)
Subtotal	(45,086)	(32,585)
Unfunded defined benefit obligation	27,221	15,044
Effect of the asset ceiling	45,292	32,585
Total	27,428	15,044
Amount recognized in the consolidated statement of financial position		
Retirement benefit liability	27,428	15,044
Retirement benefit asset	-	-
Net retirement benefit liability (asset) recognized in the consolidated statement of financial position	27,428	15,044

(2) Reconciliation of defined benefit obligation

Changes in defined benefit obligation for the fiscal years ended March 31, 2026 and 2025 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2026	Fiscal year ended March 31, 2025
Beginning balance	56,095	60,770
Current service cost	2,611	2,250
Interest cost	1,275	912
Gains and losses on remeasurements		
Actuarial gains and losses arising from changes in demographic assumptions	(32)	(150)
Actuarial gains and losses arising from changes in financial assumptions	(4,203)	(2,231)
Actuarial gains and losses arising from experience adjustments	(2,569)	(1,825)
Benefits paid	(5,615)	(3,630)
Increase due to business combination	16,498	-
Other	(237)	0
Ending balance	63,823	56,095

The weighted average duration of defined benefit obligation as of March 31, 2026 and 2025 is as follows:

(Years)

	As of March 31, 2026	As of March 31, 2025
Weighted average duration	8.0	9.2

(3) Reconciliation of plan assets

Changes in plan assets for the fiscal years ended March 31, 2026 and 2025 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2026	Fiscal year ended March 31, 2025
Beginning balance	73,636	73,109
Interest revenue	1,646	1,116
Gains and losses on remeasurements		
Return on plan assets (excluding interest revenue)	5,498	(966)
Contribution by the employer	2,646	2,607
Benefits paid	(2,223)	(2,231)
Increase due to business combination	481	-
Other	1	-
Ending balance	81,688	73,636

The Group will contribute ¥2,838 million for the fiscal year ending March 31, 2027.

(4) Effect of the asset ceiling

Changes in the effect of the asset ceiling for the fiscal years ended March 31, 2026 and 2025 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2026	Fiscal year ended March 31, 2025
Beginning balance	32,585	27,938
Interest revenue	604	339
Remeasurements		
Changes in the effect of the asset ceiling	12,102	4,308
Ending balance	45,292	32,585

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, 2026 and 2025 are as follows:

(Millions of yen)

	As of March 31, 2026			As of March 31, 2025		
	Market price in an active market		Total	Market price in an active market		Total
	Quoted	Unquoted		Quoted	Unquoted	
Cash and deposits	5,279	-	5,279	2,043	-	2,043
Equity instruments						
Domestic shares	13,687	110	13,798	11,987	746	12,733
Foreign shares	9,108	205	9,313	8,262	0	8,262
Debt instruments						
Domestic bonds	4,911	7,744	12,655	5,844	9,280	15,124
Foreign bonds	10,015	2,797	12,813	9,199	1,697	10,897
General accounts of life insurance companies	4,706	4,154	8,861	4,653	4,119	8,772
Other	29	18,938	18,967	-	15,802	15,802
Total	47,738	33,950	81,688	41,990	31,646	73,636

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, 2026 and 2025 are as follows:

(%)

	As of March 31, 2026	As of March 31, 2025
Discount rate	0.7–7.3	1.7–2.3

(7) Sensitivity analysis of actuarial assumptions

The sensitivities of defined benefit obligation as of March 31, 2026 and 2025 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, 2026	As of March 31, 2025
Discount rate	0.5% increase	(2,530)	(2,764)
	0.5% decrease	2,742	3,074

(8) Defined contribution plans

The contributions to the defined contribution pension plans for the fiscal years ended March 31, 2026 and 2025 were ¥7,584 million and ¥6,812 million, respectively. The above figures include amounts recognized as expenses for the employees' pension insurance premium.

(9) Multi-employer pension plan

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

i. Funded status of the multi-employer pension plan

(Millions of yen, unless otherwise stated)

	As of March 31, 2025	As of March 31, 2024
Plan assets	24,458	24,859
Sum of actuarial liabilities of pension plan and minimum actuarial reserve	19,375	19,739
Net balance	5,082	5,120
The Group's contribution ratio in the multi-employer pension plan	1.75%	1.74%

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

As of March 31, 2026, the Group expects to contribute ¥22 million to the multi-employer pension plan for the fiscal year ending March 31, 2027.

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, 2026 and 2025 was as follows:

(Thousands of shares)

	As of March 31, 2026	As of March 31, 2025
Number of shares of common stock	1,200,000	1,200,000
Series 1 Bond-Type Class Shares	30,000	20,000
Series 2 Bond-Type Class Shares	30,000	-
Series 3 Bond-Type Class Shares	30,000	-
Series 4 Bond-Type Class Shares	30,000	-
Series 5 Bond-Type Class Shares	30,000	-
Series 6 Bond-Type Class Shares	30,000	-

ii. Fully paid issued shares

Changes in the number of shares of common stock issued for the fiscal years ended March 31, 2026 and 2025 are as follows:

(Thousands of shares)

	As of March 31, 2026	As of March 31, 2025
Beginning balance	274,845	274,845
Increase during the period	-	-
Decrease during the period	-	-
Ending balance	274,845	274,845

Changes in the number of Series 1 Bond-Type Class Shares issued for the fiscal years ended March 31, 2026 and 2025 are as follows:

(Thousands of shares)

	As of March 31, 2026	As of March 31, 2025
Beginning balance	20,000	-
Increase during the period	-	20,000
Decrease during the period	-	-
Ending balance	20,000	20,000

(2) Treasury shares

Changes in the number of treasury shares for the fiscal years ended March 31, 2026 and 2025 are as follows:

(Thousands of shares)

	As of March 31, 2026	As of March 31, 2025
Beginning balance	26,358	27,863
Increase during the period	25	84
Decrease during the period	4,232	1,590
Ending balance	22,151	26,358

Notes:
1. The increase of 84 thousand shares in the number of treasury shares during the fiscal year ended March 31, 2025 is composed of an increase of 84 thousand shares due to changes in equity and an increase of 0 thousand shares from the purchase of shares of less than one unit.
2. The increase of 25 thousand shares in the number of treasury shares during the fiscal year ended March 31, 2026 is composed of an increase of 23 thousand shares due to changes in equity interests, an increase of 1 thousand shares resulting from the purchase of fractional shares (shares constituting less than one unit), and an increase of 1 thousand shares resulting from the acquisition without consideration of restricted shares granted as stock-based compensation.
3. The decrease of 1,590 thousand shares in the number of treasury shares during the fiscal year ended March 31, 2025 is composed of a decrease of 215 thousand shares due to the disposal of treasury shares as restricted stock compensation and a decrease of 1,375 thousand shares due to sale to the employee stock holding partnership through the stock benefit trust (employee shareholding association purchase-type).
4. The decrease of 4,232 thousand shares in the number of treasury shares during the fiscal year ended March 31, 2026 is composed of a decrease of 229 thousand shares due to the disposal of treasury shares as restricted stock compensation, a decrease of 770 thousand shares due to sale to the employee stock holding partnership through the stock benefit trust (employee shareholding association purchase-type), a decrease of 1,780 thousand shares due to delivery of shares through the Board Benefit Trust (BBT), a decrease of 1,431 thousand shares due to delivery of shares through the Stock Benefit Trust (J-ESOP), and a decrease of 20 thousand shares due to changes in equity.
5. The ending balance as of March 31, 2025 includes 770 thousand shares held by the stock benefit trust (employee shareholding association purchase-type), 2,806 thousand shares held by the Board Benefit Trust (BBT), and 2,967 thousand shares held by the Stock Benefit Trust (J-ESOP).
6. The ending balance as of March 31, 2026 includes 1,025 thousand shares held by the Board Benefit Trust (BBT), and 1,535 thousand shares held by the Stock Benefit Trust (J-ESOP).

(3) Surplus

i. Capital surplus

Capital surplus consists of legal capital surplus and other capital surplus.
Under the Companies Act of Japan (the “Companies Act”), at least 50% of the contribution for share issuance shall be credited to share capital, and the remainder shall be credited to legal capital surplus that is included in capital surplus.
The amount classified as the equity component of a compound financial instrument at the time of issuance of the convertible bonds has been included in other capital surplus.

ii. Retained earnings

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

(4) Other components of equity

i. Remeasurements of defined benefit plans

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

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

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

iii. Exchange differences on translation of foreign operations

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

iv. Cash flow hedges

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

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

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

29. Dividends

(1) Dividends paid

Fiscal year ended March 31, 2026

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, 2025	Common stock	7,835	30.0	March 31, 2025	June 6, 2025
Board of Directors' meeting held on May 8, 2025	Series 1 Bond-Type Class Shares	1,300	65.0	March 31, 2025	June 6, 2025
Board of Directors' meeting held on November 14, 2025	Common stock	7,841	30.0	September 30, 2025	December 11, 2025
Board of Directors' meeting held on November 14, 2025	Series 1 Bond-Type Class Shares	1,300	65.0	September 30, 2025	December 11, 2025

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, 2025 include dividends of ¥23 million, ¥84 million, and ¥89 million on the Company's shares held by the stock benefit trust (employee shareholding association purchase-type), the Board Benefit Trust (BBT), and the Stock Benefit Trust (J-ESOP), respectively.
3. The total dividends resolved at the Board of Directors' meeting held on November 14, 2025 include dividends of ¥2 million, ¥30 million, and ¥46 million on the Company's shares held by the stock benefit trust (employee shareholding association purchase-type), the Board Benefit Trust (BBT), and the Stock Benefit Trust (J-ESOP), respectively.

Fiscal year ended March 31, 2025

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

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

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

Fiscal year ended March 31, 2026

Resolution	Class of shares	Source of dividends	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 8, 2026	Common stock	Retained earnings	23,525	90.0	March 31, 2026	June 5, 2026
Board of Directors' meeting held on May 8, 2026	Series 1 Bond-Type Class Shares	Retained earnings	1,300	65.0	March 31, 2026	June 5, 2026

Note: The total dividends resolved at the Board of Directors' meeting held on May 8, 2026 includes dividends of ¥92 million and ¥138 million on the Company's shares held by the Board 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, 2026 and 2025 is as follows:

Fiscal year ended March 31, 2026

(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	32,665	1,966	87,744	33,460	29,851	2,675	188,364
Satisfied over time	463,018	262,584	193,856	509	4,095	320	924,385
Total	495,684	264,551	281,600	33,970	33,947	2,995	1,112,749
Revenue recognized from other sources (Note)	2,043	403	640	5,531	3,470	39	12,128
Total	497,727	264,954	282,240	39,501	37,417	3,035	1,124,878

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

Fiscal year ended March 31, 2025

(Millions of yen)

	Building Construction	Civil Engineering	Road Civil Engineering	Machinery	Infrastructure Management	Others	Total
Revenue recognized from contracts with customers							
Satisfied at a point in time	31,796	2,042	80,989	34,934	25,747	2,557	178,067
Satisfied over time	330,018	144,314	181,804	939	4,097	289	661,464
Total	361,814	146,357	262,793	35,873	29,845	2,846	839,531
Revenue recognized from other sources (Note)	1,633	-	307	5,144	932	-	8,017
Total	363,448	146,357	263,101	41,018	30,777	2,846	847,548

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

(2) Information on contract balances

(Millions of yen)

	As of March 31, 2026	As of March 31, 2025	As of April 1, 2024
Receivables arising from contracts with customers			
Notes receivable	15,442	16,614	25,946
Accounts receivable from completed construction contracts and others	163,739	102,946	96,056
Total	179,182	119,560	122,002
Contract assets	372,186	230,141	245,485
Contract liabilities	105,596	49,113	54,162

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, 2026 and 2025 that was included in the contract liability balance at the beginning of the period was ¥42,512 million and ¥43,856 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, 2026 and 2025 were ¥1,614,836 million and ¥876,022 million, respectively.
The remaining performance obligations are expected to result in revenue recognition of approximately 50% within one year as the relevant construction projects are completed.

31. Selling, General and Administrative Expenses

The components of selling, general and administrative expenses for the fiscal years ended March 31, 2026 and 2025 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2026	Fiscal year ended March 31, 2025
Employee benefit expenses	49,049	35,429
Experimental research costs	8,487	8,244
Depreciation and amortization	9,734	6,675
Other	26,893	17,980
Total	94,164	68,330

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, 2026 and 2025 were ¥140,418 million and ¥92,205 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, 2026 and 2025 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2026	Fiscal year ended March 31, 2025
Gain on sale of fixed assets	146	435
Other	2,076	1,329
Total	2,223	1,765

34. Other Expenses

The components of other expenses for the fiscal years ended March 31, 2026 and 2025 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2026	Fiscal year ended March 31, 2025
Loss on sale and retirement of fixed assets	875	926
Impairment losses	7,366	1,310
Other	2,310	919
Total	10,552	3,156

35. Finance Income and Finance Costs

(1) The components of finance income for the fiscal years ended March 31, 2026 and 2025 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2026	Fiscal year ended March 31, 2025
Interest income		
Financial assets measured at amortized cost	1,535	280
Dividend income		
Equity instruments measured at fair value through other comprehensive income	1,764	2,248
Gain on valuation and sale of investments in capital		
Financial assets measured at fair value through profit or loss	35,281	7,954
Foreign exchange gains	1,060	-
Other	42	18
Total	39,684	10,500

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, 2026 and 2025 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2026	Fiscal year ended March 31, 2025
Interest expenses		
Financial liabilities measured at amortized cost	7,527	5,288
Loss on valuation and sale of investments in capital		
Financial liabilities measured at fair value through profit or loss	554	461
Foreign exchange losses	-	269
Other	162	1,873
Total	**8,244**	**7,893**

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, 2026 and 2025 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2026	Fiscal year ended March 31, 2025
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans		
Amount arising during the period	(1,006)	(1,481)
Before tax effects	(1,006)	(1,481)
Tax effects	839	1,008
After tax effects	(167)	(473)
Financial assets measured at fair value through other comprehensive income		
Amount arising during the period	31,299	(2,622)
Before tax effects	31,299	(2,622)
Tax effects	(10,311)	95
After tax effects	20,988	(2,527)
Share of other comprehensive income of investments accounted for using equity method		
Amount arising during the period	(24)	504
Before tax effects	(24)	504
Tax effects	-	-
After tax effects	(24)	504
Total of items that will not be reclassified to profit or loss	20,796	(2,496)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations		
Amount arising during the period	1,030	33
Reclassification adjustment	-	-
Before tax effects	1,030	33
Tax effects	-	-
After tax effects	1,030	33
Cash flow hedges		
Amount arising during the period	7,470	4,259
Reclassification adjustment	(224)	(250)
Before tax effects	7,245	4,009
Tax effects	(1,550)	(1,016)
After tax effects	5,695	2,992
Share of other comprehensive income of investments accounted for using equity method		
Amount arising during the period	(71)	66
Reclassification adjustment	-	-
Before tax effects	(71)	66
Tax effects	-	-
After tax effects	(71)	66
Total of items that may be reclassified to profit or loss	6,654	3,093
Total other comprehensive income	27,450	597

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, 2026 and 2025 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2026	Fiscal year ended March 31, 2025
Profit attributable to owners of parent	76,573	32,416
Profit not attributable to common shareholders of parent		
Dividends to class shareholders related to Bond-Type Class Shares	2,600	1,734
Profit used to calculate basic earnings per share	73,973	30,682
Profit adjustments	375	363
Profit used to calculate diluted earnings per share	74,348	31,045
Average number of shares of common stock during the period (Thousands of shares)	250,365	247,135
Effect of potential shares of common stock with dilutive effect (Thousands of shares)		
Stock Benefit Trust (BBT)	1,610	1,071
Stock Benefit Trust (J-ESOP)	1,747	873
Convertible bonds	34,350	30,257
Average number of diluted shares of common stock during the period (Thousands of shares)	288,073	279,337
Basic earnings per share (Yen)	295.46	124.15
Diluted earnings per share (Yen)	258.09	111.14

Notes:
1. The Company's shares held by the trust accounts of the Stock Benefit Trust are included in the number of treasury shares that are deducted in the calculation of the weighted-average number of shares used to calculate basic earnings per share. The average numbers of such treasury shares deducted to calculate basic earnings per share for the fiscal years ended March 31, 2026 and 2025 were 4,024 thousand shares and 7,248 thousand shares, respectively.
2. Of the shares delivered under the restricted stock compensation plan, those not satisfying the requirements for the lifting of transfer restriction are excluded from the weighted-average number of shares used to calculate basic earnings per share. The average numbers of such shares deducted to calculate basic earnings per share for the fiscal years ended March 31, 2026 and 2025 were 785 thousand shares and 647 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, 2026 and 2025 are as follows:

Fiscal year ended March 31, 2026

(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	36,373	11,501	48,838	-	14,932	111,645
Bonds (Note 1)	90,726	(15,000)	10,000	-	79	85,805
Convertible bonds (Note 3)	57,805	-	-	-	541	58,346
Long-term borrowings (Notes 1&2)	210,276	54,956	52,402	-	(124)	317,511
Lease liabilities (Note 1)	23,503	(14,897)	16,017	14,876	160	39,660
Other financial liabilities	6,975	68,678	-	-	794	76,448
Total	425,659	105,239	127,257	14,876	16,382	689,417

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

Fiscal year ended March 31, 2025

(Millions of yen)

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

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

39. Financial Instruments

(1) Capital management

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

(2) Basic policy on financial risk management

In the course of its performance of business activity, the Group is exposed to various financial risks (credit, liquidity, market, foreign exchange, and interest risks). Therefore, the Company regularly monitors financial risks and takes measures for risk avoidance or alleviation if necessary, in accordance with its internal management regulations.
The Group uses derivatives to avoid the risks described later, prohibiting derivative transactions for speculative or short-term trading purposes.

(3) Credit risk

i. Credit risk management

In the Company, the administrative department of each business division regularly monitors notes and accounts receivable, which are trade receivables, and contract assets for major counterparties, in accordance with order management and accounting regulations. It manages due dates and outstanding balances for each counterparty to ensure early identification and mitigation of collection concerns due to deteriorating financial condition. Consolidated subsidiaries also perform similar management in accordance with order management and accounting regulations of the Company.
The Group's maximum exposure to credit risk is the carrying amount of financial assets after impairment reported in the consolidated statement of financial position.

ii. Changes in allowance for doubtful accounts

Changes in allowance for doubtful accounts during the fiscal years ended March 31, 2026 and 2025 are as follows:
Fiscal year ended March 31, 2026

(Millions of yen)

	Trade receivables, contract assets, and lease receivables	Other financial assets		
		12-month expected credit losses	Financial instruments for which credit risk has increased significantly	Credit-impaired financial instruments
Beginning balance	271	6	256	1,705
Provision (Note)	92	70	0	-
Reversal (Note)	(75)	(1)	(28)	-
Increase (decrease) due to business combination, etc.	51	47	1,304	594
Write-off	(106)	(20)	(36)	(700)
Other	5	(1)	(34)	34
Ending balance	239	100	1,462	1,634

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

Fiscal year ended March 31, 2025

(Millions of yen)

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

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

(4) Liquidity risk

i. Liquidity risk management

The Group raises the necessary funds mainly by borrowing from banks and issuing bonds, taking into account the stability and cost of funds. With liquidity risk taken into account, it manages financing in such a way as to avoid concentration of due dates.
The Group also seeks to reduce liquidity risk through concentrated and efficient management of its funds by continuing to monitor the projections and results of cash flows.

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

The balances of financial liabilities (including derivative financial instruments) by due date as of March 31, 2026 and 2025 are as follows:

As of March 31, 2026

(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	380,590	390,641	296,152	5,813	5,806	5,762	5,017	72,089
Bonds and borrowings	573,308	643,427	210,248	90,258	48,271	94,446	48,825	151,376
Lease liabilities	39,660	42,032	17,109	8,985	4,642	2,228	1,623	7,443
Other financial liabilities	76,448	100,327	8,194	4,988	3,374	3,362	3,381	77,026
Subtotal	1,070,007	1,176,428	531,704	110,045	62,094	105,799	58,848	307,935
Derivative financial liabilities								
Forward exchange contracts	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-
Total	1,070,007	1,176,428	531,704	110,045	62,094	105,799	58,848	307,935

As of March 31, 2025

(Millions of yen)

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

(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 instruments (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, 2026 and 2025, 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, 2026	Fiscal year ended March 31, 2025
Effect on other comprehensive income (before tax)	8,420	7,714

(6) Fair value hierarchy of financial instruments

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

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

If multiple inputs are used for a fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.
Transfers between levels of the fair value hierarchy are recognized to have occurred at the end of each reporting period.
There were no transfers between Level 1 and Level 2 during the fiscal years ended March 31, 2026 and 2025.

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

As of March 31, 2026

(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	-	-	64,972	64,972
Derivative assets	-	17,267	-	17,267
Other	-	1,256	464	1,721
Equity instruments measured at fair value through other comprehensive income				
Equity securities	84,202	-	18,794	102,996
Total	84,202	18,524	84,231	186,957
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	-	-	-	-
Total	-	-	-	-

As of March 31, 2025

(Millions of yen)

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

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.
The fair value of investments in capital is determined primarily using the discounted cash flow (DCF) method with the assistance of external valuation specialists. Under the DCF method, future cash flows are estimated based on the investee's business plan and discounted to their present value using an appropriate discount rate. An increase in the discount rate would generally result in a decrease in fair value, while a decrease in the discount rate would generally result in an increase in fair value.
The significant unobservable input used in the fair value measurement is the discount rate, which was 10.9% and 9.1% as of March 31, 2026 and 2025, respectively. The results of the fair value measurement are subject to final approval by management. In addition, where appropriate, adjustments, including a discount for lack of marketability, are applied.
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, 2026		As of March 31, 2025	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Bonds	85,805	82,872	80,726	78,632
Convertible bonds	58,346	56,439	57,805	56,486
Long-term borrowings	256,809	265,198	187,437	187,352
Non-recourse borrowings	13,899	13,300	9,033	8,909
Other financial liabilities	68,678	70,000	-	-
Liabilities related to rights to operate public facilities	85,285	96,991	90,110	98,551

The fair value of long-term borrowings and non-recourse borrowings were measured at present value, which was determined by discounting the total amount of principal at an interest rate that would be applicable to similar new borrowings and is classified as Level 2.
The fair values of bonds payable and convertible bonds were based on market prices, where available, or measured at present value, which was determined by discounting the total amount of principal at an interest rate commensurate with the expected life of the related bonds and taking into account credit risk, and are classified as Level 2.
Other financial liabilities consist of Class A Preferred Shares issued by Japan Wind Development Co., Ltd., a consolidated subsidiary. Their fair value is measured as the present value of the aggregate principal and interest payments, discounted using the current market interest rate for similar borrowings, 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 fiscal years ended March 31, 2026 and 2025 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2026	Fiscal year ended March 31, 2025
Beginning balance	39,855	30,805
Total gains and losses		
Profit (loss) (Note 1)	34,209	7,518
Other comprehensive income (Note 2)	1,750	1,814
Purchase	1,351	296
Sale	(361)	(286)
Transfer from Level 1 (Note 3)	-	21
Business combinations	7,629	-
Other	(203)	(314)
Ending balance	84,231	39,855

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, 2026 and 2025 were ¥34,209 million and ¥7,518 million, respectively.
2. Relates to financial assets measured at fair value through other comprehensive income and included in financial assets measured at fair value through other comprehensive income.
3. The transfer from Level 1 to Level 3 was recognized during the fiscal year ended March 31, 2025 since it became difficult to obtain observable inputs due to the delisting of certain shares held. The transfer was made as of the end of the fiscal year.

(7) Hedges

The Group has derivative transactions to mitigate foreign exchange risk and interest rate risk and applies hedge accounting for those that qualify as cash flow hedges or fair value hedges.
Derivative transactions are executed and managed in accordance with decision-making authority rules that define transaction authority. The Group enters into derivative transactions only with highly rated financial institutions to mitigate credit risk.
At the inception of a hedging relationship, the Group determines an appropriate hedge ratio based on the volume of hedged items and the volume of hedging instruments. As a general rule, the Group determines the hedge ratio to be one-to-one.
The Group readjusts the hedge ratio that was determined at the inception of the hedging relationship to restore effectiveness if the hedging relationship is deemed to be no longer effective, but its risk management objective remains the same.
If the risk management objective for the hedging relationship has changed, hedge accounting for the hedging relationship is discontinued.
The Group uses cash flow hedges primarily to mitigate the risk of exposure to variability in future cash flows associated with forecasted foreign currency transactions or floating rate borrowings. The Group uses fair value hedges for floating rate borrowings to reduce the risk of exposure to changes in the fair value of the borrowings.

i. Hedging instruments

Amounts related to hedging instruments are as follows:

As of March 31, 2026

(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	49,190	15,430	-	¥102.32
Interest rate risk				
Interest rate swap contracts				
Receive variable/Pay fixed	57,465	1,691	-	1.12%
Fair value hedges				
Interest rate risk				
Interest rate swap contracts				
Receive fixed/Pay variable	10,000	48	-	-

As of March 31, 2025

(Millions of yen)

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

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

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

ii. Hedged items

Amounts related to hedged items are as follows:

(a) Cash flow hedges

(Millions of yen)

	As of March 31, 2026	As of March 31, 2025
Surplus from cash flow hedges		
Foreign exchange risk		
Forward exchange contracts (Buy)		
U.S. Dollar	7,566	4,691
Interest rate risk		
Interest rate swap contracts		
Receive variable/Pay fixed	709	543

(b) Fair value hedges

As of March 31, 2026

(Millions of yen)

	Carrying amount of hedged items		Cumulative fair value hedge adjustments included in carrying amount of hedged items	
	Assets	Liabilities	Assets	Liabilities
Interest rate risk				
Borrowings	-	10,048	-	48

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, 2026

(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	6,452	8
Interest rate risk		
Interest rate swap contracts		
Receive variable/Pay fixed	793	(232)

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

Fiscal year ended March 31, 2025

(Millions of yen)

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

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

(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, 2026	As of March 31, 2025
Carrying amount of assets transferred	10	56
Carrying amount of related liabilities	10	56

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, 2026	Fiscal year ended March 31, 2025
Compensation and bonuses	504	832
Share-based payments	683	644
Total	1,188	1,477

(2) Related party transactions

Fiscal year ended March 31, 2025
Not applicable

Fiscal year ended March 31, 2026
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 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, 2026	Fiscal year ended March 31, 2025
Date of grant	July 23, 2025	July 24, 2024
Number of restricted shares delivered (Shares)	229,829	213,901
Fair value at the date of grant (Yen)	1,189.5	1,286

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

The 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 Directors and Executive Officers of the three operating companies (MAEDA CORPORATION, Maeda Road Construction Co., Ltd., and MAEDA SEISAKUSHO CO., LTD.) (the "Eligible Directors, etc."), 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, shares of the Company will be delivered to Eligible Directors who satisfy the beneficiary eligibility requirements set forth in the Rules (the "Beneficiaries"), 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 the number of points and the weighted-average fair value of points granted under the share-based payment plan

Changes in the number of points and the weighted-average fair value of points granted under the share-based payment plan were as follows.
As the fair value on the grant date approximates the share price on the grant date, the share price on the grant date was used as the fair value.

(Thousands of points, unless otherwise stated)

	Fiscal year ended March 31, 2026	Fiscal year ended March 31, 2025
Beginning balance	1,074	1,111
Grants awarded	2,228	60
Grants exercised	(2,194)	-
Grants expired	-	(97)
Ending balance	1,108	1,074
Weighted-average fair value (Yen)	1,786	1,274

ii. Stock-benefit trust for employees (J-ESOP)

(a) Description of share-based payment plan

This plan is a trust-based benefit scheme modeled on the U.S. Employee Stock Ownership Plan (ESOP). Shares of the Company are delivered 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 deliver 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 delivered to the Employees, including those to be delivered 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 the number of points and the weighted-average fair value of points granted under the share-based payment plan

Changes in the number of points and the weighted-average fair value of points granted under the share-based payment plan were as follows.

As the fair value on the grant date approximates the share price on the grant date, the share price on the grant date was used as the fair value.

(Thousands of points, unless otherwise stated)

	Fiscal year ended March 31, 2026	Fiscal year ended March 31, 2025
Beginning balance	1,233	-
Grants awarded	1,729	1,233
Grants exercised	(1,732)	-
Grants expired	(21)	-
Ending balance	1,208	1,233
Weighted-average fair value (Yen)	1,973	1,348

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

The Group has introduced a stock benefit trust (employee shareholding association purchase-type) (the "Plan") under which the Company grants its shares to employees of the Group companies through a trust in an employee shareholding association to improve the health and welfare of the employees and to provide incentives to improve the corporate value of the Company. The Plan is accounted for as a cash-settled share-based payment plan.
Upon adoption of the Plan, the Company, as trustor, entered into a stock benefit trust (employee shareholding association purchase-type) Agreement (the trust established under the Agreement is referred to as the "Trust") with Mizuho Trust & Banking Co., Ltd., as trustee, (the "Trustee"). The Trustee entered into a re-trust agreement with Custody Bank of Japan, Ltd. (the "Trust Account E") 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 Account E 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 Account E 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 Account E, 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. As of March 31, 2025, no liability was recognized, as the stock price remained relatively stable and the borrowings are expected to be fully repaid within the next few months. The Plan terminated upon the expiration of the trust term during the fiscal year ended March 31, 2026.

	Fiscal year ended March 31, 2026	Fiscal year ended March 31, 2025
The Company's stock price (Yen)	-	1,207
Number of remaining shares (Thousand shares)	-	770
Expected volatility (%)	-	22.19
Expected life (Years)	-	1.95
Risk-free interest rate (%)	-	0.87

(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, 2026	Fiscal year ended March 31, 2025
Cash-settled	-	(9)
Equity-settled	7,644	3,099

42. Commitments

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

(Millions of yen)

	As of March 31, 2026	As of March 31, 2025
Acquisition of property, plant and equipment	13,457	1,383
Acquisition of investment property	228	-

43. Contingent Liabilities

Contingent liabilities are as follows:
Debt guarantees, etc.

(Millions of yen)

	As of March 31, 2026	As of March 31, 2025
Guarantee obligations for borrowings	889	339
Guarantee obligations for associates	539	31

44. Significant Subsequent Events

Acquisition of shares of Swing Corporation (Conversion into a wholly-owned subsidiary)
At an extraordinary meeting of its Board of Directors held on April 14, 2026, the Company resolved to acquire all shares of Swing Corporation from EBARA CORPORATION, JGC HOLDINGS CORPORATION and Mitsubishi Corporation, thereby making it a wholly-owned subsidiary (the “Transaction”). The Company also entered into a share purchase agreement in connection with the acquisition on the same date, and the Transaction was completed on July 1, 2026.

(1) Outline of business combination

1. Name and business description of acquired company

Name of acquired company:	Swing Corporation
Business description:	Operation and maintenance, design, and construction of water and environmental facilities; chemical-related businesses; and management and supervision of subsidiaries

2. Date of business combination

July 1, 2026

3. Percentage of voting equity interest acquired

100%

4. Reasons for business combination

Swing Corporation was established through the integration of the water treatment division of EBARA CORPORATION, with JGC HOLDINGS CORPORATION and Mitsubishi Corporation making equity investments in 2010. Today, the Swing Group holds a leading position in Japan, serving as the operator of water supply businesses through public-private partnerships (PPPs) in addition to providing EPC (Engineering, Procurement, and Construction) and O&M (Operation and Maintenance) for water treatment facilities. Leveraging engineering expertise and technological capabilities developed over many years, the Group designs, constructs, and maintains water treatment plants for a broad range of applications, including water supply, sewerage, human waste and sludge recycling, industrial water treatment, leachate treatment, biomass, and amusement facilities. It also provides tailored solutions, develops technologies, and responds to increasingly diverse procurement methods in accordance with customer needs. Furthermore, the Swing Group, which employs approximately 3,000 field engineers, provides operation, maintenance, and emergency response services for various water treatment facilities, establishing a top-tier track record in Japan with more than 300 facilities under operation and maintenance contracts nationwide. In its public-private partnership business, it operates water utility companies in Hiroshima Prefecture and Komoro City, while its chemical business segment provides fully integrated services ranging from chemical development to sales and after-sales service.
This transaction will enable the combined group to provide end-to-end services including design, construction, maintenance, and operation of water supply and sewerage businesses by mutually leveraging the Swing Group’s water treatment engineering capabilities and field engineers alongside the Group’s project management capabilities and civil engineering and construction technologies and know-how for business optimization and efficiency. Furthermore, using the Swing Group’s service bases as starting points, this transaction offers significant strategic benefits, enabling the expansion into road and public facility management under the “Comprehensive Infrastructure Services” promoted by the Group. Through these initiatives, both the Group and the Swing Group aim to further enhance their corporate value.

5. Method of gaining control of acquired company

Acquisition of equity for cash consideration

(2) Consideration transferred

Consideration transferred	Cash	75,204 million yen

As the acquisition was completed shortly before the approval date of the consolidated financial statements, the initial accounting for the business combination had not been completed by that date. Accordingly, the fair values of the assets acquired and liabilities assumed as of the acquisition date, goodwill and acquisition-related costs, information about profit or loss after the acquisition date related to the business combination and pro forma financial information have not been disclosed.

(2) Other

Semi-annual information, etc. for the fiscal year ended March 31, 2026

(Millions of yen, unless otherwise stated)

		Fiscal year ended March 31, 2026	Six months ended September 30, 2025
Net sales		1,124,878	424,506
Profit before tax		107,245	34,999
Profit attributable to owners of parent		76,573	24,558
Basic earnings per share	(Yen)	295.46	93.39

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, 2026, 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, 2026, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, including those applicable to audits of financial statements of public interest entities, 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.

Estimates of total construction revenue and total construction costs using the method of recognizing revenue over time relating to MAEDA CORPORATION and Sumitomo Mitsui Construction Co., Ltd. in the Building Construction and Civil Engineering businesses	
Description of Key Audit Matter	**Auditor's Response**
As described in "i. Revenue recognition with regard to construction work" of "(16) 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")	We mainly performed the following audit procedures in evaluating the reasonableness of estimates of total construction revenue and total construction costs using the method of recognizing revenue over time relating to MAEDA CORPORATION and Sumitomo Mitsui Construction Co., Ltd. in the Building Construction and Civil Engineering businesses.

and its consolidated subsidiaries (collectively, the “Group”) estimate progress using the cost-based input method and apply the method of recognizing revenue as performance obligations to transfer a good or service to the customer are satisfied over time. Net sales of ¥1,124,878 million were recognized for the fiscal year ended March 31, 2026, of which net sales of ¥725,603 million, or approximately 64%, were recorded using the method of recognizing revenue over time in the Building Construction and Civil Engineering businesses. Net sales in the Building Construction and Civil Engineering businesses consist of net sales generated by MAEDA CORPORATION and Sumitomo Mitsui Construction Co., Ltd. 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 costs incurred until the end of the fiscal year to total construction costs.	Estimates of total construction costs (1) Evaluation of internal controls We evaluated the design and operating effectiveness of the following internal controls relating to estimates of total construction costs. ・ We evaluated the internal controls put in place to ensure that operating budgets, on which estimates of total construction costs are based, and the construction management schedules used to update such estimates the latest project status are prepared in a timely and appropriate manner by on-site construction managers. ・ We evaluated the internal controls put in place to ensure that monitoring is performed on a timely basis by project managers in the Construction Management Division regarding changes in project profit or loss, comparisons of plans to actual progress, current progress status, and other relevant factors. (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 they were consistent with the total construction costs estimated at the time of bidding, and whether operating budgets included reconciliation items involving abnormal amounts arising from future uncertainty. In addition, we reconciled the costs with unit prices stipulated in contracts and quotations from subcontractors, as necessary. ・ We compared operating budgets and historical changes with recent estimates for

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 subject to continuous review, as construction projects are highly customized in nature in terms of specifications and work details and are affected by potential changes in construction periods, unforeseen expenses, fluctuations in material prices and labor costs, and design changes during the construction process. In addition, there are cases in which design changes are made during the construction process based on an agreement with customers, where the amount of the consideration is not finalized in a timely manner. Accordingly, a portion of total construction revenue is recognized based on estimates (this portion is hereinafter referred to as the "contract amounts not yet contracted"). These contract amounts not yet contracted are subject to continuous review, as the estimates may change depending on the progress of negotiations or the execution of contracts with ordering parties. These estimates require certain assumptions and involve uncertainty and the exercise of judgment by on-site construction managers. Based on the above, we determined that the estimates of total construction costs and total construction revenue recognized using the method of recognizing revenue over time relating to MAEDA CORPORATION and Sumitomo Mitsui Construction Co., Ltd. in the Building Construction and Civil Engineering businesses are of particular significance for the fiscal year ended March 31, 2026. Accordingly, we determined that this is a key audit matter, considering factors such as the significance of construction based on net sales using the method of recognizing revenue over time in the Building Construction and Civil Engineering businesses relative to total net sales for the fiscal year ended March 31, 2026, as well as the complexity of construction projects.	total construction costs. For changes in total construction costs exceeding certain thresholds, we made inquiries of responsible personnel and project managers in the Construction Management Division regarding the reasons for the changes. We compared the results of responses received from our inquiries with corroborative minutes of negotiations with ordering parties and quotations from subcontractors, as necessary. ・ We made inquiries of management, including the headquarters general manager and branch managers of MAEDA CORPORATION and Sumitomo Mitsui Construction Co., Ltd., regarding the status of construction implementation and progress of work and considered whether any significant events had occurred that would require a revision 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 progress towards construction completion. ・ 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 related to construction progress. The tool identifies unusual progress in construction projects in which the method of recognizing revenue as performance obligations are satisfied over time is applied, based on machine learning forecasts of progress toward completion. It also forecasts potential loss-making contracts and detects unusual timing of cost incurrence. For projects identified by the tool as having significantly different forecasted progress or profit or loss at the reporting date, we compared actual progress and profitability with the tool's forecasts and considered whether they were consistent with monthly construction reports and construction management schedules. Estimates of total construction revenue when the contract amounts not yet contracted are included in total construction revenue (1) Evaluation of internal controls We evaluated the design and operating effectiveness of internal controls put in place 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 recorded contract amounts not yet contracted for each construction project, we selected amounts for consideration based on 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.

	・ We evaluated the processes for estimating total construction revenue by comparing prior estimates with actual amounts or revised estimates. In addition, we used the progress anomaly detection tool and compared the profit or loss of construction projects forecasted by the tool with the Company's estimated construction profit or loss, and considered whether the results were consistent with minutes of negotiations with customers and other relevant supporting documentation.

Valuation of goodwill and contract-related assets arising from the acquisition of Japan Wind Development Co., Ltd. as a wholly-owned subsidiary	
Description of Key Audit Matter	**Auditor's Response**
As described in "(2) Valuation of goodwill and intangible assets" in "4. Significant Accounting Estimates and Judgments" in the Notes to Consolidated Financial Statements, the Company recognized goodwill of ¥139,507 million and contract-related assets of ¥88,139 million as at March 31, 2026, arising from the acquisition of Japan Wind Development Co., Ltd. as a subsidiary. Goodwill is tested for impairment annually and whenever there is an indication of impairment. Since the contract-related assets are intangible assets not yet available for use, impairment tests are conducted annually and whenever there is an indication of impairment. The recoverable amount in the impairment tests for goodwill and contract-related assets is measured based on the fair value less costs of disposal. The fair value is calculated by discounting the estimated future cash flows based on the business plan approved by management to the present value using the after-tax weighted average cost of capital of the cash-generating units. As a result of the impairment tests, the recoverable amounts of the cash-generating units exceeded the carrying amounts, and accordingly, no impairment loss was recognized.	We mainly performed the following audit procedures in considering the valuation of goodwill and contract-related assets. (1) We analyzed the factors giving rise to the goodwill and contract-related assets, made inquiries of management regarding the expected economic benefits, and evaluated the cash-generating units. (2) We performed the following procedures to evaluate the appropriateness of the significant assumptions used in the impairment tests for goodwill and contract-related assets. ・ We inquired of management regarding the feasibility of achieving business plan targets, which serve as the basis for estimating future cash flows. ・ We assessed the assumptions regarding the unit prices of electricity sold by involving specialists from our network firm. ・ We assessed the assumptions regarding the facility utilization rates by involving specialists from our network firm. We also examined the consistency of the facility utilization rates with external data and, for certain operating power plants included in the cash-generating units to which goodwill was allocated, we evaluated the assumptions by comparing them with actual performance.

The significant assumptions used in the impairment tests for goodwill and contract-related assets are the unit prices of electricity sold, facility utilization rates, project success rates, and discount rates used in estimating the discounted present value of future cash flows. These assumptions are subject to a high degree of uncertainty and management's judgment has a significant impact on their determination. Accordingly, since the valuation of goodwill and contract-related assets is of particular significance for the fiscal year ended March 31, 2026, we determined that this is a key audit matter.	・ We assessed the assumptions regarding the project success rates by involving specialists from our network firm and assessed whether the rates were consistent with Japan Wind Development Co. Ltd.'s historical development performance and the valuation results of the external specialists used by the Company. ・ We evaluated the Company's methodology for determining discount rates and involved specialists from our network firm to assess the underlying assumptions.

Reasonableness of the allocation of acquisition costs and valuation of goodwill related to the acquisition of shares of Sumitomo Mitsui Construction Co., Ltd.

Description of Key Audit Matter	Auditor's Response
As described in "(2) Valuation of goodwill and intangible assets" under "4. Significant Accounting Estimates and Judgments" and "7. Business Combinations" in the Notes to Consolidated Financial Statements, the Company acquired the shares of Sumitomo Mitsui Construction Co., Ltd. ("Sumitomo Mitsui Construction") on September 18, 2025. The Company completed the allocation of acquisition costs as at the end of the fiscal year ended March 31, 2026, and accordingly, recognized goodwill of ¥16,634 million.	We mainly performed the following audit procedures in considering the reasonableness of the allocation of acquisition costs and valuation of goodwill. Allocation of acquisition costs We assessed whether the recognition and measurement methods of the identifiable assets and liabilities in the allocation of acquisition costs performed by the Company were consistent with applicable accounting standards. In addition, with regard to the fair value measurement of intangible assets, we involved specialists from our network firm to evaluate the valuation models and management's estimates underlying the valuation. Valuation of goodwill ・ We analyzed the factors giving rise to the goodwill, made inquiries of the Company's management regarding the expected economic benefits, and evaluated the cash-generating units.

The allocation of acquisition costs involves a high degree of judgment and complexity. In addition, goodwill is tested for impairment annually and whenever there is an indication of impairment. The recoverable amounts in the impairment tests for goodwill are measured using value in use, which is calculated by discounting the estimated future cash flows based on the business plan approved by management to the present value using the pre-tax weighted average cost of capital of the cash-generating units. As a result of the impairment tests, the recoverable amounts of the cash-generating unit exceeded the carrying amounts, and accordingly, no impairment loss was recognized. The significant assumptions used in the impairment tests for goodwill are subject to a high degree of uncertainty and management's judgment has a significant impact on their determination. Accordingly, since the allocation of acquisition costs and valuation of goodwill are of particular significance for the fiscal year ended March 31, 2026, we determined that this is a key audit matter.	・ We inquired of management and compared the operating profit in the business plan with actual results to assess the feasibility of achieving business plan targets, which serve as the basis for estimating future cash flows. ・ We evaluated the Company's methodology for determining discount rates and involved specialists from our network firm to assess the underlying assumptions.

Other Information

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

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

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRS Accounting Standards, matters related to going concern.

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

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

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

The fees for the audits of the financial statements of INFRONEER Holdings Inc. and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2026 are 450 million yen and 110 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

July 24, 2026

/s/Yoshikatsu Nakahara
Designated Engagement Partner
Certified Public Accountant

/s/Koji Ojima
Designated Engagement Partner
Certified Public Accountant

/s/Takashi Nakamura
Designated Engagement Partner
Certified Public Accountant