CHIYODA CORPORATION

Consolidated Financial Statements

FY2024

For the year ended March 31, 2025

OUR PURPOSE

Enriching Society through Engineering Value

OUR MISSION

Grow as a fully integrated engineering company aiming for harmony between energy and the environment while contributing to a healthy, prosperous and sustainable society through our profound engineering expertise and systematically developed technology.

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Consolidated Balance Sheet

March 31, 2025

ASSETS	Millions of Yen 2025	Millions of Yen 2024	Thousands of U.S. Dollars (Note 1) 2025
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	¥151,238	¥100,008	$1,008,254
Short-term investments (Note 14)	2,102	2,064	14,016
Notes and accounts receivable—trade (Notes 4 and 12)	16,017	23,870	106,784
Contract assets (Notes 4 and 12)	4,039	3,718	26,929
Costs of construction contracts in process	12,113	18,874	80,759
Accounts receivable—other (Note 14)	22,937	35,818	152,916
Jointly controlled assets of joint venture (Note 14)	153,944	147,017	1,026,295
Short-term loans receivable (Note 14)	70,007	66,200	466,719
Prepaid expenses and other	5,361	8,810	35,741
Allowance for doubtful accounts	(488)	(2,021)	(3,254)
Total current assets	437,274	404,359	2,915,163
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 8)	4,429	4,552	29,530
Buildings and structures (Note 8)	12,729	13,036	84,861
Machinery and equipment	1,704	1,799	11,361
Tools, furniture and fixtures (Note 8)	6,830	6,656	45,537
Construction in progress	1	768	7
Total	25,694	26,813	171,298
Accumulated depreciation	(15,224)	(15,927)	(101,494)
Net property, plant and equipment	10,470	10,886	69,803
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5, 8 and 14)	1,501	1,313	10,008
Investments in and advances to unconsolidated subsidiaries and associated companies (Notes 6 and 14)	2,474	2,958	16,498
Goodwill	150	184	1,002
Software	5,622	5,273	37,484
Asset for retirement benefits (Note 9)	2,065	483	13,769
Deferred tax assets (Note 11)	77	94	518
Other assets	2,620	1,432	17,467
Allowance for doubtful accounts	(1,222)	(18)	(8,152)
Total investments and other assets	13,289	11,721	88,596
TOTAL	¥461,034	¥426,967	$3,073,563

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2025	Millions of Yen 2024	Thousands of U.S. Dollars (Note 1) 2025
CURRENT LIABILITIES:			
Notes and accounts payable—trade (Note 14)	¥120,983	¥133,775	$ 806,556
Current portion of long-term debt (Notes 7 and 14)	1,473	20,684	9,822
Accounts payable—other	17,452	18,760	116,352
Income taxes payable	1,302	987	8,686
Contract liability (Note 12)	217,390	188,701	1,449,270
Allowance for warranty costs for completed works	2,391	1,601	15,945
Allowance for losses on construction contracts (Note 3)	28,379	36,508	189,196
Asset retirement obligations (current)	4	460	32
Accrued expenses and other	20,152	10,674	134,348
Total current liabilities	409,531	412,156	2,730,210
LONG-TERM LIABILITIES:			
Long-term debt (Note 7)	23,480	4,805	156,533
Deferred tax liabilities (Note 11)	305	1,471	2,036
Liability for retirement benefits (Note 9)	810	727	5,403
Asset retirement obligations	1,108	1,307	7,387
Other	342	419	2,281
Total long-term liabilities	26,046	8,732	173,642
EQUITY (Note 10):			
Common stock—authorized, 1,500,000 thousand shares; issued, 260,324 thousand shares and preferred stock—authorized, 175,000 thousand shares; issued, 175,000 thousand shares in 2025 and 2024	15,014	15,014	100,098
Capital surplus	142	142	950
Retained earnings (accumulated deficit)	25,024	(1,962)	166,831
Treasury stock—at cost, 1,204 thousand shares in 2025 and 1,251 thousand shares in 2024	(786)	(805)	(5,240)
Accumulated other comprehensive income (loss):			
Unrealized loss on available-for-sale securities	(51)	(18)	(346)
Deferred gain on derivatives under hedge accounting	423	4,176	2,826
Foreign currency translation adjustments	(16,904)	(11,851)	(112,699)
Defined retirement benefit plans	842	163	5,616
Total	23,705	4,858	158,037
Noncontrolling interests	1,750	1,218	11,671
Total equity	25,456	6,077	169,709
TOTAL	¥461,034	¥426,967	$3,073,563

Consolidated Statement of Income

Year Ended March 31, 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
REVENUE (Note 12)	¥456,969	¥505,981	$3,046,460
COST OF REVENUE	414,650	506,138	2,764,333
Gross profit (loss)	42,319	(157)	282,127
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 13)	17,897	14,849	119,314
Operating income (loss)	24,421	(15,006)	162,812
OTHER INCOME (EXPENSES):			
Interest and dividend income	11,209	12,253	74,731
Gain on liquidation of subsidiaries and associated companies		45	
Gain on termination of retirement benefit plan (Note 9)	207		1,383
Interest expense	(737)	(696)	(4,914)
Equity in losses of associated companies—net	(181)	(596)	(1,210)
Foreign exchange loss	(2,580)	(1,534)	(17,201)
Loss on liquidation of subsidiaries and associated companies		(6)	
Loss on valuation of investment securities (Note 5)	(17)	(69)	(118)
Loss on liquidation of investment securities		(2)	
Loss on termination of retirement benefit plan (Note 9)		(665)	
Other—net	63	120	424
Other income—net	7,964	8,847	53,095
INCOME (LOSS) BEFORE INCOME TAXES	32,386	(6,159)	215,907
INCOME TAXES (Note 11):			
Current	4,720	8,488	31,468
Deferred	40	51	267
Total income taxes	4,760	8,539	31,736
NET INCOME (LOSS)	27,625	(14,698)	184,171
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	638	1,132	4,257
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 26,987	¥ (15,831)	$ 179,914
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.aa and 17):			
Basic net income (loss)	¥96.05	¥(69.22)	$0.64
Diluted net income	26.39		0.18
Cash dividends applicable to the year			

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
NET INCOME (LOSS)	¥27,625	¥(14,698)	$ 184,171
OTHER COMPREHENSIVE INCOME (LOSS) (Note 16):			
Unrealized loss on available-for-sale securities	(33)	(87)	(225)
Deferred (loss) gain on derivatives under hedge accounting	(3,752)	2,469	(25,017)
Foreign currency translation adjustments	(5,083)	(4,259)	(33,892)
Defined retirement benefit plans	679	278	4,529
Share of other comprehensive income of associates	16	10	110
Total other comprehensive loss	(8,174)	(1,589)	(54,494)
COMPREHENSIVE INCOME (LOSS)	¥19,451	¥(16,287)	$ 129,677
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	¥18,827	¥(17,435)	$ 125,514
Noncontrolling interests	624	1,147	4,163

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year Ended March 31, 2025

	Thousands		Millions of Yen										
							Accumulated Other Comprehensive Income (Loss)						
	Outstanding Number of Shares of Common Stock	Outstanding Number of Shares of Preferred Stock	Common Stock and Preferred Stock	Capital Surplus	Retained Earnings (Accumulated Deficit)	Treasury Stock	Unrealized (Loss) Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2023	258,971	175,000	¥15,014	¥142	¥13,797	¥(847)	¥ 69	¥1,707	¥ (7,587)	¥(115)	¥22,180	¥ 129	¥22,310
Net loss attributable to owners of the parent					(15,831)						(15,831)		(15,831)
Change of scope of consolidation					71						71		71
Disposal of treasury stock	101					41					41		41
Net change in the year							(87)	2,469	(4,264)	278	(1,604)	1,089	(514)
BALANCE, MARCH 31, 2024	259,072	175,000	15,014	142	(1,962)	(805)	(18)	4,176	(11,851)	163	4,858	1,218	6,077
Net income attributable to owners of the parent					26,987						26,987		26,987
Disposal of treasury stock	47					19					19		19
Net change in the year							(33)	(3,752)	(5,053)	679	(8,160)	531	(7,628)
BALANCE, MARCH 31, 2025	259,119	175,000	¥15,014	¥142	¥25,024	¥(786)	¥(51)	¥ 423	¥(16,904)	¥ 842	¥23,705	¥1,750	¥25,456

	Thousands of U.S. Dollars (Note 1)										
					Accumulated Other Comprehensive Income (Loss)						
	Common Stock and Preferred Stock	Capital Surplus	Retained Earnings (Accumulated Deficit)	Treasury Stock	Unrealized Loss on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2024	$ 100,098	$ 950	$ (13,082)	$ (5,371)	$ (121)	$ 27,843	$ (79,012)	$ 1,086	$ 32,393	$ 8,126	$ 40,519
Net income attributable to owners of the parent			179,914						179,914		179,914
Disposal of treasury stock				130					130		130
Net change in the year					(225)	(25,017)	(33,686)	4,529	(54,400)	3,545	(50,854)
BALANCE, MARCH 31, 2025	$ 100,098	$ 950	$ 166,831	$ (5,240)	$ (346)	$ 2,826	$ (112,699)	$ 5,616	$ 158,037	$ 11,671	$ 169,709

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended March 31, 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
OPERATING ACTIVITIES:			
Income (loss) before income taxes	¥32,386	¥ (6,159)	$ 215,907
Adjustments for:			
Income taxes refund (paid)	7,478	(7,378)	49,857
Depreciation	3,727	3,399	24,852
Amortization of goodwill	33	33	225
(Decrease) increase in allowance for doubtful accounts	(355)	354	(2,368)
Increase in allowance for warranty costs for completed works	708	180	4,724
(Decrease) increase in allowance for losses on construction contracts	(11,147)	6,743	(74,318)
(Decrease) increase in liability for retirement benefits		59	(3)
Foreign exchange loss (gain)—net	1	(1,542)	12
Equity in losses of associated companies—net	181	596	1,210
Loss on valuation of investment securities	17	69	118
Loss on liquidation of investment securities		2	
Gain on liquidation of subsidiaries and associated companies—net		(39)	
Changes in operating assets and liabilities:			
Decrease (increase) in trade notes and accounts receivable, and costs and estimated earnings on long-term construction contracts	7,842	(2,642)	52,283
Decrease in costs of construction contracts in process	7,145	5,207	47,637
(Decrease) increase in trade notes and accounts payable	(21,039)	13,833	(140,261)
Increase in contract liabilities	22,500	22,603	150,004
Decrease (increase) in accounts receivable—other	3,259	(1,811)	21,731
(Decrease) increase in accounts payable—other	(1,297)	995	(8,648)
(Increase) decrease in jointly controlled assets of joint venture	(6,488)	15,313	(43,259)
Increase in interest and dividends receivable	(6,300)	(9,572)	(42,005)
Other—net	12,520	22,498	83,470
Total adjustments	18,789	68,906	125,263
Net cash provided by operating activities—(Forward)	¥51,175	¥62,747	$ 341,171

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
Net cash provided by operating activities—(Forward)	¥ 51,175	¥ 62,747	$ 341,171
INVESTING ACTIVITIES:			
Net increase in time deposits	(62)	(291)	(416)
Purchases of property, plant and equipment	(1,694)	(1,757)	(11,295)
Proceeds from sales of property, plant and equipment	47	630	313
Purchases of intangible assets	(2,328)	(2,129)	(15,524)
Payments for purchases of investment securities	(305)	(99)	(2,034)
Proceeds from sales of investment securities		1,600	
Proceeds from sales of shares of subsidiaries and associated companies	225		1,500
Proceeds from liquidation of subsidiaries and associated companies		37	
Payments of loans receivable	(19)	(4)	(130)
Proceeds from collections of loans	8	435	53
Other—net	(51)	12	(344)
Net cash used in investing activities	(4,181)	(1,567)	(27,877)
FINANCING ACTIVITIES:			
Proceeds from long-term debt	20,000		133,333
Repayments of long-term debt	(20,000)	(5,490)	(133,333)
Other—net	(298)	(361)	(1,987)
Net cash used in financing activities	(298)	(5,851)	(1,987)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	8,333	3,948	55,556
NET INCREASE IN CASH AND CASH EQUIVALENTS	55,029	59,277	366,862
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARY		249	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	166,208	106,682	1,108,058
CASH AND CASH EQUIVALENTS, END OF YEAR*	¥221,238	¥166,208	$ 1,474,920

* Short-term loans receivable under revolving credit loan agreements with Mitsubishi Corporation's affiliates are included in cash and cash equivalents because they are readily convertible into cash and carry only minimal risk of changes in value.

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year Ended March 31, 2025

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of IFRS Accounting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2024 consolidated financial statements to conform to the classifications used in 2025.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Chiyoda Corporation (the "Company") is incorporated and principally operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥150 to $1, the approximate rate of exchange at March 31, 2025. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Japanese yen figures less than a million yen are rounded down to the nearest million, except for per share data.

U.S. dollar figures less than a thousand U.S. dollars are rounded down to the nearest thousand, except for per share data.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation***—The consolidated financial statements as of March 31, 2025, include the accounts of the Company and its 14 (14 in 2024) significant subsidiaries (together, the "Group").

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 3 (4 in 2024) associated companies are accounted for by the equity method.

During the current fiscal year, PlantStream Inc. was excluded from the scope of application of the equity method as all of its shares were sold.

Both investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Most of the consolidated foreign subsidiaries have a December 31 year-end, which is different from that of the Company. As a result, adjustments have been made for any significant transactions which took place during the period between the year-end of these subsidiaries and the year-end of the Company.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is amortized over a period of 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements***—Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS Accounting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. ***Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method***—ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either IFRS Accounting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign associate elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

d. ***Revenue Recognition***—The Group provides the services of planning, engineering, procurement, construction, commissioning and maintenance of various plants, and also provides consulting for industrial facilities in the engineering business. Mainly long-term construction contracts are concluded. The guarantee that the plants satisfy the required specification defined in the construction contracts is not recognized as an independent performance obligation as it does not separately provide an independent service. The construction of plants follows the specification required by customers and the Group has a piece-work claim on the portion of the obligation that has been fulfilled. Therefore, the Group determines that the performance obligation is satisfied over time and recognizes revenue based on the progress in satisfying the performance obligation.

The percentage of completion is measured by the ratio of costs accrued on and before the end of reporting period in the estimated total construction cost, which is called the input method. If the period of construction from the beginning date defined in the contract to the estimated date of performance obligation completion is extremely short, the Group recognizes revenue at the time of performance obligation completion, adapting alternative treatment, instead of recognizing based on percentage of completion.

In addition, if liquidated damage defined in contracts for construction delays is expected, the estimated variable consideration is deducted from contract prices agreed in contracts with customers.

e. ***Cash Equivalents***—Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificates of deposit and short-term loans receivable based on uncommitted line of credit loan agreement with an affiliated company of Mitsubishi Corporation, all of which mature or become due within three months of the date of acquisition.

f. ***Short-Term Investments***—Short-term investments are time deposits which will mature within three months after the date of acquisition. Short-term investments are exposed to insignificant risk of changes in value.

g. ***Inventories***—Costs on construction contracts in progress are stated at cost based on the specific identification method.

h. ***Investment Securities***—All equity securities other than nonmarketable available-for-sale equity securities are classified as available-for-sale equity securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of equity securities sold is determined based on the moving-average method.

Nonmarketable available-for-sale equity securities are stated at cost determined by the moving-average method or at amortized cost. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

Investments in limited partnerships for investment and similar partnerships (Deemed as Securities pursuant to Financial Instruments and Exchange Act Article 2(2)) are stated at net amount equivalent to equity interests based on the latest financial statements available on the date of reporting stipulated in the partnership agreement.

i. ***Jointly Controlled Assets of Joint Venture***—The jointly controlled assets of the joint venture consist of jointly controlled cash pertaining to the contract work recognized based on the Company's share of the venture.

j. ***Allowance for Doubtful Accounts***—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

k. ***Property, Plant and Equipment***—Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method, except for properties, plants and equipment owned by consolidated foreign subsidiaries of the Company, buildings owned by the Company and structures acquired on or after April 1, 2016, that are depreciated using the straight-line method, at rates based on the estimated useful lives of the assets. The range of useful lives is from 5 to 50 years for buildings and structures, from 4 to 17 years for machinery and equipment, and from 4 to 15 years for tools, furniture, and fixtures.

l. ***Long-Lived Assets***—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

m. ***Software***—Software for internal use is amortized on a straight-line basis over its estimated useful life (5 years at the maximum).

n. ***Other Assets***—Intangible assets and goodwill are carried at cost less accumulated amortization, which is calculated by the straight-line method over their estimated useful lives.

o. ***Allowance for Warranty Costs for Completed Work***—The allowance for warranty costs for completed work is provided based on past rate experience.

p. ***Allowance for Losses on Construction Contracts***—The allowance for losses on construction contracts is provided for an estimated amount of probable losses to be incurred in future years in respect of construction projects in progress.

q. ***Retirement and Pension Plans***—The Company and consolidated subsidiaries have funded or unfunded defined benefit pension plans and defined contribution pension plans for employees. Certain consolidated subsidiaries have defined benefit corporate pension plans or severance lump-sum payment plans, and calculate retirement benefit assets, retirement benefit liabilities, and retirement benefit expenses by using the simplified method.

In order to provide employee retirement benefits, the Company recorded retirement benefit liabilities by excluding the projected amount of pension assets from that of liability for retirement benefits at the end of the current fiscal year.

The Company and its consolidated domestic subsidiaries account for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses are amortized on a straight-line basis over 10 years within the average remaining service period.

Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees.

The Company provides the exceeded amount as asset for retirement benefits of investment and other assets in case the amount of plan asset recognized at the end of this accounting period exceeds the difference between the benefit obligations and unrecognized actuarial gain and losses.

r. ***Asset Retirement Obligations***—Under Japanese GAAP, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

s. ***Board Incentive Plan Trust for Director's Compensation***—The Company introduced a "Performance-Based Stock Compensation Plan" (the "Plan") to improve medium-to-long term business performance and to heighten the mindset of contributing to the enhancement of corporate value of our directors and executive officers (excluding non-executive directors and non-residents of Japan) (the "Directors & Officers") based on the ordinary general meeting of shareholders of the Company on June 23, 2021.

Accounting policies regarding the Plan follow "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No. 30 of March 26, 2015).

(1) *Outline of the Plan*

The Company introduced a system called BIP (Board Incentive Plan) trust for Director's compensation ("BIP trust") and will provide the Company's stock and cash equivalent to realized amount of the Company's stock obtained from BIP trust depending on their positions and goal achievement after the Directors & Officers' retirement.

(2) *Company stock remaining in BIP trust*

Company stock remaining in BIP trust was recorded as treasury stock in equity referring book value of BIP trust excluding accompanying costs. Book value and the number of stocks of the treasury stock at March 31, 2025 and 2024, were ¥312 million ($2,080 thousand) and 755,695 stocks, and ¥331 million and 803,129 stocks, respectively.

t. ***Research and Development Costs***—Research and development costs are charged to income as incurred.

u. ***Leases***—Japanese GAAP require that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet.

All other leases are accounted for as operating leases.

v. ***Income Taxes***—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

w. ***Foreign Currency Transactions***—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. Foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by foreign currency forward contracts.

x. ***Foreign Currency Financial Statements***—Balance sheet accounts of consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date.

y. ***Derivatives and Hedging Activities***—The Group uses derivative financial instruments, including foreign currency forward contracts, as a means of hedging exposure to foreign currency risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows:

(1) All derivatives are recognized as either assets or liabilities and measured at fair value, with gains or losses recognized in the consolidated statement of income.

(2) For derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts are utilized to hedge foreign exchange risks. Certain assets and liabilities on construction contracts denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Foreign currency deposits are held to hedge foreign exchange risks derived from forecasted purchases of fixed assets denominated in foreign currency.

z. ***Accounting Principles and Procedures Adopted When Related Accounting Regulations Were Unclear (Consolidation Measures for Jointly Controlled Entities)***—For jointly controlled entities that are not legal entities, the assets, liabilities, revenues and expenses are consolidated according to the amount of interest in the entity. This is conditional upon the fact that the contract specifies all assets and liabilities belong to the co-owners of the entity.

For incorporated jointly controlled entities, the assets, liabilities, revenues and expenses are consolidated according to the amount of interest in the entity. This is conditional upon the fact that in reality, the entity could be judged as an unincorporated entity. For example, if the contract specifies that all assets and liabilities belong to the co-owners, investment amounts are minimal, and liquidation is certain upon the completion of the project, the entity could be deemed as similar to unincorporated ones.

aa. ***Per Share Information***—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if preferred stocks were exercised. Diluted net income per share of common stock assumes full exercise of preferred stocks.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

ab. New Accounting Pronouncements

- Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024)
- Implementation Guidance on the Application of Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024), etc.

(1) *Overview*

ASBJ worked on developing an accounting standard that recognizes assets and liabilities for all leases for lessees as part of the effort to make the Japanese GAAP consistent with international accounting standards. As a basic policy, ASBJ announced the Accounting Standard for Leases, etc., which is based on the single accounting model of IFRS 16. However, only the main provisions of IFRS 16 were adapted with the aim of making the Accounting Standard for Leases simple and convenient also make it able to avoid revising the standalone financial statements when applying IFRS 16.

In the same manner as IFRS 16, a single accounting model is adopted for the allocation of expenses for leases of lessees, in which depreciation on right-of-use assets and interest on lease liabilities are recorded for all leases, regardless of whether the leases are finance leases or operating leases.

(2) *Scheduled date of application*

Effective from the beginning of the fiscal year ending March 2028.

(3) *Impact of the adoption of the Accounting Standard for Leases*

The impact of the adoption of the Accounting Standard for Leases on the consolidated financial statements is currently being evaluated.

3. SIGNIFICANT ACCOUNTING ESTIMATES

Revenue Recognition

(1) *The amount recorded in the fiscal years ended March 31, 2025 and 2024*

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Revenue recognized in proportion to satisfying a performance obligation over time	¥436,480	¥480,744	$2,909,867
Allowance for losses on construction contracts	28,379	36,508	189,196

(2) *Information on significant accounting estimates*

Revenue recognized in proportion to satisfying a performance obligation over time is based on the percentage of completion measured by the ratio of costs in total construction cost, which is called input method as stated in Note 2, "Summary of Significant Accounting Policies, d. Revenue Recognition."

When it is probable that the total construction costs will exceed total construction revenue and its amount is reasonably estimated, allowance for losses on construction contracts is recognized by deducting profit or loss that has been already posted from total estimated excess amount.

A part of the estimation of the total construction revenue based on the contracts with customers contains the elements of variable consideration, which come from future events that not occurred yet, such as incentive or bonuses from achieving significant milestones and liquidated damages for construction delays. Such estimation is based on the single amount that is most likely to arise when chosen from every possible amount of consideration. Of the amount estimated by this method, only the portion that is highly unlikely to cause a significant reduction in the amount of revenue is included in the total amount of construction revenue.

Estimation of the total construction cost includes the estimated cost on individual risks associated with construction progress, such as the delay of construction work and potential risk associated with global situation. In the event of unpredictable changes in assumptions, etc., the degree of progress in meeting performance obligations may change in accordance with changes in estimated amounts such as total cost of construction, and this may affect the recording of revenues and allowance for construction losses in respect of performance obligations to be met over a certain period in the following fiscal year.

Zachry Industrial, Inc. ("Zachry") was jointly executing the Golden Pass LNG Project ("the GPX Project") with the Group in Texas, U.S.A. However, Zachry withdrew from the GPX Project in August 2024 due to its filing of a petition pursuant to Chapter 11 of the U.S. Bankruptcy Code in May 2024 and entering into legal rehabilitation proceedings. Together with McDermott LLC ("MDR"), a joint venture partner, the Group agreed with Golden Pass LNG Terminal LLC ("GPX"), the customer, to revise the EPC contract (Engineering, Procurement and Construction Contract) for the Train 1 (the first train of natural gas liquefaction facilities), and the revision of the EPC contract for the remaining Train 2 and 3 (the second/third trains of the aforementioned facilities) has not been completed. Also, the estimation for total construction revenue, total construction cost and allowance for construction losses made in the current fiscal year took into account written agreements with the customer and joint venture partner, the outlook for the completion of the project in the future, the outlook for future prospects such as unit labor cost and productivity at the site, and the overall risk of future uncertainties. Since the GPX Project accounts for the majority of the balance of allowance for construction losses at the end of the current fiscal year, any change in the aforementioned assumptions may have a material impact on the amount recognized in the following fiscal year. As stated in Note 20, "Additional Information," the Company has signed a binding term sheet addressing the key components of an agreement for completion of Train 2 and 3 and plans to revise the estimates in the following fiscal year. In the GPX Project, engineering and procurement, which are the Group's main business areas, have largely been completed and construction work is in progress.

The Group is undertaking Qatar North Field East LNG Export Base Project ("the NFE Project"), a project to expand 4 lines of LNG plants with an annual production capacity of 8 million tons, jointly with Technip Energies in France. The amount of completed work is recognized after estimating the total amount of construction revenue and total cost of construction in the current fiscal year, taking into account the uncertainties regarding the mobilization of construction workers and securing of infrastructure due to changes in political and economic social conditions over the long term from design to completion. Any change in the above assumptions may have a material impact on the amount recognized in the following fiscal year. Regarding the NFE Project, the design and procurement work is largely completed and construction work is in progress.

4. RECEIVABLES FROM CONTRACT WITH CUSTOMERS AND CONTRACT ASSETS

Notes receivable, receivables from contract with customers and contract assets at March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Notes receivable—trade	¥ 157	¥ 1,401	$ 1,053
Accounts receivable—trade	15,859	22,468	105,731
Contract assets	4,039	3,718	26,929

5. INVESTMENT SECURITIES

Investment securities at March 31, 2025 and 2024, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Non-current—Equity securities	¥1,501	¥1,313	$10,008

The costs and aggregate fair values of investment securities at March 31, 2025 and 2024, were as follows:

March 31, 2025

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as—				
Available-for-sale—equity securities	¥179		¥46	¥133

March 31, 2024

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as—				
Available-for-sale—equity securities	¥179		¥19	¥159

March 31, 2025

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as—				
Available-for-sale—equity securities	$1,195		$308	$887

There were no available-for-sale securities sold during the year ended March 31, 2025.

Information on the available-for-sale securities sold during the year ended March 31, 2024, was as follows:

March 31, 2024

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Securities classified as—			
Available-for-sale—equity securities	¥1,600		

The impairment loss on available-for-sale securities for the years ended March 31, 2025 and 2024, was ¥17 million ($118 thousand) and ¥69 million, respectively.

When assessing impairment, if the available fair value at the end of the period of the securities declines by 50% or more, compared with acquisition cost, all the corresponding securities are impaired. In addition, in the case whereby the available fair value of the securities declined by more than 30% but by less than 50%, the Group examines the recoverability of the fair value of the securities and reduce the value if those securities are considered to be unrecoverable.

6. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

Investments in and advances to unconsolidated subsidiaries and associated companies at March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Investments	¥2,474	¥2,958	$16,498

7. LONG-TERM DEBT

Long-term debt at March 31, 2025 and 2024, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Long-term loans from banks, with interest rates at 3.3% (2025) and 2.5% (2024)—Unsecured	¥20,000	¥20,000	$133,333
Long-term loans from banks, with interest rates at 1.3% (2025) and 0.7% (2024)—Unsecured	2,600	2,600	17,333
Long-term loans from banks, with interest rates at 1.2% (2025) and 0.7% (2024)—Unsecured	1,000	1,000	6,666
Obligations under finance leases	1,353	1,890	9,022
Total	24,953	25,490	166,355
Less current portion	(1,473)	(20,684)	(9,822)
Long-term debt, less current portion	¥23,480	¥ 4,805	$156,533

Annual maturities of long-term debt, excluding finance leases, at March 31, 2025, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2025	¥ 1,202	$ 8,016
2026	1,202	8,016
2027	21,195	141,301
Total	¥23,600	$157,333

8. PLEDGED ASSETS

Assets that are pledged as collateral at March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Buildings and fixtures	¥2,042	¥1,752	$13,617
Land	4,013	4,013	26,755
Investment securities	37	37	247
Total	¥6,093	¥5,803	$40,620

Other than the assets mentioned above, an investment in a Special Purpose Company ("SPC") is also pledged as collateral. The investment amount is eliminated against the SPC's equity account.

The investment amounts were ¥30,550 million ($203,667 thousand) and ¥31,457 million for the years ended March 31, 2025 and 2024, respectively.

Assets used as collaterals are provision of collaterals for borrowings, and there are no corresponding liabilities at the end of the current and the prior fiscal years.

9. RETIREMENT AND PENSION PLANS

The Company and consolidated subsidiaries have funded or unfunded defined benefit pension plans and defined contribution pension plans for employees.

Under defined benefit corporate pension plans, all of which are funded, employees are entitled to certain lump-sum payments or pension payments based on cumulated points which are granted in accordance with years of continuous employment, occupational classification and performance evaluation. Under severance lump-sum payment plans, employees are entitled to certain lump-sum payments based on salary and service period.

Certain consolidated subsidiaries have defined benefit corporate pension plans or severance lump-sum payment plans and calculate retirement benefit expenses by using the simplified method.

Chiyoda X-ONE Engineering Corporation, a consolidated subsidiary of the Company, has transferred part of its defined benefit pension plans to a defined contribution pension plan on April 1, 2024.

In line with this transfer, the Group has adopted the "Guidance on Accounting for Transfer between Retirement Benefit Plans" (ASBJ Guidance No. 1, revised on December 16, 2016) and the "Practical Solution on Accounting for Transfer between Retirement Benefit Plans" (ASBJ PITF No. 2, revised on February 7, 2007) to process the partial termination of retirement benefit plans for the portion of the transfer. Subsequently, the Group recorded ¥207 million ($1,383 thousand) as "Gain on termination of retirement benefit plan" in the current fiscal year and ¥665 million as "Loss on termination of retirement benefit plan" in the prior fiscal year.

(1) The changes in defined benefit obligation (excluding systems applying the simplified method) for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Balance at beginning of year	¥17,547	¥17,493	$116,984
Current service cost	812	852	5,417
Interest cost	164	165	1,093
Actuarial (gains) losses	(1,891)	70	(12,606)
Benefits paid	(961)	(1,087)	(6,409)
Effect of transition to defined contribution pension plan	(1,096)		(7,309)
Effect of change from principle method to simplified method	42		281
Transfer amount due to change from principle method to simplified method	(604)		(4,031)
Others	59	53	396
Balance at end of year	¥14,072	¥17,547	$ 93,815

(2) The changes in plan assets (excluding systems applying the simplified method) for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Balance at beginning of year	¥17,597	¥17,160	$117,316
Expected return on plan assets	318	332	2,122
Actuarial (losses) gains	(341)	523	(2,279)
Contributions from the employer	575	623	3,839
Benefits paid	(949)	(1,086)	(6,329)
Effect of transition to defined contribution pension plan	(952)		(6,349)
Transfer amount due to change from principle method to simplified method	(645)		(4,305)
Others	44	43	297
Balance at end of year	¥15,646	¥17,597	$104,312

(3) The changes in the asset and liability recorded in the consolidated balance sheet by using the simplified method for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Balance at beginning of year	¥294	¥304	$1,962
Benefit costs	125	(4)	834
Benefits paid	(24)	(63)	(161)
Contribution to the plans	(33)	(84)	(220)
Effect of the transfer to defined contribution pension plans		128	
Transfer amount due to change from principle method to simplified method	(41)		(273)
Others	(1)	13	(9)
Balance at end of year	¥319	¥294	$2,131

(4) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligations and plan assets:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Funded defined benefit obligations	¥14,992	¥18,816	$ 99,952
Plan assets	(16,736)	(19,009)	(111,579)
Total	(1,744)	(192)	(11,626)
Unfunded defined benefit obligations	489	436	3,261
Net asset and liability arising from defined benefit obligations	¥ (1,254)	¥ 244	$ (8,365)

	Millions of Yen 2025	Millions of Yen 2024	Thousands of U.S. Dollars 2025
Liability for retirement benefits	¥ 810	¥727	$ 5,403
Asset for retirement benefits	(2,065)	(483)	(13,769)
Net asset and liability arising from defined benefit obligations	¥(1,254)	¥244	$ (8,365)

(5) The components of net periodic benefit costs for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen 2025	Millions of Yen 2024	Thousands of U.S. Dollars 2025
Service cost	¥812	¥852	$5,417
Interest cost	164	165	1,093
Expected return on plan assets	(318)	(332)	(2,122)
Recognized actuarial gains	(63)	(109)	(422)
Benefit costs in simplified method	125	(4)	834
Amount of amortization due to change from the principle method to the simplified method	(56)		(377)
Others	(2)		(17)
Net periodic benefit costs	¥660	¥571	$4,405

(6) Amounts recognized in other comprehensive income (before income taxes and tax effects) in respect of defined retirement benefit plans for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen 2025	Millions of Yen 2024	Thousands of U.S. Dollars 2025
Actuarial gains	¥(1,134)	¥(347)	$(7,566)
Total	¥(1,134)	¥(347)	$(7,566)

(7) Amounts recognized in accumulated other comprehensive income (before income taxes and tax effects) in respect of defined retirement benefit plans as of March 31, 2025 and 2024, were as follows:

	Millions of Yen 2025	Millions of Yen 2024	Thousands of U.S. Dollars 2025
Unrecognized actuarial gains	¥(1,262)	¥(127)	$(8,416)
Total	¥(1,262)	¥(127)	$(8,416)

(8) Plan assets

a. *Components of plan assets*

Plan assets as of March 31, 2025 and 2024, consisted of the following:

	2025	2024
Debt investments	34%	30%
Equity investments	25	24
General accounts	16	18
Alternative investments*	22	24
Others	3	4
Total	100%	100%

* Main component of alternatives is investments to hedge funds.

b. *Method of determining the expected rate of return on plan assets*

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(9) Assumptions used for the years ended March 31, 2025 and 2024, were set forth as follows:

	2025	2024
Discount rate	Mainly 1.8%	Mainly 0.7%
Expected rate of return on plan assets	Mainly 1.8%	Mainly 1.8%

The discount rate applied at the beginning of the fiscal year was 0.7%. However, as a result of a review of the discount rate at the end of the fiscal year, the Company determined that a change in the discount rate would have a significant impact on the amount of retirement benefit obligations, and therefore changed the discount rate to 1.8%.

(10) Payables to defined contribution plans of the Company and consolidated subsidiaries for the years ended March 31, 2025 and 2024, were ¥502 million ($3,348 thousand) and ¥349 million, respectively.

(11) The amount of assets to be transferred to the defined contribution pension plan due to the partial transfer from the defined benefit corporate pension plan is ¥699 million ($4,664 thousand) and the asset is planned to be transferred over 4 years. The untransferred assets amounted to ¥508 million ($3,391 thousand) as of the end of the current fiscal year is recorded in accounts payable and long-term accounts payable ("Other" of fixed liabilities).

10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. *Dividends*

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria, an Audit & Supervisory Board may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Board of Directors of a company with an audit and supervisory committee (as implemented under the Companies Act effective May 1, 2015) may also declare dividends at any time because such company, by its nature, meets the criteria under the Companies Act. The Company became organized as a company with an audit and supervisory committee effective June 23, 2016. However, the Company does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

The preferred dividend annual rate for the Class A Preferred Shares is set at 3%. If there is a shortfall in dividend on the shareholders of Class A Preferred Shares during a fiscal year, such shortfall will be carried over into the following fiscal year or into subsequent fiscal years. The shareholders of Class A Preferred Shares may not receive dividends from surplus in excess of the amount of such preferred dividends. The order of preference on payment of dividends from surplus between the Class A Preferred Shares and common shares is as follows: the amount equal to the unpaid dividends carried over on the Class A Preferred Shares is paid first; preferred dividends on the Class A Preferred Shares are paid next; and dividends on common shares are paid last.

b. *Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus*

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. *Treasury Stock and Treasury Stock Acquisition Rights*

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

d. *Foreign Currency Translation Adjustments*

The fluctuation of foreign currency adjustments was mainly due to significant change in the rate between Japanese yen, U.S. dollars and other currency to translate financial statements of foreign subsidiaries.

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 31% for the years ended March 31, 2025 and 2024.

(1) The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Deferred tax assets:			
Tax loss carryforwards*2	¥ 74,977	¥55,419	$ 499,848
Profit/loss in joint venture	7,954	6,848	53,031
Cost of revenue	6,593	7,393	43,953
Adjustment of percentage of completion for foreign construction	5,169	7,943	34,465
Accounts receivable from completed construction contracts and contract assets	2,666	2,625	17,777
Carryforward foreign tax credit	2,223	2,226	14,822
Long-term accounts receivable	1,877	1,824	12,515
Allowance for employees' bonus	1,761	1,109	11,744
Allowance for losses on construction contracts	1,715	5,970	11,437
Long-term loans receivable	1,691	1,643	11,273
Contract liabilities		4,833	
Other	1,465	1,595	9,771
Subtotal of deferred tax assets	108,096	99,434	720,641
Valuation allowance for tax loss carryforwards*3	(74,977)	(55,419)	(499,848)
Valuation allowance for temporary differences	(32,413)	(43,224)	(216,090)
Subtotal valuation allowance*2	(107,390)	(98,643)	(715,939)
Total	705	790	4,702
Deferred tax liabilities:			
Prepaid pension costs	(649)	(147)	(4,327)
Deferred gains on hedges	(194)	(1,839)	(1,297)
Fixed assets as asset retirement obligations	(12)	(142)	(86)
Other	(76)	(38)	(508)
Total	(933)	(2,167)	(6,220)
Net deferred tax liabilities*1	¥ (227)	¥ (1,377)	$ (1,517)

*1 Net deferred tax assets and deferred tax liabilities as of March 31, 2025 and 2024, were recorded in the accompanying consolidated balance sheet as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Investments and other assets—Deferred tax assets	¥ 77	¥ 94	$ 518
Long-term liabilities—Deferred tax liabilities	(305)	(1,471)	(2,036)

*2 The main change in valuation allowance was due to an increase in valuation allowance for tax loss carryforwards.

*3 Amounts of tax loss carryforwards and related deferred tax assets by tax loss carryforwards for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen						
March 31, 2025	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Tax loss carryforwards*		¥6,100		¥3,058	¥731	¥65,086	¥74,977
Valuation allowance for tax loss carryforwards		(6,100)		(3,058)	(731)	(65,058)	(74,977)
Deferred tax assets							
March 31, 2024							
Tax loss carryforwards*		¥ 431	¥5,574	¥2,405	¥550	¥46,457	¥55,419
Valuation allowance for tax loss carryforwards		(431)	(5,574)	(2,405)	(550)	(46,457)	(55,419)
Deferred tax assets							

	Thousands of U.S. Dollars						
March 31, 2025	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Tax loss carryforwards*		$40,672		$20,386	$4,879	$433,909	$499,848
Valuation allowance for tax loss carryforwards		(40,672)		(20,386)	(4,879)	(433,909)	(499,848)
Deferred tax assets							

* Figures for tax loss carryforwards were the amounts multiplied by the effective statutory tax rate.

(2) A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2025 and 2024, is as follows:

	2025	2024
Normal effective statutory tax rate	30.5%	
Expenses not deductible for income tax purposes	1.3	
Dividend income and other not taxable items	(0.3)	
Per capita resident tax	0.2	
Difference of tax rates for foreign subsidiaries	(4.7)	
Difference in prior tax return	(13.0)	
Other	0.7	
Actual effective tax rate	14.7%	

The figures for the prior fiscal year are omitted because a net loss was recorded.

(3) The Act for Partial Revision of the Income Tax Act, etc. (Act No. 13 of 2025) was enacted on March 31, 2025, and the special defense surtax will be imposed from the fiscal year beginning on or after April 1, 2026.

Accordingly, the statutory effective tax rate for deferred tax assets and liabilities related to temporary differences that are expected to be resolved after the fiscal year beginning on or after April 1, 2026, has been changed from 30.5% to 31.4%.

As a result of this change, the amount of deferred tax liabilities (after deducting the amount of deferred tax assets) for the current fiscal year increased by ¥18 million ($124 thousand), the income tax adjustment increased by ¥11 million ($74 thousand), the deferred gain on hedges decreased by ¥5 million ($36 thousand), and the accumulated adjustments for retirement benefits decreased by ¥2 million ($13 thousand).

(4) In accordance with the provisions of Paragraph 42 of "The Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System" (ASBJ Guidance No. 42 of August 12, 2021), the Company and its domestic subsidiaries assessed the accounting treatments on Japanese national and local income taxes or relating tax effects and disclosed the relevant information.

12. REVENUE

(1) *Disaggregation of Revenue*

Revenues from contracts with customers on a disaggregated basis for the fiscal years ended March 31, 2025 and 2024, were as follows:

Year Ended March 31, 2025

	Millions of Yen		
	Reportable Segment Engineering	Other*	Total
Geographical areas:			
America	¥ 21,736		¥ 21,736
Asia and Oceania	118,120		118,120
Middle and near East and Africa	212,796		212,796
Other oversea	2,513		2,513
Japan	101,179	¥622	101,802
Revenues from contracts with customers	456,346	622	456,969
Other revenue			
Total	¥456,346	¥622	¥456,969
Products and services:			
LNG plant	¥250,239		¥250,239
Other gas products	4,754		4,754
Oil and petrochemical	33,250		33,250
Medicine, biochemistry and general chemistry	35,699		35,699
Environment, new energy and infrastructure	126,653		126,653
Other	5,748	¥622	6,371
Revenues from contracts with customers	456,346	622	456,969
Other revenue			
Total	¥456,346	¥622	¥456,969

Year Ended March 31, 2024

	Millions of Yen		
	Reportable Segment Engineering	Other*	Total
Geographical areas:			
America	¥ 16,954		¥ 16,954
Asia and Oceania	207,718		207,718
Middle and near East and Africa	195,629		195,629
Other oversea	274		274
Japan	84,835	¥569	85,404
Revenues from contracts with customers	505,412	569	505,981
Other revenue			
Total	¥505,412	¥569	¥505,981
Products and services:			
LNG plant	¥241,931		¥241,931
Other gas products	2,920		2,920
Oil and petrochemical	30,347		30,347
Medicine, biochemistry and general chemistry	31,116		31,116
Environment, new energy and infrastructure	194,712		194,712
Other	4,383	¥569	4,953
Revenues from contracts with customers	505,412	569	505,981
Other revenue			
Total	¥505,412	¥569	¥505,981

Year Ended March 31, 2025

	Thousands of U.S. Dollars		
	Reportable Segment Engineering	Other*	Total
Geographical areas:			
America	$ 144,909		$ 144,909
Asia and Oceania	787,471		787,471
Middle and near East and Africa	1,418,640		1,418,640
Other oversea	16,756		16,756
Japan	674,529	$4,152	678,682
Revenues from contracts with customers	3,042,307	4,152	3,046,460
Other revenue			
Total	$3,042,307	$4,152	$3,046,460
Products and services:			
LNG plant	$1,668,262		$1,668,262
Other gas products	31,694		31,694
Oil and petrochemical	221,672		221,672
Medicine, biochemistry and general chemistry	237,998		237,998
Environment, new energy and infrastructure	844,356		844,356
Other	38,322	$4,152	42,475
Revenues from contracts with customers	3,042,307	4,152	3,046,460
Other revenue			
Total	$3,042,307	$4,152	$3,046,460

* Division of "Other" is other business segment, which is not included in reportable segment, and contains worker dispatch business.

(2) *Basic Information to Understand Revenues from Contracts with Customers*

Basic information to understand revenue from contracts with customers is included in Note 2, "Summary of Significant Accounting Policies, d. Revenue Recognition."

(3) *Contract Balances*

Receivables from contract with customers, contract assets and contract liabilities at the beginning and the end of the fiscal years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Receivables from contracts with customers:			
Balance at beginning of year	¥ 23,870	¥ 22,741	$ 159,135
Balance at end of year	16,017	23,870	106,784
Contract assets:			
Balance at beginning of year	3,718	12,292	24,787
Balance at end of year	4,039	3,718	26,929
Contract liabilities:			
Balance at beginning of year	188,701	163,347	1,258,010
Balance at end of year	217,390	188,701	1,449,270

Contract assets are the right of the Group for consideration recorded by recognizing revenue based on the progress. At the point that the right of the Group for consideration become unconditional, contract assets will be transferred to accounts receivable—trade.

Contract liabilities are advance receipt from customers before fulfillment of contract regarding contract which recognize revenue based on progress. Contract liabilities will be reversed after revenue recognition.

The Group roughly receive consideration in proportion to the satisfying a performance obligation as conditions are defined in contracts such as milestones. No consideration contains significant financial elements.

The amount of revenue recognized for the year ended March 31, 2025, that was included in contract liabilities balance at the beginning of the year is ¥149,542 million ($996,949 thousand).

The amount of revenue for the year ended March 31, 2025, recognized from performance obligations satisfied (or partially satisfied) in the prior fiscal years is ¥4,561 million ($30,409 thousand).

The amount of revenue recognized for the year ended March 31, 2024, that was included in contract liabilities balance at the beginning of the year is ¥135,646 million.

The amount of revenue for the year ended March 31, 2024, recognized from performance obligations satisfied (or partially satisfied) in the prior fiscal years is ¥(18,281) million. Non-material errors in the prior fiscal year have been corrected.

(4) ***Transaction Prices Allocated to Remaining Performance Obligations***

Transaction prices allocated to remaining performance obligations that are unsatisfied at March 31, 2025 and 2024, and expected future periods of revenue recognition were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Within one year	¥342,772	¥462,562	$2,285,149
After one to five years	393,332	527,323	2,622,214
After five years	3,753	3,991	25,022
Total	¥739,857	¥993,878	$4,932,386

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥3,340 million ($22,269 thousand) and ¥2,405 million for the years ended March 31, 2025 and 2024, respectively.

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) ***Group Policy for Financial Instruments***

The Group uses financial instruments for cash surpluses, if any, invested in low-risk financial assets, such as deposits at notice. For operating capital, the Group uses bank loans. Derivatives are used, not for speculative purposes, but to manage exposure to the market risk of fluctuation in foreign currency exchange rates and interest rates.

(2) ***Nature and Extent of Risks Arising from Financial Instruments***

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using foreign currency forward contracts.

Investment securities are shares of companies with which the Company has business relationships and investments in investment limited partnerships, and are exposed to market price fluctuation risks and issuer's credit risk.

Payment terms of payables, such as trade notes and trade accounts, are generally less than one year. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of receivables in foreign currencies, is hedged by using foreign currency forward contracts.

Derivatives are foreign currency forward contracts, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables. Please see Notes 2.y and 15 for more details about derivatives.

(3) ***Risk Management for Financial Instruments***

Credit risk management

The Group manages its credit risk from receivables based on internal guidelines, which include monitoring of payment terms and balances of major customers to identify the default risk of customers at an early stage.

With respect to foreign currency forward contracts, the Group limits the counterparties to those derivatives to major financial institutions that can bear losses arising from credit risk.

Market risk management (risk of foreign exchange and interest rates)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk grasped by currency and month is hedged principally with foreign currency forward contracts.

Foreign currency forward contracts are controlled under the internal guidelines. The position related to particular construction contracts is identified and is reviewed. For setting and cancelling foreign currency contracts, reconciliation of the transaction and balances with customers' confirmation replies is made, and the transactions related to foreign currency forward contracts are executed and accounted for under internal guidelines.

Marketable and investment securities are managed by monitoring the market values and financial position of issuers on a regular basis. The Group assesses the stock price risk quantitatively so as to account for significant declines in market value as impairment losses.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on their maturity dates. The Group manages its liquidity risk by holding an adequate volume of liquid assets along with timely, adequate financial planning.

(4) ***Fair Values of Financial Instruments***

Fair values of financial instruments may differ as such assessment is based on certain assumptions including fluctuating factors, under different assumptions. Please see Note 15 for fair values for derivatives.

(a) *Fair values of financial instruments*

March 31, 2025

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Investment securities	¥ 133	¥ 133	
Total	¥ 133	¥ 133	
Notes and accounts payable—trade	¥120,983	¥120,983	
Current portion of long-term debt	1,202	1,202	
Long-term debt	22,397	22,265	¥(132)
Total	¥144,583	¥144,451	¥(132)

March 31, 2024

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Investment securities	¥ 159	¥ 159	
Total	¥ 159	¥ 159	
Notes and accounts payable—trade	¥133,775	¥133,775	
Current portion of long-term debt	20,000	19,918	¥ (81)
Long-term debt	3,600	3,571	(28)
Total	¥157,375	¥157,265	¥(110)

March 31, 2025

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Investment securities	$ 887	$ 887	
Total	$ 887	$ 887	
Notes and accounts payable—trade	$806,556	$806,556	
Current portion of long-term debt	8,016	8,016	
Long-term debt	149,317	148,434	$(882)
Total	$963,889	$963,007	$(882)

Description is omitted as the carrying value of cash and cash equivalents, short-term investments, notes and accounts receivable—trade, accounts receivable—other, jointly controlled assets of joint venture, short-term loans, accounts payable—other, and income taxes payable approximates fair value because of their short maturities.

(*b*) *Carrying amount of financial instruments with fair values that cannot be reliably determined*

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Investment securities that do not have a quoted market price in an active market	¥1,148	¥1,153	$ 7,654
Investments in equity instruments that do not have a quoted market price in an active market	1	1	8
Investments in unconsolidated subsidiaries and associated companies that do not have a quoted market price in an active market	2,474	2,958	16,498

Financial instruments above are not included in "Investment securities" in "(a) Fair values of financial instruments" as they have no market prices and also it is extremely difficult to determine fair value.

(**5**) ***Maturity Analysis for Financial Assets and Securities with Contractual Maturities***

March 31, 2025

	Millions of Yen		
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years
Cash and cash equivalents	¥151,218		
Short-term investments	2,102		
Notes and accounts receivable, and costs and estimated earnings on long-term construction contracts*	15,890	¥65	
Accounts receivable—other*	22,822		
Jointly controlled assets of joint venture	153,944		
Short-term loans receivable	70,007		
Total	¥415,985	¥65	

March 31, 2024

	Millions of Yen		
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years
Cash and cash equivalents	¥ 99,988		
Short-term investments	2,064		
Notes and accounts receivable, and costs and estimated earnings on long-term construction contracts*	22,519	¥65	
Accounts receivable—other*	35,380		
Jointly controlled assets of joint venture	147,017		
Short-term loans receivable	66,200		
Total	¥373,169	¥65	

March 31, 2025

	Thousands of U.S. Dollars		
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years
Cash and cash equivalents	$1,008,121		
Short-term investments	14,016		
Notes and accounts receivable, and costs and estimated earnings on long-term construction contracts*	105,933	$439	
Accounts receivable—other*	152,147		
Jointly controlled assets of joint venture	1,026,295		
Short-term loans receivable	466,719		
Total	$2,773,235	$439	

* Allowance for doubtful accounts is deducted.

(6) *Financial Instruments Categorized by Fair Value Hierarchy*

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is categorized at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(*a*) *The financial assets and liabilities measured at the fair values in the consolidated balance sheet*

March 31, 2025

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Investment securities—				
Available-for-sale securities—				
equity securities	¥133			¥133
Derivative transactions—				
Foreign currency forward contracts		¥53		53
Total assets	¥133	¥53		¥186

March 31, 2024

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Investment securities—				
Available-for-sale securities—				
equity securities	¥159			¥159
Derivative transactions—				
Foreign currency forward contracts		¥52		52
Total assets	¥159	¥52		¥212

March 31, 2025

	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Investment securities—				
Available-for-sale securities—				
equity securities	$887			$ 887
Derivative transactions—				
Foreign currency forward contracts		$358		358
Total assets	$887	$358		$1,245

(*b*) *The financial assets and liabilities not measured at the fair values in the consolidated balance sheet*

March 31, 2025

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Notes and accounts payable—trade		¥120,983		¥120,983
Current portion of long-term debt		1,202		1,202
Long-term debt		22,265		22,265
Total liabilities		¥144,451		¥144,451

March 31, 2024

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Notes and accounts payable—trade		¥133,775		¥133,775
Current portion of long-term debt		19,918		19,918
Long-term debt		3,571		3,571
Total liabilities		¥157,265		¥157,265

March 31, 2025

	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Notes and accounts payable—trade		$806,556		$806,556
Current portion of long-term debt		8,016		8,016
Long-term debt		148,434		148,434
Total liabilities		$963,007		$963,007

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Investment Securities

The fair values of listed equity securities are measured at the quoted market prices. Since listed equity securities are traded in active markets, the fair value of listed equity securities is categorized as Level 1.

Derivatives

The fair values of foreign currency forward contracts are measured at quoted market prices obtained from relevant financial institution, and are categorized as Level 2.

Notes and Accounts Payable—Trade

The fair value of each group of payables and short-term bank loans with similar maturities are measured by using discounted present value techniques considering assumptions including expected future cash flows and discount rates taking into account maturity and credit risk, and are categorized as Level 2.

Current Portion of Long-Term Debt and Long-Term Debt

The fair values of long-term debt are measured by using discounted present value techniques considering assumptions including the total amount of principal and discount rates taking into account maturity and credit risk, and are categorized as Level 2.

15. DERIVATIVES

Derivative Transactions to Which Hedge Accounting Is Not Applied

March 31, 2025

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling USD/buying JPY	¥15,233		¥28	¥28
Selling EUR/buying JPY	918			
Buying USD/selling JPY	668		2	2
Buying EUR/selling JPY	663		(4)	(4)
Buying AUD/selling JPY	483		(2)	(2)
Total	¥17,966		¥24	¥24

March 31, 2024

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling USD/buying JPY	¥18,787		¥(28)	¥(28)
Selling EUR/buying JPY	3,751		9	9
Buying USD/selling JPY	761	¥90	12	12
Buying AUD/selling JPY	496		(1)	(1)
Total	¥23,797	¥90	¥ (7)	¥ (7)

March 31, 2025

	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling USD/buying JPY	$ 101,554		$ 187	$ 187
Selling EUR/buying JPY	6,121		6	6
Buying USD/selling JPY	4,453		15	15
Buying EUR/selling JPY	4,420		(29)	(29)
Buying AUD/selling JPY	3,225		(15)	(15)
Total	$ 119,775		$ 164	$ 164

Derivative Transactions to Which Hedge Accounting Is Applied

March 31, 2025

		Millions of Yen		
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value (Loss)
Foreign currency forward contracts—Accounted for under deferred hedge accounting method:				
Selling USD/buying JPY	Foreign currency forecasted transaction	¥ 184	¥ 184	¥ 4
Buying USD/selling JPY		504	4	(7)
Buying EUR/selling JPY		1,209	1,196	31
Total		¥1,898	¥1,385	¥29
Other*:				
Buying USD/selling JPY	Payables	¥ 225	¥ 66	
Buying EUR/selling JPY		2		
Total		¥ 228	¥ 66	

March 31, 2024

	Hedged Item	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value (Loss)
Foreign currency forward contracts—Accounted for under deferred hedge accounting method:				
Selling USD/buying JPY	Foreign currency forecasted transaction	¥ 154		¥ (60)
Buying USD/selling JPY		719	¥208	17
Buying EUR/selling JPY		471		101
Buying AUD/selling JPY		53		1
Total		¥1,398	¥208	¥ 60
Other*:				
Buying USD/selling JPY	Payables	¥ 165	¥ 36	
Buying EUR/selling JPY		144		
Buying AUD/selling JPY		26		
Total		¥ 337	¥ 36	

March 31, 2025

	Hedged Item	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value (Loss)
Foreign currency forward contracts—Accounted for under deferred hedge accounting method:				
Selling USD/buying JPY	Foreign currency forecasted transaction	$ 1,230	$1,230	$ 30
Buying USD/selling JPY		3,362	31	(48)
Buying EUR/selling JPY		8,061	7,973	212
Total		$12,654	$9,235	$194
Other*:				
Buying USD/selling JPY	Payables	$ 1,505	$ 442	
Buying EUR/selling JPY		19		
Total		$ 1,525	$ 442	

* Fair value of the foreign currency forward contract assigned for payables is included in the fair value of payables disclosed in Note 14.

16. OTHER COMPREHENSIVE LOSS

The components of other comprehensive loss for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen 2025	Millions of Yen 2024	Thousands of U.S. Dollars 2025
Unrealized loss on available-for-sale securities:			
Losses arising during the year	¥ (33)	¥ (84)	$ (225)
Reclassification adjustments to profit or loss		(2)	
Amount before income tax effect	(33)	(87)	(225)
Income tax effect			
Total	¥ (33)	¥ (87)	$ (225)
Deferred (loss) gain on derivatives under hedge accounting:			
(Losses) gains arising during the year	¥ (18)	¥13,293	$ (122)
Reclassification adjustments to profit or loss	(204)	(1,588)	(1,361)
Adjustment to acquisition cost of assets	(5,175)	(8,147)	(34,500)
Amount before income tax effect	(5,397)	3,557	(35,985)
Income tax effect	1,645	(1,087)	10,967
Total	¥(3,752)	¥ 2,469	$(25,017)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥(5,083)	¥ (4,259)	$(33,892)
Reclassification adjustments to profit or loss			
Total	¥(5,083)	¥ (4,259)	$(33,892)
Defined retirement benefit plans:			
Adjustments arising during the year	¥ 1,523	¥ 457	$ 10,157
Reclassification adjustments to profit or loss	(388)	(109)	(2,591)
Amount before income tax effect	1,134	347	7,566
Income tax effect	(455)	(69)	(3,036)
Total	¥ 679	¥ 278	$ 4,529
Share of other comprehensive income of associates:			
Income arising during the year	¥ 16	¥ 10	$ 110
Reclassification adjustments to profit or loss			
Total	¥ 16	¥ 10	$ 110
Total other comprehensive loss	¥(8,174)	¥ (1,589)	$(54,494)

17. NET INCOME (LOSS) PER SHARE

A reconciliation of the differences between basic and diluted net income (loss) per share ("EPS") for the years ended March 31, 2025 and 2024, was as follows:

Year Ended March 31, 2025

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥24,887	259,109	¥96.05	$0.64
Effect of dilutive securities—Preferred stock	2,100	763,385		
Diluted EPS—Net income for computation	¥26,987	1,022,494	¥26.39	$0.18

Year Ended March 31, 2024

	Millions of Yen	Thousands of Shares	Yen
	Net Loss Attributable to Owners of the Parent	Weighted-Average Shares	EPS
Basic EPS—Net loss available to common shareholders	¥(17,931)	259,046	¥(69.22)
Effect of dilutive securities—Preferred stock	2,100	742,385	
Diluted EPS—Net loss for computation	¥(15,831)	1,001,431	

Please note that diluted EPS for prior fiscal year is not indicated because basic earnings per share were negative, although there are potential common shares with dilutive effects.

There was no dilutive effect for the year ended March 31, 2024.

The Company adopts BIP trust and the number of Company stocks remaining in BIP trust included as treasury stock which was excluded from the total outstanding stocks in the calculation of EPS.

The number of Company stocks remaining in BIP trust at March 31, 2025 and 2024, was 755 thousand shares and 803 thousand shares, respectively.

In the calculation of weighted-average shares of basic and diluted EPS, the number of company shares held by the trust bank is included in treasury stock that is excluded from the total number of outstanding shares at the end of the current fiscal year (766 thousand shares and 828 thousand shares in 2025 and 2024).

18. SEGMENT INFORMATION

Under Japanese accounting standards, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and for which such information is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) *Description of Reportable Segments*

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is performed in order to decide how resources are allocated within the Group. The Group provides "Engineering" services globally, including planning, engineering, construction, procurement, commissioning, and maintenance, adapting the most appropriate functions of each related company.

(2) *Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, Liabilities, and Other Items for Each Reportable Segment*

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

The profit in reporting segments is based on the operating income. Intersegment income and transfers are measured at the quoted market price.

(3) *Information about Sales, Profit, Assets, Liabilities, and Other Items*

Year Ended March 31, 2025

Since the reportable segment of the Group consists of only the "Engineering" segment, and other segments have become immaterial, the Group has omitted reporting of segment information.

Year Ended March 31, 2024

Since the reportable segment of the Group consists of only the "Engineering" segment, and other segments have become immaterial, the Group has omitted reporting of segment information.

Related Information

(1) *Information about Products and Services*

The engineering business represents more than 90% of the total sales of the Group. Accordingly, the presentation of the information about each service is not required under Japanese GAAP.

(2) *Information about Geographical Areas*

(*a*) *Revenue*

Year Ended March 31, 2025

	Millions of Yen	Thousands of U.S. Dollars
Qatar	¥212,021	$1,413,477
Indonesia	115,708	771,391
Japan	101,802	678,682
Others	27,436	182,909
Total	¥456,969	$3,046,460

Year Ended March 31, 2024

	Millions of Yen
Indonesia	¥205,362
Qatar	194,438
Japan	85,404
Others	20,775
Total	¥505,981

Note: Revenue is classified by country or region based on the location of construction sites.

(*b*) *Property, plant and equipment*

Year Ended March 31, 2025

	Millions of Yen	Thousands of U.S. Dollars
Japan	¥ 9,034	$60,228
Philippines	1,215	8,106
Others	220	1,468
Total	¥10,470	$69,803

Year Ended March 31, 2024

	Millions of Yen
Japan	¥ 9,001
Philippines	1,364
Others	519
Total	¥10,886

(3) *Information about Major Customers*

Year Ended March 31, 2025

Name	Related Segment	Millions of Yen Revenue	Thousands of U.S. Dollars Revenue
Qatar Energy	Engineering	¥207,154	$1,381,028
PT Freeport Indonesia	Engineering	101,286	675,240

Year Ended March 31, 2024

Name	Related Segment	Millions of Yen Revenue
Qatar Energy	Engineering	¥188,383
PT Freeport Indonesia	Engineering	172,252

(4) *Information on Impairment Loss of Fixed Assets by Reportable Segment*

The Group's reportable segment is the engineering business only, other segments are not significant, and there are no impairment losses not allocated to the reportable segment in the current and the prior fiscal years.

(5) *Information about Goodwill by Reportable Segment*

The reportable segment of the Group consists of only the engineering segment, and the other segment is immaterial. Accordingly, the Group has omitted reporting of segment information. Regarding the goodwill, which is not included in the reportable segment, its amortization in the year was ¥29 million ($199 thousand) and its unamortized balance was ¥135 million ($900 thousand) in current fiscal year.

The reportable segment of the Group consists of only the engineering segment, and the other segment is immaterial. Accordingly, the Group has omitted reporting of segment information. Regarding the goodwill, which is not included in the reportable segment, its amortization in the year was ¥29 million and its unamortized balance was ¥165 million in prior fiscal year.

19. RELATED PARTY DISCLOSURES

The material transactions of the Group with the parent company and major shareholders for the years ended March 31, 2025 and 2024, were as follows:

Year Ended March 31, 2025

	Millions of Yen	Thousands of U.S. Dollars
Loan of funds*	¥81,000	$540,000

Year Ended March 31, 2024

	Millions of Yen
Loan of funds*	¥66,200

* This was due to the transaction with Mitsubishi Corporation Financial & Management Services (Japan) Ltd. Regarding the loan of funds, applicable interest rates are rationally determined upon taking into account the market rate of interest.

There are no material balances with unconsolidated subsidiaries and associated companies as of March 31, 2025.

There are no material transactions of the Group with unconsolidated subsidiaries and associated companies for the year ended March 31, 2025.

20. ADDITIONAL INFORMATION

In August 2024, Zachry withdrew from the GPX Project in Texas, U.S.A., after filing a Chapter 11 of the U.S. Bankruptcy Code in May 2024 and entering into legal rehabilitation proceedings. MDR and Chiyoda International Corporation ("CIC"), the Company's wholly owned Houston, Texas headquartered subsidiary, have continued cooperative discussions with GPX and have signed a binding term sheet addressing the key components of an agreement for completion of Train 2 and 3 of the GPX Project. When combined with the amendment of the EPC contract for the completion of the full scope for Train 1 (previously announced on November 25, 2024), and when converted into an approved contract amendment, this term sheet addresses the full scope and commercial terms for completion of the GPX Project. MDR and CIC, and GPX will continue engagements to finalize amendment to the contract and will disclose promptly when such agreement is concluded.

The review of the allowance for construction losses and its impact on the improvement of profitability will be reflected in a timely manner after examining the details of each project.

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Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Chiyoda Corporation:

<Audit of Consolidated Financial Statements>

Opinion

We have audited the consolidated financial statements of Chiyoda Corporation and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2025, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Estimate of total construction revenue and total construction cost in revenue recognition

See Note 3.

Key Audit Matter Description

The Group has mainly entered into long-term construction contracts in the engineering business. For these contracts, the Group determined that it satisfies the performance obligation over time and recognizes revenue by measuring the progress towards the complete satisfaction of such performance obligation. The progress is measured based on the percentage of construction costs incurred by the end of each reporting period to total construction costs. Revenue is calculated by multiplying estimated total construction revenue with the progress. For the year ended March 31, 2025, of the ¥436,480 million ($2,909,867 thousand) total revenue, ¥456,969 million ($3,046,460 thousand) was recognized using this method.

This method is based on the estimated total construction revenue and total construction costs, which involve significant judgments and forecasts made by management depending on the business environment and include the following factors of uncertainty of accounting estimates:

(1) Estimation of total construction revenue includes significant forecasts and judgments related to future uncertain events, such as potential liquidated damages for delays in construction completion. Although an agreement is reached on the change in the method of construction or the scope of work, the agreement on the variable consideration may not necessarily be confirmed in a timely manner by the contract, and there is a significant uncertainty in the estimation of total construction revenue depending on the size and nature of the construction project.

(2) Estimation of total construction costs is based on various significant assumptions related to the fluctuation of the market prices for outsourcing costs, equipment and materials costs and transportation costs, also takes into account the construction schedule established based mainly on the mobilization plan of construction workers and the procurement plan of equipment and materials. Total construction costs may increase from the original estimation caused by higher prices of labor, equipment and materials which is due to the increase of geopolitical risk, or due to delays in the mobilization of construction workers, securing infrastructure, or procurement of equipment and materials that do not proceed as planned. The estimation of total construction costs for such unexpected events may involve higher uncertainties depending on the size and nature of the project.

There is an industrial practice to form a joint venture with the partners to carry out the long-term construction work and may share responsibilities to the customers to complete the construction with the partners. Therefore, there is a possibility that the estimation of total construction cost be impacted by the default by the partner or deterioration of their financial condition.

In particular, accounting estimates related large-scale and long-term plant construction projects in foreign countries involve uncertainties and have significant impact on the consolidated financial statements as a whole.

Given the above understanding, we have determined the estimation of total construction revenue and total construction costs used in revenue recognition for large-scale and long-term plant construction projects in foreign countries to be a key audit matter.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures to determine the appropriateness of the estimation of total construction revenue and total construction costs for large-scale and long-term plant construction projects in foreign countries are as follows, among others:

(1) Internal control testing

We obtained an understanding of the business environment surrounding the Group and the industry. We then tested the design and operating effectiveness of the internal controls over the estimation of total construction revenue and total construction costs used in revenue recognition, including the following controls among others.

Strategy & Risk Integration Division's Cost review: the profit and losses and progress of construction projects are monitored, analyzed and evaluated from an independent perspective from each project.

Project Profitability Review Meetings: the progress and profitability of current construction projects are reported and discussed.

(2) Assessment of appropriateness of the estimation of total construction revenue and total construction costs

(a) We investigated whether each project's construction budget, which is based on the estimation of total construction costs was quantitatively and comprehensively analyzed and evaluated through Strategy & Risk Integration Division's Cost review.

(b) We inspected the documentation of the Project Profitability Review Meetings prepared by project managers to evaluate whether the project's construction budget was adjusted in a timely and appropriate manner and comprehensively in accordance with the progress of the construction reflecting the result of discussion at the meetings.

(c) We inquired of project managers and inspected supporting evidence to obtain an understanding of the status of negotiations with customers or subcontractors and the progress of the constructions and identified key uncertain factors, such as the risk of incurring liquidated damages due to delays in the construction project and the risk of incurring additional construction costs to be paid to subcontractors and evaluated the reasonableness and feasibility of the assumptions of the estimates.

(d) We compared the estimated amount of total construction revenue from previous years with actual or revised total construction revenue as of March 31, 2025, to evaluate the appropriateness of the estimation. We also, compared the estimated amount of total construction cost from previous years with actual or revised total construction costs as of March 31, 2025, to evaluate the appropriateness of the estimation.

(e) We compared the estimated amount of total construction revenue or total construction costs with supporting evidence, such as contracts and relating memorandum agreed on with customers, and quotes and invoices from subcontractors or equipment vendors.

(f) We engaged legal counsel from our network firm as an internal specialist for projects with significant legal matters to assess the appropriateness of legal interpretation.

(g) We observed construction sites to evaluate that the construction status of the project aligns with the estimated total construction costs and progress.

Other Information

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

We determined that no such information existed and therefore, we did not perform any work thereon.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of 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. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of 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 whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2025, which were charged by us and our network firms to Chiyoda Corporation and its subsidiaries were ¥350 million and ¥2 million, 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.

Noriaki Kobayashi

Noriaki Kobayashi
Designated Engagement Partner
Certified Public Accountant

Sogo Ito

Sogo Ito
Designated Engagement Partner
Certified Public Accountant

Deloitte Touche Tohmatsu LLC

August 5, 2025

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Printed in Japan