

Consolidated Financial Statements

FY2023

For the year ended March 31, 2024

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, 2024

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
CURRENT ASSETS:			
Cash and cash equivalents (Note 18)	¥ 100,008	¥ 59,682	\$ 662,309
Short-term investments (Note 18)	2,064	1,558	13,670
Notes and accounts receivable—trade (Notes 5 and 15)	23,870	22,741	158,081
Contract assets (Notes 5 and 15)	3,718	12,292	24,623
Costs of construction contracts in process	18,874	23,570	124,994
Accounts receivable—other (Note 18)	35,818	39,900	237,206
Jointly controlled assets of joint venture (Note 18)	147,017	161,643	973,622
Short-term loans receivable (Note 18)	66,200	47,578	438,410
Prepaid expenses and other	8,810	15,629	58,347
Allowance for doubtful accounts	(2,021)	(1,639)	(13,389)
Total current assets	<u>404,359</u>	<u>382,958</u>	<u>2,677,877</u>
PROPERTY, PLANT AND EQUIPMENT:			
Land (Notes 9 and 11)	4,552	5,041	30,149
Buildings and structures (Notes 9 and 11)	13,036	15,413	86,336
Machinery and equipment	1,799	1,837	11,917
Tools, furniture and fixtures (Note 9)	6,656	6,592	44,082
Construction in progress	768	33	5,089
Total	<u>26,813</u>	<u>28,918</u>	<u>177,575</u>
Accumulated depreciation	<u>(15,927)</u>	<u>(18,174)</u>	<u>(105,482)</u>
Net property, plant and equipment	<u>10,886</u>	<u>10,743</u>	<u>72,092</u>
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 6, 11 and 18)	1,313	2,985	8,701
Investments in and advances to unconsolidated subsidiaries and associated companies (Notes 8 and 18)	2,958	3,456	19,593
Goodwill	184	217	1,219
Software	5,273	4,494	34,920
Asset for retirement benefits (Note 12)	483	167	3,200
Deferred tax assets (Note 14)	94	139	626
Other assets	1,432	1,442	9,487
Allowance for doubtful accounts	<u>(18)</u>	<u>(18)</u>	<u>(120)</u>
Total investments and other assets	<u>11,721</u>	<u>12,885</u>	<u>77,629</u>
TOTAL	<u>¥ 426,967</u>	<u>¥ 406,588</u>	<u>\$ 2,827,599</u>

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
CURRENT LIABILITIES:			
Notes and accounts payable—trade (Note 18)	¥ 133,775	¥ 129,370	\$ 885,933
Current portion of long-term debt (Notes 9, 10 and 18)	20,684	6,390	136,983
Accounts payable—other	18,760	17,461	124,244
Income taxes payable	987	2,046	6,537
Contract liability (Note 15)	188,701	163,347	1,249,679
Allowance for warranty costs for completed works	1,601	1,388	10,608
Allowance for losses on construction contracts (Note 3)	36,508	27,894	241,781
Asset retirement obligations (current)	460		3,052
Accrued expenses and other	<u>10,674</u>	<u>8,355</u>	<u>70,693</u>
Total current liabilities	<u>412,156</u>	<u>356,256</u>	<u>2,729,514</u>
LONG-TERM LIABILITIES:			
Long-term debt (Note 10)	4,805	24,869	31,827
Deferred tax liabilities (Note 14)	1,471	323	9,746
Provision for treatment of PCB waste		236	
Liability for retirement benefits (Note 12)	727	804	4,820
Asset retirement obligations	1,307	1,753	8,660
Other	<u>419</u>	<u>33</u>	<u>2,778</u>
Total long-term liabilities	<u>8,732</u>	<u>28,021</u>	<u>57,833</u>
EQUITY (Note 13):			
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 2024 and 2023	15,014	15,014	99,435
Capital surplus	142	142	944
(Accumulated deficit) retained earnings	(1,962)	13,797	(12,996)
Treasury stock—at cost, 1,251 thousand shares in 2024 and 1,353 thousand shares in 2023	(805)	(847)	(5,335)
Accumulated other comprehensive income (loss):			
Unrealized (loss) gain on available-for-sale securities	(18)	69	(120)
Deferred gain on derivatives under hedge accounting	4,176	1,707	27,659
Foreign currency translation adjustments	(11,851)	(7,587)	(78,488)
Defined retirement benefit plans	<u>163</u>	<u>(115)</u>	<u>1,079</u>
Total	<u>4,858</u>	<u>22,180</u>	<u>32,178</u>
Noncontrolling interests	<u>1,218</u>	<u>129</u>	<u>8,072</u>
Total equity	<u>6,077</u>	<u>22,310</u>	<u>40,250</u>
TOTAL	<u>¥ 426,967</u>	<u>¥ 406,588</u>	<u>\$ 2,827,599</u>

Consolidated Statement of Operations

Year Ended March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
REVENUE	¥ 505,981	¥ 430,163	\$ 3,350,872
COST OF REVENUE	<u>506,138</u>	<u>397,454</u>	<u>3,351,912</u>
Gross (loss) profit	(157)	32,709	(1,040)
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 16)	<u>14,849</u>	<u>14,592</u>	<u>98,340</u>
Operating (loss) income	<u>(15,006)</u>	<u>18,116</u>	<u>(99,380)</u>
OTHER INCOME (EXPENSES):			
Interest and dividend income	12,253	4,174	81,147
Gain on liquidation of subsidiaries and associated companies	45	360	299
Gain on sales of investment securities		95	
Gain on sales of shares of subsidiaries and associated companies (Note 17)		231	
Interest expense	(696)	(897)	(4,612)
Equity in losses of associated companies	(596)	(413)	(3,953)
Foreign exchange loss	(1,534)	(593)	(10,163)
Loss on liquidation of subsidiaries and associated companies	(6)		(40)
Expenses on office consolidation related to the domestic business integration (Note 7)		(94)	
Loss on valuation of shares of subsidiaries and associated companies		(61)	
Loss on valuation of investment securities (Note 6)	(69)	(18)	(459)
Loss on sales of investment securities		(5)	
Loss on liquidation of investment securities	(2)		(14)
Loss on termination of retirement benefit plan	(665)		(4,406)
Other—net	<u>120</u>	<u>(64)</u>	<u>795</u>
Other income—net	<u>8,847</u>	<u>2,712</u>	<u>58,592</u>
(LOSS) INCOME BEFORE INCOME TAXES	<u>(6,159)</u>	<u>20,829</u>	<u>(40,788)</u>
INCOME TAXES (Note 14):			
Current	8,488	5,511	56,214
Deferred	<u>51</u>	<u>117</u>	<u>338</u>
Total income taxes	<u>8,539</u>	<u>5,629</u>	<u>56,552</u>
NET (LOSS) INCOME—(Forward)	¥ (14,698)	¥ 15,200	\$ (97,341)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
NET (LOSS) INCOME—(Forward)	¥ (14,698)	¥ 15,200	\$ (97,341)
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	<u>1,132</u>	<u>12</u>	<u>7,502</u>
NET (LOSS) INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>¥ (15,831)</u>	<u>¥ 15,187</u>	<u>\$ (104,843)</u>
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.ab and 21):			
Basic net (loss) income	¥ (69.22)	¥ 50.54	\$ (0.46)
Diluted net income		15.49	
Cash dividends applicable to the year			

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
NET (LOSS) INCOME	¥ (14,698)	¥ 15,200	\$ (97,341)
OTHER COMPREHENSIVE INCOME (LOSS) (Note 20):			
Unrealized loss on available-for-sale securities	(87)	(14)	(578)
Deferred gain on derivatives under hedge accounting	2,469	50	16,353
Foreign currency translation adjustments	(4,259)	(7,914)	(28,209)
Defined retirement benefit plans	278	(871)	1,842
Share of other comprehensive income of associates	10	343	66
Total other comprehensive loss	(1,589)	(8,406)	(10,525)
COMPREHENSIVE (LOSS) INCOME	¥ (16,287)	¥ 6,794	\$ (107,866)
TOTAL COMPREHENSIVE (LOSS) INCOME			
ATTRIBUTABLE TO:			
Owners of the parent	¥ (17,435)	¥6,771	\$ (115,466)
Noncontrolling interests	1,147	22	7,600

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year Ended March 31, 2024

	Thousands		Millions of Yen										
	Outstanding Number of Shares of Common Stock	Outstanding Number of Shares of Preferred Stock	Common Stock and Preferred Stock	Capital Surplus	(Accumulated Deficit) Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)						
							Unrealized Gain (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, APRIL 1, 2022	258,967	175,000	¥15,014	¥142	¥ (1,142)	¥(849)	¥ 83	¥1,656	¥ (6)	¥755	¥15,654	¥ 106	¥15,761
Cumulative effects of changes in accounting policies					(247)						(247)		(247)
Net income attributable to owners of the parent					15,187						15,187		15,187
Disposal of treasury stock	4					2					2		2
Net change in the year							(14)	50	(7,581)	(871)	(8,415)	22	(8,393)
BALANCE, MARCH 31, 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	<u>259,072</u>	<u>175,000</u>	<u>¥15,014</u>	<u>¥142</u>	<u>¥ (1,962)</u>	<u>¥(805)</u>	<u>¥(18)</u>	<u>¥4,176</u>	<u>¥(11,851)</u>	<u>¥163</u>	<u>¥ 4,858</u>	<u>¥1,218</u>	<u>¥ 6,077</u>

	Thousands of U.S. Dollars (Note 1)										
					Accumulated Other Comprehensive Income (Loss)						
	Common Stock and Preferred Stock	Capital Surplus	(Accumulated Deficit) Retained Earnings	Treasury Stock	Unrealized Gain (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, 2023	\$ 99,435	\$ 944	\$ 91,372	\$ (5,612)	\$ 458	\$ 11,306	\$ (50,248)	\$ (762)	\$ 146,892	\$ 856	\$ 147,748
Net loss attributable to owners of the parent			(104,843)						(104,843)		(104,843)
Change of scope of consolidation			475						475		475
Disposal of treasury stock				277					277		277
Net change in the year					(578)	16,353	(28,240)	1,842	(10,622)	7,216	(3,406)
BALANCE, MARCH 31, 2024	\$ 99,435	\$ 944	\$ (12,996)	\$ (5,335)	\$ (120)	\$ 27,659	\$ (78,488)	\$ 1,079	\$ 32,178	\$ 8,072	\$ 40,250

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
OPERATING ACTIVITIES:			
(Loss) income before income taxes	¥ (6,159)	¥20,829	\$ (40,788)
Adjustments for:			
Income taxes paid	(7,378)	(5,644)	(48,866)
Depreciation	3,399	3,195	22,510
Amortization of goodwill	33	33	223
Increase in allowance for doubtful accounts	354	105	2,349
Increase (decrease) in allowance for warranty costs for completed works	180	(2,075)	1,194
Increase (decrease) in allowance for losses on construction contracts	6,743	(11,713)	44,658
Increase (decrease) in liability for retirement benefits	59	(848)	394
Foreign exchange gain—net	(1,542)	(929)	(10,213)
Equity in losses of associated companies	596	413	3,953
Loss on valuation of investment securities	69	18	459
Gain on sales of investment securities		(89)	
Loss on liquidation of investment securities	2		14
Loss on valuation of shares of subsidiaries and associated companies		61	
Gain on sales of shares of subsidiaries and associated companies		(231)	
Gain on liquidation of subsidiaries and associated companies—net	(39)	(359)	(259)
Expenses on office consolidation related to the domestic business integration		94	
Changes in operating assets and liabilities:			
(Increase) decrease in trade notes and accounts receivable, and costs and estimated earnings on long-term construction contracts	(2,642)	5,914	(17,498)
Decrease (increase) in costs of construction contracts in process	5,207	(4,259)	34,485
Increase in trade notes and accounts payable	13,833	25,934	91,615
Increase in contract liabilities	22,603	14,536	149,693
(Increase) decrease in accounts receivable—other	(1,811)	47,837	(11,995)
Increase (decrease) in accounts payable—other	995	(26,582)	6,593
Decrease (increase) in jointly controlled assets of joint venture	15,313	(16,639)	101,415
Increase in interest and dividends receivable	(9,572)	(2,655)	(63,392)
Other—net	22,498	(2,786)	148,998
Total adjustments	68,906	23,327	456,337
Net cash provided by operating activities—(Forward)	¥62,747	¥44,157	\$ 415,548

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
Net cash provided by operating activities—(Forward)	¥ 62,747	¥ 44,157	\$ 415,548
INVESTING ACTIVITIES:			
Net (increase) decrease in time deposits	(291)	10,107	(1,933)
Purchases of property, plant and equipment	(1,757)	(948)	(11,640)
Proceeds from sales of property, plant and equipment	630	4	4,178
Purchases of intangible assets	(2,129)	(1,836)	(14,102)
Payments for purchases of investment securities	(99)	(2,001)	(662)
Proceeds from sales of investment securities	1,600	1,312	10,596
Proceeds from liquidation of subsidiaries and associated companies	37	21	251
Payments of loans receivable	(4)	(194)	(30)
Proceeds from collections of loans	435	1,424	2,880
Other—net	12		83
Net cash (used in) provided by investing activities	(1,567)	7,889	(10,379)
FINANCING ACTIVITIES:			
Proceeds from long-term debt		3,600	
Repayments of long-term debt	(5,490)	(20,130)	(36,359)
Other—net	(361)	(526)	(2,393)
Net cash used in financing activities	(5,851)	(17,057)	(38,753)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	3,948	2,593	26,148
NET INCREASE IN CASH AND CASH EQUIVALENTS	59,277	37,582	392,564
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARY	249		1,649
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	106,682	69,099	706,506
CASH AND CASH EQUIVALENTS, END OF YEAR	¥166,208	¥106,682	\$ 1,100,720

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year Ended March 31, 2024

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 2023 consolidated financial statements to conform to the classifications used in 2024.

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 ¥151 to \$1, the approximate rate of exchange at March 31, 2024. 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, 2024, include the accounts of the Company and its 14 (15 in 2023) significant subsidiaries (together, the "Group").

Chiyoda System Technologies Corporation and Chiyoda TechnoAce Co. Ltd., which were consolidated subsidiaries of the Company, ceased to exist on April 1, 2023, due to the absorption-type merger with Chiyoda Kosho Co. Ltd., also a consolidated subsidiary of the Company, as the surviving company.

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 4 (4 in 2023) associated companies are accounted for by the equity method.

Chiyoda Energies Pty. Ltd., which was a nonconsolidated subsidiary of the Company, is included in the scope of consolidation due to its increased materiality from the current consolidated fiscal year.

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.
- 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 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 6 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. Provision for Treatment of PCB Waste**—Provision for treatment of PCB (Poly Chlorinated Biphenyl) waste is provided based on estimated costs of the treatment for PCB products and equipment as well as their collection and transportation fees.
- r. 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 consolidated 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.

s. 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.

t. 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, from the prior consolidated fiscal year.

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 introduce 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, 2024 and 2023, were ¥331 million (\$2,196 thousand) and 803,129 stocks, and ¥373 million and 904,689 stocks, respectively.

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

v. 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.

w. 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.

x. 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.

y. 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.

z. 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.

aa. 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.

ab. 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 operations are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

ac. New Accounting Pronouncements

- "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022)
- "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022)

- "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022)

(1) *Overview*

In February 2018, ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting" (hereinafter, "ASBJ Statement No. 28") was announced, and the transfer of the practical guidelines on Tax Effect Accounting of the Japanese Institute of Certified Public Accountants to ASBJ was completed. During the deliberation process, the following two issues were deliberated and publicized after the publication of ASBJ Statement No. 28:

- Classification of tax expenses (taxation on other comprehensive income)
- Tax effect of sales of subsidiary shares, etc. (subsidiary shares or affiliated company shares) when the group corporation tax system is applied

(2) *Scheduled date of application*

Effective from the beginning of the fiscal year ending March 2025.

(3) *Effect of the adoption of the accounting standards*

The impact of the adoption of the "Accounting Standard for Current Income Taxes" on the consolidated financial statements is currently evaluated.

3. SIGNIFICANT ACCOUNTING ESTIMATES

Revenue Recognition

(1) *The amount recorded in the fiscal years ended March 31, 2024 and 2023*

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Revenue recognized in proportion to satisfying a performance obligation over time	¥ 480,744	¥ 405,220	\$ 3,183,737
Allowance for losses on construction contracts	36,508	27,894	241,781

(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.

In addition, the total construction cost includes significant estimation factors such as individual risks with construction conduct, and the estimated risks, including the effects of the situation in Ukraine. If unpredictable changes in assumptions occur the total construction cost may change. In such cases, the degree of progress for contracts may change, which could have a significant impact on the figures of revenue recognized in proportion to satisfying a performance obligation over time and allowance for losses on construction contracts in the following consolidated fiscal year.

Regarding the Golden Pass LNG Project ("GPX Project"), as described in Note 23, "Additional Information," Zachry Industrial, Inc. ("Zachry") is expected to withdraw from the project. Accordingly, in the current consolidated fiscal year, the Company has estimated the total amount of construction revenue, the total amount of construction cost, and the allowance for construction losses, taking into account the content of the signed documents with the customer and the other joint venture partner, the outlook for the schedule to complete the project in the future, the future outlook for the unit cost of labor and productivity at the site, as well as the assumed risks of future uncertainty.

4. BUSINESS COMBINATION

The Company concluded the absorption-type merger of three domestic consolidated subsidiaries, Chiyoda Kosho Co. Ltd., Chiyoda System Technologies Corporation and Chiyoda TechnoAce Co. Ltd., with Chiyoda Kosho Co. Ltd. as the surviving company and they merged on April 1, 2023.

(a) *Outline of absorption-type merger*

(1) Name and business contents of merger companies

Surviving company name: Chiyoda Kosho Co. Ltd.
Business contents: Energy, environment and maintenance business

Absorbed company name: Chiyoda System Technologies Corporation
Business contents: Instrumentation and electrical solution business

Absorbed company name: Chiyoda TechnoAce Co. Ltd.
Business contents: Life science business

(2) Date of the merger

April 1, 2023

(3) Legal formality of the merger

The absorption-type merger, with Chiyoda Kosho Co. Ltd. as the surviving company, Chiyoda System Technologies Corporation and Chiyoda TechnoAce Co. Ltd. as absorbed companies

(4) The name after the merger

Chiyoda X-ONE Engineering Corporation (previously: Chiyoda Kosho Co. Ltd.)

(5) Contents of outline regarding other transactions

The merger was executed to improve efficiency of business management by integration of above three companies' resources and to optimize the technological capabilities, experience and track record accumulated by the three organizations to progress as a sustainable leading integrated engineering contractor, possessing the comprehensive technologies required for the engineering, procurement and construction ("EPC") of industrial plants and factories and develop its maintenance engineering business.

(b) Outline of accounting policy

The merger was accounted for as a deal under common control based on ASBJ Statement No. 21 of "Accounting Standard of Business Combinations" (ASBJ Statement No. 21 of January 1, 2019) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 of January 1, 2019).

5. RECEIVABLES FROM CONTRACT WITH CUSTOMERS AND CONTRACT ASSETS

Notes receivable, receivables from contract with customers and contract assets at March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Notes receivable—trade	¥ 1,401	¥ 1,337	\$ 9,281
Accounts receivable—trade	22,468	21,403	148,800
Contract assets	3,718	12,292	24,623

6. INVESTMENT SECURITIES

Investment securities at March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Non-current—Equity securities	¥1,313	¥2,985	\$8,701

The costs and aggregate fair values of investment securities at March 31, 2024 and 2023, were as follows:

March 31, 2024

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

March 31, 2023

	Millions of Yen			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
Securities classified as— Available-for-sale—equity securities	¥179	¥67		¥246

March 31, 2024

	Thousands of U.S. Dollars			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
Securities classified as— Available-for-sale—equity securities	\$1,187		\$131	\$1,056

Information on the available-for-sale securities sold during the years ended March 31, 2024 and 2023, was as follows:

March 31, 2024

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

March 31, 2023

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Securities classified as— Available-for-sale—equity securities	¥133	¥95	¥5

March 31, 2024

	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Securities classified as— Available-for-sale—equity securities	\$10,596		

The impairment loss on available-for-sale securities for the years ended March 31, 2024 and 2023, was ¥69 million (\$459 thousand) and ¥79 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.

7. EXPENSES ON OFFICE CONSOLIDATION RELATED TO THE DOMESTIC BUSINESS INTEGRATION

Regarding business assets, grouping of assets is taken place based on the business segments in the Group.

For the purpose of seeking efficient group management by the domestic business integration, the Group determined to carry out office consolidation in the prior consolidated fiscal year. According to this, the assets were no longer expected to be used due to the relocation of offices. Therefore, the assets related to relocation of offices were reduced to recoverable value and its reduction was recorded as extraordinary losses.

Recoverable value is determined as zero.

Details of impairment loss as follows:

<u>Location</u>	<u>Used Status</u>	<u>Category of Assets</u>	<u>Impairment Loss</u> Millions of Yen
Kanagawa, Japan	Business assets	Buildings and structures	¥94
8. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES			

Investments in and advances to unconsolidated subsidiaries and associated companies at March 31, 2024 and 2023, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u> <u>U.S. Dollars</u>
	<u>2024</u>	<u>2023</u>	<u>2024</u>
Investments	¥2,958	¥3,456	\$ 19,593

9. ASSETS AND LIABILITIES ACCOUNTED FOR AS FINANCIAL TRANSACTIONS

Assets and liabilities accounted for as financial transactions at March 31, 2024 and 2023, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u> <u>U.S. Dollars</u>
	<u>2024</u>	<u>2023</u>	<u>2024</u>
Land		¥381	
Buildings and structures		252	
Tools, furniture and fixtures			
Current portion of long-term debt		490	

10. LONG-TERM DEBT

Long-term debt at March 31, 2024 and 2023, consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of</u> <u>U.S. Dollars</u>
	<u>2024</u>	<u>2023</u>	<u>2024</u>
Long-term loans from banks, with interest rates at 2.5% (2024) and 2.5% (2023)—Unsecured	¥20,000	¥20,000	\$ 132,450
Long-term loans from banks, with interest rates at 0.7% (2024) and 0.6% (2023)—Unsecured	2,600	2,600	17,218
Long-term loans from banks, with interest rates at 0.7% (2024) and 0.6% (2023)—Unsecured	1,000	1,000	6,622
Long-term loans from banks, with interest rate at 0.8% (2023)—Unsecured		4,000	
Long-term loans from banks, with interest rate at 0.7% (2023)—Unsecured		1,000	
Long-term loans accounted as financial transactions, with interest rate at 3.4% (2023)—Collateralized		490	
Obligations under finance leases	1,890	2,169	12,519
Total	25,490	31,259	168,810
Less current portion	(20,684)	(6,390)	(136,983)
Long-term debt, less current portion	¥ 4,805	¥24,869	\$ 31,827

Annual maturities of long-term debt, excluding finance leases, at March 31, 2024, were as follows:

<u>Year Ending</u> <u>March 31</u>	<u>Millions of Yen</u>	<u>Thousands of</u> <u>U.S. Dollars</u>
2024	¥20,000	\$ 132,450
2025	1,202	7,962
2026	1,202	7,962
2027	1,195	7,915
Total	¥23,600	\$ 156,291

The Company concluded an overdraft agreement with a creditor to raise working capital efficiently but terminated the agreement in the current consolidated fiscal year.

The overdraft balance on the current overdraft agreement at March 31, 2023, was as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u> <u>U.S. Dollars</u>
	<u>2024</u>	<u>2023</u>	<u>2024</u>
Total maximum limit amount of the agreement		¥10,000	
Borrowing balance			
Unexecuted balance		¥10,000	

11. PLEDGED ASSETS

Assets that are pledged as collateral at March 31, 2024 and 2023, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u> <u>U.S. Dollars</u>
	<u>2024</u>	<u>2023</u>	<u>2024</u>
Buildings and fixtures	¥1,752	¥1,880	\$ 11,608
Land	4,013	4,013	26,578
Investment securities	37	37	245
Total	¥5,803	¥5,931	\$ 38,433

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 ¥31,457 million (\$208,328 thousand) and ¥42,231 million for the years ended March 31, 2024 and 2023, 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 consolidated fiscal year.

12. 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 extraordinary loss of ¥665 million (\$4,406 thousand) as "Loss on termination of Retirement and Pension Plan" in the current consolidated fiscal year and expect to record extraordinary gain in the following fiscal year.

- (1) The changes in defined benefit obligation for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Balance at beginning of year	¥17,493	¥17,738	\$ 115,852
Current service cost	852	840	5,642
Interest cost	165	150	1,095
Actuarial losses	70	249	469
Benefits paid	(1,087)	(1,520)	(7,201)
Others	53	35	351
Balance at end of year	<u>¥17,547</u>	<u>¥17,493</u>	<u>\$ 116,209</u>

- (2) The changes in plan assets for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Balance at beginning of year	¥17,160	¥17,840	\$ 113,647
Expected return on plan assets	332	332	2,201
Actuarial gains (losses)	523	(598)	3,466
Contributions from the employer	623	1,072	4,132
Benefits paid	(1,086)	(1,515)	(7,197)
Others	43	30	288
Balance at end of year	<u>¥17,597</u>	<u>¥17,160</u>	<u>\$ 116,539</u>

- (3) The changes in the liability recorded in the consolidated balance sheet by using the simplified method for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Balance at beginning of year	¥304	¥242	\$2,015
Benefit costs	(4)	168	(27)
Benefits paid	(63)	(28)	(422)
Contribution to the plans	(84)	(84)	(557)
Effect of the transfer to defined contribution pension plans	128		850
Others	13	6	90
Balance at end of year	<u>¥294</u>	<u>¥304</u>	<u>\$1,949</u>

- (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
	2024	2023	2024
Funded defined benefit obligations	¥18,816	¥18,657	\$ 124,614
Plan assets	(19,009)	(18,431)	(125,888)
Total	(192)	225	(1,273)
Unfunded defined benefit obligations	436	412	2,893
Net liability arising from defined benefit obligations	<u>¥ 244</u>	<u>¥ 637</u>	<u>\$ 1,620</u>

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Liability for retirement benefits	¥727	¥804	\$4,820
Asset for retirement benefits	(483)	(167)	(3,200)
Net liability arising from defined benefit obligations	<u>¥244</u>	<u>¥637</u>	<u>\$1,620</u>

- (5) The components of net periodic benefit costs for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Service cost	¥852	¥840	\$5,642
Interest cost	165	150	1,095
Expected return on plan assets	(332)	(332)	(2,201)
Recognized actuarial gains	(109)	(290)	(724)
Benefit costs in simplified method	(4)	168	(27)
Others		(1)	
Net periodic benefit costs	<u>¥571</u>	<u>¥534</u>	<u>\$3,784</u>

In addition to the above, due to the partial transfer of defined benefit plans to defined contribution pension plans, extraordinary loss of ¥665 million (\$4,406 thousand) was recorded in the current consolidated fiscal year.

- (6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Actuarial (gains) losses	¥ (347)	¥ 1,137	\$ (2,303)
Total	¥ (347)	¥ 1,137	\$ (2,303)

- (7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Unrecognized actuarial (gains) losses	¥ (127)	¥ 220	\$ (844)
Total	¥ (127)	¥ 220	\$ (844)

- (8) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2024 and 2023, consisted of the following:

	2024	2023
Debt investments	30%	30%
Equity investments	24	22
General accounts	18	18
Alternative investments*	24	18
Others	4	12
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, 2024 and 2023, were set forth as follows:

	2024	2023
Discount rate	Mainly 0.7%	Mainly 0.7%
Expected rate of return on plan assets	Mainly 1.8%	Mainly 1.8%

- (10) Payables to defined contribution plans of the Company and consolidated subsidiaries for the years ended March 31, 2024 and 2023, were ¥349 million (\$2,314 thousand) and ¥343 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 ¥536 million (\$3,555 thousand) and the asset is planned to be transferred over 4 years. The untransferred assets amounted to ¥536 million (\$3,555 thousand) as of the end of the current consolidated fiscal year is recorded in accounts payable and long-term accounts payable ("Other" of fixed liabilities).

13. 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 translation adjustments was mainly caused by substantial changes of foreign exchange rate in the yen-translation of financial statement items for the overseas consolidated subsidiaries.

14. 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, 2024 and 2023.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Deferred tax assets:			
Tax loss carryforwards* ²	¥55,419	¥56,055	\$ 367,017
Adjustment of percentage of completion for foreign construction	7,943	7,205	52,607
Cost of revenue	7,393	6,769	48,961
Profit/loss in joint venture	6,848	3,760	45,351
Allowance for losses on construction contracts	5,970	3,060	39,542
Contract liabilities	4,833	51	32,011
Accounts receivable from completed construction contracts and contract assets	2,625	2,123	17,388
Carryforward foreign tax credit	2,226	1,745	14,744
Long-term accounts receivable	1,824	1,824	12,080
Long-term loans receivable	1,643	1,643	10,882
Allowance for employees' bonus	1,109	1,544	7,350
Asset retirement obligations	531	536	3,521
Costs of construction contracts in process	205	738	1,362
Other	857	1,816	5,681
Subtotal of deferred tax assets	99,434	88,875	658,503
Valuation allowance for tax loss carryforwards* ²	(55,419)	(56,001)	(367,017)
Valuation allowance for temporary differences	(43,224)	(31,919)	(286,252)
Subtotal valuation allowance	(98,643)	(87,920)	(653,269)
Total	790	954	5,234
Deferred tax liabilities:			
Deferred gains on hedges	(1,839)	(752)	(12,184)
Prepaid pension costs	(147)	(162)	(974)
Fixed assets as asset retirement obligations	(142)	(212)	(943)
Other	(38)	(11)	(251)
Total	(2,167)	(1,137)	(14,353)
Net deferred tax liabilities* ¹	¥ (1,377)	¥ (183)	\$ (9,119)

*¹ Net deferred tax assets and deferred tax liabilities as of March 31, 2024 and 2023, were recorded in the accompanying consolidated balance sheet as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Investments and other assets—Deferred tax assets	¥ 94	¥ 139	\$ 626
Long-term liabilities—Deferred tax liabilities	(1,471)	(323)	(9,746)

*² Amounts of tax loss carryforwards and related deferred tax assets by tax loss carryforwards for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen						
	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
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							
March 31, 2023							
Tax loss carryforwards*	¥24		¥1,551	¥8,137	¥ 1	¥46,340	¥56,055
Valuation allowance for tax loss carryforwards	(24)		(1,551)	(8,137)	(1)	(46,286)	(56,001)
Deferred tax assets						53	53

	Thousands of U.S. Dollars						
	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
March 31, 2024							
Tax loss carryforwards*		\$2,856	\$36,916	\$15,930	\$3,645	\$307,668	\$367,017
Valuation allowance for tax loss carryforwards		(2,856)	(36,916)	(15,930)	(3,645)	(307,668)	(367,017)
Deferred tax assets							

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

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of operations is omitted since the loss before income taxes reported in the current consolidated fiscal year and the differences between those rates are below 5% of the normal effective statutory tax rate for the prior consolidated fiscal year.

Additionally, the Company and its domestic subsidiaries started to apply the Group Tax Sharing System from the prior consolidated fiscal year.

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), we assessed the accounting treatments on Japanese national and local income taxes or relating tax effects and disclosed the relevant information.

15. REVENUE

(1) Disaggregation of Revenue

Revenues from contracts with customers on a disaggregated basis for the consolidated fiscal years ended March 31, 2024 and 2023, were as follows:

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 overseas	274		274
Japan	84,835	¥569	85,404
Revenues from contracts with customers	505,412	569	505,981
Other revenue			
Total	<u>¥ 505,412</u>	<u>¥ 569</u>	<u>¥ 505,981</u>
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	<u>¥ 505,412</u>	<u>¥ 569</u>	<u>¥ 505,981</u>

Year Ended March 31, 2023

	Millions of Yen		
	Reportable Segment Engineering	Other*	Total
Geographical areas:			
America	¥ 55,858		¥ 55,858
Asia and Oceania	129,137		129,137
Middle and near East and Africa	151,967		151,967
Other overseas	10		10
Japan	92,561	¥627	93,189
Revenues from contracts with customers	429,535	627	430,163
Other revenue			
Total	<u>¥ 429,535</u>	<u>¥ 627</u>	<u>¥ 430,163</u>
Products and services:			
LNG plant	¥ 239,315		¥ 239,315
Other gas products	3,068		3,068
Oil and petrochemical	29,551		29,551
Medicine, biochemistry and general chemistry	34,096		34,096
Environment, new energy and infrastructure	119,227		119,227
Other	4,275	¥627	4,903
Revenues from contracts with customers	429,535	627	430,163
Other revenue			
Total	<u>¥ 429,535</u>	<u>¥ 627</u>	<u>¥ 430,163</u>

Year Ended March 31, 2024

	Thousands of U.S. Dollars		
	Reportable Segment Engineering	Other*	Total
Geographical areas:			
America	\$ 112,282		\$ 112,282
Asia and Oceania	1,375,618		1,375,618
Middle and near East and Africa	1,295,556		1,295,556
Other overseas	1,820		1,820
Japan	561,823	\$3,771	565,594
Revenues from contracts with customers	3,347,101	3,771	3,350,872
Other revenue			
Total	<u>\$ 3,347,101</u>	<u>\$ 3,771</u>	<u>\$ 3,350,872</u>
Products and services:			
LNG plant	\$ 1,602,194		\$ 1,602,194
Other gas products	19,341		19,341
Oil and petrochemical	200,977		200,977
Medicine, biochemistry and general chemistry	206,069		206,069
Environment, new energy and infrastructure	1,289,484		1,289,484
Other	29,033	\$3,771	32,804
Revenues from contracts with customers	3,347,101	3,771	3,350,872
Other revenue			
Total	<u>\$ 3,347,101</u>	<u>\$ 3,771</u>	<u>\$ 3,350,872</u>

* 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 consolidated fiscal years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Receivables from contracts with customers:			
Balance at beginning of year	¥ 22,741	¥ 29,973	\$ 150,604
Balance at end of year	23,870	22,741	158,081
Contract assets:			
Balance at beginning of year	12,292	10,465	81,409
Balance at end of year	3,718	12,292	24,623
Contract liabilities:			
Balance at beginning of year	163,347	143,431	1,081,774
Balance at end of year	188,701	163,347	1,249,679

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, 2024, that were included in contract liabilities balance at the beginning of the year is ¥135,646 million (\$898,324 thousand).

The amount of revenue for the year ended March 31, 2024, recognized from performance obligations satisfied (or partially satisfied) in the prior consolidated fiscal years is ¥(21,361) million (\$ (141,467) thousand).

The amount of revenue recognized for the year ended March 31, 2023, that were included in contract liabilities balance at the beginning of the year is ¥123,008 million.

The amount of revenue for the year ended March 31, 2023, recognized from performance obligations satisfied (or partially satisfied) in the prior consolidated fiscal years is ¥(3,195) million.

(4) Transaction Prices Allocated to Remaining Performance Obligations

Transaction prices allocated to remaining performance obligations that are unsatisfied at March 31, 2024 and 2023, and expected future periods of revenue recognition were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Within one year	¥ 462,562	¥ 437,287	\$ 3,063,328
After one to five years	527,323	707,391	3,492,211
After five years	3,991	4,212	26,436
Total	¥ 993,878	¥ 1,148,890	\$ 6,581,976

16. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥2,405 million (\$15,928 thousand) and ¥2,052 million for the years ended March 31, 2024 and 2023, respectively.

17. GAIN ON SALES OF SHARES OF SUBSIDIARY AND ASSOCIATED COMPANY

Since the Company determined transfer of all shares of L&T Chiyoda (India) Ltd., an associated company of the Company, a gain of ¥231 million on sales of shares of subsidiary and associated company was recorded in the prior consolidated fiscal year.

18. 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 equity securities related to the business in which the Group operates. Marketable securities are exposed to the risk of fluctuations in stock prices.

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.z and 19 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 19 for fair values for derivatives.

*(a) Fair values of financial instruments*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, 2023

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Investment securities	¥ 246	¥ 246	—
Total	¥ 246	¥ 246	—
Notes and accounts payable—trade	¥ 129,370	¥ 129,370	
Current portion of long-term debt	5,490	5,490	
Long-term debt	23,600	23,487	¥ (112)
Total	¥ 158,461	¥ 158,348	¥ (112)

March 31, 2024

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Investment securities	\$ 1,056	\$ 1,056	—
Total	\$ 1,056	\$ 1,056	—
Notes and accounts payable—trade	\$ 885,933	\$ 885,933	
Current portion of long-term debt	132,450	131,908	\$ (542)
Long-term debt	23,841	23,651	(189)
Total	\$ 1,042,225	\$ 1,041,493	\$ (731)

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
	2024	2023	2024
Investment securities that do not have a quoted market price in an active market	¥1,153	¥2,738	\$ 7,636
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	2,958	3,456	19,593

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 MaturitiesMarch 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	<u>¥ 373,169</u>	<u>¥65</u>	<u> </u>

March 31, 2023

	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	¥ 59,663		
Short-term investments	1,558		
Notes and accounts receivable, and costs and estimated earnings on long-term construction contracts*	21,169	¥294	
Accounts receivable—other*	39,874		
Jointly controlled assets of joint venture	161,643		
Short-term loans receivable	47,578		
Total	<u>¥ 331,488</u>	<u>¥294</u>	<u> </u>

March 31, 2024

	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	\$ 662,174		
Short-term investments	13,670		
Notes and accounts receivable, and costs and estimated earnings on long-term construction contracts*	149,133	\$436	
Accounts receivable—other*	234,306		
Jointly controlled assets of joint venture	973,622		
Short-term loans receivable	438,410		
Total	<u>\$ 2,471,318</u>	<u>\$436</u>	<u> </u>

* 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, 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	<u>¥ 159</u>	<u>¥52</u>	<u> </u>	<u>¥ 212</u>

March 31, 2023

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Investment securities—				
Available-for-sale securities—				
equity securities	¥ 246			¥ 246
Total assets	<u>¥ 246</u>	<u> </u>	<u> </u>	<u>¥ 246</u>
Derivative transactions—				
Foreign currency forward contracts		¥ 107		¥ 107
Total liabilities	<u> </u>	<u>¥ 107</u>	<u> </u>	<u>¥ 107</u>

March 31, 2024

	Thousands of U.S. Dollars			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment securities—				
Available-for-sale securities—				
equity securities	\$ 1,056			\$ 1,056
Derivative transactions—				
Foreign currency forward contracts	<u> </u>	<u>\$ 350</u>	<u> </u>	<u>350</u>
Total assets	\$ 1,056	\$ 350		\$ 1,406

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

March 31, 2024

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

March 31, 2023

	Millions of Yen			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Notes and accounts payable—trade		¥ 129,370		¥ 129,370
Current portion of long-term debt		5,490		5,490
Long-term debt		23,487		23,487
Total liabilities		¥ 158,348		¥ 158,348

March 31, 2024

	Thousands of U.S. Dollars			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Notes and accounts payable—trade		\$ 885,933		\$ 885,933
Current portion of long-term debt		131,908		131,908
Long-term debt		23,651		23,651
Total liabilities		\$ 1,041,493		\$ 1,041,493

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 are 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.

19. DERIVATIVES

Derivative Transactions to Which Hedge Accounting Is Not Applied

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	<u>¥ 23,797</u>	<u>¥90</u>	<u>¥ (7)</u>	<u>¥ (7)</u>

March 31, 2023

Millions of Yen				
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling USD/buying JPY	¥ 9,517		¥ 7	¥ 7
Selling EUR/buying JPY	11,582		20	20
Selling AUD/buying JPY	11,304		9	9
Buying USD/selling JPY	492		(3)	(3)
Total	¥32,896		¥34	¥34

March 31, 2024

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	\$ 124,418		\$ (190)	\$ (190)
Selling EUR/buying JPY	24,844		66	66
Buying USD/selling JPY	5,043	\$ 602	82	82
Buying AUD/selling JPY	3,290		(7)	(7)
Total	\$ 157,597	\$ 602	\$ (49)	\$ (49)

Derivative Transactions to Which Hedge Accounting Is Applied

March 31, 2024

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	¥ 154		¥ (60)
Buying USD/selling JPY	forecasted transaction	719	¥208	17
Buying EUR/selling JPY		471		101
Buying AUD/selling JPY		53		1
Total		¥1,398	¥208	¥ 60
Other*1:				
Buying USD/selling JPY	Payables	¥ 165	¥ 36	
Buying EUR/selling JPY		144		
Buying AUD/selling JPY		26		
Total		¥ 337	¥ 36	

March 31, 2023

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	¥1,184	¥1,184*2	¥ (201)
Buying USD/selling JPY	forecasted transaction	43		
Buying EUR/selling JPY		659	419*2	59
Total		¥1,887	¥1,603*2	¥ (142)
Other*1:				
Buying USD/selling JPY	Payables	¥ 231		
Buying EUR/selling JPY		36	¥ 22*2	
Total		¥ 267	¥ 22*2	

March 31, 2024

Thousands of U.S. Dollars				
	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	\$ 1,021		\$ (401)
Buying USD/selling JPY	forecasted transaction	4,765	\$ 1,383	115
Buying EUR/selling JPY		3,122		675
Buying AUD/selling JPY		354		10
Total		\$9,263	\$ 1,383	\$ 399
Other*1:				
Buying USD/selling JPY	Payables	\$ 1,098	\$ 239	
Buying EUR/selling JPY		957		
Buying AUD/selling JPY		178		
Total		\$2,234	\$ 239	

*1 Fair value of the foreign currency forward contract assigned for payables is included in the fair value of payables disclosed in Note 18.

*2 There was an immaterial error in the amount indicated as exceeding one year in the contract amount, etc., so the amount in the prior consolidated fiscal year has been restated.

20. OTHER COMPREHENSIVE LOSS

The components of other comprehensive loss for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Unrealized loss on available-for-sale securities:			
(Losses) gains arising during the year	¥ (84)	¥ 19	\$ (560)
Reclassification adjustments to profit or loss	(2)	(53)	(18)
Amount before income tax effect	(87)	(33)	(578)
Income tax effect		19	
Total	¥ (87)	¥ (14)	\$ (578)
Deferred gain on derivatives under hedge accounting:			
Gains arising during the year	¥ 13,293	¥ 4,330	\$ 88,034
Reclassification adjustments to profit or loss	(1,588)	(174)	(10,521)
Adjustment to acquisition cost of assets	(8,147)	(4,146)	(53,956)
Amount before income tax effect	3,557	9	23,556
Income tax effect	(1,087)	41	(7,203)
Total	¥ 2,469	¥ 50	\$ 16,353
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (4,259)	¥ (7,556)	\$ (28,209)
Reclassification adjustments to profit or loss		(358)	
Total	¥ (4,259)	¥ (7,914)	\$ (28,209)
Defined retirement benefit plans:			
Adjustments arising during the year	¥ 457	¥ (846)	\$ 3,027
Reclassification adjustments to profit or loss	(109)	(290)	(724)
Amount before income tax effect	347	(1,137)	2,303
Income tax effect	(69)	266	(461)
Total	¥ 278	¥ (871)	\$ 1,842
Share of other comprehensive income of associates:			
Income arising during the year	¥ 10	¥ 13	\$ 66
Reclassification adjustments to profit or loss		329	
Total	¥ 10	¥ 343	\$ 66
Total other comprehensive loss	¥ (1,589)	¥ (8,406)	\$ (10,525)

21. NET (LOSS) INCOME PER SHARE

A reconciliation of the differences between basic and diluted net (loss) income per share ("EPS") for the years ended March 31, 2024 and 2023, was as follows:

Year Ended March 31, 2024

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	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)	\$ (0.46)
Effect of dilutive securities—Preferred stock	2,100	742,385		
Diluted EPS—Net loss for computation	¥ (15,831)	1,001,431		

Year Ended March 31, 2023

	Millions of Yen	Thousands of Shares	Yen
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS
Basic EPS—Net income available to common shareholders	¥ 13,087	258,969	¥50.54
Effect of dilutive securities—Preferred stock	2,100	721,385	
Diluted EPS—Net income for computation	¥ 15,187	980,354	¥ 15.49

Please note that diluted EPS for this 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, 2024 and 2023, were 803 thousand shares and 904 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 consolidated fiscal year (828 thousand shares and 906 thousand shares in 2024 and 2023).

22. 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 ItemsYear 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.

Year Ended March 31, 2023

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, 2024

	Millions of Yen	Thousands of U.S. Dollars
Indonesia	¥ 205,362	\$ 1,360,019
Qatar	194,438	1,287,673
Japan	85,404	565,594
Others	<u>20,775</u>	<u>137,585</u>
Total	<u>¥ 505,981</u>	<u>\$ 3,350,872</u>

Year Ended March 31, 2023

	Millions of Yen
Qatar	¥ 149,896
Indonesia	125,579
Japan	93,189
U.S.A.	55,858
Others	<u>5,640</u>
Total	<u>¥ 430,163</u>

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

(b) Property, plant and equipmentYear Ended March 31, 2024

	Millions of Yen	Thousands of U.S. Dollars
Japan	¥ 9,001	\$ 59,610
Asia	1,660	10,996
Others	<u>224</u>	<u>1,485</u>
Total	<u>¥ 10,886</u>	<u>\$ 72,092</u>

Year Ended March 31, 2023

	Millions of Yen
Japan	¥ 9,393
Asia	1,269
Others	<u>80</u>
Total	<u>¥ 10,743</u>

(3) Information about Major CustomersYear Ended March 31, 2024

Name	Related Segment	Millions of Yen Revenue	Thousands of U.S. Dollars Revenue
Qatar Energy	Engineering	¥ 188,383	\$ 1,247,574
PT Freeport Indonesia	Engineering	172,252	1,140,742

Year Ended March 31, 2023

Name	Related Segment	Millions of Yen Revenue
Qatar Energy	Engineering	¥ 146,126
PT Freeport Indonesia	Engineering	91,256

(4) 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 (\$198 thousand) and its unamortized balance was ¥165 million (\$1,092 thousand).

23. ADDITIONAL INFORMATION

Since the possibility of withdrawal of Zachry Industrial, Inc. ("Zachry"), one of the partners for the Company and its wholly owned Houston, Texas headquartered subsidiary, Chiyoda International Corporation ("CIC") to execute the GPX Project in Texas, U.S., from the project arose, discussions among Golden Pass LNG Terminal LLC ("GPX") in the U.S., the project customer, CB&I LLC ("CB&I"), a joint venture partner in the U.S., and CIC on a new organizational structure to continue the project and complete construction have been continuing. A consensus was yet to be reached, and subsequently, Zachry filed for Chapter 11 relief under the United States Bankruptcy Code on May 21, 2024, in the U.S. time, which, as well as other related matters, should be treated as the subsequent events after reporting period, which require adjustment of the financial statements.

In the fiscal year ended March 31, 2019, GPX awarded a contract to the joint venture of Zachry, CB&I and CIC for the design, procurement, construction, and commissioning of a gas liquefaction facility at the Golden Pass LNG terminal in Sabine Pass, Texas. CIC's main scope of work, including design and procurement, is almost complete. Construction is ongoing and overall project already completed 75% as of this fiscal year ended March 31, 2024. GPX, CB&I and CIC are having discussions about an execution plan to work together to achieve the successful completion of the GPX Project.

GPX was granted permission from the court regarding to place orders for business operations such as safety-related tasks or infrastructure development tasks required for continuing local construction work. Following such permission, our customers officially placed orders with CIC and CB&I and such business operations have been resumed. Procedures for payment of required funds to CIC and CB&I in response to such progress have been commenced as well. On June 18, 2024, in the U.S. time, GPX filed motions for requesting Zachry's withdrawal from the project and for lifting the Automatic Stay to resume construction work of Train 1. Short-term and long-term plans to complete construction will be agreed among the project customer, CB&I and CIC soon after the court make an official judgement concerning Zachry's withdrawal from the project and, upon agreement, we will revise the estimate based on its contents. Discussions about a short-term execution plan for continuation of the project and a long-term execution plan for completion of the project among GPX, CB&I and the Company/CIC have been continuing in preparation for a court official decision.

Under these circumstances, for the fiscal year ended March 31, 2024, we estimated the total costs to be incurred to complete construction the contract amount based on the signed documents as of the date of this report, considering the possibility of Zachry's withdrawal from the project. Upon agreement on short-term/long-term execution plan, we will re-calculate the aforementioned estimates based on its contents.

24. SUBSEQUENT EVENT

(Estimate on the GPX Project)

On July 19, 2024, in the U.S. time, with respect to the aforementioned Chapter 11 filed by Zachry, Zachry filed a petition with the court seeking approval of the execution of an agreement through an Interim Order (the "Agreement") by Zachry, GPX, CB&I, and CIC, concerning Zachry's withdrawal from the GPX Project. GPX, CB&I and CIC have agreed to the Agreement and the court has provisionally approved the Agreement on July 25, 2024. With this Agreement, CB&I and CIC have assumed responsibility for separate portions of Zachry's scope of work on the GPX Project, which has been suspended due to the Automatic Stay at the time of Zachry's Chapter 11 filing. A short-term plan to resume Zachry's portion of the construction work was agreed between CIC, GPX and CB&I on August 7, 2024, in the U.S. time and GPX placed an official order to continue business operations. The court gave a final approval of the Agreement on August 12, 2024, in the U.S. time. With this approval, Zachry's withdrawal from the GPX Project has been officially confirmed. CB&I and CIC will accelerate the discussion with GPX for a long-term construction completion plan for GPX's approval and amendment of the EPC contract to resume the GPX Project at full scale.

(The Loan Agreement with MUFG Bank, Ltd.)

On July 24, 2024, the Company resolved to enter into the Subordinated Loan Agreement with MUFG Bank, Ltd. This loan is the refinance of existing loan with MUFG Bank, Ltd. at the maturity date.

Lender	MUFG Bank, Ltd.
Amount of borrowing	¥20,000 million (\$132,450 thousand)
Interest rate on borrowing	Floating rate (Applicable interest rate + Spread)
Borrowing date	July 31, 2024
Due date	By July 31, 2027
Collateral	Not applicable

25. RELATED PARTY DISCLOSURES

The material transactions of the Group with the parent company and major shareholders for the years ended March 31, 2024 and 2023, were as follows:

Year Ended March 31, 2024

	Millions of Yen	Thousands of U.S. Dollars
Loan of funds*	¥ 66,200	\$ 438,410

Year Ended March 31, 2023

	Millions of Yen
Loan of funds*	¥47,000
* 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, 2024.

There are no material transactions of the Group with unconsolidated subsidiaries and associated companies for the year ended March 31, 2024.

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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, 2024, and the consolidated statement of operations, 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, 2024, 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. For the year ended March 31, 2024, ¥480,744 million (\$3,183,737 thousand) of the total revenue of ¥505,981 million (\$3,350,872 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, such as labor costs, equipment and materials costs and transportation costs, the construction schedule established based mainly on the mobilization plan of construction workers and the procurement plan of equipment and materials. For the year ended March 31, 2024, total construction costs increased due to higher prices of labor, equipment and materials than originally estimated which resulted partly from the Russia-Ukraine crisis, 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 an unexpected event involves high uncertainties and may take time to review depending on the size and nature of the project.

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.

In the current consolidated fiscal year, as described in Note 23, one of the joint venture partners in the GPX Project filed a petition under Chapter 11 and is expected to withdraw from the project. The impact of the possible withdrawal from the project is taken into account for the estimation of total construction revenue and total construction costs in the current consolidated fiscal year.

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.

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 initial estimated total construction costs with actual or revised total construction costs to evaluate the appropriateness of the estimation of total construction revenue or total construction costs.
 - (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.

In addition to the above, the following procedures were performed for the GPX Project:

- a We inquired of the person responsible for estimating the project cost, the approver for the Project Profitability Review Meetings, the person responsible for the cost review, and managements multiple times and inspected the supporting evidences used as the basis for the estimate for significant items to evaluate the management's estimate of the total construction revenue and the total construction cost.
- b We engaged legal counsel from our network firm as an internal specialist in the review of agreements with the customer and with the other joint venture partner and the documents issued by the court related to Chapter 11.
- c We engaged valuation specialist from our network firm, together with the component audit team, for our evaluation of the estimate of the total construction cost of the GPX Project.

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.

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

We communicate with the Audit 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, 2024, which were charged by us and our network firms to Chiyoda Corporation and its subsidiaries were ¥257 million and ¥9 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.

Deloitte Touche Tohmatsu LLC

August 30, 2024



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