



Consolidated Financial Statements

From April 1, 2024
To March 31, 2025

RAITO KOGYO Co.,Ltd.

4-2-35, Kudankita, Chiyoda-ku, Tokyo

1. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Assets		
Current assets		
Cash and deposits	30,933	30,947
Notes receivable, accounts receivable from completed construction contracts and other	*1, *4 37,928	*4 40,484
Electronically recorded monetary claims - operating	*1 3,454	2,089
Securities	3,999	—
Costs on construction contracts in progress	*7 1,501	1,492
Merchandise and finished goods	16	24
Raw materials and supplies	834	798
Accounts receivable - other	741	763
Other	2,114	1,846
Allowance for doubtful accounts	(41)	(33)
Total current assets	81,483	78,411
Non-current assets		
Property, plant and equipment		
Buildings and structures	14,409	15,261
Accumulated depreciation	(6,578)	(6,639)
Buildings and structures, net	7,831	8,622
Machinery, vehicles, tools, furniture and fixtures	*3 31,415	*3 33,946
Accumulated depreciation	(25,555)	(27,251)
Machinery, vehicles, tools, furniture and fixtures, net	5,859	6,695
Land	*5 11,361	*5 11,058
Leased assets	158	200
Accumulated depreciation	(77)	(67)
Leased assets, net	80	132
Construction in progress	599	213
Total property, plant and equipment	25,732	26,722
Intangible assets		
Goodwill	426	360
Other	306	284
Total intangible assets	732	644
Investments and other assets		
Investment securities	*2 8,788	*2 8,313
Long-term prepaid expenses	57	35
Distressed receivables	6	6
Investment property	280	—
Deferred tax assets	751	563
Retirement benefit asset	2,928	4,088
Other	4,051	3,788
Allowance for doubtful accounts	(364)	(365)
Total investments and other assets	16,499	16,431
Total non-current assets	42,964	43,798
Total assets	124,447	122,209

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	*1 10,524	10,536
Electronically recorded obligations - operating	7,868	7,626
Short-term borrowings	1,438	1,447
Income taxes payable	1,883	1,985
Advances received on construction contracts in progress	1,799	1,134
Provision for warranties for completed construction	109	79
Provision for loss on construction contracts	*7 205	32
Accrued expenses	3,023	2,986
Other	*3 5,356	*3 5,892
Total current liabilities	32,209	31,721
Non-current liabilities		
Long-term borrowings	*3 62	—
Long-term accounts payable - other	68	30
Lease liabilities	53	114
Deferred tax liabilities	7	708
Deferred tax liabilities for land revaluation	769	769
Provision for share awards for directors	111	129
Other	69	61
Total non-current liabilities	1,143	1,813
Total liabilities	33,352	33,534
Net assets		
Shareholders' equity		
Share capital	6,119	6,119
Capital surplus	6,447	6,447
Retained earnings	78,867	73,300
Treasury shares	(4,951)	(2,071)
Total shareholders' equity	86,483	83,795
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,804	1,678
Revaluation reserve for land	*5 (1,120)	*5 (1,059)
Foreign currency translation adjustment	2,217	1,895
Remeasurements of defined benefit plans	805	1,523
Total accumulated other comprehensive income	3,706	4,037
Non-controlling interests	905	841
Total net assets	91,094	88,674
Total liabilities and net assets	124,447	122,209

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Net sales		
Net sales from completed construction contracts	*1 117,019	*1 121,170
Net sales from sideline businesses	*1 305	*1 286
Total net sales	117,324	121,457
Cost of sales		
Cost of sales of completed construction contracts	*2 93,880	*2 96,149
Cost of sales of sideline businesses	223	210
Total cost of sales	94,104	96,360
Gross profit		
Gross profit on completed construction contracts	23,138	25,021
Gross profit on sideline businesses	81	76
Total gross profit	23,220	25,097
Selling, general and administrative expenses	*3, *4 11,974	*3, *4 12,285
Operating profit	11,245	12,811
Non-operating income		
Interest income	108	121
Dividend income	145	299
Royalty income	15	14
Insurance claim income	141	36
Rental income from non-current assets	339	416
Foreign exchange gains	130	—
Share of profit of entities accounted for using equity method	—	21
Other	198	175
Total non-operating income	1,079	1,085
Non-operating expenses		
Interest expenses	122	103
Loss on sale of notes receivable - trade	6	18
Commission expenses	12	62
Guarantee commission	64	55
Rental costs	315	324
Foreign exchange losses	—	27
Share of loss of entities accounted for using equity method	55	—
Other	140	136
Total non-operating expenses	716	727
Ordinary profit	11,609	13,169
Extraordinary income		
Gain on sale of non-current assets	*5 15	*5 375
Gain on sale of investment securities	41	789
Total extraordinary income	56	1,165

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Extraordinary losses		
Loss on sale and retirement of non-current assets	*6 4	*6 335
Loss on sale of investment securities	—	29
Total extraordinary losses	4	364
Profit before income taxes	11,661	13,969
Income taxes - current	3,640	3,635
Income taxes - deferred	(90)	445
Total income taxes	3,550	4,081
Profit	8,111	9,888
Loss attributable to non-controlling interests	(69)	(30)
Profit attributable to owners of parent	8,181	9,919

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Profit	8,111	9,888
Other comprehensive income		
Valuation difference on available-for-sale securities	937	(125)
Revaluation reserve for land	—	(21)
Foreign currency translation adjustment	481	(156)
Remeasurements of defined benefit plans, net of tax	909	717
Share of other comprehensive income of entities accounted for using equity method	264	(197)
Total other comprehensive income	*1, *2 2,592	*1, *2 215
Comprehensive income	10,703	10,104
Comprehensive income attributable to:		
Owners of parent	10,732	10,167
Non-controlling interests	(28)	(63)

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,119	6,447	75,792	(5,010)	83,349
Changes during period					
Dividends of surplus			(3,001)		(3,001)
Profit attributable to owners of parent			8,181		8,181
Purchase of treasury shares				(2,059)	(2,059)
Cancellation of treasury shares			(2,104)	2,104	—
Reversal of revaluation reserve for land					—
Delivery of Treasury Shares through the Stock Benefit Trust				14	14
Net changes in items other than shareholders' equity					
Total changes during period	—	—	3,075	58	3,134
Balance at end of period	6,119	6,447	78,867	(4,951)	86,483

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	866	(1,120)	1,512	(103)	1,154	933	85,437
Changes during period							
Dividends of surplus							(3,001)
Profit attributable to owners of parent							8,181
Purchase of treasury shares							(2,059)
Cancellation of treasury shares							—
Reversal of revaluation reserve for land							—
Delivery of Treasury Shares through the Stock Benefit Trust							14
Net changes in items other than shareholders' equity	937	—	704	909	2,551	(28)	2,522
Total changes during period	937	—	704	909	2,551	(28)	5,656
Balance at end of period	1,804	(1,120)	2,217	805	3,706	905	91,094

Fiscal year ended March 31, 2025

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,119	6,447	78,867	(4,951)	86,483
Changes during period					
Dividends of surplus			(4,763)		(4,763)
Profit attributable to owners of parent			9,919		9,919
Purchase of treasury shares				(7,760)	(7,760)
Cancellation of treasury shares			(10,640)	10,640	—
Reversal of revaluation reserve for land			(82)		(82)
Delivery of Treasury Shares through the Stock Benefit Trust					—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	(5,567)	2,880	(2,687)
Balance at end of period	6,119	6,447	73,300	(2,071)	83,795

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,804	(1,120)	2,217	805	3,706	905	91,094
Changes during period							
Dividends of surplus							(4,763)
Profit attributable to owners of parent							9,919
Purchase of treasury shares							(7,760)
Cancellation of treasury shares							—
Reversal of revaluation reserve for land		82			82		—
Delivery of Treasury Shares through the Stock Benefit Trust							—
Net changes in items other than shareholders' equity	(125)	(21)	(321)	717	248	(63)	185
Total changes during period	(125)	61	(321)	717	331	(63)	(2,419)
Balance at end of period	1,678	(1,059)	1,895	1,523	4,037	841	88,674

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Cash flows from operating activities		
Profit before income taxes	11,661	13,969
Depreciation	2,843	3,050
Amortization of goodwill	47	45
Loss (gain) on sale and retirement of non-current assets	(11)	(40)
Share of loss (profit) of entities accounted for using equity method	55	(21)
Increase (decrease) in allowance for doubtful accounts	2	(7)
Increase (decrease) in provision for warranties for completed construction	(189)	(30)
Increase (decrease) in provision for loss on construction contracts	194	(172)
Decrease (increase) in retirement benefit asset	(380)	129
Increase (decrease) in provision for share awards for directors	2	18
Interest and dividend income	(253)	(421)
Interest expenses	122	103
Loss on sale of notes receivable - trade	6	18
Loss (gain) on sale of investment securities	(41)	(760)
Decrease (increase) in trade receivables	7,975	(1,309)
Decrease (increase) in costs on construction contracts in progress	(107)	8
Decrease (increase) in inventories	(213)	20
Increase (decrease) in trade payables	(2,299)	(330)
Increase (decrease) in advances received on construction contracts in progress	694	(664)
Other, net	(1,347)	(8)
Subtotal	18,760	13,596
Interest and dividends received	250	424
Interest paid	(122)	(103)
Payments for sale of notes receivable - trade	(6)	(18)
Income taxes paid	(4,295)	(3,545)
Net cash provided by (used in) operating activities	14,586	10,354

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Cash flows from investing activities		
Proceeds from redemption of securities	1,000	—
Purchase of property, plant and equipment	(3,994)	(4,719)
Proceeds from sale of property, plant and equipment	16	1,283
Purchase of intangible assets	(114)	(51)
Purchase of investment securities	(230)	(85)
Proceeds from sale of investment securities	66	1,098
Collection of loans receivable from subsidiaries and associates	4	4
Purchase of investment property	(14)	—
Proceeds from sale of investment property	117	280
Purchase of insurance funds	(1,417)	(604)
Proceeds from maturity of insurance funds	301	822
Other, net	11	75
Net cash provided by (used in) investing activities	(4,252)	(1,896)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(135)	192
Repayments of long-term borrowings	(67)	(59)
Purchase of treasury shares	(2,059)	(7,760)
Repayments of finance lease liabilities	(69)	(19)
Dividends paid	(2,997)	(4,752)
Net cash provided by (used in) financing activities	(5,329)	(12,399)
Effect of exchange rate change on cash and cash equivalents	323	(45)
Net increase (decrease) in cash and cash equivalents	5,328	(3,986)
Cash and cash equivalents at beginning of period	29,605	34,933
Cash and cash equivalents at end of period	* 34,933	* 30,947

Notes to the Consolidated Financial Statements

(Significant accounting policies for preparation of consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries 14

RAITO, INC.
Fecon Underground Construction Joint Stock Company
Onoryo Co., Ltd.
AURA CE Co., Ltd.
Michinoku Realize Co., Ltd.
Tohoku Realize Co., Ltd.
Fukushima Realize Co., Ltd.
Niigata Realize Co., Ltd.
Tokai Realize Co., Ltd.
Yamaguchi Realize Co., Ltd.
Kyushu Realize Co., Ltd.
Yasashiite Raito Co., Ltd.
Sanyoryokuka Co., Ltd.
Raito Fecon Innovative Geotechnical Engineering JSC.

(2) Names of unconsolidated subsidiaries

Nishi-Nippon Realize Co., Ltd.
Toughearth Co., Ltd.
Raitocare Co., Ltd.
Edo Enterprise Co., Ltd.

Reasons for exclusion from scope of consolidation

Unconsolidated subsidiaries are excluded from the scope of consolidation, because they are all small in scale, and any total amount in terms of their total assets, net sales and profit or loss (amount corresponding to the Company's ownership interest) as well as retained earnings (amount corresponding to the Company's ownership interest) and others does not significantly affect the consolidated financial statements.

2. Application of equity method

(1) Number of unconsolidated subsidiaries and affiliates accounted for using the equity method 1

Fecon Corporation

(2) Reason for non-application of the equity method

Unconsolidated subsidiaries (Nishi-Nippon Realize Co., Ltd., Toughearth Co., Ltd., Raitocare Co., Ltd., and Edo Enterprise Co., Ltd.) and one affiliate, which are not accounted for using the equity method, are excluded from the scope of application of the equity method, because such exclusion has only an immaterial effect on the consolidated financial statements in terms of each company's profit or loss (amount corresponding to the Company's ownership interest) and retained earnings (amount corresponding to the Company's ownership interest), and they have no significance as a whole.

3. Fiscal year of consolidated subsidiaries

The fiscal year end of one consolidated subsidiary is December 31.

In preparing the consolidated financial statements, financial statements based on provisional settlement of accounts as of the consolidated fiscal year end date are used. The fiscal year end of other consolidated subsidiaries is the same as the end of the consolidated fiscal year.

4. Accounting policies

(1) Valuation basis and methods for significant assets

Securities

Bonds held to maturity

Amortized cost method

Available-for-sale securities

Securities other than shares with no market value, etc.

Stated at fair value (valuation differences are booked directly in a separate component of net assets, and cost of securities sold is determined by the moving average method)

Shares and other securities with no market value

Mainly stated at cost determined by the moving-average method.

Investments in investment partnerships (those deemed to be securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are treated as the net amount, being the amount corresponding to equity based on the most recent financial report available according to the reporting date stipulated in the partnership agreement.

Inventories

- (i) Costs on construction contracts in progress
Stated at cost using the specific identification method
- (ii) Merchandise and finished goods, work in process, raw materials and supplies
Stated at cost determined by the first-in, first-out method (carrying amount is subject to write-down due to decreased profitability)

(2) Accounting methods for depreciation of significant depreciable assets

Property, plant and equipment (excluding leased assets)

For the Company and consolidated subsidiaries in Japan, the declining balance method is mainly applied, (however, the straight-line method is applied for buildings acquired on or after April 1, 1998 (excluding facilities attached to buildings), and facilities attached to buildings and structures acquired on or after April 1, 2016).

The useful life and residual value are based on the same standards stipulated in the Corporation Tax Act.

For consolidated subsidiaries overseas, the straight-line method is mainly used, based on the estimated useful life.

Intangible assets (excluding leased assets)

Straight-line method

Software for internal use is amortized by the straight-line method based on the internal usable period (five years).

Leased assets

Leased assets related to finance lease transactions that do not transfer ownership

The straight-line method is applied assuming the lease period as the useful life without residual value.

(3) Accounting policy for significant provisions

Allowance for doubtful accounts

To prepare for credit losses on trade receivables, loans and others, an estimated uncollectable amount is provided at the amount estimated by either using the historical rate of credit loss for general receivables, or based on individual consideration of collectability for specific receivables such as highly doubtful receivables.

Provision for warranties for completed construction

The provision has been recorded based on the estimated amount of compensation in the future for construction completed during the current fiscal year, to prepare for the cost of defect warranty related to completed construction.

Provision for loss on construction contracts

To prepare for future losses on awarded construction contracts, the provision has been recorded as the estimated amount of losses on construction for which losses are expected to occur and for which the amount can be rationally estimated among construction projects in hand at the current fiscal year-end.

Provision for stock benefits

To prepare for issuance of the Company's shares to directors, the amount to be borne in the current fiscal year within the expected payment amount is recorded.

(4) Accounting methods for retirement benefits

(i) Method of attributing expected retirement benefits to periods

In the calculation of retirement benefit obligations, expected retirement benefits are attributed to the period up to the end of the fiscal year on a benefit formula basis.

(ii) Method of amortizing actuarial gains and losses and past service cost

Past service cost is amortized using the straight-line method over a fixed number of years (10 years) within the average remaining service period of employees when incurred.

Actuarial gains and losses are amortized using the straight-line method over a fixed number of years (10 years) within the average remaining service period of employees when incurred in each fiscal year, from the fiscal year following the accrual of each gain or loss.

For one of the domestic consolidated subsidiaries, 100% of the required payment amount at the current fiscal year-end has been recorded, using the simplified method.

(5) Accounting policy for significant revenues and expenses

Details of major performance obligations in major businesses of the Company and its consolidated subsidiaries related to revenue from contracts with customers, and the timing at which the performance obligations are satisfied (when revenue is typically recognized), are as follows.

(Construction Business)

The Construction Business is mainly engaged in civil engineering work focused on slope protection and ground improvement and in construction work. Revenue is recognized over a period of time for construction contracts in which the customer is deemed to be able to receive benefits due to the performance of obligations in the contract with the customer, in accordance with the degree of satisfaction of the performance obligations. The method for estimating the degree of progress on construction related to the satisfaction of performance obligations is the input method based on incurred costs.

For other construction contracts, the entire revenue amount is recognized upon satisfaction of the performance obligations.

(Other)

Other business is primarily sales of construction materials, with a focus on product and material sales. Revenue is recognized upon delivery, as this is deemed to be the point at which performance obligations are satisfied. If the Company acts as an agent in a transaction, revenue is recognized on a net basis when the promise to the customer is a performance obligation to arrange for goods or services to be provided by another party.

(6) Accounting method and period for amortization of goodwill

Goodwill is amortized by straight-line method over the period of the effect of its excess earning power. However, immaterial amounts of goodwill are fully amortized in the year of acquisition.

(7) Scope of cash and cash equivalents in consolidated statements of cash flows

Cash (cash and cash equivalents) in the consolidated statements of cash flows comprises cash on hand, deposits that can be withdrawn at any time, and short-term investments that can be readily converted into cash, bear only a slight risk of value fluctuation, and have maturities within three months of acquisition.

(Significant accounting estimates)

Recording of net sales arising from completed construction in which performance obligations are satisfied over a certain period of time.

(1) Amount recorded on consolidated financial statements for the fiscal year under review

(Millions of Yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Completed construction for which performance obligations are satisfied over a certain period of time	102,463	107,373
Of which, completed construction contracts that will be completed in the following fiscal year or later	56,505	49,749

(2) Other information to assist understanding of the content of estimates

(i) Calculation method

Calculated by multiplying the total amount of construction revenue by the degree of progress on construction.

The degree of progress on construction is calculated based on the proportion of costs incurred by the fiscal year-end to the total construction cost estimate.

(ii) Major assumptions

The basis of calculation for the degree of progress on construction is the total construction cost, which is estimated by preparing a working budget for each construction contract. The working budget is prepared giving consideration to the construction work content and the status of the construction work, as well as past performance.

(iii) Impact on the consolidated financial statements for the following fiscal year

Construction projects are highly individualized in nature, and the basic specifications and work performed are based on the customer's directions. Throughout the construction period, the construction contract content may change from the initial contract based on an agreement with the customer, facts that come to light after the start of construction may result in changes to the estimated labor hours, or fluctuations in the prices of materials and outsourcing costs. As a result, the actual incurred amount of construction cost and the total construction cost may fluctuate. This in turn, may cause the degree of progress on construction to change, with an attendant impact on the amount of completed construction for which performance obligations are satisfied over a certain period in the consolidated financial statements of the following fiscal year.

(Changes in accounting policies)

(Application of Accounting Standard for Current Income Taxes)

The "Accounting Standard for Current Income Taxes" (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the "Revised Accounting Standard of 2022") and other relevant ASBJ regulations have been applied from the beginning of the fiscal year ended March 31, 2025.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and the transitional treatment in the proviso of paragraph 65-2(2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; the "Revised Guidance of 2022"). The change in accounting policies has no impact on the consolidated financial statements.

In addition, for revisions related to the review of the treatment in consolidated financial statements when a gain or loss on sale arising from the sale of shares of subsidiaries, etc. among consolidated companies is deferred for tax purposes, the Company has applied the Revised Guidance of 2022 from the beginning of the fiscal year ended March 31, 2025. The change in accounting policies has been applied retrospectively. Therefore, the new accounting policies were reflected in the consolidated financial statements for the previous fiscal year. The change in accounting policies has no impact on the consolidated financial statements for the previous fiscal year.

(Accounting standards issued but not yet applied)

- “Accounting Standard for Leases” (ASBJ Statement No. 34, September 13, 2024, Accounting Standards Board of Japan)
- “Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024, Accounting Standards Board of Japan)

(1) Overview

As part of its efforts for ensuring that Japanese GAAP is consistent with international accounting standards, the ASBJ conducted a review, taking into consideration international accounting standards, toward the development of the Accounting Standard for Leases for recognizing assets and liabilities for all leases held by a lessee. Accordingly, the ASBJ issued the Accounting Standard for Leases, etc., which were developed under a basic policy with the aim of being simple and highly practical by incorporating only the key provisions of IFRS 16 instead of all the provisions, despite being based on the single accounting model of IFRS 16, while also making revisions basically unnecessary even when the provisions of IFRS 16 are applied for non-consolidated financial statements.

Regarding the method for allocating the lessee’s lease expenses in the lessee’s accounting treatment, a single accounting model is applied for recording the depreciation related to right-of-use assets and the amount equivalent to the interest on lease liabilities for all leases regardless of whether a lease is a finance lease or an operating lease. This is the same as under IFRS 16.

(2) Scheduled date of application

The accounting standards will be applied effective from the fiscal year beginning on April 1, 2027.

(3) Effects of application of the accounting standards

The impact from the application of the “Accounting Standard for Leases,” etc. on the consolidated financial statements is currently under evaluation.

(Changes in Presentation)

No relevant items to report.

(Additional Information)

(Trust for the delivery of shares to Directors)

The Company has introduced a performance-linked stock compensation system for directors with the objective of enhancing their awareness of contributing to the medium- to long-term improvement in earnings and corporate value by clarifying the connection between corporate performance and value of the Company’s shares and having them share the benefits and risks of stock price fluctuations with shareholders.

(1) Overview of transaction

The system is a performance-linked stock compensation system, wherein a trust established by the Company through monetary contribution (hereinafter the “Trust”) acquires the Company’s shares and the number of the Company’s shares corresponding to the number of points granted to each Director by the Company in accordance with a certain criteria, such as the level of achievement of financial results, will be delivered to each Director through the Trust. The Directors shall receive the Company’s shares upon their retirement, in principle.

(2) Company’s shares remaining in the Trust

The Company’s shares remaining in the Trust are recorded as treasury shares in the net assets, based on the book value given by the Trust (excluding the amount of ancillary expenses). The book value and the number of the said treasury shares as of the end of the previous fiscal year were ¥214 million and 145,060 shares, and as of the end of the current fiscal year were ¥214 million and 145,060 shares, respectively.

(Notes to Consolidated Balance Sheets)

*1 Notes, etc. maturing at the end of the fiscal year

For accounting treatment of notes, etc. maturing at the end of the fiscal year, the notes are settled on the clearance date and the settlement date. As the final day of the fiscal year ended March 31, 2024 was a bank holiday, the following notes, etc. maturing on the final day of that fiscal year are included in the balance at the end of the previous fiscal year.

(Millions of Yen)

	As of March 31, 2024	As of March 31, 2025
Notes receivable	7	—
Electronically recorded monetary claims - operating	847	—
Notes payable	5	—

*2 “Investment securities (shares)” invested in unconsolidated subsidiaries and affiliates are as follows:

(Millions of Yen)

	As of March 31, 2024	As of March 31, 2025
Investment securities (shares)	4,133	3,957

*3 Pledged assets and secured liabilities

Assets pledged as collateral are as follows:

(Millions of Yen)

	As of March 31, 2024	As of March 31, 2025
Machinery, equipment and vehicles	229	169
Total	229	169

Secured liabilities are as follows:

(Millions of Yen)

	As of March 31, 2024	As of March 31, 2025
Other current liabilities	62	59
Long-term borrowings	62	—
Total	125	59

*4 Within notes receivable, accounts receivable from completed construction contracts and other, receivables arising from contracts with customers and amounts of contract assets are as follows, respectively.

(Millions of Yen)

	As of March 31, 2024	As of March 31, 2025
Notes receivable	387	316
Accounts receivable from completed construction contracts and other	18,275	13,708
Contract assets	19,265	26,458

*5 In accordance with the Act on Revaluation of Land (Act No. 34, March 31, 1998) and the Act Partially Amending the Act on Revaluation of Land (March 31, 2001), land used for business purposes was revalued, and the amount equivalent to taxes on the valuation difference is recorded as “deferred tax liabilities for land revaluation” in liabilities, and the amount less this is recorded as “revaluation reserve for land” in net assets.

- Revaluation method: Calculated in accordance with the method stipulated in Article 2, items 3, 4, and 5 of the Order for Enforcement of the Act on Revaluation of Land (Order No. 119, promulgated on March 31, 1998).
- Date when revaluation is conducted: March 31, 2002

	As of March 31, 2024	As of March 31, 2025
Difference between the fair value of the revalued land and the book value after the revaluation at the fiscal year-end	The difference is not stated as the fair value of the land that was revalued exceeds the book value after revaluation.	The difference is not stated as the fair value of the land that was revalued exceeds the book value after revaluation.
<p>*6 The Group has concluded overdraft agreements, line-of-credit agreements and other agreements with six transacting banks to enable efficient procurement of operating funds. The unused balances, etc. related to the overdraft agreements, line-of-credit agreements and other agreements under these agreements at the fiscal year-end are as follows:</p>		
	(Millions of Yen)	
	As of March 31, 2024	As of March 31, 2025
Maximum amount of overdraft, total line of credit and others	11,172	11,142
Outstanding loan balance	628	769
Unused amount	10,543	10,372
<p>*7 Both costs on construction contracts in progress relating to construction contracts that are likely to incur losses and provision for loss on construction contracts are presented without offsetting. The amounts corresponding to provision for loss on construction contracts within costs on construction contracts in progress relating to construction contracts that are likely to incur losses are as follows.</p>		
	(Millions of Yen)	
	As of March 31, 2024	As of March 31, 2025
Costs on construction contracts in progress	205	—

(Notes to Consolidated Statements of Income)

*1 Revenue from contracts with customers

Sales are not presented separately for revenue from contracts with customers and other revenue. The amount of revenue from contracts with customers is presented in the consolidated financial statements “Notes (Revenue Recognition) 1. Disaggregation of revenue from contracts with customers.”

*2 Provision for loss on construction contracts included in cost of sales of completed construction contracts

(Millions of Yen)

Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
205	32

*3 The main items and amounts in selling, general and administrative expenses are as follows.

(Millions of Yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Employees’ salaries and allowances	5,746	5,936
Retirement benefit expenses	278	223
Provision of allowance for doubtful accounts	19	(9)

*4 Total amount of research and development expenses included in general and administrative expenses and manufacturing cost for the period

(Millions of Yen)

Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
710	872

*5 Details of gain on sale of non-current assets are as follows:

(Millions of Yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Buildings and structures	—	2
Machinery, vehicles, tools and fixtures	15	10
Land	—	361
Total	15	375

*6 Details of loss on sale and retirement of non-current assets are as follows:

Loss on sale of non-current assets

(Millions of Yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Buildings and structures	—	318
Machinery, vehicles, tools and fixtures	1	10
Land	—	1
Total	1	330

Loss on retirement of non-current assets

(Millions of Yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Buildings and structures	2	3
Machinery, vehicles, tools and fixtures	0	1
Total	3	4

(Notes to Consolidated Statements of Comprehensive Income)

*1 Reclassification adjustments relating to other comprehensive income

(Millions of Yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Valuation difference on available-for-sale securities:		
Amount arising during the year	1,329	713
Reclassification adjustments	(41)	(760)
Total	1,287	(46)
Foreign currency translation adjustment:		
Amount arising during the year	430	(156)
Reclassification adjustments	50	—
Total	481	(156)
Remeasurements of defined benefit plans included in other comprehensive income:		
Amount arising during the year	1,307	1,174
Reclassification adjustments	10	(115)
Total	1,318	1,059
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising during the year	264	(197)
Reclassification adjustments	—	—
Total	264	(197)
Total before income taxes and tax effect adjustment	3,351	658
Income taxes and tax effects	(759)	(442)
Total other comprehensive income	2,592	215

*2 Income taxes and tax effects relating to other comprehensive income

(Millions of Yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Valuation difference on available-for-sale securities:		
Before income taxes and tax effect adjustment	1,287	(46)
Income taxes and tax effects	(350)	(78)
After income taxes and tax effect adjustment	937	(125)
Revaluation reserve for land:		
Before income taxes and tax effect adjustment	—	—
Income taxes and tax effects	—	(21)
After income taxes and tax effect adjustment	—	(21)
Foreign currency translation adjustment:		
Before income taxes and tax effect adjustment	481	(156)
Income taxes and tax effects	—	—
After income taxes and tax effect adjustment	481	(156)
Remeasurements of defined benefit plans included in other comprehensive income:		
Before income taxes and tax effect adjustment	1,318	1,059
Income taxes and tax effects	(408)	(341)
After income taxes and tax effect adjustment	909	717
Share of other comprehensive income of entities accounted for using equity method:		
Before income taxes and tax effect adjustment	264	(197)
Income taxes and tax effects	—	—
After income taxes and tax effect adjustment	264	(197)
Total other comprehensive income		
Before income taxes and tax effect adjustment	3,351	658
Income taxes and tax effects	(759)	(442)
After income taxes and tax effect adjustment	2,592	215

(Notes to Consolidated Statements of Changes in Net Assets)

Fiscal year ended March 31, 2024

1 Class and total number of issued shares

Class of shares	Number of shares at beginning of the fiscal year (shares)	Increase (shares)	Decrease (shares)	Number of shares at end of the fiscal year (shares)
Common shares	53,948,450	—	1,803,000	52,145,450

Note: The decrease of 1,803,000 common shares was due to the cancellation of treasury shares.

2 Class and number of treasury shares

Class of shares	Number of shares at beginning of the fiscal year (shares)	Increase (shares)	Decrease (shares)	Number of shares at end of the fiscal year (shares)
Common shares	4,857,110	1,066,067	1,815,905	4,107,272

Notes: 1. The increase of 1,066,067 in the number of treasury shares of common stock was due to increases of 1,020,500 shares through the acquisition of treasury shares, 267 shares through the acquisition of odd-lot shares and 45,300 shares through the trust for the delivery of shares to Directors.

2. The decrease of 1,815,905 treasury shares of common stock was due to decreases of 1,803,000 shares through the cancellation of treasury shares and 12,905 shares through the trust for the delivery of shares to Directors.

3 Dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Annual general meeting of shareholders, June 29, 2023	Common shares	3,001	61	March 31, 2023	June 30, 2023

Note: The total amount of dividends approved by resolution of the Annual General Meeting of Shareholders held on June 29, 2023 includes ¥6 million in dividends for shares of the Company held by the trust for the delivery of shares to Directors.

(2) Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

Resolution	Class of shares	Source of dividends	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Annual general meeting of shareholders, June 27, 2024	Common shares	Retained earnings	3,372	70	March 31, 2024	June 28, 2024

Note: The total amount of dividends approved by resolution of the Annual General Meeting of Shareholders held on June 27, 2024 includes ¥10 million in dividends for shares of the Company held by the trust for the delivery of shares to Directors.

Fiscal year ended March 31, 2025

1 Class and total number of issued shares

Class of shares	Number of shares at beginning of the fiscal year (shares)	Increase (shares)	Decrease (shares)	Number of shares at end of the fiscal year (shares)
Common shares	52,145,450	–	6,677,900	45,467,550

Note: The decrease of 6,677,900 common shares was due to the cancellation of treasury shares.

2 Class and number of treasury shares

Class of shares	Number of shares at beginning of the fiscal year (shares)	Increase (shares)	Decrease (shares)	Number of shares at end of the fiscal year (shares)
Common shares	4,107,272	3,513,493	6,677,900	942,865

- Notes:
1. The number of treasury shares of common stock includes 145,060 shares of the Company held by the trust for the delivery of shares to Directors.
 2. The increase of 3,513,493 in the number of treasury shares of common stock was due to increases of 3,512,900 shares through the acquisition of treasury shares and 593 shares through the acquisition of odd-lot shares.
 3. The decrease of 6,677,900 treasury shares of common stock was due to the cancellation of treasury shares.

3 Dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Annual general meeting of shareholders, June 27, 2024	Common shares	3,372	70	March 31, 2024	June 28, 2024
Board of Directors meeting on November 7, 2024	Common shares	1,390	30	September 30, 2024	December 3, 2024

- Notes:
1. The total amount of dividends approved by resolution of the Annual General Meeting of Shareholders held on June 27, 2024 includes ¥10 million in dividends for shares of the Company held by the trust for the delivery of shares to Directors.
 2. The total amount of dividends approved by resolution of the Board of Directors meeting held on November 7, 2024 includes ¥4 million in dividends for shares of the Company held by the trust for the delivery of shares to Directors.

(2) Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

Resolution	Class of shares	Source of dividends	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Annual general meeting of shareholders, June 26, 2025	Common shares	Retained earnings	3,126	70	March 31, 2025	June 27, 2025

Note: The total amount of dividends approved by resolution of the Annual General Meeting of Shareholders held on June 26, 2025 includes ¥10 million in dividends for shares of the Company held by the trust for the delivery of shares to Directors.

(Notes to Consolidated Statements of Cash Flows)

- * Reconciliation of closing balance of cash and cash equivalents and the related account on the consolidated balance sheet

(Millions of Yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Cash and deposits	30,933	30,947
Securities	3,999	—
Cash and cash equivalents	34,933	30,947

(Leases)

1. Finance lease transactions

(Lessee)

Finance lease transactions that do not transfer ownership

(i) Components of leased assets

a. Property, plant and equipment

Leased assets are production facilities (machinery, equipment and vehicles) in the construction business.

(ii) Accounting method for depreciation of leased assets

The accounting method for depreciation of leased assets is as described in “4. Accounting policies, (2)

Accounting methods for depreciation of significant depreciable assets” of Significant accounting policies for preparation of consolidated financial statements.

2. Operating lease transactions

(Lessee)

Future lease payments to be made under non-cancellable leases of operating lease transactions

(Millions of Yen)

	As of March 31, 2024	As of March 31, 2025
Due within one year	7	8
Due after one year	18	16
Total	26	25

(Financial Instruments)

1. Status of financial instruments

(1) Policy on financial instruments

The Group manages funds mainly in short-term deposits, etc., and investment securities are mainly stocks related to capital alliances with client companies. The Group does not engage in speculative transactions.

(2) Description of financial instruments and their risks, and risk management system

Notes receivable, accounts receivable from completed construction contracts and other, which are trade receivables, are exposed to the credit risks of customers. To counter the risk, the Company conducts credit checks of new clients and conducts credit management of major clients.

Investment securities are mainly shares related to business alliances with clients, and are exposed to market fluctuation risk. However, the Company regularly monitors the fair value and financial condition, etc. of the issuing entity (client companies), and continuously reviews the status of holdings in light of the relationship with the client companies.

Notes payable, accounts payable for construction contracts and other, which are trade payable, are mostly due within one year. Within borrowings, short-term borrowings are primarily funds procured in relation to sales transactions, while long-term borrowings are funds procured for stable fund operations.

2. Fair values of financial instruments

Carrying amounts in the consolidated balance sheet, fair values and the differences between them were as follows.

As of March 31, 2024

(Millions of Yen)

	Carrying amount	Fair value	Difference
(1) Notes receivable, accounts receivable from completed construction contracts and other	37,928		
(2) Electronically recorded monetary claims - operating	3,454		
Allowance for doubtful accounts (*2)	(41)		
	41,341	41,340	(1)
(3) Investment securities (*3)			
Available-for-sale securities	4,069	4,069	—
Shares of affiliates	3,994	4,067	72
Total assets	49,406	49,477	70

As of March 31, 2025

(Millions of Yen)

	Carrying amount	Fair value	Difference
(1) Notes receivable, accounts receivable from completed construction contracts and other	40,484		
(2) Electronically recorded monetary claims - operating	2,089		
Allowance for doubtful accounts (*2)	33		
	42,540	42,536	(3)
(3) Investment securities (*3)			
Available-for-sale securities	3,798	3,798	—
Shares of affiliates	3,818	3,261	(556)
Total assets	50,156	49,595	(560)

(*1) Cash and deposits, available-for-sale securities, notes payable, accounts payable for construction contracts and other, and electronically recorded obligations are not stated because their fair values approximate their carrying amounts as they are settled in a short period.

(*2) Allowance for doubtful receivables specifically provided for notes receivable, accounts receivable from completed construction contracts and other is deducted.

(*3) Shares with no market value, etc. are not included in “(3) Investment securities.” The carrying amounts of such financial instruments in the consolidated balance sheets are as below.

(Millions of Yen)

Category	As of March 31, 2024	As of March 31, 2025
Unlisted shares	195	161
Investment limited partnerships	528	535
Total	724	697

3. Expected redemption amounts of monetary claims and securities with maturity after the consolidated balance sheet date
As of March 31, 2024

(Millions of Yen)

	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Cash and deposits	29,219	—	—	—
Notes receivable, accounts receivable from completed construction contracts and other	37,789	138	—	—
Electronically recorded monetary claims - operating	3,454	—	—	—
Securities and investment securities				
Bonds held to maturity	2,999	—	—	—
Available-for-sale securities with maturity dates				
Negotiable certificates of deposit	1,000	—	—	—
Total	74,463	138	—	—

As of March 31, 2025

(Millions of Yen)

	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Cash and deposits	29,177	—	—	—
Notes receivable, accounts receivable from completed construction contracts and other	40,267	216	—	—
Electronically recorded monetary claims - operating	2,089	—	—	—
Securities and investment securities				
Bonds held to maturity	—	—	—	—
Available-for-sale securities with maturity dates				
Negotiable certificates of deposit	—	—	—	—
Total	71,534	216	—	—

4. Breakdown of fair value of financial instruments by level

Fair values of financial instruments are classified into the following three levels according to the observability and significance of inputs used to determine the fair values.

Level 1 fair value: Of observable inputs used in calculation of fair value, fair value for assets or liabilities that is calculated based on quoted prices in an active market

Level 2 fair value: Of observable inputs used in calculation of fair value, fair value that is calculated using inputs other than Level 1 inputs

Level 3 fair value: Fair value that is calculated using inputs for unobservable fair value calculations

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is classified into the level with the lowest priority in the calculation of fair value, among the levels to which each of the inputs belongs.

(1) Financial instruments recorded at fair value on the consolidated balance sheet
As of March 31, 2024

(Millions of Yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	3,817	—	—	3,817
Investment trusts	—	252	—	252
Total assets	3,817	252	—	4,069

As of March 31, 2025

(Millions of Yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	3,551	—	—	3,551
Investment trusts	—	246	—	246
Total assets	3,551	246	—	3,798

(2) Financial instruments other than those recorded at fair value on the consolidated balance sheet
As of March 31, 2024

(Millions of Yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Notes receivable, accounts receivable from completed construction contracts and other	—	37,886	—	37,886
Electronically recorded monetary claims - operating	—	3,454	—	3,454
Investment securities				
Shares of subsidiaries and associates	4,067	—	—	4,067
Total assets	4,067	41,340	—	45,407

As of March 31, 2025

(Millions of Yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Notes receivable, accounts receivable from completed construction contracts and other	—	40,446	—	40,446
Electronically recorded monetary claims - operating	—	2,089	—	2,089
Investment securities				
Shares of subsidiaries and associates	3,261	—	—	3,261
Total assets	3,261	42,536	—	45,797

Note: Explanation of assessment methods used for calculation of fair value and inputs used in calculation of fair value

Investment securities
Fair values of listed shares are evaluated using quoted prices. As listed shares are traded in active markets, the fair value is classified as Level 1.
The fair value of investment trusts is classified as Level 2, since they do not have a traded price on the market and their net asset value per unit is used as their fair value.

Notes receivable, accounts receivable from completed construction contracts and other, and electronically recorded monetary claims - operating
These fair values are classified as Level 2 fair values. They are calculated for each receivable, classified by each certain period, using the discounted present value method, based on the receivable amount and time until maturity, and an interest rate that is set taking credit risk into account.

(Securities)

1. Bonds held to maturity
As of March 31, 2024

(Millions of Yen)

	Carrying amount	Fair value	Difference
Items whose fair value exceeds their carrying amount	—	—	—
Items whose fair value does not exceed their carrying amount	2,999	2,999	—
Total	2,999	2,999	—

As of March 31, 2025
No relevant items to report.

2. Available-for-sale securities
As of March 31, 2024

(Millions of Yen)

	Type of assets	Carrying amount	Acquisition cost	Difference
Items whose carrying amount exceeds acquisition cost	(1) Shares	3,812	1,408	2,404
	(2) Other	—	—	—
	Subtotal	3,812	1,408	2,404
Items whose carrying amount does not exceed acquisition cost	(1) Shares	4	5	(0)
	(2) Other	1,250	1,275	(23)
	Subtotal	1,256	1,280	(23)
Total		5,069	2,689	2,380

Note: Shares with no market value, etc. are not included in “Available-for-sale securities” in the above table. Those are unlisted shares (carrying amount on the consolidated balance sheet: ¥56 million) and investment limited partnerships (carrying amount on the consolidated balance sheet: ¥528 million).

As of March 31, 2025

(Millions of Yen)

	Type of assets	Carrying amount	Acquisition cost	Difference
Items whose carrying amount exceeds acquisition cost	(1) Shares	3,551	1,194	2,357
	(2) Other	—	—	—
	Subtotal	3,551	1,194	2,357
Items whose carrying amount does not exceed acquisition cost	(1) Shares	—	—	—
	(2) Other	246	276	(30)
	Subtotal	246	276	(30)
Total		3,798	1,470	2,327

Note: Shares with no market value, etc. are not included in “Available-for-sale securities” in the above table. Those are unlisted shares (carrying amount on the consolidated balance sheet: ¥23 million) and investment limited partnerships (carrying amount on the consolidated balance sheet: ¥535 million).

3. Available-for-sale securities sold
Fiscal year ended March 31, 2024

(Millions of Yen)

Type of assets	Sale proceeds	Total gain on sale	Total loss on sale
(1) Shares	66	41	—
(2) Other	—	—	—
Total	66	41	—

Fiscal year ended March 31, 2025

(Millions of Yen)

Type of assets	Sale proceeds	Total gain on sale	Total loss on sale
(1) Shares	1,098	789	29
(2) Other	—	—	—
Total	1,098	789	29

(Derivatives)

There are no relevant matters as the Group does not engage in derivative transactions.

(Retirement Benefits)

1. Overview of retirement benefit plans adopted

The Company and some of its consolidated subsidiaries have adopted funded defined benefit plans and defined contribution plans to provide retirement benefits to employees.

Under defined benefit corporate pension plan, a lump-sum benefit or pension is granted based on salaries and periods of service.

A retirement benefit trust has been established for retirement lump-sum payment plans.

Retirement lump-sum payment plans offer retirement lump-sum payments according to the salary and periods of service.

Certain consolidated subsidiaries apply a simplified accounting method in which the calculation of liability for retirement benefit and retirement benefit cost is carried out by using a method in which the retirement benefit obligations are deemed to be the amount of retirement benefits to be paid in cases where all eligible employees retired on a voluntary basis at the fiscal year-end date.

2. Defined benefit plan

(1) Changes in retirement benefit obligations

(Millions of Yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Balance of retirement benefit obligations at beginning of period	8,118	8,399
Service cost	430	447
Interest cost	48	50
Actuarial gains and losses accrued	122	(931)
Retirement benefits paid	(320)	(261)
Balance of retirement benefit obligations at end of period	8,399	7,703

(2) Changes in plan assets

(Millions of Yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Balance of plan assets at beginning of period	9,749	11,327
Expected return on plan assets	142	155
Actuarial gains and losses accrued	1,430	242
Contribution from employer	248	257
Retirement benefits paid	(243)	(191)
Balance of plan assets at end of period	11,327	11,792

(3) Reconciliation between ending balance of retirement benefit obligations and plan assets, and retirement benefit liability/asset recorded in the consolidated balance sheet

(Millions of Yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Retirement benefit obligations of funded plans	8,399	7,703
Plan assets	(11,327)	(11,792)
	(2,928)	(4,088)
Retirement benefit obligations of unfunded plans	—	—
Net amount of liabilities and assets recorded in the consolidated balance sheet	(2,928)	(4,088)
Retirement benefit liability	—	—
Retirement benefit asset	(2,928)	(4,088)
Net amount of liabilities and assets recorded in the consolidated balance sheet	(2,928)	(4,088)

(4) Amounts of retirement benefit expenses and their components

(Millions of Yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Service cost	430	447
Interest cost	48	50
Expected return on plan assets	(142)	(155)
Amortization of actuarial gains and losses	19	(106)
Amortization of past service cost	(8)	(8)
Retirement benefit expenses under defined benefit plans	347	226

(5) Remeasurements of defined benefit plans included in other comprehensive income

The components of remeasurements of defined benefit plans (before income taxes and deduction of tax effects) are as follows:

(Millions of Yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Past service cost	8	8
Actuarial gains and losses	(1,327)	(1,068)
Total	(1,318)	(1,059)

(6) Remeasurements of defined benefit plans included in accumulated other comprehensive income

The components of remeasurements of defined benefit plans (accumulated) (before income taxes and deduction of tax effects) are as follows:

(Millions of Yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Unrecognized past service cost	(39)	(31)
Unrecognized actuarial gains and losses	(1,121)	(2,189)
Total	(1,161)	(2,220)

(7) Plan assets

(i) Major components of plan assets

The ratio of each major category to total plan assets is as follows:

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Debentures	36%	35%
Shares	44	44
Cash and deposits	5	6
Other	13	13
Total	100	100

(ii) Method for setting the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, the Company takes into account current and expected allocation of plan assets, and current and expected long-term return rate on various types of assets constituting plan assets.

(8) Actuarial assumptions

Major actuarial calculation basis (indicated by weighted average)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Discount rate	0.6%	1.7%
Long-term expected rate of return	2.0%	2.0%
Expected rate of salary increase	2.4%	2.4%

Note: The discount rate applied in the calculation at the beginning of the fiscal year ended March 31, 2025 was 0.6%.

However, as a result of reassessing the discount rate at the end of the same period, we have judged that changes to the discount rate would have a significant impact on the amount of retirement benefit obligations, and changed the discount rate to 1.7%.

3. Defined contribution plan

The amount of required contributions to defined contribution plans of the Company was ¥134 million as of March 31, 2024 and ¥142 million as of March 31, 2025.

(Deferred Tax Accounting)

1. Major components of deferred tax assets and liabilities

	(Millions of Yen)	
	As of March 31, 2024	As of March 31, 2025
Deferred tax assets		
Disallowed retirement benefit liability	36	29
Disallowed accrued bonuses	531	513
Disallowed provision of allowance for doubtful accounts	124	125
Disallowed provision for loss on construction contracts	62	10
Tax loss carryforwards	698	706
Disallowed impairment loss	154	149
Disallowed loss for support of associates	908	935
Disallowed loss on valuation of shares for subsidiaries and associates	408	419
Other	1,695	1,192
Subtotal	4,619	4,081
Valuation allowance	(2,795)	(2,884)
Total	1,824	1,197
Deferred tax liabilities		
Retirement benefit asset	(221)	(409)
Gain on contribution of securities to retirement benefit trust	(254)	(221)
Valuation difference on available-for-sale securities	(593)	(672)
Reserve for tax purpose reduction entry	(1)	(4)
Retirement expenses associated with asset retirement obligations	(2)	(1)
Other	–	(33)
Total	(1,072)	(1,342)
Net deferred tax assets (liabilities)	751	(145)

2. Reconciliation of significant differences between the statutory effective tax rate and the actual effective rate of income taxes after application of deferred tax accounting

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Statutory effective tax rate	The note is omitted	The note is omitted
(Adjustments)		
Expenses not deductible permanently, such as entertainment expenses	because the difference between the statutory effective tax rate and the effective tax rate after adoption of tax effect accounting is less than 5% of statutory effective tax rate.	because the difference between the statutory effective tax rate and the effective tax rate after adoption of tax effect accounting is less than 5% of statutory effective tax rate.
Inhabitant per capita taxes		
Change in valuation allowance		
Tax deduction		
Share of profit (loss) of entities accounted for using equity method, etc.		
Other		
Effective rate of income taxes after application of deferred tax accounting		

3. Amendments to the amounts of deferred tax assets and deferred tax liabilities due to changes in income tax rate
- Due to the enactment of the “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 13 of 2025) in the Japanese Diet on March 31, 2025, the “Special Corporation Tax for National Defense” will be imposed from the fiscal years beginning on or after April 1, 2026.
- Accordingly, deferred tax assets and deferred tax liabilities related to temporary differences expected to be reversed in the fiscal years beginning on or after April 1, 2026 are calculated by changing the statutory effective tax rate from 30.6% to 31.5%.
- The effect of this change on the consolidated financial statements for the fiscal year ended March 31, 2025 is immaterial.

(Real Estate for Lease, etc.)

The Company and some of its subsidiaries own rental housing and other properties in Tokyo and other areas. During fiscal year ended March 31, 2024, lease income from said rental properties was ¥60 million, and during fiscal year ended March 31, 2025, lease income from said rental properties was ¥129 million, gain on sale of non-current assets was ¥364 million (recorded as extraordinary income), and loss on sale of non-current assets was ¥317 million (recorded as extraordinary losses).

The amounts recorded on the consolidated balance sheets, the changes during the period, and fair value of said rental properties are as follows.

(Millions of Yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Carrying amount		
Balance at beginning of period	7,125	8,126
Increase (decrease) during the period	1,001	(543)
Balance at end of period	8,126	7,582
Fair value at end of period	10,904	10,054

- Notes:
1. The amount recorded in the consolidated balance sheets is the acquisition cost less accumulated depreciation.
 2. Of the changes during the period, the main increase in the fiscal year ended March 31, 2024 was real estate acquisition (¥1,335 million), while the main decrease was depreciation (¥291 million). The main increase in the fiscal year ended March 31, 2025 was real estate acquisition (¥658 million), while the main decrease was sale of real estate (¥1,013 million).
 3. For major properties, the fair value at the end of the period is the amount based on real estate appraisal reports by external real estate appraisers, and for other properties, it is based on a certain appraised value or an index that is considered to appropriately reflect market prices. However, if there have been no material changes in a certain appraised value or an index that is considered to appropriately reflect market prices since the time of acquisition from a third party or the most recent appraisal, the amount is based on the amount adjusted using such appraised value or index.

(Revenue Recognition)

1. Disaggregation of revenue from contracts with customers

Fiscal year ended March 31, 2024

(Millions of Yen)

	Reportable Segment	Other (Note)	Total
	Construction Business		
Slope stabilization and protection	33,922	—	33,922
Foundations and ground improvement	50,103	—	50,103
Repair and reinforcement	8,571	—	8,571
Environmental remediation	2,550	—	2,550
General civil engineering	4,138	—	4,138
Building construction	16,469	—	16,469
Other construction	1,264	—	1,264
Other	—	288	288
Revenue from contracts with customers	117,019	288	117,307
Other revenue	—	16	16
Net sales to external customers	117,019	305	117,324

Note: Other is a business segment not included in the reportable segment and includes the product and materials sales business, the leasing business, and the home-visit care business.

Fiscal year ended March 31, 2025

(Millions of Yen)

	Reportable Segment	Other (Note)	Total
	Construction Business		
Slope stabilization and protection	34,706	—	34,706
Foundations and ground improvement	52,487	—	52,487
Repair and reinforcement	9,656	—	9,656
Environmental remediation	1,284	—	1,284
General civil engineering	4,980	—	4,980
Building construction	16,463	—	16,463
Other construction	1,592	—	1,592
Other	—	270	270
Revenue from contracts with customers	121,170	270	121,440
Other revenue	—	16	16
Net sales to external customers	121,170	286	121,457

Note: Other is a business segment not included in the reportable segment and includes the product and materials sales business, the leasing business, and the home-visit care business.

2. Basic information for understanding revenue from contracts with customers

Basic information for understanding revenue is as described in “4. Accounting policies (5) Accounting policy for significant revenues and expenses,” of Significant accounting policies for preparation of consolidated financial statements.

3. Information on relationship between satisfaction of performance obligations under contracts with customers and cash flows generated from said contracts, and amount and timing of revenue expected to be recognized in the following fiscal year onward based on contracts with customers existing as of the end of the fiscal year under review
- (1) Balance of contract assets and contract liabilities, etc.

(Millions of Yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Receivables arising from contracts with customers (balance at beginning of period)	30,156	22,117
Receivables arising from contracts with customers (balance at end of period)	22,117	16,114
Contract assets (balance at beginning of period)	19,136	19,265
Contract assets (balance at end of period)	19,265	26,458
Contract liabilities (balance at beginning of period)	1,102	1,799
Contract liabilities (balance at end of period)	1,799	1,134

- Notes:
- 1 Receivable arising from contracts with customers are recorded on the consolidated balance sheet under current assets as “Notes receivable, accounts receivable from completed construction contracts and other” and “Electronically recorded monetary claims - operating,” while contract liabilities are recorded on the consolidated balance sheets under current liabilities as “Advances received on construction contracts in progress.”
 - 2 Contract assets consist primarily of unbilled amounts to customers, while contract liabilities consist primarily of advances received from customers.
 - 3 Almost all of the balance of contract liabilities at the start of the period for the current fiscal year was recognized as revenue for the current fiscal year.

- (2) Transaction prices allocated to remaining performance obligations

The total amount of transaction prices allocated to remaining performance obligations in the current fiscal year was ¥87,195 million, and the Group expects to recognize these remaining performance obligations as revenue over the period of about one year as the performance obligations are satisfied.

(Segment Information, Etc.)

Segment information

1. Overview of reportable segments

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

The Group has branches and consolidated subsidiaries in each region, and each branch and consolidated subsidiary formulates comprehensive domestic and overseas strategies and conducts business activities in the construction business, including order receipt, construction, and sales of products and materials.

Therefore, the Group consists of businesses that include civil engineering, building construction, and sales of products and materials based on branches and consolidated subsidiaries. In order to provide appropriate information on the nature of business activities and the business environment, multiple segments with similar business structures are aggregated and classified as the Construction Business reportable segment.

The Construction Business engages in slope stabilization and protection, foundations and ground improvement, repair and reinforcement, environmental remediation, general civil engineering, and building construction.

2. Calculation of the amounts of net sales, profit or loss, assets and other items by reportable segment

The accounting method for reported business segments is generally the same as that described in "Significant accounting policies for preparation of consolidated financial statements."

The figures for profit of reportable segments are based on operating profit.

Inter-segment transactions and transfers are based on prevailing market prices.

3. Information on the amounts of net sales, profit or loss, assets and other items by reportable segment

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

(Millions of yen)

	Reportable Segment	Other (Note)	Total
	Construction Business		
Net sales			
Net sales to external customers	117,019	305	117,324
Inter-segment sales and transfers	2	1,306	1,309
Total	117,022	1,611	118,633
Segment expenses	105,811	1,577	107,389
Segment profit	11,210	33	11,244
Segment assets	78,987	1,023	80,011
Other			
Depreciation	2,822	21	2,843
Increase in property, plant and equipment and intangible assets	3,607	5	3,613

Note: Other is a business segment not included in the reportable segment and includes the product and materials sales business, the leasing business, and the home-visit care business.

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

(Millions of yen)

	Reportable Segment	Other (Note)	Total
	Construction Business		
Net sales			
Net sales to external customers	121,170	286	121,457
Inter-segment sales and transfers	41	1,122	1,163
Total	121,211	1,409	122,621
Segment expenses	108,423	1,387	109,810
Segment profit	12,788	22	12,810
Segment assets	82,930	1,096	84,027
Other			
Depreciation	3,025	24	3,050
Increase in property, plant and equipment and intangible assets	4,785	72	4,857

Note: Other is a business segment not included in the reportable segment and includes the product and materials sales business, the leasing business, and the home-visit care business.

4. Difference between the total amount of reportable segments and the amount recorded in the consolidated financial statements and the main details of such difference (matters concerning reconciliation)

(Millions of yen)

Net sales	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Reportable segment total	117,022	121,211
Net sales of Other	1,611	1,409
Inter-segment eliminations	(1,309)	(1,163)
Net sales in consolidated financial statements	117,324	121,457

(Millions of yen)

Profit	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Reportable segment total	11,210	12,788
Profit of Other	33	22
Inter-segment eliminations	1	0
Operating profit in consolidated financial statements	11,245	12,811

(Millions of yen)

Assets	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Reportable segment total	78,987	82,930
Assets of Other	1,023	1,096
Corporate assets	45,571	39,300
Other adjustments	(1,135)	(1,117)
Total assets in consolidated financial statements	124,447	122,209

(Millions of yen)

Other	Reportable segment total		Other	
	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Depreciation	2,822	3,025	21	24
Increase in property, plant and equipment and intangible assets	3,607	4,785	5	72

Other	Adjustments		Amount recorded in consolidated financial statements	
	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Depreciation	—	—	2,843	3,050
Increase in property, plant and equipment and intangible assets	—	—	3,613	4,857

Related information

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

1. Information for each product and service

Information for each product and service has been omitted here because the same information is disclosed in Segment Information.

2. Information for each region

(1) Net sales

(Millions of yen)

Japan	North America	Other regions or countries	Total
106,763	4,574	5,987	117,324

(2) Property, plant and equipment

Information for property, plant and equipment has been omitted here as property, plant and equipment located in Japan exceeds 90% of the property, plant and equipment in the consolidated balance sheet.

3. Information for each main customer

Of sales to external customers, there are no customers who account for 10% or more of net sales in the consolidated statement of income.

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

1. Information for each product and service

Information for each product and service has been omitted here because the same information is disclosed in Segment Information.

2. Information for each region

(1) Net sales

(Millions of yen)

Japan	North America	Other regions or countries	Total
110,478	7,613	3,365	121,457

(2) Property, plant and equipment

Information for property, plant and equipment has been omitted here as property, plant and equipment located in Japan exceeds 90% of the property, plant and equipment in the consolidated balance sheet.

3. Information for each main customer

Of sales to external customers, there are no customers who account for 10% or more of net sales in the consolidated statement of income.

Information on amortization of goodwill and unamortized balance by reportable segment

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

(Millions of yen)

	Construction Business	Other	Elimination/Corporat e	Total
Amortized amount	47	—	—	47
Unamortized balance	426	—	—	426

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

(Millions of yen)

	Construction Business	Other	Elimination/Corporat e	Total
Amortized amount	45	—	—	45
Unamortized balance	360	—	—	360

Information on gain on negative goodwill by reportable segment

No relevant items to report.

(Related Party Information)

Fiscal year ended March 31, 2024

No relevant items to report.

Fiscal year ended March 31, 2025

No relevant items to report.

(Per Share Information)

(Yen)

Item	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Net assets per share	1,877.46	1,972.70
Basic earnings per share	168.16	214.30
Diluted earnings per share	Diluted earnings per share is not shown here as there are no shares with dilutive potential.	Diluted earnings per share is not shown here as there are no shares with dilutive potential.

Notes: 1. The basis for calculating the basic earnings per share is as shown below.

Item	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Profit attributable to owners of parent (Millions of yen)	8,181	9,919
Amounts not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent related to common shares (Millions of yen)	8,181	9,919
Average number of common shares outstanding in the fiscal year (Shares)	48,650,478	46,285,169

2. The basis for calculating net assets per share is as shown below.

Item	As of March 31, 2024	As of March 31, 2025
Total net assets in consolidated balance sheet (Millions of yen)	91,094	88,674
Amount deducted from total net assets in consolidated balance sheet (Millions of yen)	905	841
[Of which non-controlling interests (Millions of yen)]	[905]	[841]
Net assets relating to common shares (Millions of yen)	90,189	87,833
Number of shares of common shares issued (Shares)	52,145,450	45,467,550
Number of treasury shares of common shares (Shares)	4,107,272	942,865
Number of shares of common shares used in the calculation of net assets per share (Shares)	48,038,178	44,524,685

Note: The Company's shares held by the trust for the delivery of shares to Directors and Corporate Auditors are included in treasury shares, which is deducted from the total number of issued shares at the end of the period for the purpose of calculating net assets per share (Fiscal year ended March 31, 2024: 145,060 shares, Fiscal year ended March 31, 2025: 145,060 shares).

In addition, the Company's shares held by the trust for the delivery of shares to Directors and Corporate Auditors are included in treasury shares, which is deducted from the average number of shares outstanding during the period for the purpose of calculating basic earnings per share (Fiscal year ended March 31, 2024: 122,146 shares, Fiscal year ended March 31, 2025: 145,060 shares).

(Significant Subsequent Events)

No relevant items to report.

- (v) Annexed Consolidated Detailed Schedules
Consolidated Detailed Schedule of Corporate Bonds
No relevant items to report.

Consolidated Detailed Schedule of Borrowings

Category	Balance at April 1, 2024 (Millions of yen)	Balance at March 31, 2025 (Millions of yen)	Average interest rate (%)	Payment due
Short-term borrowings	1,438	1,447	5.6	—
Current portion of long-term borrowings	62	59	10.0	—
Current portion of lease liabilities	22	42	—	—
Long-term borrowings (excluding current portion of long-term borrowings)	62	—	10.0	—
Lease liabilities (excluding current portion of lease liabilities)	53	114	—	2025 to 2029
Total	1,639	1,663	—	—

- Notes: 1 “Average interest rate” represents weighted average interest rate with respect to the ending balance of borrowings, etc.
2 The average interest rate of lease liabilities is not stated as the amount equivalent to interest included in the total lease fee is allocated across each fiscal year using the straight-line method.
3 In the consolidated balance sheets, the current portion of long-term borrowings and lease liabilities are included in other current liabilities.
4 Repayment schedule for long-term borrowings and lease liabilities (excluding current portion of lease liabilities) for five years after the consolidated balance sheet date is as follows.

(Millions of Yen)

	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years
Long-term borrowings	—	—	—	—
Lease liabilities	54	43	15	0

Consolidated Detailed Schedule of Asset Retirement Obligations

Pursuant to the provision of Article 92-2 of the Regulations on Consolidated Financial Statements, the information is omitted, because the amounts of asset retirement obligations at the beginning and the end of the fiscal year ended March 31, 2025 were not more than 1% of the total of liabilities and net assets at the beginning and the end of the fiscal year ended March 31, 2025, respectively.

(2) Other Information

(i) Semi-annual information for the fiscal year ended March 31, 2025

Cumulative period	Six months ended September 30, 2024	Fiscal year ended March 31, 2025
Net sales (Millions of yen)	54,967	121,457
Profit before income taxes (Millions of yen)	5,600	13,969
Profit attributable to owners of parent (Millions of yen)	3,768	9,919
Basic earnings per share (Yen)	79.83	214.30

(ii) Litigation

While there is a case in dispute concerning a construction project carried out by the Company, we have judged that said case will not have a significant impact on the Group’s financial position and operating results.

Independent Auditor's Report

The Board of Directors
RAITO KOGYO Co., Ltd.

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of RAITO KOGYO Co., Ltd. (the Company) and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2025, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in 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 ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Estimates of total construction cost in revenue recognition for construction contracts	
Description of Key Audit Matter	Auditor's Response
As described in the "Notes to the Consolidated Financial Statements, (Significant accounting policies for preparation of consolidated financial statements), 4. Accounting policies, (5) Accounting policy for significant revenues and expenses," as the Company and a consolidated subsidiaries fulfill their obligations under contracts with customers, revenue is recognized over a certain period of time depending on the degree to which the customer is satisfied with fulfillment of	In assessing the estimate of the total construction cost used in revenue recognition on construction contracts, we primarily performed the following audit procedures. (1) Evaluation of internal controls We conducted the following evaluation of the design and operation of the Company's internal controls over the estimate of total construction cost.

obligation with respect to construction contracts for which it is determined that the customer will receive benefits. Also, as described in the “Notes to the Consolidated Financial Statements, (Significant accounting estimates),” of the ¥121,170 million of net sales from completed construction contracts in the fiscal year ended March 31, 2025, the amount of net sales from completed construction contracts for which performance obligations are satisfied over a period of time is ¥107,373 million (including ¥49,749 million of net sales from completed construction contracts that will be completed in the following fiscal year or later).

The amount of net sales from completed construction contracts where performance obligations are satisfied over a period of time is measured based on the degree of progress for construction related to the satisfaction of performance obligations. The degree of progress for construction is calculated based on the ratio of the cost incurred up until the end of the fiscal year to the estimated total construction cost.

Construction projects are highly individualized, and the basic specifications and work details are executed based on instructions from the customer. It is therefore difficult to obtain a uniform judgment scale when estimating the total construction cost. Consequently, estimates of total construction cost are subject to uncertainty, and involve certain assumptions and judgments by construction managers who possess expert knowledge of construction and experience in construction work.

Furthermore, there are cases in which details of construction contracts are changed from the original contracts based on an agreement with the customer throughout the construction period, and cases in which changes in the estimated man-hours and fluctuation in prices of materials, machinery, subcontracting costs, etc., may occur due to facts discovered after starting construction. As a result, the timely and appropriate review of total construction cost is highly complex.

- Controls for ensuring that the working budget (budget prepared and approved for cost control of construction), which is the basis for estimating the total construction cost, is prepared by expert construction personnel, and reliability is achieved through necessary approvals.
- Systems for timely revision of total construction cost in response to the status of construction work, actual costs incurred, or instructions from the customer regarding changes in specifications.

(2) Evaluation of total construction cost estimate

We evaluated the process of estimating the total construction cost by comparing the estimated total construction cost based on the working budget for the fiscal year ended March 31, 2024 with the final or re-estimated amount.

We performed the following procedures to identify construction contracts involving relatively high uncertainty in estimating the total construction cost when considering factors such as the contract value and construction profit or loss.

- We compared the estimate of the total construction cost against the working budget, which is the basis for the calculation, and examined whether the estimated cost is consistent with the construction objectives of the construction contract, whether it is calculated by aggregating each type of work, and whether the working budget contained any unusual monetary adjustments to accommodate uncertainties in the future.
- We compared the original and latest working budgets and examined the details of differences. We examined whether the effects of events, etc., resulting in differences are reflected in the total construction cost estimate in a timely manner by making inquiries with relevant personnel such as construction managers and by inspecting construction progress reports, documents which substantiate the negotiation of construction cost, and other evidence which can be used to confirm the existence of changes in construction details.

Based on the above, we determined that the estimate of the total construction cost, which is the basis for measuring the degree of completion in revenue recognition for construction contracts, is particularly significant in our audit of the consolidated financial statements for the fiscal year ended March 31, 2025 and constitutes a key audit matter.	
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Other Information

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

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

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the group audit. We remain solely responsible for our audit opinion.

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

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

Fee-related Information

The fees for the audits of the financial statements of RAITO KOGYO Co., Ltd. and its subsidiaries provided by us and other EY member firms are 66 million yen for the year ended March 31, 2025, and there are no fees for other services for the year ended March 31, 2025.

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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

July 25, 2025

Hideaki Sato

Designated Engagement Partner
Certified Public Accountant

Takashi Nakamura

Designated Engagement Partner
Certified Public Accountant