

**Consolidated Financial Statements**  
MITSUI E&S Co., Ltd.  
and Consolidated Subsidiaries

For the Years ended March 31,  
2026 and 2025  
Together with Independent  
Auditor's Report



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### Definition of Abbreviations

Abbreviations	Definition
the Group	MITSUI E&S Co., Ltd. and its consolidated subsidiaries (MITSUI E&S Group)
the Company	MITSUI E&S Co., Ltd. on a standalone basis
FY2024	Fiscal year ended March 31, 2025
FY2025	Fiscal year ended March 31, 2026

### Exchange Rate During the Period

Currency	FY2025
U.S. Dollar	159.88 yen

# Consolidated Financial Statements

## Consolidated Balance Sheets

As of March 31, 2026 and 2025

### ASSETS

	Japanese Yen (millions)		U.S. Dollars (thousands)(Note 1(a))
	FY2025	FY2024	FY2025
<b>Current Assets</b>			
Cash and time deposits (Note 2(f))	¥ 57,055	¥ 35,354	\$ 356,861
Receivables			
Trade, and contract assets (Note 2(b))	90,925	102,956	568,708
Electronically recorded monetary claims - operating (Note 2(b))	4,330	4,988	27,083
Others	4,468	18,660	27,946
Allowance for doubtful accounts	(507)	(1,007)	(3,171)
Merchandise and finished goods	10,312	10,626	64,498
Raw materials and supplies	7,208	6,829	45,084
Work in progress	60,337	52,473	377,389
Others	12,113	8,768	75,763
<b>Total current assets</b>	<b>246,241</b>	<b>239,647</b>	<b>1,540,161</b>
<b>Property, Plant and Equipment</b>			
Land (Notes 2(e) and 2(f))	58,562	65,729	366,287
Buildings and structures (Note 2(f))	95,822	110,119	599,337
Machinery, equipment and vehicles	86,652	86,513	541,982
Lease assets	12,915	13,170	80,779
Construction in progress	2,441	3,345	15,268
	256,392	278,876	1,603,653
Less accumulated depreciation (Note 2(c))	(148,145)	(162,726)	(926,601)
<b>Net property, plant and equipment (Note 2(g))</b>	<b>108,247</b>	<b>116,150</b>	<b>677,052</b>
<b>Intangible Assets</b>			
Intangible assets	13,794	14,138	86,277
<b>Investments and Other Assets</b>			
Investment securities (Notes 2(a) and 2(f))	55,005	29,674	344,039
Long-term loans (Note 2(f))	1,699	1,704	10,627
Net defined benefit assets	27,691	21,957	173,199
Deferred tax assets	10,886	13,038	68,088
Others (Note 2(a))	32,107	13,032	200,819
Allowance for doubtful accounts	(1,116)	(127)	(6,980)
<b>Total investments and other assets</b>	<b>126,272</b>	<b>79,278</b>	<b>789,792</b>
<b>Total assets</b>	<b>¥ 494,554</b>	<b>¥ 449,213</b>	<b>\$ 3,093,282</b>

The accompanying notes to the consolidated financial statements are integral parts of these statements.

## LIABILITIES AND NET ASSETS

	Japanese Yen (millions)		U.S. Dollars (thousands)(Note 1(a))
	FY2025	FY2024	FY2025
<b>Current Liabilities</b>			
Short-term borrowings (Note 2(h))	¥ 49,040	¥ 47,854	\$ 306,730
Current portion of long-term borrowings (Note 2(f))	6,232	6,167	38,979
Lease obligations	2,050	2,050	12,822
Trade payables	45,557	45,610	284,945
Electronically recorded obligations - operating	5,963	13,527	37,297
Contract liabilities	42,912	44,188	268,401
Accrued income taxes	5,249	5,121	32,831
Provision for bonuses	8,491	6,171	53,108
Provision for construction warranties	2,627	2,652	16,431
Provision for losses on construction contracts	3,730	4,838	23,330
Provision for demolition and removal	1,315	1,143	8,225
Asset retirement obligations	-	106	-
Others	24,158	21,366	151,101
<b>Total current liabilities</b>	<b>197,324</b>	<b>200,793</b>	<b>1,234,200</b>
<b>Long-term Liabilities</b>			
Long-term borrowings (Note 2(f))	37,449	43,830	234,232
Lease obligations	3,781	5,343	23,649
Provision for business restructuring	1,026	1,110	6,417
Provision for contract losses	3,376	3,845	21,116
Net defined benefit liabilities	4,083	4,565	25,538
Deferred tax liabilities			
On revaluation reserve for land (Note 2(e))	10,080	11,747	63,047
Others	189	182	1,182
Asset retirement obligations	1,060	1,482	6,630
Others (Note 2(i))	2,366	2,161	14,799
<b>Total long-term liabilities</b>	<b>63,410</b>	<b>74,265</b>	<b>396,610</b>
<b>Total liabilities</b>	<b>260,734</b>	<b>275,058</b>	<b>1,630,810</b>
<b>Net Assets</b>			
Share capital	8,846	8,846	55,329
Capital surplus	2,793	2,793	17,469
Retained earnings	143,060	104,495	894,796
Treasury stock	(4,567)	(4,591)	(28,565)
Net unrealized holding gains on securities	26,330	6,891	164,686
Unrealized gains on hedging derivatives	3,194	2,724	19,978
Revaluation reserve for land (Note 2(e))	21,793	25,438	136,308
Foreign currency translation adjustments	10,341	9,085	64,680
Remeasurements of defined benefit plans	17,284	14,112	108,106
Subscription rights to shares	31	59	194
Non-controlling interests	4,715	4,303	29,491
<b>Total net assets</b>	<b>233,820</b>	<b>174,155</b>	<b>1,462,472</b>
<b>Total liabilities and net assets</b>	<b>¥ 494,554</b>	<b>¥ 449,213</b>	<b>\$ 3,093,282</b>

## Consolidated Statements of Operations

For the Years Ended March 31, 2026 and 2025

	Japanese Yen (millions)		U.S. Dollars (thousands)(Note 1(a))
	FY2025	FY2024	FY2025
Net Sales (Note 3(a))	¥ 353,196	¥ 315,113	\$ 2,209,132
Cost of Sales (Notes 3(c), 3(g) and 3(h))	283,732	263,542	1,774,656
Gross Profit	69,464	51,571	434,476
Selling, general and administrative expenses (Notes 3(b) and 3(c))	31,822	28,441	199,037
Operating income	37,642	23,130	235,439
Other Income (Expenses)			
Interest and dividend income	762	665	4,766
Interest expenses	(1,728)	(2,559)	(10,808)
Provision of allowance for doubtful accounts	(862)	-	(5,392)
Share of profit of entities accounted for using equity method	7,516	7,910	47,010
Foreign currency exchange gains (losses)	2,200	(942)	13,760
Gain on disposal of non-current assets (Note 3(d))	57	371	356
Gain on sales of subsidiaries and affiliates' stocks	254	24,418	1,589
Loss on disposal of non-current assets (Note 3(e))	(1,198)	(557)	(7,493)
Loss on impairment of non-current assets (Note 3(f))	(496)	(1,524)	(3,102)
Loss on change in equity	-	(1,124)	-
Loss on liquidation of business	(617)	(1,984)	(3,859)
Provision for demolition and removal	(790)	(456)	(4,941)
Provision for business restructuring	-	(678)	-
Provision for contract losses	(151)	(3,845)	(945)
Settlement payments for accidents	-	(2,660)	-
Loss on litigation	(1,906)	-	(11,921)
Others, net	(637)	(448)	(3,984)
Total	2,404	16,587	15,036
Profit before income taxes	40,046	39,717	250,475
Income Taxes			
Current	10,646	9,534	66,587
Deferred	(9,485)	(8,977)	(59,326)
	1,161	557	7,261
Profit	38,885	39,160	243,214
Profit attributable to non-controlling interests	428	85	2,677
Profit attributable to owners of parent	¥ 38,457	¥ 39,075	\$ 240,537

## Consolidated Statements of Comprehensive Income

For the Years Ended March 31, 2026 and 2025

	Japanese Yen (millions)		U.S. Dollars (thousands)(Note 1(a))
	FY2025	FY2024	FY2025
Profit	¥ 38,885	¥ 39,160	\$ 243,214
Other comprehensive income (Note 4)			
Net unrealized holding gains on securities	19,394	5,608	121,303
Unrealized gains (losses) on hedging derivatives	(509)	278	(3,184)
Revaluation reserve for land	-	(327)	-
Foreign currency translation adjustments	1,231	1,305	7,700
Remeasurements of defined benefit plans	3,405	2,124	21,297
Share of other comprehensive income of affiliates accounted for using equity method	778	(8,486)	4,866
Total	24,299	502	151,982
Comprehensive income	¥ 63,184	¥ 39,662	\$ 395,196
Comprehensive income attributable to			
Owners of parent	¥ 62,794	¥ 39,730	\$ 392,757
Non-controlling interests	¥ 390	¥ (68)	\$ 2,439

# Consolidated Statements of Changes in Net Assets

For the Years Ended March 31, 2026 and 2025

	Japanese Yen (millions)											
	Shareholders' equity				Accumulated other comprehensive income							
	Share capital	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Unrealized gains on hedging derivatives	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Subscription rights to shares	Non-controlling interests	Total net assets
Balance as of April 1, 2024	¥ 8,846	¥ 11,805	¥ 67,057	¥ (4,624)	¥ 1,269	¥ 5,642	¥ 27,098	¥ 12,925	¥ 11,993	¥ 88	¥ 4,412	¥ 146,511
Cash dividends paid			(1,206)									(1,206)
Profit attributable to owners of parent			39,075									39,075
Change in scope of equity method		2	(1,575)									(1,573)
Purchases of treasury stock				(9,198)								(9,198)
Sales of treasury stock		(8)		37								29
Cancellation of treasury stock		(9,194)		9,194								-
Transfer from retained earnings to capital surplus		188	(188)									-
Transfer from revaluation reserve for land					1,332							1,332
Change in ownership interest of parent due to transactions with non-controlling interests		(0)										(0)
Net changes of items other than those in Shareholders' equity					5,622	(2,918)	(1,660)	(3,840)	2,119	(29)	(109)	(815)
Total changes during the year	-	(9,012)	37,438	33	5,622	(2,918)	(1,660)	(3,840)	2,119	(29)	(109)	27,644
Balance as of April 1, 2025	¥ 8,846	¥ 2,793	¥ 104,495	¥ (4,591)	¥ 6,891	¥ 2,724	¥ 25,438	¥ 9,085	¥ 14,112	¥ 59	¥ 4,303	¥ 174,155
Cash dividends paid			(3,531)									(3,531)
Profit attributable to owners of parent			38,457									38,457
Purchases of treasury stock				(10)								(10)
Sales of treasury stock		(6)		34								28
Transfer from retained earnings to capital surplus		6	(6)									-
Transfer from revaluation reserve for land					3,645							3,645
Change in ownership interest of parent due to transactions with non-controlling interests		0										0
Net changes of items other than those in Shareholders' equity					19,439	470	(3,645)	1,256	3,172	(28)	412	21,076
Total changes during the year	-	0	38,565	24	19,439	470	(3,645)	1,256	3,172	(28)	412	59,665
Balance as of March 31, 2026	¥ 8,846	¥ 2,793	¥ 143,060	¥ (4,567)	¥ 26,330	¥ 3,194	¥ 21,793	¥ 10,341	¥ 17,284	¥ 31	¥ 4,715	¥ 233,820

	U.S. Dollars (thousands) (Note 1(a))											
	Shareholders' equity				Accumulated other comprehensive income							
	Share capital	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Unrealized gains on hedging derivatives	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Subscription rights to shares	Non-controlling interests	Total net assets
Balance as of April 1, 2025	\$ 55,329	\$ 17,469	\$ 653,584	\$ (28,715)	\$ 43,101	\$ 17,038	\$ 159,107	\$ 56,824	\$ 88,266	\$ 369	\$ 26,914	\$ 1,089,286
Cash dividends paid			(22,085)									(22,085)
Profit attributable to owners of parent			240,537									240,537
Purchases of treasury stock				(63)								(63)
Sales of treasury stock		(38)		213								175
Transfer from retained earnings to capital surplus		38	(38)									-
Transfer from revaluation reserve for land					22,798							22,798
Change in ownership interest of parent due to transactions with non-controlling interests		0										0
Net changes of items other than those in Shareholders' equity					121,585	2,940	(22,799)	7,856	19,840	(175)	2,577	131,824
Total changes during the year	-	0	241,212	150	121,585	2,940	(22,799)	7,856	19,840	(175)	2,577	373,186
Balance as of March 31, 2026	\$ 55,329	\$ 17,469	\$ 894,796	\$ (28,565)	\$ 164,686	\$ 19,978	\$ 136,308	\$ 64,680	\$ 108,106	\$ 194	\$ 29,491	\$ 1,462,472

## Consolidated Statements of Cash Flows

For the Years Ended March 31, 2026 and 2025

	Japanese Yen (millions)		U.S. Dollars (thousands)(Note 1(a))
	FY2025	FY2024	FY2025
Cash Flows from Operating Activities:			
Profit before income taxes	¥ 40,046	¥ 39,717	\$ 250,475
Adjustments to reconcile Profit before income taxes to net cash provided by (used in) operating activities			
Depreciation and amortization	8,079	7,617	50,532
Loss on impairment of non-current assets	496	1,524	3,102
Amortization of goodwill	1,133	1,002	7,087
Increase (decrease) of allowance for doubtful accounts	(419)	179	(2,621)
Increase in net defined benefit liabilities	306	624	1,914
Decrease in net defined benefit assets	898	968	5,617
Increase (decrease) in provision for losses on construction contracts	(1,393)	512	(8,713)
Increase in provision for demolition and removal	173	333	1,082
Increase (decrease) in provision for contract losses	(469)	3,845	(2,933)
Interest and dividend income	(762)	(665)	(4,766)
Interest expenses	1,728	2,559	10,808
Share of profit of entities accounted for using equity method	(7,516)	(7,910)	(47,010)
Foreign currency exchange losses (gains)	(1,635)	70	(10,226)
Gain on sales of subsidiaries and affiliates' stocks	(254)	(24,418)	(1,589)
Loss on disposal of non-current assets	1,141	186	7,137
Loss on change in equity	-	1,124	-
Loss on liquidation of business	617	1,984	3,859
Settlement payments for accidents	-	2,660	-
Loss on litigation	1,906	-	11,921
Changes in assets and liabilities:			
Decrease (increase) in			
Trade receivables and contract assets	15,310	(10,375)	95,759
Inventories	(7,914)	(2,184)	(49,500)
Other assets	(1,434)	(1,064)	(8,969)
Increase (decrease) in			
Trade payables	(10,517)	(7,539)	(65,781)
Contract liabilities	(2,024)	13,255	(12,659)
Other liabilities	6,310	6,031	39,467
Others, net	(3,171)	(5,029)	(19,834)
Sub-total	40,635	25,006	254,159
Interest and dividend received	2,678	1,876	16,750
Interest paid	(2,111)	(2,816)	(13,203)
Settlement paid for accidents	(619)	(2,040)	(3,872)
Payments for loss on litigation	(1,870)	-	(11,696)
Income taxes paid	(10,294)	(7,174)	(64,386)
Net cash provided by (used in) operating activities	¥ 28,419	¥ 14,852	\$ 177,752

	Japanese Yen (millions)		U.S. Dollars (thousands)(Note 1(a))
	FY2025	FY2024	FY2025
<b>Cash Flows from Investing Activities:</b>			
Net decrease (increase) in time deposits	(494)	276	(3,090)
Capital expenditure	(9,096)	(9,628)	(56,893)
Proceeds from sales of non-current assets	6,964	1,253	43,558
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	330	-
Proceeds from sales of shares of subsidiaries and affiliates	4,175	68,914	26,113
Payments for asset retirement obligations	(191)	(356)	(1,194)
Subsidies received	1,611	-	10,076
Others, net	(416)	113	(2,602)
Net cash provided by (used in) investing activities	¥ 2,553	¥ 60,902	\$ 15,968
<b>Cash Flows from Financing Activities:</b>			
Net increase (decrease) in short-term borrowings	1,261	(101,931)	7,887
Proceeds from long-term borrowings	2,400	43,857	15,011
Repayments of long-term borrowings	(8,715)	(6,088)	(54,510)
Repayments of lease obligations	(1,827)	(1,992)	(11,427)
Purchase of treasury stock	-	(9,198)	-
Cash dividends	(3,505)	(1,203)	(21,923)
Dividends paid to non-controlling interests	(49)	(40)	(306)
Others, net	18	28	113
Net cash provided by (used in) financing activities	¥ (10,417)	¥ (76,567)	\$ (65,155)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	700	673	4,378
Net increase (decrease) in Cash and Cash Equivalents	21,255	(140)	132,943
Decrease due to change in scope of consolidation	(42)	-	(263)
Cash and Cash Equivalents at Beginning of Period	33,376	33,517	208,757
Cash and Cash Equivalents at End of Period (Note 6)	¥ 54,589	¥ 33,377	\$ 341,437

# Notes to Consolidated Financial Statements

## 1. Significant Accounting and Reporting Policies

The following is a summary of the significant accounting and reporting policies adopted by the MITSUI E&S Group (the “Group”), which consists of MITSUI E&S Co., Ltd. (the “Company”) and its consolidated subsidiaries (the “Subsidiaries”) in the preparation of the accompanying consolidated financial statements.

### (a) Basis of Presenting Consolidated Financial Statements

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

The accounts of the foreign Subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile (“Local GAAP”) and significant differences between Japanese GAAP and Local GAAP are adjusted in consolidation. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Group prepared in accordance with Japanese GAAP and filed with the appropriate Finance Bureau of the Ministry of Finance as required by the “Financial Instruments and Exchange Act.” Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2026, which was ¥159.88 to U.S. \$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

The accompanying consolidated financial statements include the accounts of the Group, over which the Company has power of control through majority voting rights or existence of certain conditions requiring control by the Company.

Material inter-company balances, transactions and profits have been eliminated in consolidation.

The assets and liabilities of the Subsidiaries, including the portion attributable to non-controlling shareholders, were evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

Goodwill is generally amortized over certain periods on the straight-line method.

### (b) Translation of Foreign Currency Accounts

Under Japanese accounting standard for foreign currency translation, monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at each balance sheet date with the resulting gain or loss included in the current consolidated statements of operations.

Assets and liabilities of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates in effect at each balance sheet date, except for share capital and capital surplus, which are translated at historical rates. Revenue and expense accounts are also translated at the exchange rates in effect at each balance sheet date.

### (c) Principles of Consolidation

#### Scope of consolidation

1) Number of consolidated subsidiaries: 42

The number of consolidated subsidiaries in the fiscal year under review increased by one company due to its increased importance, and decreased by four companies due to liquidation.

2) Names, etc. of major non-consolidated subsidiaries

Major non-consolidated subsidiaries

MITSUI E&S MACHINERY EUROPE LIMITED

(Reason for exclusion from the scope of consolidation)

Non-consolidated 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.

#### Application of equity method

1) Number of affiliates accounted for using equity method: 13

The number of affiliates accounted for using equity method in the fiscal year under review decreased by two companies due to sales of shares.

2) Non-consolidated subsidiaries and affiliates not accounted for using equity method

Names of major non-consolidated subsidiaries not accounted for using equity method

MITSUI E&S MACHINERY EUROPE LIMITED

Names of major affiliates not accounted for using equity method

NHI Co., Ltd.

MES TECHNOSERVICE MACHINERY CONSTRUCTION LOGISTICS INDUSTRY AND TRADE CORPORATION

(Reason for not applying the equity method)

They 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) Changes in the ratio of equity interest due to capital increases of equity method affiliates are accounted for as deemed purchases or sales of equity interest.

#### **Fiscal year of consolidated subsidiaries**

Fiscal years of some of the Subsidiaries end on the 31<sup>st</sup> of December. The Company consolidates these subsidiaries' financial statements as of each subsidiary's latest fiscal year and significant transactions occurred between each subsidiary's fiscal year-end and the Company's fiscal year-end are adjusted on consolidation.

#### **(d) Securities**

1) Shares of subsidiaries and affiliates

Valued at cost determined by the moving-average method.

2) Available-for-sale securities

Securities other than shares, etc. without market value

Mainly valued at fair value (valuation differences are recognized directly in a separate component of net assets, and the cost of securities sold is calculated based on the moving-average method).

Shares, etc. without market value

Valued at cost determined by the moving-average method.

#### **(e) Derivatives**

Valued at fair value.

#### **(f) Significant Hedge Accounting Methods**

1) Hedge accounting method

The deferral hedge accounting is mainly applied. Alternative method (*furiate-shori*) is applied to forward exchange contracts and currency swaps qualifying for such alternative accounting. Exceptional treatment (*tokurei-shori*) is applied to interest rate swaps qualifying for such exceptional accounting, and integration accounting (*ittai-shori*) is applied to interest rate and currency swaps qualifying for such integration accounting (*tokurei-shori* and *furiate-shori*).

2) Hedging instruments and hedged items

<u>Hedging instruments</u>	<u>Hedged items</u>
(a) Forward exchange contracts	Monetary receivables and payables denominated in foreign currencies and forecasted transactions denominated in foreign currencies
(b) Currency swaps	Monetary receivables and payables denominated in foreign currencies
(c) Interest rate swaps	Interest on borrowings and bonds
(d) Interest rate and currency swaps	Borrowings and interest denominated in foreign currencies

3) Hedging policy

The Group hedges foreign exchange and interest rate fluctuation risks in accordance with each company's internal rules: "Risk Management Rules for Financial Transactions" and "Hedge Transaction Procedures."

4) Method of evaluating the effectiveness of hedges

The Group evaluates the effectiveness of hedging activities by comparing market or cash flow fluctuations of hedged items with those of hedging instruments.

The assessment of hedge effectiveness is omitted for interest rate swaps accounted for under the *tokurei-shori*, interest rate and currency swaps accounted for under the *ittai-shori*, and forward exchange contracts accounted for under the *furiate-shori*.

5) Risk management policy

Interest rate risk arising from the fixed/liquidity gap of financial assets and liabilities and foreign exchange risk arising from monetary receivables and payables denominated in foreign currencies are reduced through hedging transactions to adjust the amount of risk to an appropriate level.

#### **(g) Inventories**

Merchandise, finished goods, raw materials and supplies are stated at cost determined mainly by the moving-average method (Balance sheet value reflects downturn in profitability). Work in progress is stated using identified cost method (Balance sheet value reflects downturn in profitability).

#### **(h) Property, Plant and Equipment and Depreciation**

Depreciation of plant and equipment is mainly computed using the straight-line method over their estimated useful lives.

#### **(i) Intangible Assets**

Intangible assets primarily consist of software, customer-related assets and goodwill. Software for own use is depreciated using the straight-line method over the estimated useful life (five years). Customer-related assets are also amortized using the straight-line method based on the effective period (mainly eighteen years). Goodwill is generally amortized using the straight-line method over a reasonable period in which the economic benefits are expected to be realized.

#### (j) Finance Lease Transactions

The method of amortization of the lease assets related to finance lease transactions without transfer of ownership is by the straight-line method corresponding to lease period. The residual value is the guaranteed residual value in case such value is set forth in the lease contract but otherwise is zero value.

The method of amortization of the lease assets related to finance lease transactions that transfer ownership is based on the same standard as the depreciation method that is applied for self-owned non-current assets.

#### (k) Allowance for Doubtful Accounts

In order to provide for credit losses, non-recoverable amount is recorded based on write-off ratio for general accounts. For doubtful accounts, collectability is examined and recoverable amount is estimated individually.

#### (l) Provision for Bonuses

Of the estimated amount of bonuses to be paid, the amount estimated to cover the bonus payment for services rendered in the current fiscal year is recorded in order to prepare for payment of bonuses to employees.

#### (m) Provision for Construction Warranties

Provision for construction warranties is provided based on the estimated amounts calculated by using mainly the average proportion of construction warranties against amounts of construction revenue for past two years.

#### (n) Provision for Losses on Construction Contracts

Provision for losses on construction contracts, etc., is provided based on an estimate of the total losses which can probably occur for the next fiscal year and beyond with respect to construction projects, etc., on which eventual losses are deemed inevitable and amounts thereof can reasonably be estimated.

#### (o) Provision for Demolition and Removal

In order to provide for expenditures for demolition and removal of buildings, etc., the estimated amount of such expenditures is recorded.

#### (p) Provision for Business Restructuring

Provision for business restructuring is provided based on an estimate of the total costs or losses which are expected to be incurred with the business restructuring.

#### (q) Provision for Contract Losses

Provision for contract losses is provided based on a reasonable estimate of the total losses which are expected to be incurred with the future performance of contracts.

#### (r) Employees' Severance and Retirement Benefits

In calculating retirement benefit obligations, the benefit formula basis is used to allocate projected retirement benefits over the period to the end of this consolidated fiscal year. Actuarial gains and losses are recognized in the Consolidated Statements of Operations commencing with the following year using the straight-line method mainly for five or ten years. Prior service costs are recognized in the Consolidated Statements of Operations using the straight-line method mainly for one or five years.

After being adjusted for tax effect, unrecognized actuarial gains and losses, unrecognized prior service costs are added to "Remeasurements of defined benefit plans," an item within "Accumulated other comprehensive income (net assets)."

Certain consolidated subsidiaries apply a simplified method for the calculation of net defined benefit liabilities and retirement benefit expenses, using the amount payable at the end of the fiscal year as the retirement benefit obligation.

#### (s) Revenue Recognition

The Group recognizes revenue based on the following five-step approach.

Step 1: Identify the contract with the customer

Step 2: Identify performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the separate performance obligations

Step 5: Recognize revenue when (or as) each performance obligation is satisfied

Details of major performance obligations in principal businesses related to revenue from contracts with customers of the Company and its consolidated subsidiaries, and normal timing of satisfying these performance obligations (normal timing of recognizing revenue) are as follows:

##### 1) Sales of products

The Group is engaged in sales and provision of after-sales service of marine propulsion engines etc. in the Marine Propulsion Systems and after-sales service of cranes in the Logistics Systems, and assumes performance obligations to deliver goods or services on its own under contracts with customers. As for these performance obligations, revenue is mainly recognized when goods or services are delivered to customers because the Group determines that the control is transferred to the customers when the goods or services are delivered. As for sales of parts related to after-sales service, the alternative treatment stipulated in paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition" is applied, and revenue is recognized when the parts are shipped if the period from the shipment to the transfer of the control of the parts to the customer is a standard period. In many cases, consideration for transactions is received within three months from the time when the performance obligation is satisfied, and does not contain any significant financial component.

## 2) Construction contracts and provision of services

The Group has entered into various long-term construction contracts, such as contracts to build cranes in the Logistics Systems, and agreements to provide services, etc. For these construction contracts and the provision of services, because the Group has determined that the actual costs incurred are proportional to the work progress in satisfying the performance obligations, the Group principally estimates the work progress towards satisfaction of the performance obligations and recognizes revenue over a certain period of time based on this work progress. The work progress is measured for each contract based on the proportion of construction cost incurred by the balance sheet date to the estimated total construction cost. Consideration for these performance obligations is received in stages during the contract period based on payment terms under the contract with the customer, separately from satisfaction of the performance obligations in normal cases, and the remaining amount is received after a certain period of time from the time when all the performance obligations are satisfied. The consideration does not contain any significant financial component.

### (t) Cash and Cash Equivalents

In preparing the Consolidated Statements of Cash Flows, Cash and Cash Equivalents consists of cash on hand, readily available deposits including short-term loans and short-term highly liquid investments with maturities not exceeding three months at the time of purchase which involve only an insignificant risk in their movements of value.

### (u) Significant Accounting Estimates

#### 1) Valuation of goodwill

i) Amount recorded in the consolidated financial statements for the current fiscal year

The total amounts of goodwill recorded as of March 31, 2026 and 2025, and major components were as follows.

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Goodwill	¥ 6,196	¥ 6,477	\$ 38,754
Of the above, goodwill allocated to the ship engineering business which arose when MES Germany Beteiligungs GmbH, a consolidated subsidiary located in Germany, acquired control of TGE Marine AG	6,196	6,471	38,754

ii) Information on details of significant accounting estimates related to the identified items

MES Germany Beteiligungs GmbH applies International Financial Reporting Standards (IFRS), and for the cash-generating unit to which goodwill is included, impairment tests are required to be carried out on an annual basis in addition to when indicators of impairment have been identified.

The value in use is used for the recoverable amount for impairment tests on goodwill, and the future cash flows that are used to measure this value in use are estimated on the basis of the Mid-Term Business Plan for the ship engineering business, including the growth forecast for the Gas carrier market, etc. and the mid-term plan for orders.

Although the Group deems that the possibility of a significant impairment loss arising is low based on the result of the most recent impairment test, if the recoverable amount falls below the carrying amount, the carrying amount will be reduced to the recoverable amount, and the amount of that decrease in carrying amount will be recognized as impairment loss, and it is possible that such impairment loss could have a significant effect on the Group's financial position, business results and cash flow position.

#### 2) Revenue recognition based on the work progress towards satisfaction of performance obligations

i) Amount recorded in the consolidated financial statements for the current fiscal year

The amounts recorded in the consolidated financial statements for the years ended March 31, 2026 and 2025 were as follows.

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Revenue based on the work progress towards satisfaction of performance obligations	¥ 100,539	¥ 82,639	\$ 628,840

ii) Information on details of significant accounting estimates related to the identified items

As stated in "1. Significant Accounting and Reporting Policies, (s) Revenue Recognition, 2) Construction contracts and provision of services" in the notes to consolidated financial statements, when the control of goods or services is transferred to the customer over a certain period of time, the work progress towards satisfaction of performance obligations is estimated and revenue is recognized based on this work progress.

In applying the method where the work progress towards satisfaction of performance obligations is estimated and revenue is recognized based on this work progress, the Group recognizes revenue based on the work progress calculated at the proportion of construction cost incurred according to the progress of construction as at the end of the current fiscal year to the estimated total construction cost.

If there is a change in the estimate for the total cost of construction arising from a need to revise the assumptions upon which such estimate was based, the effect of such change shall be recognized for the fiscal year in which such effect can be reliably estimated. It is possible that there will be changes from the initial estimate of the total construction cost due to changes in the incurred costs arising from assumptions, the progress of construction, etc., and that might have a significant effect on the Group's financial position, business results and cash flow position.

### 3) Recoverability of deferred tax assets

i) Amount recorded in the consolidated financial statements for the current fiscal year

The amounts of deferred tax assets recorded in the consolidated financial statements for the years ended March 31, 2026 and 2025 were as follows.

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
----- Deferred tax assets	¥ 10,886	¥ 13,038	\$ 68,089

ii) Information on details of significant accounting estimates related to the identified items

Deferred tax assets are reviewed for recoverability based on the generation of taxable income and tax planning for certain future periods in accordance with business plans. Business plans, which are the basis for generating future taxable income, are developed by each company based on certain assumptions, taking into account the business environment and other factors such as anticipated orders. Estimates concerning the future are influenced by changes in economic conditions and other factors.

Although the Group makes reasonable estimates of recoverability, changes in the terms and conditions of these future estimates could have a significant impact on the Group's financial position, business results and cash flow position.

### (v) Accounting Standards and Guidance Issued but not yet Applied

- "Accounting Standard for Leases" (ASBJ Statement No. 34, September 13, 2024)

- "Implementation Guidance on Accounting Standard for Leases" (ASBJ Guidance No. 33, September 13, 2024)

1) Outline:

As part of efforts to make Japanese standards more consistent internationally, the Accounting Standards Board of Japan conducted a review based on international accounting standards with a view to developing accounting standards for leases that require lessees to recognize all leases as assets and liabilities. The basic policy is to adopt the single accounting model of IFRS 16, but rather than incorporating all of the provisions of IFRS 16, a lease accounting standard that incorporates only the main provisions has been published with the aim of creating a concise and convenient standard, which makes revisions basically unnecessary even when applying the provisions of IFRS 16 to non-consolidated financial statements.

With regard to the method of allocating lease expenses in the lessee's accounting treatment, the single accounting model is applied to all leases, regardless of whether they are finance leases or operating leases, to recognize depreciation related to right-of-use assets and the amount equivalent to the interest on lease liabilities. This is the same as under IFRS 16.

2) Planned date of application:

To be applied from the beginning of the fiscal year ending March 31, 2028.

3) Impact of application of the accounting standards:

The impacts of the application of the "Accounting Standard for Leases" and others on the Group's consolidated financial statements are currently being evaluated.

- "Accounting Standard for Subsequent Events" (ASBJ Statement No. 41, January 9, 2026)

- "Implementation Guidance on Accounting Standard for Subsequent Events" (ASBJ Guidance No. 35, January 9, 2026)

1) Outline:

The "Accounting Standard for Subsequent Events" and related documents prioritize the establishment of comprehensive accounting standards addressing the definition, accounting treatment, and disclosure of subsequent events. As a fundamental policy, they will generally follow the accounting provisions set forth in the Japan Institute of Certified Public Accountants (JICPA) Audit and Assurance Standards Committee's Audit Standards Report No. 560, Practice Guide No. 1, "Audit Considerations Regarding Subsequent Events," as transferred to the Accounting Standards Board of Japan. It revises the wording and structures the evaluation period for subsequent events and also establishes new requirements, such as notes regarding the approval of financial statements for publication, thereby defining the accounting treatment and disclosure of subsequent events.

2) Planned date of application:

To be applied from the beginning of the fiscal year ending March 31, 2028.

### (w) Changes in Presentation

#### Consolidated Statements of Operations

"Commission expenses," which was presented individually under "Other Income (Expenses)" in the year ended March 31, 2025, is included in "Others, net" in the year ended March 31, 2026, since its materiality in amount has decreased. Consolidated financial statements for the year ended March 31, 2025, have been reclassified in order to reflect this change in presentation.

As a result, in the consolidated statements of operations for the year ended March 31, 2025, ¥593 million, which was previously presented in "Commission expenses" under "Other Income (Expenses)" has been reclassified as "Others, net."

#### Consolidated Statements of Cash Flows

"Disbursements of loans receivable" and "Collection of loans receivable," which were presented individually in "Cash Flows from Investing Activities" in the year ended March 31, 2025, have been included in "Others, net" from the year ended March 31, 2026, since their materiality in amount has decreased. Consolidated financial statements for the year ended March 31, 2025, have been reclassified in order to reflect this change in presentation.

As a result, in the consolidated statements of cash flows for the year ended March 31, 2025, ¥(16) million previously presented in "Disbursements of loans receivable" and ¥434 million previously presented in "Collection of loans receivable" under "Cash Flows from Investing Activities" have been reclassified as "Others, net."

## 2. Consolidated Balance Sheets

### (a) Investments in Non-Consolidated Subsidiaries and Affiliates

Investments in non-consolidated subsidiaries and affiliates included in investment securities as of March 31, 2026 and 2025 were ¥11,481 million (\$71,810 thousand) and ¥14,459 million, respectively. Investments in non-consolidated subsidiaries and affiliates included in other assets as of March 31, 2026 and 2025 were ¥15,810 million (\$98,887 thousand) and ¥10,772 million, respectively.

### (b) Trade Receivables from Contracts with Customers and Contract Assets

The notes receivable, electronically recorded monetary claims - operating, accounts receivable and contract assets (arising from contracts with customers and contract assets) as of March 31, 2026 and 2025 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Notes receivable	¥ 457	¥ 780	\$ 2,858
Electronically recorded monetary claims - operating	4,330	4,988	27,083
Accounts receivable	66,712	74,366	417,263
Contract assets	23,756	27,810	148,586

### (c) Accumulated Impairment Losses Included in Accumulated Depreciation

Accumulated impairment losses included in accumulated depreciation as of March 31, 2026 and 2025 were ¥8,109 million (\$50,719 thousand) and ¥10,954 million, respectively.

### (d) Contingent Liabilities

1) Contingent liabilities of the Group as of March 31, 2026 and 2025 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Guarantees of bank loans and other indebtedness	¥ 401	¥ 812	\$ 2,508

2) Others

In August 2020, Burmeister & Wain Scandinavian Contractor A/S, a consolidated subsidiary of Mesco Denmark A/S, received written notice informing them of additional taxation payable as a result of a tax audit conducted by the Mauritius Revenue Authority covering the years 2016 to 2019. However, the Group, believing that the aforementioned company properly filed its taxes in accordance with local tax laws, submitted a rebuttal to the authorities regarding the additional taxation. Therefore, the impact of this notice has not been recorded as a liability in the consolidated financial statements for the fiscal year under review, and the Group does not anticipate it will have a significant impact on future business performance.

### (e) Revaluation Reserve for Land

The land used for business operations is revaluated based on real estate tax value on March 31, 2000, in accordance with Enforcement Ordinance for the Law Concerning Revaluation Reserve for Land (the "Law") effective March 31, 1998. The related unrealized gain, net of income taxes was recorded as "Revaluation reserve for land" in Net assets and the deferred income tax effects were recorded as Deferred tax liabilities on "Revaluation reserve for land" in Long-term liabilities.

According to the Law, revaluation of the land is not permitted at any time after the above revaluation even in cases where the fair value of the land declines. Such unrecorded revaluation losses are ¥26,576 million (\$166,225 thousand) and ¥28,840 million as of March 31, 2026 and 2025, respectively. The amounts related to rental properties are ¥9,491 million (\$59,363 thousand) and ¥9,974 million as of March 31, 2026 and 2025, respectively.

(f) Pledged Assets

Assets pledged as collateral for long-term indebtedness as of March 31, 2026 and 2025 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Land	¥ 3,126	¥ 3,139	\$ 19,552
Buildings and structures	3,301	3,443	20,647
Investment securities	638	638	3,990
Cash and time deposits	33	29	206
Long-term loans	1,683	1,683	10,527
Total	¥ 8,781	¥ 8,932	\$ 54,922

Long-term indebtedness secured by the above pledged assets as of March 31, 2026 and 2025 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Long-term borrowings	¥ 2,124	¥ 2,661	\$ 13,285

(note) Long-term borrowings include the current portion.

(g) Tax Purpose Reduction Entry

The amounts of tax purpose reduction entries deducted from the acquisition cost of property, plant and equipment acquired through national subsidies, etc. as of March 31, 2026 and 2025 were ¥2,638 million (\$16,500 thousand) and ¥1,137 million, respectively.

(h) Unexecuted Balance of Overdraft Facilities and Lending Commitments

The unexecuted balance of overdraft facilities and lending commitments at the Group as of March 31, 2026 and 2025 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Total overdraft facilities and lending commitments	¥ 15,640	¥ 17,140	\$ 97,824
Less amounts currently executed	12,010	580	75,119
Unexecuted balance	¥ 3,630	¥ 16,560	\$ 22,705

(i) Provision Incurred from Business Combination

The amount of provision incurred from business combination included in "Others" in long-term liabilities as of March 31, 2026 and 2025 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Provision Incurred from Business Combination	¥ 899	¥ 899	\$ 5,623

This is due to the Company's acquisition of shares of Mitsui E&S DU Co., Ltd. on April 1, 2023, and is comprised of an estimated increase in rent that is expected to occur in the future.

### 3. Consolidated Statements of Operations

#### (a) Revenue from Contracts with Customers

Revenue from contracts with customers and other revenues are not stated separately and both of them are included in net sales. Revenue from contracts with customers is stated in Note 15 "Revenue Recognition (a) Disaggregation of Revenue."

#### (b) Main expense items and amounts under selling, general and administrative expenses are as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Remuneration, salaries and allowances for directors and other officers	¥ 16,212	¥ 14,991	\$ 101,401

#### (c) Costs relating to research and development activities included in the profit and loss account as incurred are as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Costs relating to research and development activities	¥ 1,727	¥ 1,467	\$ 10,802

#### (d) Details of gain on disposal of non-current assets are as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Buildings and structures	¥ 39	¥ 83	\$ 244
Machinery, equipment and vehicles	43	42	269
Land	(30)	238	(187)
Others	5	8	31
Total	¥ 57	¥ 371	\$ 357

(Note) Gain and loss on disposal of non-current assets arising from the same sales contract are offset against each other and are presented as gain on disposal of non-current assets in the consolidated statements of operations.

#### (e) Details of loss on disposal of non-current assets are as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Buildings and structures	¥ (1,072)	¥ 350	\$ (6,705)
Machinery, equipment and vehicles	39	27	244
Land	1,871	-	11,702
Others	12	4	75
Removal cost	348	176	2,177
Total	¥ 1,198	¥ 557	\$ 7,493

(Note) Gain and loss on disposal of non-current assets arising from the same sales contract are offset against each other and are presented as loss on disposal of non-current assets in the consolidated statements of operations.

(f) Loss on Impairment of Non-current Assets

The Group adopted the accounting standard for impairment of non-current assets. The non-current assets are grouped by each segment. Assets to be disposed of and idle non-current assets are grouped individually. The book value of the non-current assets is reduced to the recoverable amount.

The loss on impairment of non-current assets for the years ended March 31, 2026 and 2025 were comprised of the following.

FY2025

Location	Chuo-ku, Tokyo
Major use	Business assets
Asset category	Others
Amount	¥1 million (\$6 thousand)
Reason	Change in recoverable amount

Location	Ichihara City, Chiba, etc.
Major use	Assets to be disposed
Asset category	Land, etc.
Amount	¥495 million (\$3,096 thousand)
Reason	Determination of disposal

FY2024

Location	Hidaka District, Wakayama, etc.
Major use	Business assets
Asset category	Land, etc.
Amount	¥1,473 million
Reason	Change in recoverable amount

Location	Tamano City, Okayama
Major use	Assets to be disposed
Asset category	Machinery, equipment and vehicles, etc.
Amount	¥47 million
Reason	Determination of disposal

Location	Yufu City, Oita, etc.
Major use	Idle assets
Asset category	Land, etc.
Amount	¥4 million
Reason	Decline in market value

(g) Ending inventory is presented at an amount after reduction of book value due to declining profitability, and cost of sales includes loss on valuation of inventories, as follows (Deduction of reversal of the provision from cost of sales is shown in parentheses):

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Loss on valuation of inventories	¥ 137	¥ (110)	\$ 857

(h) Provision for loss on construction contracts included in the cost of sales is as follows (Deduction of reversal of the provision from cost of sales is shown in parentheses):

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Provision for loss on construction contracts	¥ (1,108)	¥ 512	\$ (6,930)

## 4. Comprehensive Income

Each component of other comprehensive income for the years ended of March 31, 2026 and 2025 were the following:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Net unrealized holding gains on securities:			
Amount of generation at this fiscal term	¥ 28,312	¥ 8,210	\$ 177,083
Amount of rearrangement adjustment	-	-	-
Before income taxes and tax effect adjustment	28,312	8,210	177,083
Income taxes and tax effect	(8,918)	(2,602)	(55,780)
Net unrealized holding gains on securities	19,394	5,608	121,303
Unrealized gains (losses) on hedging derivatives:			
Amount of generation at this fiscal term	(735)	31	(4,597)
Amount of rearrangement adjustment	1	313	6
Before income taxes and tax effect adjustment	(734)	344	(4,591)
Income taxes and tax effect	225	(66)	1,407
Unrealized gains (losses) on hedging derivatives	(509)	278	(3,184)
Revaluation reserve for land:			
Amount of generation at this fiscal term	-	-	-
Amount of rearrangement adjustment	-	-	-
Before income taxes and tax effect adjustment	-	-	-
Income taxes and tax effect	-	(327)	-
Revaluation reserve for land	-	(327)	-
Foreign currency translation adjustments:			
Amount of generation at this fiscal term	1,231	1,305	7,700
Amount of rearrangement adjustment	-	-	-
Before income taxes and tax effect adjustment	1,231	1,305	7,700
Income taxes and tax effect	-	-	-
Foreign currency translation adjustments	1,231	1,305	7,700
Remeasurements of defined benefit plans:			
Amount of generation at this fiscal term	7,406	6,450	46,322
Amount of rearrangement adjustment	(2,436)	(3,141)	(15,236)
Before income taxes and tax effect adjustment	4,970	3,309	31,086
Income taxes and tax effect	(1,565)	(1,185)	(9,789)
Remeasurements of defined benefit plans	3,405	2,124	21,297
Share of other comprehensive income of affiliates accounted for using equity method:			
Amount of generation at this fiscal term	1,303	6,884	8,150
Amount of rearrangement adjustment	(525)	(15,370)	(3,284)
Share of other comprehensive income of affiliates accounted for using equity method	778	(8,486)	4,866
Total	¥ 24,299	¥ 502	\$ 151,982

## 5. Consolidated Statements of Changes in Net Assets

### (a) Class and number of issued shares

FY2025	Number of shares (Thousands of shares)			
	At the beginning of the period	Increase in the period	Decrease in the period	At the end of the period
Common stock	103,099	-	-	103,099

  

FY2024	Number of shares (Thousands of shares)			
	At the beginning of the period	Increase in the period	Decrease in the period	At the end of the period
Common stock	103,099	-	-	103,099
Class-A preferred shares	18,000	-	18,000	-
Total	121,099	-	18,000	103,099

(note 1) The decrease of 18,000 thousand shares in the number of Class-A preferred shares issued is due to the cancellation.

### (b) Class and number of treasury stock

FY2025	Number of shares (Thousands of shares)			
	At the beginning of the period	Increase in the period	Decrease in the period	At the end of the period
Common stock	2,210	2	16	2,196

(note 1) Reason for the increase in the number of treasury stock of common stock is as follows:

Increase due to requests for the purchase of shares less than one share unit: 2 thousand shares

(note 2) Reason for the decrease in the number of treasury stock of common stock is as follows:

Decrease due to requests for the sale of shares less than one share unit: 0 thousand shares

Decrease due to the exercise of subscription rights to shares (stock options): 16 thousand shares

FY2024	Number of shares (Thousands of shares)			
	At the beginning of the period	Increase in the period	Decrease in the period	At the end of the period
Common stock	2,226	2	18	2,210
Class-A preferred shares	-	18,000	18,000	-
Total	2,226	18,002	18,018	2,210

(note 1) Reason for the increase in the number of treasury stock of common stock is as follows:

Increase due to requests for the purchase of shares less than one share unit: 2 thousand shares

(note 2) Reason for the decrease in the number of treasury stock of common stock is as follows:

Decrease due to the exercise of subscription rights to shares (stock options): 18 thousand shares

(note 3) Reason for the increase in the number of treasury stock of Class-A preferred shares is as follows:

Acquisition in accordance with the provisions of Article 155, Item 1 of the Companies Act and the provisions of the Articles of Incorporation, as resolved by the Board of Directors: 18,000 thousand shares

(note 4) Reason for the decrease in the number of treasury stock of Class-A preferred shares is as follows:

Decrease due to the cancellation: 18,000 thousand shares

### (c) Subscription rights to shares and treasury stock subscription rights

FY2025	Category	Description of subscription rights to shares	Class of the shares underlying the subscription rights to shares	Number of shares underlying the subscription rights to shares (thousands of shares)			Japanese Yen (millions)	U.S. Dollars (thousands)
				At the beginning of the period	Increase in the period	Decrease in the period	At the end of the period	Balance at the end of the period
	The Company	Subscription rights to shares as stock options	-	-	-	-	¥ 31	\$ 194
	Total		-	-	-	-	¥ 31	\$ 194

FY2024	Category	Description of subscription rights to shares	Class of the shares underlying the subscription rights to shares	Number of shares underlying the subscription rights to shares (thousands of shares)			Japanese Yen (millions)
				At the beginning of the period	Increase in the period	Decrease in the period	At the end of the period
	The Company	Subscription rights to shares as stock options	-	-	-	-	¥ 59
	Total		-	-	-	-	¥ 59

(d) Dividends

1) Amount of dividends paid

FY2025

Resolution	Class of shares	Source of dividends	Total amount of dividends	Dividend per share	Record date	Effective date
Ordinary General Meeting of Shareholders (June 26, 2025)	Common stock	Retained earnings	¥ 2,018 million	¥ 20.00	March 31, 2025	June 27, 2025
Board of Directors (November 12, 2025)	Common stock	Retained earnings	¥ 1,513 million	¥ 15.00	September 30, 2025	December 11, 2025

FY2024

Resolution	Class of shares	Source of dividends	Total amount of dividends	Dividend per share	Record date	Effective date
Ordinary General Meeting of Shareholders (June 26, 2024)	Common stock	Retained earnings	¥ 504 million	¥ 5.00	March 31, 2024	June 27, 2024
	Class-A preferred shares	Retained earnings	¥ 702 million	¥ 39.00	March 31, 2024	June 27, 2024

2) Dividends with a record date belonging to the fiscal year under review, but an effective date belonging to the next fiscal year

FY2025

Resolution	Class of shares	Source of dividends	Total amount of dividends	Dividend per share	Record date	Effective date
Ordinary General Meeting of Shareholders (June 26, 2026)	Common stock	Retained earnings	¥ 4,238 million (\$ 26,507 thousand)	¥ 42.00 (\$ 0.263)	March 31, 2026	June 29, 2026

(note 1) The above is to be proposed at the Ordinary General Meeting of Shareholders scheduled to be held on June 26, 2026.

FY2024

Resolution	Class of shares	Source of dividends	Total amount of dividends	Dividend per share	Record date	Effective date
Ordinary General Meeting of Shareholders (June 26, 2025)	Common stock	Retained earnings	¥ 2,018 million	¥ 20.00	March 31, 2025	June 27, 2025

## 6. Cash Flow Statement

Reconciliation of cash and time deposits shown in the Consolidated Balance Sheets and cash and cash equivalents in the Consolidated Statements of Cash Flows as of March 31, 2026 and 2025 were as follows.

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Cash and time deposits	¥ 57,055	¥ 35,354	\$ 356,861
Time deposits with maturities exceeding 3 months	(2,466)	(1,977)	(15,424)
Cash and cash equivalents	¥ 54,589	¥ 33,377	\$ 341,437

## 7. Leases

### (a) Lessee

i) Unexpired lease payments of operating lease transactions as of March 31, 2026 and 2025 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Due within one year	¥ 1,890	¥ 1,900	\$ 11,822
Due after one year	10,889	8,815	68,107
Total	¥ 12,779	¥ 10,715	\$ 79,929

### (b) Lessor

i) Unexpired lease receivables of operating lease transactions as of March 31, 2026 and 2025 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Due within one year	¥ 16	¥ 15	\$ 100
Due after one year	45	61	282
Total	¥ 61	¥ 76	\$ 382

## 8. Financial Instruments

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### (a) Articles concerning status of financial instruments

#### 1) Policies for financial instruments

The Group restricts the fund management to short-term financial instruments. The Group transfers funds to each other through an inter-company cash management systems (CMS). Regarding the funding, the Group raises the short-term working capital through bank loans and the issuance of commercial paper (CP), and raises the long term capital investment through bank loans and the issuance of bonds. Derivative financial instruments are utilized to hedge the risks described hereinafter and not for speculative transactions as a matter of policy.

#### 2) Substances and risks of financial instruments

Trade receivables and electronically recorded monetary claims - operating are exposed to credit risks of customers. Trade receivables in foreign currency, which the Company and certain Subsidiaries receive from foreign operations, are exposed to currency fluctuation risks. Forward foreign exchange contracts are applied to these hedged items in principle. Investment securities, mainly of companies with business relationships, are exposed to market fluctuation risks. Long-term loans for operating funds and capital expenditures of SPC's, which are established for generating electricity, are exposed to credit risks of customers.

Almost all of the trade payables and electronically recorded obligations - operating are due within one year. Foreign currency trade payables for overseas procurement are exposed to currency fluctuation risks, but those trade payables are controlled not to exceed the balance of trade receivables in the same foreign currencies. Short-term borrowings are mainly for the purpose of funding commercial transactions. Long-term borrowings and bonds are mainly for the purpose of funding capital investments. Although the portions of those debts with floating interest rates are exposed to interest rate fluctuation risks, interest rate swap contracts are applied to hedge the risks.

Derivative transactions are the above mentioned forward foreign exchange contracts, interest rate swap contracts, as well as interest rate and currency swap contracts. They are for the purpose of hedging currency fluctuation risks and rising interest rate risks.

As to details on hedging instruments, hedged items, hedging policy and hedge effectiveness testing, please refer to "1. Significant Accounting and Reporting Policies (f) Significant Hedge Accounting Methods."

#### 3) Risk management in financial instruments

##### i) Management of credit risks (Risks for breach of contracts)

The Group monitors due dates and balances of trade receivables and regularly investigates the credit standings of main customers for early detection and reduction of default risks according to internal regulation.

As to derivative transactions, credit risks are minimized by dealing solely with top-ranked financial institutions.

##### ii) Management of market risks (Exchange rate or interest rate fluctuation risks)

The Company and certain Subsidiaries utilize forward foreign exchange contracts, interest rate swap contracts, and interest rate and currency swap contracts. Forward foreign exchange contracts are for the purpose of hedging currency fluctuation risks arising from foreign currency receivables and payables in principle, and the others are utilized for the purpose of hedging interest rate fluctuation risks arising from short-term and long-term borrowings and bonds.

Holding position of investment securities are continuously reviewed by researching fair market value and financial status of important customers regularly and taking into account of market conditions and relationships with customers.

Execution and management of derivative transactions are based on each company's internal regulation restricting scope of authority. As to derivative transactions, the Group utilizes them to offset risks within the range of trade demand.

##### iii) Management of liquidity risks of raising funds (Default risks)

The Finance department of the Group makes and updates finance plans, and maintains a certain level of liquidity on hand to minimize liquidity risks.

#### 4) Supplementary explanation about fair value of financial instruments

Fair value of financial instruments includes not only fair market value based on market price but also reasonably estimated value if market price is not available. Reasonably estimated fair value may fluctuate because it depends on an estimation process which is based on certain preconditions.

The contract amounts for derivatives stated in "Note 10 Derivative Transactions," do not indicate the market risks of derivatives.

(b) Articles concerning fair value of financial instruments

Consolidated balance sheet amounts, fair value of financial instruments and the differences between them for the fiscal years ended March 31, 2026 and 2025 were as follows. Information on “Cash and time deposits,” “Trade receivables,” “Electronically recorded monetary claims - operating,” “Trade payables,” “Electronically recorded obligations - operating,” “Short-term borrowings” and “Accrued income taxes” is omitted because these items are cash or accounts which are settled in the short term and considered to be close to the book value.

FY2025	Japanese Yen (millions)		
	Book value	Fair value	Difference
(1) Investment securities <sup>*1</sup>			
Available-for-sale securities	¥ 41,215	¥ 41,215	¥ -
(2) Long-term loans	1,699	1,308	(391)
<b>Total assets</b>	<b>¥ 42,914</b>	<b>¥ 42,523</b>	<b>¥ (391)</b>
(1) Current portion of long-term borrowings	¥ 6,232	¥ 6,199	¥ (33)
(2) Long-term borrowings	37,449	37,399	(50)
(3) Lease obligations	5,831	5,737	(94)
<b>Total liabilities</b>	<b>¥ 49,512</b>	<b>¥ 49,335</b>	<b>¥ (177)</b>
Derivative transactions <sup>*2</sup>			
i. Derivative transactions for which hedge accounting has not been applied	¥ (151)	¥ (151)	¥ -
ii. Derivative transactions for which hedge accounting has been applied	(876)	(876)	-
<b>Total derivative transactions</b>	<b>¥ (1,027)</b>	<b>¥ (1,027)</b>	<b>¥ -</b>
FY2024	Japanese Yen (millions)		
	Book value	Fair value	Difference
(1) Investment securities <sup>*1</sup>			
Available-for-sale securities	¥ 12,908	¥ 12,908	¥ -
(2) Long-term loans	1,704	1,414	(290)
<b>Total assets</b>	<b>¥ 14,612</b>	<b>¥ 14,322</b>	<b>¥ (290)</b>
(1) Current portion of long-term borrowings	¥ 6,167	¥ 6,142	¥ (25)
(2) Long-term borrowings	43,830	43,771	(59)
(3) Lease obligations	7,393	7,520	127
<b>Total liabilities</b>	<b>¥ 57,390</b>	<b>¥ 57,433</b>	<b>¥ 43</b>
Derivative transactions <sup>*2</sup>			
i. Derivative transactions for which hedge accounting has not been applied	¥ (556)	¥ (556)	¥ -
ii. Derivative transactions for which hedge accounting has been applied	817	817	-
<b>Total derivative transactions</b>	<b>¥ 261</b>	<b>¥ 261</b>	<b>¥ -</b>

FY2025	U.S. Dollars (thousands)		
	Book value	Fair value	Difference
(1) Investment securities <sup>*1</sup>			
Available-for-sale securities	\$ 257,787	\$ 257,787	\$ -
(2) Long-term loans	10,627	8,181	(2,446)
<b>Total assets</b>	<b>\$ 268,414</b>	<b>\$ 265,968</b>	<b>\$ (2,446)</b>
(1) Current portion of long-term borrowings	\$ 38,979	\$ 38,773	\$ (206)
(2) Long-term borrowings	234,232	233,919	(313)
(3) Lease obligations	36,471	35,883	(588)
<b>Total liabilities</b>	<b>\$ 309,682</b>	<b>\$ 308,575</b>	<b>\$ (1,107)</b>
Derivative transactions <sup>*2</sup>			
i. Derivative transactions for which hedge accounting has not been applied	\$ (945)	\$ (945)	\$ -
ii. Derivative transactions for which hedge accounting has been applied	(5,479)	(5,479)	-
<b>Total derivative transactions</b>	<b>\$ (6,424)</b>	<b>\$ (6,424)</b>	<b>\$ -</b>

<sup>\*1</sup> As to the following financial instruments, there is no available fair market value, and they are not included in “(1) Investment securities.” Book value of these financial instruments are as follows.

	Japanese Yen (millions)		U.S. Dollars (thousands)
	Book value		Book value
	FY2025	FY2024	FY2025
Unlisted equity securities	¥ 13,790	¥ 16,766	\$ 86,252

<sup>\*2</sup> Receivables and payables arising from derivative transactions are shown on the net basis. The items which are net debt in total are shown in parentheses.

(note 1) The expected redemption amount of monetary credit and securities with maturity after the fiscal years ended March 31, 2026 and 2025 were as follows.

FY2025	Japanese Yen (millions)			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 57,040	¥ -	¥ -	¥ -
Trade receivables	67,106	58	5	-
Electronically recorded monetary claims - operating	4,330	-	-	-
Long-term loans	-	12	4	1,683
Total	¥ 128,476	¥ 70	¥ 9	¥ 1,683

FY2024	Japanese Yen (millions)			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 35,341	¥ -	¥ -	¥ -
Trade receivables	75,061	85	-	-
Electronically recorded monetary claims - operating	4,988	-	-	-
Long-term loans	-	14	7	1,683
Total	¥ 115,390	¥ 99	¥ 7	¥ 1,683

FY2025	U.S. Dollars (thousands)			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	\$ 356,768	\$ -	\$ -	\$ -
Trade receivables	419,727	363	31	-
Electronically recorded monetary claims - operating	27,083	-	-	-
Long-term loans	-	75	25	10,527
Total	\$ 803,578	\$ 438	\$ 56	\$ 10,527

(note 2) The expected redemption amount of bonds, long-term borrowings and lease obligations after the fiscal years ended March 31, 2026 and 2025 were as follows.

FY2025	Japanese Yen (millions)					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	¥ 49,040	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term borrowings	6,232	9,986	11,536	4,941	8,630	2,356
Lease obligations	2,050	1,340	1,223	611	315	292
Total	¥ 57,322	¥ 11,326	¥ 12,759	¥ 5,552	¥ 8,945	¥ 2,648

FY2024	Japanese Yen (millions)					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	¥ 47,854	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term borrowings	6,167	5,978	21,754	7,276	5,981	2,841
Lease obligations	2,050	1,879	1,274	1,164	554	472
Total	¥ 56,071	¥ 7,857	¥ 23,028	¥ 8,440	¥ 6,535	¥ 3,313

FY2025	U.S. Dollars (thousands)					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	\$ 306,730	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term borrowings	38,979	62,459	72,154	30,905	53,978	14,736
Lease obligations	12,822	8,381	7,650	3,822	1,970	1,826
Total	\$ 358,531	\$ 70,840	\$ 79,804	\$ 34,727	\$ 55,948	\$ 16,562

(c) Matters regarding the breakdown by level of fair values of financial instruments, etc.

Fair values of financial instruments are classified into the following three levels in accordance with the observability and significance of inputs for fair value measurement.

Level 1 fair value: Fair value measured by using quoted prices for assets or liabilities that are subject to the fair value measurement concerned which are formed in active markets, of observable inputs for fair value measurement

Level 2 fair value: Fair value measured by using inputs for fair value measurement other than Level 1 inputs, of observable inputs for fair value measurement

Level 3 fair value: Fair value measured by using unobservable inputs for fair value measurement

If multiple inputs that have a significant impact on fair value measurement are used, the fair value is classified into the lowest priority level in fair value measurement, of the levels in which each input belongs.

(1) Financial instruments recorded at fair value in the consolidated balance sheet

FY2025	Japanese Yen (millions)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	¥ 41,215	¥ -	¥ -	¥ 41,215
Total assets	¥ 41,215	¥ -	¥ -	¥ 41,215
Derivative transactions				
Currency related	¥ -	¥ 1,027	¥ -	¥ 1,027
Total liabilities	¥ -	¥ 1,027	¥ -	¥ 1,027

FY2024	Japanese Yen (millions)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	¥ 12,908	¥ -	¥ -	¥ 12,908
Total assets	¥ 12,908	¥ 261	¥ -	¥ 13,169
Derivative transactions				
Currency related	-	261	-	261

FY2025	U.S. Dollars (thousands)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	\$ 257,787	\$ -	\$ -	\$ 257,787
Total assets	\$ 257,787	\$ -	\$ -	\$ 257,787
Derivative transactions				
Currency related	\$ -	\$ 6,424	\$ -	\$ 6,424
Total liabilities	\$ -	\$ 6,424	\$ -	\$ 6,424

## (2) Financial instruments other than financial instruments recorded at fair value in the consolidated balance sheets

FY2025	Japanese Yen (millions)			
	Level 1	Level 2	Level 3	Total
Long-term loans	¥ -	¥ 1,308	¥ -	¥ 1,308
Total assets	¥ -	¥ 1,308	¥ -	¥ 1,308
Current portion of long-term borrowings	¥ -	¥ 6,199	¥ -	¥ 6,199
Long-term borrowings	-	37,399	-	37,399
Lease obligations	-	5,737	-	5,737
Total liabilities	¥ -	¥ 49,335	¥ -	¥ 49,335

  

FY2024	Japanese Yen (millions)			
	Level 1	Level 2	Level 3	Total
Long-term loans	¥ -	¥ 1,414	¥ -	¥ 1,414
Total assets	¥ -	¥ 1,414	¥ -	¥ 1,414
Current portion of long-term borrowings	¥ -	¥ 6,142	¥ -	¥ 6,142
Long-term borrowings	-	43,771	-	43,771
Lease obligations	-	7,520	-	7,520
Total liabilities	¥ -	¥ 57,433	¥ -	¥ 57,433

  

FY2025	U.S. Dollars (thousands)			
	Level 1	Level 2	Level 3	Total
Long-term loans	\$ -	\$ 8,181	\$ -	\$ 8,181
Total assets	\$ -	\$ 8,181	\$ -	\$ 8,181
Current portion of long-term borrowings	\$ -	\$ 38,773	\$ -	\$ 38,773
Long-term borrowings	-	233,919	-	233,919
Lease obligations	-	35,883	-	35,883
Total liabilities	\$ -	\$ 308,575	\$ -	\$ 308,575

## (note) Explanation of valuation techniques used to measure fair value and inputs for fair value measurement

## Investment securities

Listed shares are valued using quoted prices. Since listed shares are traded in active markets, their fair values are classified as Level 1 fair value.

## Derivative transactions

Fair values of interest rate swaps and forward contracts are measured by the discounted cash flow method using observable inputs such as interest rates and exchange rates, and are classified as Level 2 fair value.

## Long-term loans

Fair values of long-term loans are measured by the discounted cash flow method based on their future cash flows and interest rates that take into account credit spreads in addition to appropriate indicators such as government bond yield by credit risk category for credit management for the long-term loans which are categorized according to certain periods, and are classified as Level 2 fair value.

## Current portion of long-term borrowings, long-term borrowings, and lease obligations

Their fair values are measured by the discounted cash flow method based on the sum of principal and interest, and interest rates that take into account the remaining period and credit risk of these obligations, and are classified as Level 2 fair value.

## 9. Investment Securities

(a) The following tables summarize acquisition costs, book values and fair values of securities with available fair values as of March 31, 2026 and 2025:

FY2025	Japanese Yen (millions)		
	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 2,841	¥ 41,215	¥ 38,374
Sub Total	2,841	41,215	38,374
Securities with book values not exceeding acquisition costs:			
Equity securities	-	-	-
Sub Total	-	-	-
Total	¥ 2,841	¥ 41,215	¥ 38,374

FY2024	Japanese Yen (millions)		
	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 2,838	¥ 12,908	¥ 10,070
Sub Total	2,838	12,908	10,070
Securities with book values not exceeding acquisition costs:			
Equity securities	-	-	-
Sub Total	-	-	-
Total	¥ 2,838	¥ 12,908	¥ 10,070

FY2025	U. S. Dollars (thousands)		
	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book values exceeding acquisition costs:			
Equity securities	\$ 17,770	\$ 257,787	\$ 240,017
Sub Total	17,770	257,787	240,017
Securities with book values not exceeding acquisition costs:			
Equity securities	-	-	-
Sub Total	-	-	-
Total	\$ 17,770	\$ 257,787	\$ 240,017

(b) Proceeds from sales of available-for-sale securities and realized gains and losses on sales of available-for-sale securities for the years ended March 31, 2026 and 2025 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Proceeds from sales of available-for-sale securities			
Securities	¥ 8	¥ -	\$ 50
Realized gains on sales of available-for-sale securities			
Securities	¥ 2	¥ -	\$ 13
Realized losses on sales of available-for-sale securities			
Securities	¥ -	¥ -	\$ -

(c) Securities reclassified due to a change in holding purpose as of March 31, 2026 and 2025:

FY2025:

Not applicable

FY2024:

As a result of the partial sale of shares previously held as investments in affiliates, the remaining shares no longer qualify as investments in affiliates and have been reclassified as available-for-sale securities. The carrying amount on the consolidated balance sheets is ¥10,310 million.

## 10. Derivative Transactions

Derivative transactions of the Group for market value information as of March 31, 2026 and 2025 were as follows:

### (a) Derivative transactions for which hedge accounting has not been applied

FY2025	Japanese Yen (millions)			
	Contract amount		Fair value	Unrealized gain (loss)
	Total	Due after one year		
Currency related derivatives				
Off-market trades				
Forward contracts				
To buy U.S. Dollars	¥ 1,376	¥ -	¥ (49)	¥ (49)
Euro	144	-	3	3
Japanese Yen	218	8	(24)	(24)
Swiss Franc	1,932	-	(7)	(7)
Chinese Yuan	2,139	261	25	25
Norwegian Krone	7	-	0	0
To sell U.S. Dollars	3,834	1,866	(86)	(86)
Chinese Yuan	430	-	(13)	(13)
	¥ 10,080	¥ 2,135	¥ (151)	¥ (151)

FY2024	Japanese Yen (millions)			
	Contract amount		Fair value	Unrealized gain (loss)
	Total	Due after one year		
Currency related derivatives				
Off-market trades				
Forward contracts				
To buy U.S. Dollars	¥ 3,018	¥ 745	¥ (27)	¥ (27)
STG Pounds	924	-	27	27
Japanese Yen	1,318	-	(28)	(28)
Swiss Franc	1,643	-	(42)	(42)
Chinese Yuan	2,263	415	(37)	(37)
To sell U.S. Dollars	518	-	1	1
STG Pounds	1,344	-	(38)	(38)
Currency swap				
To receive STG Pounds, pay Euro	26,622	-	588	588
To receive Euro, pay STG Pounds	36,657	-	(1,000)	(1,000)
	¥ 74,307	¥ 1,160	¥ (556)	¥ (556)

FY2025	U. S. Dollars (thousands)			
	Contract amount		Fair value	Unrealized gain (loss)
	Total	Due after one year		
Currency related derivatives				
Off-market trades				
Forward contracts				
To buy U.S. Dollars	\$ 8,606	\$ -	\$ (306)	\$ (306)
Euro	901	-	19	19
Japanese Yen	1,364	50	(150)	(150)
Swiss Franc	12,084	-	(44)	(44)
Chinese Yuan	13,379	1,633	156	156
Norwegian Krone	44	-	0	0
To sell U.S. Dollars	23,980	11,671	(538)	(538)
Chinese Yuan	2,689	-	(81)	(81)
	\$ 63,047	\$ 13,354	\$ (944)	\$ (944)

(b) Derivative transactions for which hedge accounting has been applied

FY2025	Hedged items	Japanese Yen (millions)		
		Contract amount		Fair value
		Total	Due after one year	
Currency related derivatives				
Deferral hedge accounting				
Forward contracts				
To buy U.S. Dollars	Trade payables	¥ 9,364	¥ 224	¥ 1,140
Euro		4,622	-	271
STG Pounds		20	-	1
To sell U.S. Dollars	Trade receivables	27,504	-	(2,288)
		¥ 41,510	¥ 224	¥ (876)
Interest swap				
Exceptional treatment <sup>*1</sup> :				
To receive float, pay fix	Long-term borrowings	¥ 3,032	¥ 2,608	¥ -
		¥ 3,032	¥ 2,608	¥ -

FY2024	Hedged items	Japanese Yen (millions)		
		Contract amount		Fair value
		Total	Due after one year	
Currency related derivatives				
Deferral hedge accounting				
Forward contracts				
To buy U.S. Dollars	Trade payables	¥ 9,599	¥ 1,055	¥ 763
Euro		7,330	-	41
To sell U.S. Dollars	Trade receivables	26,312	-	10
Alternative method				
Forward contracts				
To sell U.S. Dollars	Trade receivables	127	-	3
		¥ 43,368	¥ 1,055	¥ 817
Interest swap				
Exceptional treatment <sup>*1</sup> :				
To receive float, pay fix	Long-term borrowings	¥ 3,456	¥ 3,032	¥ -
		¥ 3,456	¥ 3,032	¥ -

FY2025	Hedged items	U.S. Dollars (thousands)		
		Contract amount		Fair value
		Total	Due after one year	
Currency related derivatives				
Deferral hedge accounting				
Forward contracts				
To buy U.S. Dollars	Trade payables	\$ 58,569	\$ 1,401	\$ 7,131
Euro		28,909	-	1,695
STG Pounds		125	-	6
To sell U.S. Dollars	Trade receivables	172,029	-	(14,311)
		\$ 259,632	\$ 1,401	\$ (5,479)
Interest swap				
Exceptional treatment <sup>*1</sup> :				
To receive float, pay fix	Long-term borrowings	\$ 18,964	\$ 16,312	\$ -
		\$ 18,964	\$ 16,312	\$ -

<sup>\*1</sup> As interest swap subject to exceptional treatment of interest swap is accounted for as a single item with underlying long-term borrowings, which are hedged items, its fair value is included in that of long-term borrowings.

## 11. Severance and Retirement Benefits

### (a) Overview of adopting severance and retirement benefits plans

The Group has system of funded and unfunded severance and retirement benefits, defined benefit pension plans, and defined contribution pension plans. Severance and retirement benefits (all funded) pay out lump-sum payment or annual pension based on salary and length of service. Lump-sum payment (part of which becomes funded as a result of benefit trust although the system is unfunded) is paid out based on salary and length of service as retirement benefits.

Some domestic Subsidiaries have adopted a “simplified method” to calculate liability for severance and retirement benefits for employees.

### (b) Defined benefit pension plan

#### i) Movements of severance and retirement benefit obligation:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Balance at beginning of period	¥ 21,791	¥ 24,214	\$ 136,296
Current service costs	1,372	1,453	8,582
Interest costs	438	328	2,740
Actuarial differences on pension plan obligation	(2,131)	(1,614)	(13,329)
Benefits paid	(1,212)	(1,334)	(7,581)
Prior service costs	60	(901)	375
Changes in the scope of consolidation	-	(452)	-
Others	(27)	97	(169)
Balance at end of period	¥ 20,291	¥ 21,791	\$ 126,914

#### ii) Movements of pension assets:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Balance at beginning of period	¥ 39,183	¥ 36,706	\$ 245,078
Expected return on pension assets	28	23	175
Actuarial differences on pension assets	5,347	3,870	33,444
Contribution to pension plans	86	96	538
Benefits paid	(729)	(1,057)	(4,560)
Changes in the scope of consolidation	-	(319)	-
Others	(16)	(136)	(100)
Balance at end of period	¥ 43,899	¥ 39,183	\$ 274,575

#### iii) Reconciliation of projected retirement benefit obligation and net defined benefit assets / liabilities recorded in the consolidated balance sheets:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Retirement benefit obligation (funded non-contributory)	¥ 18,427	¥ 20,159	\$ 115,255
Less fair value of pension assets	(43,899)	(39,183)	(274,575)
Retirement benefit obligation (unfunded termination and retirement allowance plan)	1,864	1,632	11,659
Net defined benefit assets / liabilities recorded in the consolidated balance sheets	¥ (23,608)	¥ (17,392)	\$ (147,661)
Defined benefit liabilities	4,083	4,565	25,538
Defined benefit assets	(27,691)	(21,957)	(173,199)
Net defined benefit assets / liabilities recorded in the consolidated balance sheets	¥ (23,608)	¥ (17,392)	\$ (147,661)

#### iv) Severance and retirement benefit expenses:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Current service costs	¥ 1,372	¥ 1,453	\$ 8,581
Interest costs	438	328	2,740
Expected return on pension assets	(28)	(24)	(175)
Amortization of actuarial differences	(2,425)	(2,262)	(15,168)
Amortization of prior service costs	(11)	(900)	(69)
Severance and retirement benefit expenses	¥ (654)	¥ (1,405)	\$ (4,091)

v) Remeasurements of defined benefit plans (before income taxes and deducted tax effects):	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Prior service costs	¥ (71)	¥ -	\$ (444)
Actuarial differences	5,020	3,300	31,399
Others	20	9	125
<b>Total</b>	<b>¥ 4,969</b>	<b>¥ 3,309</b>	<b>\$ 31,080</b>

vi) Unrecognized actuarial differences (before income taxes and deducted tax effects):	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Unrecognized prior service costs	¥ 71	¥ -	\$ 444
Unrecognized actuarial differences	(25,331)	(20,311)	(158,438)
Others	109	48	682
<b>Total</b>	<b>¥ (25,151)</b>	<b>¥ (20,263)</b>	<b>\$ (157,312)</b>

vii) The major categories of pension assets:	Percentage of composition	
	FY2025	FY2024
Bonds	2%	2%
Securities	1%	49%
Cash and deposits	94%	44%
Others	3%	5%
<b>Total</b>	<b>100%</b>	<b>100%</b>

viii) The principal actuarial assumptions at reporting date are summarized below:	FY2025	FY2024
	Discount rate	0.7% - 4.6%
Expected rate of return on pension plan assets	0.0%	0.0%
Expected rate of pay raises	Primarily 1.5% - 1.9%	Primarily 1.7% - 2.1%

To determine the expected rate of return on pension plan assets, allocation of pension assets expected in present and future, and long-term rate of return on portfolio assets expected in present and future are considered.

#### (c) Defined contribution pension plan

The contribution paid to the defined contribution pension plan is summarized below:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Contribution paid to the defined contribution pension plan	¥ 583	¥ 467	\$ 3,646



(b) The numbers of and changes in stock options during the year ended March 31, 2026 are as follows:

	FY2015 Stock option	FY2014 Stock option	FY2013 Stock option
Non-vested:			
Outstanding at March 31, 2025	-	-	-
Granted	-	-	-
Forfeited	-	-	-
Vested	-	-	-
Outstanding of non-vested at March 31, 2026	-	-	-
Vested:			
Outstanding at March 31, 2025	15,300	11,400	7,800
Vested	-	-	-
Exercised	7,000	5,800	3,700
Forfeited	-	-	-
Outstanding of non-exercised at March 31, 2026	8,300	5,600	4,100
Exercise price - Yen (U.S. Dollars)	¥ 1 (\$0.006)	¥ 1 (\$0.006)	¥ 1 (\$0.006)
Average share price at exercise - Yen (U.S. Dollars)	¥ 3,100 (\$19.390)	¥ 5,233 (\$32.731)	¥ 3,434 (\$21.479)
Fair value price at grant date - Yen (U.S. Dollars)	¥ 1,690 (\$10.570)	¥ 1,910 (\$11.946)	¥ 1,440 (\$9.007)

(note) Effective October 1, 2017, the Company consolidated every 10 shares of its common stock into 1 share. The number of shares, average share price at exercise, and fair value price at grant date have been converted into those after the share consolidation.

(c) Calculation method for the number of rights vested

Only actual forfeited number of the vested is used for calculation for the number of rights vested, since it is difficult to reasonably estimate the number of options that will forfeited in the future.

### 13. Income Taxes

(a) Significant components of deferred tax assets and liabilities as of March 31, 2026 and 2025 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
<b>Deferred tax assets:</b>			
Accrued enterprise taxes	¥ 759	¥ 595	\$ 4,747
Elimination of intercompany profit of non-current assets	273	248	1,707
Tax loss carryforwards (note 2)	36,205	43,932	226,451
Loss on revaluation of inventories	269	247	1,683
Accrued expenses	3,660	3,076	22,892
Provision for construction warranties	698	626	4,366
Allowance for doubtful accounts	269	334	1,683
Provision for losses on construction contracts	1,053	1,469	6,586
Loss on impairment of non-current assets	2,917	4,914	18,245
Loss on valuation of marketable and investment securities	247	972	1,545
Difference arising from trust for employees' retirement benefit	12,101	4,591	75,688
Difference on application of percentage-of-completion method	584	464	3,653
Provision for contract losses	1,064	1,206	6,655
Others	4,731	3,627	29,591
<b>Gross deferred tax assets</b>	<b>64,830</b>	<b>66,301</b>	<b>405,492</b>
Valuation allowance for tax loss carryforwards (note 2)	(24,454)	(34,741)	(152,952)
Valuation allowance for the total of deductible temporary differences, etc.	(5,444)	(6,742)	(34,051)
<b>Less valuation allowance (note 1)</b>	<b>(29,898)</b>	<b>(41,483)</b>	<b>(187,003)</b>
<b>Total deferred tax assets</b>	<b>¥ 34,932</b>	<b>¥ 24,818</b>	<b>\$ 218,489</b>
<b>Deferred tax liabilities:</b>			
Net unrealized holding gains on securities	(12,067)	(3,150)	(75,476)
Reserve for advanced depreciation of non-current assets	(377)	(397)	(2,358)
Gain on contribution of securities to trust for employees' retirement benefit	-	(459)	-
Difference arising on percentage-of-completion	(1,424)	(1,275)	(8,907)
Unrealized gain on assets and liabilities of consolidated subsidiaries	(1,827)	(1,846)	(11,427)
Net defined benefit assets	(6,563)	(2,061)	(41,050)
Investments in subsidiaries and affiliates	(956)	(1,748)	(5,979)
Others	(1,021)	(1,026)	(6,386)
<b>Total deferred tax liabilities</b>	<b>¥ (24,235)</b>	<b>¥ (11,962)</b>	<b>\$ (151,583)</b>
<b>Net deferred tax assets (liabilities)</b>	<b>¥ 10,697</b>	<b>¥ 12,856</b>	<b>\$ 66,906</b>

(Change in Presentation)

“Accrued enterprise taxes,” which was included in “Others” under “Deferred tax assets” in the year ended March 31, 2025, has been presented individually from the year ended March 31, 2026, since its materiality has increased. Notes for the year ended March 31, 2025, have been reclassified in order to reflect this change in presentation.

As a result, ¥4,222 million presented in “Others” under “Deferred tax assets” for the year ended March 31, 2025, has been reclassified as ¥595 million in “Accrued enterprise taxes” and ¥3,627 million in “Others.”

(note 1) Decrease in valuation allowance of ¥11,584 million (\$72,454 thousand) is mainly attributable to the decrease in valuation allowance for tax loss carryforwards.

(note 2) For the year ended March 31, 2026 and 2025, tax loss carryforwards and corresponding deferred tax assets by expiration date were as follows:

FY2025	Japanese Yen (millions)						
	Within 1 year	Over 1 year ~ within 2 years	Over 2 years ~ within 3 years	Over 3 years ~ within 4 years	Over 4 years~ within 5 years	Over 5 years	Total
Tax loss carryforwards <sup>*1</sup>	¥ 1	¥ -	¥ 2,552	¥ 4,338	¥ 1,696	¥ 27,618	¥ 36,205
Less valuation allowance	¥ (1)	¥ -	¥ (2,552)	¥ (4,338)	¥ (1,696)	¥ (15,867)	¥ (24,454)
Deferred tax assets <sup>*2</sup>	¥ -	¥ -	¥ -	¥ -	¥ -	¥ 11,751	¥ 11,751

FY2024	Japanese Yen (millions)						
	Within 1 year	Over 1 year ~ within 2 years	Over 2 years ~ within 3 years	Over 3 years ~ within 4 years	Over 4 years~ within 5 years	Over 5 years	Total
Tax loss carryforwards <sup>*1</sup>	¥ -	¥ 1	¥ -	¥ 2,552	¥ 9,904	¥ 31,475	¥ 43,932
Less valuation allowance	¥ -	¥ (1)	¥ -	¥ (2,552)	¥ (4,598)	¥ (27,590)	¥ (34,741)
Deferred tax assets <sup>*2</sup>	¥ -	¥ -	¥ -	¥ -	¥ 5,306	¥ 3,885	¥ 9,191

FY2025	U.S. Dollars (thousands)						
	Within 1 year	Over 1 year ~ within 2 years	Over 2 years ~ within 3 years	Over 3 years ~ within 4 years	Over 4 years~ within 5 years	Over 5 years	Total
Tax loss carryforwards <sup>*1</sup>	\$ 6	\$ -	\$ 15,962	\$ 27,133	\$ 10,608	\$ 172,742	\$ 226,451
Less valuation allowance	\$ (6)	\$ -	\$ (15,962)	\$ (27,133)	\$ (10,608)	\$ (99,243)	\$ (152,952)
Deferred tax assets <sup>*2</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73,499	\$ 73,499

<sup>\*1</sup> Tax loss carryforwards are calculated by multiplying the statutory tax rate.

<sup>\*2</sup> As for tax loss carryforwards, valuation allowance is not recognized for the portion judged to be recoverable based on expected future taxable income.

(b) Significant differences between the statutory tax rate and the Group's effective tax rate for financial statement purposes for the year ended March 31, 2026 and 2025 were as follows:

	FY2025	FY2024
Statutory tax rate	30.6 %	30.6 %
Expenses not deductible permanently, such as entertainment expenses	0.1	0.1
Non-taxable income permanently, such as dividend income	0.4	(3.7)
Amortization of goodwill	0.9	0.8
Share of profit of entities accounted for using equity method	(5.7)	(6.1)
Consolidation adjustment for gain on sales of subsidiaries and affiliates' stocks	1.8	13.9
Valuation allowance	(27.0)	(27.6)
Taxation on per capita basis	0.2	0.2
Income of foreign subsidiaries taxed at lower than Japanese statutory tax rate	(0.0)	1.0
Increase of deferred tax assets, net of liabilities at fiscal year-end by the change of tax rate	-	(0.5)
Reserved profit of subsidiaries and affiliates	(2.0)	(9.0)
Corporate income taxes, etc. paid in past fiscal years	(0.0)	(1.3)
Others	3.6	3.0
Effective tax rate	2.9 %	1.4 %

(c) Accounting treatment for corporate income tax and local corporate income tax as well as the related tax effect accounting

The Company and certain consolidated subsidiaries in Japan have applied the group tax sharing system, and the accounting treatment and disclosure for corporate income tax and local corporate income tax as well as the related tax effect accounting are in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ Practical Issues Task Force No. 42, August 12, 2021).

## 14. Investment and Rental Property

### (a) Articles concerning situation of investment and rental property

The Company and certain Subsidiaries own factory facilities, etc. (including land) in Oita, Okayama and other areas. Idle land is also owned in Oita, Chiba and other areas.

### (b) Articles concerning fair value of investment and rental property

The book value of investment and rental properties stated in the consolidated balance sheets, the increase or decrease in this fiscal year, and fair value are shown below.

FY2025	Japanese Yen (millions)			Fair value As of March 31, 2026
	Book value			
Usage	Beginning balance as of April 1, 2025	Increase (Decrease)	Ending balance as of March 31, 2026	
Facilities for lease	¥ 23,565	¥ (3,249)	¥ 20,316	¥ 13,198
Idle assets (Land)	2,128	(248)	1,880	2,067
<b>Total</b>	<b>¥ 25,693</b>	<b>¥ (3,497)</b>	<b>¥ 22,196</b>	<b>¥ 15,265</b>

FY2025	U.S. Dollars (thousands)			Fair value As of March 31, 2026
	Book value			
Usage	Beginning balance as of April 1, 2025	Increase (Decrease)	Ending balance as of March 31, 2026	
Facilities for lease	\$ 147,392	\$ (20,322)	\$ 127,070	\$ 82,549
Idle assets (Land)	13,310	(1,551)	11,759	12,929
<b>Total</b>	<b>\$ 160,702</b>	<b>\$ (21,873)</b>	<b>\$ 138,829</b>	<b>\$ 95,478</b>

(note 1) Accumulated depreciation and accumulated impairment losses are deducted from acquisition costs, and the book value is stated the consolidated balance sheets.

(note 2) The decrease in rental properties in this fiscal year is mainly due to sales of rental properties and idle land (¥3,380 million / \$21,141 thousand).

(note 3) Fair value at the end of this fiscal year is mainly estimated based on the "Real estate appraising standard" with an adjustment using a certain indicator.

The profit and loss from investment and rental properties in this fiscal year are shown below.

FY2025

Usage	Japanese Yen (millions)			
	Rental income	Rental expenses	Difference	Others (Profit or Loss on sales of assets, etc.)
Facilities for lease	¥ 1,022	¥ 270	¥ 752	¥ (203)
Idle assets (Land)	-	16	(16)	(62)
Total	¥ 1,022	¥ 286	¥ 736	¥ (265)

Usage	U.S. Dollars (thousands)			
	Rental income	Rental expenses	Difference	Others (Profit or Loss on sales of assets, etc.)
Facilities for lease	\$ 6,392	\$ 1,689	\$ 4,703	\$ (1,270)
Idle assets (Land)	-	100	(100)	(387)
Total	\$ 6,392	\$ 1,789	\$ 4,603	\$ (1,657)

(note 1) Rental expenses include depreciation, repair, insurance and taxes-and-dues. Rental income and rental expenses are included in operating income.

(note 2) Others include loss on impairment of non-current assets, which are recognized as other income (expenses).

The book value of investment and rental properties stated in the consolidated balance sheets, the increase or decrease in this fiscal year, and fair value are shown below.

Usage	Japanese Yen (millions)			Fair value As of March 31, 2025
	Book value			
	Beginning balance as of April 1, 2024	Increase (Decrease)	Ending balance as of March 31, 2025	
Facilities for lease	¥ 24,708	¥ (1,142)	¥ 23,566	¥ 16,437
Idle assets (Land)	2,131	(3)	2,128	2,289
Total	¥ 26,839	¥ (1,145)	¥ 25,694	¥ 18,726

(note 1) Accumulated depreciation and accumulated impairment losses are deducted from acquisition costs, and the book value is stated the consolidated balance sheets.

(note 2) The decrease in rental properties in this fiscal year is mainly due to impairment losses on rental properties (¥1,473 million).

(note 3) Fair value at the end of this fiscal year is mainly estimated based on the "Real estate appraising standard" with an adjustment using a certain indicator.

The profit and loss from investment and rental properties in this fiscal year are shown below.

FY2024

Usage	Japanese Yen (millions)			
	Rental income	Rental expenses	Difference	Others (Profit or Loss on sales of assets, etc.)
Facilities for lease	¥ 1,101	¥ 274	¥ 827	¥ (1,473)
Idle assets (Land)	-	-	-	(19)
Total	¥ 1,101	¥ 274	¥ 827	¥ (1,492)

(note 1) Rental expenses include depreciation, repair, insurance and taxes-and-dues. Rental income and rental expenses are included in operating income.

(note 2) Others include loss on impairment of non-current assets and taxes-and-dues, which are recognized as other income (expenses).

## 15. Revenue Recognition

### (a) Disaggregation of Revenue

The information on disaggregation of revenue from contracts with customers for the years ended March 31, 2026 and 2025 were as follows:

Japanese Yen (millions)							
FY2025	New Business Development	Marine Propulsion Systems	Logistics Systems	Peripheral Businesses	Sub total	Others *1	Total
Breakdown by geographical regions							
Japan	¥ 39,936	¥ 134,560	¥ 23,557	¥ 38,106	¥ 236,159	¥ 182	¥ 236,341
Asia	1,797	12,396	34,491	18,055	66,739	-	66,739
Europe	313	2,331	47	29,506	32,197	-	32,197
North America	117	212	5,517	348	6,194	-	6,194
Other regions	1,595	205	1,573	8,319	11,692	-	11,692
Revenue from contracts with customers	¥ 43,758	¥ 149,704	¥ 65,185	¥ 94,334	¥ 352,981	¥ 182	¥ 353,163
Other revenue *2	-	33	-	-	33	-	33
Net sales to outside customers	¥ 43,758	¥ 149,737	¥ 65,185	¥ 94,334	¥ 353,014	¥ 182	¥ 353,196

Japanese Yen (millions)							
FY2024	New Business Development	Marine Propulsion Systems	Logistics Systems	Peripheral Businesses	Sub total	Others *1	Total
Breakdown by geographical regions							
Japan	¥ 34,337	¥ 123,229	¥ 26,482	¥ 36,655	¥ 220,703	¥ 189	¥ 220,892
Asia	3,960	9,478	30,850	10,719	55,007	1,438	56,445
Europe	286	2,316	23	22,013	24,638	-	24,638
North America	138	173	3,306	915	4,532	-	4,532
Other regions	1,297	277	2,107	4,892	8,573	-	8,573
Revenue from contracts with customers	¥ 40,018	¥ 135,473	¥ 62,768	¥ 75,194	¥ 313,453	¥ 1,627	¥ 315,080
Other revenue *2	-	33	-	-	33	-	33
Net sales to outside customers	¥ 40,018	¥ 135,506	¥ 62,768	¥ 75,194	¥ 313,486	¥ 1,627	¥ 315,113

U.S. Dollars (thousands)							
FY2025	New Business Development	Marine Propulsion Systems	Logistics Systems	Peripheral Businesses	Sub total	Others *1	Total
Breakdown by geographical regions							
Japan	\$ 249,787	\$ 841,632	\$ 147,342	\$ 238,341	\$ 1,477,102	\$ 1,138	\$ 1,478,240
Asia	11,240	77,533	215,731	112,928	417,432	-	417,432
Europe	1,958	14,580	293	184,551	201,382	-	201,382
North America	732	1,326	34,507	2,177	38,742	-	38,742
Other regions	9,976	1,282	9,839	52,033	73,130	-	73,130
Revenue from contracts with customers	\$ 273,693	\$ 936,353	\$ 407,712	\$ 590,030	\$ 2,207,788	\$ 1,138	\$ 2,208,926
Other revenue *2	-	206	-	-	206	-	206
Net sales to outside customers	\$ 273,693	\$ 936,559	\$ 407,712	\$ 590,030	\$ 2,207,994	\$ 1,138	\$ 2,209,132

(note 1) "Others" is the segment which is not included in Reportable Segment and includes Engineering businesses, etc.

(note 2) "Other revenue" is rental income based on "Accounting Standard for Lease Transactions."

## Changes in Reportable Segment

Effective from the current fiscal year, the Company has changed the classification of its Reportable Segment. Details of information are as described in Note 16 “Segment Information, (c) Changes in Reportable Segment.”

Comparative disaggregation of revenue from contracts with customers for the previous fiscal year has been restated to reflect the changes.

### (b) Basic Information to Understand Revenue from Contracts with Customers

Basic information of our performance obligations is as described in Note 1 “Significant Accounting and Reporting Policies, (s) Revenue Recognition.”

### (c) Contract Balances

The opening and closing balances of receivables from contracts with customers, contract assets, and contract liabilities were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)	
	FY2025	FY2024	FY2025	
Opening balance of receivables from contracts	¥ 80,134	¥ 63,650	\$ 501,213	
Closing balance of receivables from contracts	¥ 71,498	¥ 80,134	\$ 447,198	
Opening balance of contract assets	¥ 27,810	¥ 32,633	\$ 173,943	
Closing balance of contract assets	¥ 23,756	¥ 27,810	\$ 148,586	
Opening balance of contract liabilities	¥ 44,188	¥ 30,809	\$ 276,382	
Closing balance of contract liabilities	¥ 42,912	¥ 44,188	\$ 268,401	

Contract assets are primarily about performance obligations under contracts satisfied over time and revenue has been recognized, but have not yet been billed. In the Group, it primarily relates to the Group’s rights to unbilled portion of the construction and installation works of the equipment that had been finished as of the end of reporting period. Contract assets become receivables once the rights to receive consideration become unconditional. This is usually when the invoices are issued to customers. Consideration for the construction and installation of such equipment is received primarily within three months of the satisfaction of performance obligations, in accordance with the terms of the contracts.

Contract liabilities primarily relate to the consideration received before transferring goods or construction services to customers as a credit risk management. Contract liabilities will be reversed and recognized as revenue once the performance obligations are satisfied.

Of revenue recognized for the year ended March 31, 2025, the amount included in the contract liabilities balance as of April 1, 2024, was ¥19,663 million.

The decrease in contract assets of ¥4,823 million in that fiscal year was mainly due to the fact that the decrease due to transfers to receivables from contracts with customers and the offsetting of contract liabilities exceeded the increase in revenue recognized. Contract liabilities increased by ¥13,379 million mainly because the increase due to receipt of advances exceeded the decrease due to revenue recognition and the offsetting of contract assets.

In the year ended March 31, 2025, the amount of revenue recognized from the performance obligations satisfied in the prior periods was not significant.

Of revenue recognized for the year ended March 31, 2026, the amount included in the contract liabilities balance as of April 1, 2025, was ¥17,218 million (\$107,693 thousand).

The decrease in contract assets of ¥4,054 million (\$25,357 thousand) in that fiscal year was mainly due to the fact that the decrease due to transfers to receivables from contracts with customers and the offsetting of contract liabilities exceeded the increase in revenue recognized.

Contract liabilities decreased by ¥1,276 million (\$7,981 thousand) mainly because the decrease due to revenue recognition and the offsetting of contract assets exceeded the increase due to receipt of advances.

In the year ended March 31, 2026, the amount of revenue recognized from the performance obligations satisfied in the prior periods was not significant.

### (d) Transaction Price Allocated to Remaining Performance Obligations

Aggregate amount of the transaction price allocated to the remaining performance obligations as of March 31, 2026 and 2025, and the expected timing when revenue will be recognized were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)	
	FY2025	FY2024	FY2025	
Due within one year	¥ 225,106	¥ 230,147	\$ 1,407,968	
Due after one year through two years	101,951	112,953	637,672	
Due after two years through three years	54,791	45,351	342,701	
Due after three years	80,870	98,272	505,817	
Total	¥ 462,718	¥ 486,723	\$ 2,894,158	

## 16. Segment Information

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### (a) Overview of Reportable Segment

Reportable Segment is composed of the segment by products and services belonging to the operating companies and subject to be reviewed periodically by the Board of Directors to decide the allocation of management resources and to evaluate the performance.

The Company organizes headquarters by products and services in Head office. Each headquarter makes strategies of its products and services in both Japan and abroad comprehensively and develops the operation.

Reportable Segment is classified into 4 segments: New Business Development, Marine Propulsion Systems, Logistics Systems and Peripheral Businesses.

Main products and services of each Reportable Segment are as follows.

**New Business Development:** Industrial machinery (process compressors, gas turbines, blowers, process equipment), hydraulic model testing equipment, service solutions (inspection management system for efficiency and digitalization, fouling advanced lifecycle control service, drone inspection system), and their after-sales services

**Marine Propulsion Systems:** Marine engines, fuel supply system (gas engineering and auxiliary machineries) for dual fuel engines, and their after-sales services

**Logistics Systems:** Container cranes, industrial cranes, container terminal management systems, and their after-sales services

**Peripheral Businesses:** Gas carriers engineering, stationary power generation plants, systems development/system related equipment, steel structures, hull blocks, mechanical and electrical equipment maintenance

### (b) Calculation Method Used for Sales, Segment Income and Loss, Assets, Liabilities and Other Items for Each Reportable Segment

The accounting method used for Reportable Segment is the same in material aspects as the method used for "Significant Accounting and Reporting Policies." Segment income and loss is based on Operating income (loss) in Consolidated Statements of Operations.

Inter segment sales and transfer are based on the market price.

### (c) Changes in Reportable Segment

(Changes in Classification of Reportable Segment)

In the previous consolidated fiscal year, MODEC, INC. and its related companies, which constituted "Ocean Development," were excluded from the scope of application of the equity method due to a partial sale of MODEC, INC. shares. As a result, effective from the current fiscal year, the Group has changed the classification of its reportable segment to 4 segments: "New Business Development," "Marine Propulsion Systems," "Logistics Systems," and "Peripheral Businesses."

Comparative segment information for the previous fiscal year has been presented based on the reportable segments after the changes.

(d) Information about Sales, Segment Income and Loss, Assets, Liabilities and Other Items for Each Reportable Segment

Reportable Segment information for the years ended March 31, 2026 and 2025 were as follows:

Japanese Yen (millions)

FY2025	New Business Development	Marine Propulsion Systems	Logistics Systems	Peripheral Businesses	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:									
Outside customers	¥ 43,758	¥ 149,737	¥ 65,185	¥ 94,334	¥ 353,014	¥ 182	¥ 353,196	¥ -	¥ 353,196
Inter segment	1,234	1,296	68	13,746	16,344	-	16,344	(16,344)	-
Total	¥ 44,992	¥ 151,033	¥ 65,253	¥ 108,080	¥ 369,358	¥ 182	¥ 369,540	¥ (16,344)	¥ 353,196
Segment income (loss)	¥ 8,773	¥ 14,474	¥ 13,939	¥ 826	¥ 38,012	¥ (370)	¥ 37,642	¥ -	¥ 37,642
Segment assets	¥ 33,764	¥ 148,205	¥ 57,604	¥ 82,170	¥ 321,743	¥ 48,944	¥ 370,687	¥ 123,867	¥ 494,554
Depreciation and amortization	678	3,516	1,611	1,724	7,529	171	7,700	379	8,079
Amortization of goodwill	-	-	-	1,133	1,133	-	1,133	-	1,133
Year-end balance of goodwill	-	-	-	6,196	6,196	-	6,196	-	6,196
Share of profit of entities accounted for using equity method	-	4,304	684	1,880	6,868	648	7,516	-	7,516
Loss on impairment of non-current assets	-	-	-	223	223	1	224	272	496
Increase in property, plant and equipment and intangible assets	248	3,831	3,313	1,421	8,813	94	8,907	349	9,256

(note 1) "Others" is the segment which is not included in Reportable Segment and includes Engineering businesses, etc.

(note 2) Adjustments are as follows:

- (1) Adjustments of ¥123,867 million recorded for assets primarily include surplus funds (cash and time deposits), long-term investment (investment securities) and assets related to the administration divisions of the Company of ¥125,081 million that are not allocated to any reportable segment.
- (2) Adjustments of ¥379 million recorded for depreciation and amortization are depreciation for property, plant and equipment and amortization for intangible assets related to the administration divisions.
- (3) Adjustments of ¥272 million recorded for loss on impairment of non-current assets are the impairment loss for Corporate.
- (4) Adjustments of ¥349 million recorded for increase in property, plant and equipment and intangible assets are increase in assets related to the administration divisions.

(note 3) Segment income (loss) is consistent with operating income shown on Consolidated Statements of Operations.

Japanese Yen (millions)

FY2024	New Business Development	Marine Propulsion Systems	Logistics Systems	Peripheral Businesses	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:									
Outside customers	¥ 40,018	¥ 135,506	¥ 62,768	¥ 75,194	¥ 313,486	¥ 1,627	¥ 315,113	¥ -	¥ 315,113
Inter segment	1,374	1,005	40	13,740	16,159	-	16,159	(16,159)	-
Total	¥ 41,392	¥ 136,511	¥ 62,808	¥ 88,934	¥ 329,645	¥ 1,627	¥ 331,272	¥ (16,159)	¥ 315,113
Segment income (loss)	¥ 6,832	¥ 7,476	¥ 5,955	¥ (1,615)	¥ 18,648	¥ 4,482	¥ 23,130	¥ -	¥ 23,130
Segment assets	¥ 35,343	¥ 137,175	¥ 64,737	¥ 80,362	¥ 317,617	¥ 52,603	¥ 370,220	¥ 78,993	¥ 449,213
Depreciation and amortization	695	3,272	1,493	1,603	7,063	206	7,269	348	7,617
Amortization of goodwill	-	-	-	1,002	1,002	-	1,002	-	1,002
Year-end balance of goodwill	-	-	-	6,477	6,477	-	6,477	-	6,477
Share of profit of entities accounted for using equity method	-	1,375	385	874	2,634	1,519	4,153	3,757	7,910
Loss on impairment of non-current assets	41	-	-	-	41	1,473	1,514	10	1,524
Increase in property, plant and equipment and intangible assets	615	6,049	2,132	1,158	9,954	58	10,012	427	10,439

(note 1) "Others" is the segment which is not included in Reportable Segment and includes Engineering businesses, etc.

(note 2) Adjustments are as follows:

- (1) Adjustments of ¥78,993 million recorded for assets primarily include surplus funds (cash and time deposits), long-term investment (investment securities) and assets related to the administration divisions of the Company of ¥80,054 million that are not allocated to any Reportable Segment.
- (2) Adjustments of ¥348 million recorded for depreciation and amortization are depreciation for property, plant and equipment and amortization for intangible assets related to the administration divisions.
- (3) Adjustments of ¥3,757 million recorded for share of profit of entities accounted for using equity method are from MODEC, INC. and its related companies, which constituted "Ocean Development" until June 2024.
- (4) Adjustments of ¥10 million recorded for loss on impairment of non-current assets are the impairment loss for Corporate.
- (5) Adjustments of ¥427 million recorded for increase in property, plant and equipment and intangible assets are increase in assets related to the administration divisions.

(note 3) Segment income (loss) is consistent with operating income shown on Consolidated Statements of Operations.

U.S. Dollars (thousands)

FY2025	New Business Development	Marine Propulsion Systems	Logistics Systems	Peripheral Businesses	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:									
Outside customers	\$ 273,693	\$ 936,559	\$ 407,712	\$ 590,030	\$ 2,207,994	\$ 1,138	\$ 2,209,132	\$ -	\$ 2,209,132
Inter segment	7,718	8,106	426	85,977	102,227	-	102,227	(102,227)	-
<b>Total</b>	<b>\$ 281,411</b>	<b>\$ 944,665</b>	<b>\$ 408,138</b>	<b>\$ 676,007</b>	<b>\$ 2,310,221</b>	<b>\$ 1,138</b>	<b>\$ 2,311,359</b>	<b>\$ (102,227)</b>	<b>\$ 2,209,132</b>
Segment income (loss)	\$ 54,872	\$ 90,531	\$ 87,184	\$ 5,166	\$ 237,753	\$ (2,314)	\$ 235,439	\$ -	\$ 235,439
Segment assets	\$ 211,183	\$ 926,977	\$ 360,295	\$ 513,948	\$ 2,012,403	\$ 306,130	\$ 2,318,533	\$ 774,749	\$ 3,093,282
Depreciation and amortization	4,241	21,991	10,076	10,783	47,091	1,070	48,161	2,371	50,532
Amortization of goodwill	-	-	-	7,087	7,087	-	7,087	-	7,087
Year-end balance of goodwill	-	-	-	38,754	38,754	-	38,754	-	38,754
Share of profit of entities accounted for using equity method	-	26,920	4,278	11,759	42,957	4,053	47,010	-	47,010
Loss on impairment of non-current assets	-	-	-	1,395	1,395	6	1,401	1,701	3,102
Increase in property, plant and equipment and intangible assets	1,551	23,962	20,722	8,888	55,123	588	55,711	2,183	57,894

(note 1) "Others" is the segment which is not included in Reportable Segment and includes Engineering businesses, etc.

(note 2) Adjustments are as follows:

- (1) Adjustments of \$774,749 thousand recorded for assets primarily include surplus funds (cash and time deposits), long-term investment (investment securities) and assets related to the administration divisions of the Company of \$782,343 thousand that are not allocated to any reportable segment.
- (2) Adjustments of \$2,371 thousand recorded for depreciation and amortization are depreciation for property, plant and equipment and amortization for intangible assets related to the administration divisions.
- (3) Adjustments of \$1,701 thousand recorded for loss on impairment of non-current assets are the impairment loss for Corporate.
- (4) Adjustments of \$2,183 thousand recorded for increase in property, plant and equipment and intangible assets are increase in assets related to the administration divisions.

(note 3) Segment income (loss) is consistent with operating income shown on Consolidated Statements of Operations.

[Related information]

(d) Information by Products and Services

Information by products and services is the same as Reportable Segment and the description is omitted.

(e) Information by Geographical Area

1) Sales

FY2025	Japanese Yen (millions)					
	Japan	Asia	Europe	North America	Others	Total
Net sales	¥ 236,374	¥ 66,739	¥ 32,197	¥ 6,194	¥ 11,692	¥ 353,196

FY2024	Japanese Yen (millions)					
	Japan	Asia	Europe	North America	Others	Total
Net sales	¥ 220,926	¥ 56,445	¥ 24,638	¥ 4,532	¥ 8,572	¥ 315,113

FY2025	U.S. Dollars (thousands)					
	Japan	Asia	Europe	North America	Others	Total
Net sales	\$ 1,478,446	\$ 417,432	\$ 201,382	\$ 38,742	\$ 73,130	\$ 2,209,132

\*Sales amount is based on the place of customer and classified by country or geographical area.

2) Property, plant and equipment

FY2025	Japanese Yen (millions)		
	Japan	Others	Total
Property, plant and equipment	¥ 106,259	¥ 1,988	¥ 108,247

FY2024	Japanese Yen (millions)		
	Japan	Others	Total
Property, plant and equipment	¥ 115,454	¥ 696	¥ 116,150

FY2025	U.S. Dollars (thousands)		
	Japan	Others	Total
Property, plant and equipment	\$ 664,617	\$ 12,435	\$ 677,052

(f) Information by Major Customer

Information by major customer for the fiscal years ended March 31, 2026 and 2025 is not described because there is no customer with the sales amount exceeding 10% of the sales amount in Consolidated Statements of Operations.

[Information about gain on bargain purchase for each Reportable Segment]

FY2025

Not applicable.

FY2024

Not applicable.

## 17. Related Party Transactions

### (a) Related Party Transactions

Transactions between the Company and related parties for the fiscal years ended March 31, 2026 and 2025 were as follows:

FY2025:

Not applicable

FY2024:

Category	Affiliate of the Company
Company name	SOFEC, INC.
Location	U.S.A.
Share capital	\$27 thousand
Description of business	Mooring system design, construction and sales
Ownership ratio of voting rights	Direct: 20.0%, Indirect: 32.4%
Relationship with related party	Transfer of the affiliate's shares
Detail of transaction	Transfer of the affiliate's shares
Transaction amount	¥6,249 million
Account title	-
Balance at end of period	-

(note 1) Policies for determining terms and conditions are as follows:

The affiliates's stocks refer to the shares of SOFEC, INC. The transfer price is determined by considering a stock valuation report from an independent third party, and the payment terms are a lump-sum cash payment.

(note 2) In the fiscal year under review, the Company sold all of its shares in SOFEC, INC. and a portion of its shares in MODEC, INC., the parent company of SOFEC, INC. As a result, SOFEC, INC. no longer qualifies as a related party. Therefore, the transaction amount reflects the period during which the party was related. In addition, the ownership ratio of voting rights is stated as of before the aforementioned sale of shares.

Transactions between the Subsidiaries and related parties for the fiscal years ended March 31, 2026 and 2025 were as follows:

FY2025:

Not applicable

FY2024:

Not applicable

### (b) Condensed financial information on important affiliates

In the fiscal year ended March 31, 2026, an important affiliate was CSSC-MES Diesel Co., Ltd., and its condensed financial information is as follows.

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Total current assets	¥ 178,510	137,448	\$ 1,116,525
Total non-current assets	29,878	28,419	186,878
Total current liabilities	94,962	85,333	593,958
Total long-term liabilities	66,846	48,828	418,101
Total net assets	46,580	31,706	291,344
Net sales	¥ 133,043	99,830	\$ 832,143
Profit before income taxes	18,903	5,885	118,232
Profit	17,015	5,362	106,424

## 18. Per Share Data

	Japanese Yen		U.S. Dollars
	FY2025	FY2024	FY2025
Net assets per share	¥ 2,270.25	¥ 1,682.97	\$ 14.200
Earnings per share	381.15	385.39	2.384
Diluted earnings per share	381.06	385.25	2.383

(note 1) Basis for calculating earnings per share and diluted earnings per share is as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Earnings per share			
Profit attributable to owners of parent	¥ 38,457	¥ 39,075	\$ 240,537
Profit not attributable to common shareholders	-	194	-
[Of which, amount of difference on canceling preferred shares]	[ - ]	[194]	[ - ]
Profit attributable to owners of parent related to common stock	38,457	38,881	240,537
Average number of common stock (Thousands of shares)	100,897	100,886	

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Diluted earnings per share			
Adjustments to profit attributable to owners of parent	¥ -	¥ -	\$ -
Increase in the number of shares of common stock (Thousands of shares)	25	38	
[Of which, subscription rights to shares (Thousands of shares)]	[25]	[38]	
Outline of dilutive shares not included in calculation of diluted earnings per share due to the absence of dilutive effects	-	-	

(note 2) Basis for calculating net assets per share is as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2025	FY2024	FY2025
Total net assets	¥ 233,820	¥ 174,155	\$ 1,462,472
Amount deducted from total net assets	4,745	4,362	29,679
[Of which, subscription rights to shares]	[31]	[59]	[194]
[Of which, non-controlling interests]	[4,715]	[4,303]	[29,491]
Net assets related to common stock at the end of the period	229,074	169,793	1,432,787
Number of shares of common stock at the end of the period used to calculate net assets per share (Thousands of shares)	100,903	100,888	

## 19. Borrowings and Indebtedness

Borrowings and Indebtedness as of March 31, 2026 and 2025 were summarized below:

	Average interest rate	Due dates	Japanese Yen (millions)		U.S. Dollars (thousands)
			FY2025	FY2024	FY2025
Short-term borrowings	1.48%	-	¥ 49,040	¥ 47,854	\$ 306,730
Current portion of long-term borrowings	1.64%	-	6,232	6,167	38,979
Current portion of lease obligations	-	-	2,050	2,050	12,822
Long-term borrowings	1.64%	2027 to 2042	37,449	43,830	234,232
Lease obligations	-	2027 to 2035	3,781	5,343	23,649
Other interest-bearing liabilities	-	-	-	-	-
			¥ 98,552	¥ 105,244	\$ 616,412

(note 1) The average interest rates applicable to borrowings, etc. are computed as the weighted average interest rate, based on interest rates and ending balances.

The average interest rate applicable to lease obligations is omitted, as lease obligations are recorded on the consolidated balance sheet primarily at an amount before deducting the portion of lease payments equivalent to interest which is included in the total amount of the lease payments.

(note 2) The scheduled amounts of repayment of long-term borrowings and lease obligations (excluding current portion) for the five-year period after the consolidated closing date were as follows:

	Japanese Yen (millions)			
	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years
Long-term borrowings	¥ 9,986	¥ 11,536	¥ 4,941	¥ 8,630
Lease obligations	¥ 1,340	¥ 1,223	¥ 611	¥ 315

  

	U.S. Dollars (thousands)			
	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years
Long-term borrowings	\$ 62,459	\$ 72,154	\$ 30,905	\$ 53,978
Lease obligations	\$ 8,381	\$ 7,650	\$ 3,822	\$ 1,970

## 20. Subsequent events

Not applicable.



# Independent auditor's report

To the Board of Directors of MITSUI E&S Co., Ltd.:

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the accompanying consolidated financial statements of MITSUI E&S Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2026 and 2025, the consolidated statements of operations and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2026 and 2025, and its consolidated financial performance and its consolidated cash flows for the years 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 of public interest entities 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 our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Assessment of the reasonableness of the estimated future cash flows used in the impairment testing on goodwill at MES Germany Beteiligungs GmbH

The key audit matter	How the matter was addressed in our audit
<p>As described in the note 1. "Significant Accounting and Reporting Policies, (u)Significant Accounting Estimates, 1) Valuation of goodwill" to the consolidated financial statements, MITSUI E&amp;S Co., Ltd. and its consolidated subsidiaries (hereinafter, referred to as "the Group") recognized goodwill of ¥6,196 million in the consolidated statement of financial position, which represents goodwill of ¥6,196 million allocated to the ship engineering business which arose when</p>	<p>In order to assess the reasonableness of the estimated future cash flows related to the measurement of the recoverable amount used in the impairment testing on the CGU that included goodwill allocated to the ship engineering business operated by MES Germany, we engaged the auditors of MES Germany and mainly conducted the following audit procedures, through providing the direction and supervision to the auditors, and reviewing the content of their work.</p>

MES Germany Beteiligungs GmbH (hereinafter, referred to as “MES Germany”), a consolidated subsidiary of the Group located in Germany, acquired control of TGE Marine AG.

MES Germany prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) and performs an impairment test on a cash-generating unit (CGU) or a group of CGUs to which goodwill is allocated at least annually, in addition to when there is an impairment indicator. When the recoverable amount of a CGU is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the resulting decrease in the carrying amount is recognized as an impairment loss. The recoverable amount is the higher of either the value in use or fair value less cost of disposal.

In the current fiscal year, MES Germany used the value in use as the recoverable amount in the impairment testing. The future cash flows used to measure the value in use were estimated based on the mid-term business plan of the ship engineering business prepared by management of MES Germany (hereinafter, referred to as “the mid-term business plan”). Key assumptions underlying the mid-term business plan, such as the prospects for future growth rate of the gas-carrier market in which its ship engineering business operates as well as mid-term sales forecasts, involved management judgment. Accordingly, management’s judgment thereon had a significant effect on the estimated future cash flows. We, therefore, determined that our assessment of the reasonableness of the estimated future cash flows related to the measurement of the recoverable amount used in the impairment testing on the CGU that included goodwill allocated to the ship engineering business operated by MES Germany was the most significant matter in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

### **(1) Internal control testing**

We evaluated the design and operating effectiveness of certain of MES Germany's internal controls relevant to the measurement of value in use in impairment tests of CGU, including goodwill, with a focus on controls over the internal approval process for future cash flows created based on the mid-term business plan, reflecting uncertainties as risks.

### **(2) Assessment of the reasonableness of the estimated future cash flows**

The key assumptions adopted in the preparation of the mid-term business plan, which is the basis for the estimation of future cash flows, and the basis as to those assumptions were inquired of MES Germany's management. The reasonableness of the mid-term business plan was evaluated mainly through the following procedures.

- comparison of the growth rate of the gas-carrier market with relevant market data published by external organizations;
- assessment of the mid-term business plan by comparing it with the latest planned orders and actual orders;
- performing a sensitivity analysis on the key assumptions included in the mid-term business plan prepared by management of MES Germany and assessing the effect of changes in those assumptions on the estimates of future cash flows and the recoverable amount, after considering the results of the evaluation of the reasonableness of key assumptions as well as the assessment of the past business plan including the causes of variances with actual results;

## **Other Information**

The other information comprises the information included in the Consolidated Financial Statements 2026, but does not include the consolidated financial statements, the financial statements, and our auditor’s reports thereon. Management is responsible for the preparation and presentation of the other information. The audit and supervisory committee are responsible for overseeing the directors’ performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

The audit and supervisory committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

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

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

As part of our 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. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the audit and supervisory committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with 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.

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

### Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are 207 million yen and 18 million yen, respectively.

### Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2026 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1(a) to the consolidated financial statements.

### Interest required to be disclosed by the Certified Public Accountants Act of Japan

We 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.

Yutaka Matsuki  
Designated Engagement Partner  
Certified Public Accountant

Fumitaka Otani  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Tokyo Office, Japan  
June 25, 2026

### **Notes to the Reader of Independent Auditor's Report:**

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

