

ACTION

FOR THE FUTURE

TKK REPORT 2025

Financial Section

(Fiscal year ended March 31, 2025)



This material is the Financial Section of the TKK Report 2025, the integrated report published by Toyo Kanetsu K.K. that summarizes the financial information for the Company’s fiscal year 2024 (Apr. 2024 to Mar. 2025).

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Analysis of Operating Environment and Results

During the fiscal year ended March 31, 2025, the Japanese economy remained relatively stable, supported by strong corporate performance and a recovery in personal consumption driven by moderate inflation and wage increases. However, concerns about global economic disruptions, such as those caused by U.S. trade policies, have led to an uncertain economic outlook.

Under these circumstances, in our core Logistics Solutions Business, demand for automation and labor-saving equipment for e-commerce businesses, third-party logistics providers (3PLs), wholesalers, and consumer co-ops, driven by the deepening labor shortage. Additionally, there has been an increase in demand for automation and labor-saving equipment in the manufacturing sector.

The Plant Business has continued to record stable earnings, supported by steady demand for tank maintenance at domestic refineries. The Next-Generation Energy Development Business continues to focus on research and development related to next-generation energy to meet domestic and international demands for carbon neutrality. At the same time, we are actively pursuing orders for new tank installations and repair projects in Indonesia and Malaysia, where we have overseas subsidiaries. This fiscal year, we secured multiple cryogenic tank refurbishment projects spanning three and a half years.

In the Business Innovation Business, within its constituent businesses, the Industrial Machinery Business is experiencing a robust market due to increased capital investment plans in construction, semiconductors, and secondary batteries. In the Environmental Business, public sector demand has remained consistent with previous years, while private sector demand has continued to expand in the anti-asbestos market. On the other hand, the Building Construction Business continues to face a challenging environment due to the rising costs of building materials and construction expenses.

● Logistics Solutions Business
In the Logistics Solutions Business, there was an increase in automated warehouse equipment sales—incorporating the Company’s Multishuttle pallet automated storage and retrieval system (ASRS)—to e-commerce businesses, 3PLs, wholesalers, and

manufacturers. Both net sales and operating profit increased due to the recording of sales of large-scale projects and the expansion of maintenance services.

Consequently, net sales increased by 16.3% year on year to ¥37,800 million. In terms of profits, operating profit increased by 13.8% to ¥3,722 million and orders received increased by 0.9% to ¥34,338 million due to increased net sales.

● Plant Business
In the Plant Business, net sales increased by 9.6% year on year to ¥10,328 million, from the maintenance of oil refineries in Japan. Operating profit increased by 46.9% to ¥1,041 million and orders received increased by 4.9% to ¥10,535 million.

● Next-Generation Energy Development Business
In the Next-Generation Energy Development Business, net sales increased by 44.2% year on year to ¥2,158 million mainly due to the completion of one new spherical tank installation project in Indonesia. This segment posted an operating loss of ¥433 million, compared with a loss of ¥481 million in the previous fiscal year and orders received increased by ¥4,883 million year on year to ¥6,869 million.

● Business Innovation Business
While the Industrial Machinery Business saw an increase in the scale of orders for its main product, balancers, and the Environmental Business experienced growth in environmental monitoring solutions and asbestos investigation and analysis, the Building Construction Business faced a decline in orders, resulting in decreased revenue. In terms of profits, although we incurred upfront costs related to promoting M&A for future growth, the overall result was an increase in profit, driven by revenue growth in the Industrial Machinery Business and Environmental Business.

Reflecting the factors above, net sales decreased by 1.5% year on year to ¥9,785 million. Operating profit increased by 11.0% year on year to ¥873 million.

Business Risks

The Company’s risk management system includes a risk management officer appointed from among the directors who oversees the risk management of the Company and the Group, as well as a Group-wide risk management department which identifies risks and monitors evaluations and results under the command of the risk management officer. Important risks are regularly reviewed after considering changes in the business environment and the status of risk responses, and we strive to ensure that effective risk countermeasures are being quickly implemented.

Of all the risks that could affect our business activities, some risks with a possible significant impact are shown below. However, this is not an exhaustive list of risks related to the Group and there are risks that are difficult to foresee.

Forward-looking statements in the text are based on assessments as of March 31, 2025, the date of the fiscal year ended.

1. Impact of climate change

The TKK Group places great importance on the promotion of ESG management and the international goals set out in the SDGs and the Paris Agreement. In particular, we recognize that “responding to changes in the business environment caused by climate change” is one of our most important material issues for management.

Growing awareness of global environmental issues and the transition to a low-carbon or decarbonized society are accelerating the shift to using clean energy. Accordingly, the Company’s operating environment could be adversely affected due to the inevitably declining demand for tanks used to store LNG, crude oil, and other fossil fuels. Recognizing these trends, and with the goal of helping achieve a low-carbon society, the Group is proactively working on infrastructure-related initiatives that leverage our strengths, with a focus on applying our technologies to develop large-scale storage containers for liquid hydrogen, and working to meet the expanding demand for hydrogen and ammonia as fuel. The TKK Group as a whole has been promoting initiatives for realizing a low-carbon and decarbonized society, including the development of products and services that save energy and the adoption of renewable

energy, especially by installing solar panels. In 2022, the Group declared the goal to achieve carbon neutrality by 2050 by reducing greenhouse gas emissions (Scopes 1 and 2). We also began disclosing information about climate-related risks and opportunities, starting from 2022, based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Recognizing our response to climate change as an excellent opportunity for considering ways of dealing with long-term climate-related risks and opportunities, the Group’s management intends to disclose information and to dialogue with investors and other stakeholders.

In addition, the Group recognizes that public trust could be lost if we or one of our subsidiaries causes an environmental accident or disaster. To mitigate this risk, we have acquired and periodically renewed our ISO 14001 certification, and we have established and actively implemented a compliant environmental management system in accordance with our environmental policies.

2. Risks related to the execution of projects

In the Logistics Solutions Business, project management and the ability to execute operations are becoming increasingly important. This is because the role of distribution centers in the supply chain is growing with the expansion of the e-commerce market and more outsourcing of logistics operations, and because there is a tendency for distribution centers to grow larger in line with the streamlining of logistics operations and the consolidation of bases.

For these reasons, we carefully manage delivery deadlines—from sales proposals through to construction—and strive to reduce costs and workloads by standardizing processes and improving productivity. We also established a system for executing sustainable projects and increased the number of companies using this system, and are expanding our total engineering service offerings to better serve logistics customers.

However, unexpected costs could be incurred due to various factors, such as shortened construction periods due to unexpected changes in construction plans under pressure to reduce delivery times and delivery deadline adjustments due to carrying out multiple large projects simultaneously within a certain time period.

Moreover, some of the core products provided by this business segment include products purchased from specific overseas business partners. The execution of projects could be affected if these products cannot be purchased consistently due to changes in the business policies and environment of our business partners, fluctuations in global supply and demand, or due to natural disasters, accidents, and so on.

The Plant & Next-Generation Energy Development Business repairs storage tanks, mainly at oil refineries in Japan. Our ability to execute these projects could be negatively affected by a shortage of construction workers, a sharp rise in the costs of materials and equipment, or delays in passing down the skills of site managers and foremen. Therefore, as part of strengthening collaboration with partner companies, KIMOTO CORPORATION, a company with extensive experience in tank construction and maintenance work, and possessing personnel well-versed in on-site construction, has been integrated into the Group. Additionally, in collaboration with TKK Plant Engineering K.K., we are working on increasing the number of engineers and site supervisors, focusing on strengthening the construction system, developing human resources, and improving the working environment through the utilization of DX. Furthermore, we have set up a centralized organization led by a team of experts to collect information and manage all stages of new tank installation projects, from receiving orders through to construction work, in order to execute projects more quickly and efficiently.

The TKK Group conducts some operations overseas, primarily by the Plant & Next-Generation Energy Development Business. Further, one of our consolidated subsidiaries, PT Toyo Kanetsu Indonesia, works on local construction projects and processes steel materials, including steel used for storage tanks; while another, Toyo Kanetsu (Malaysia) Sdn. Bhd., maintains baggage handling equipment at local airports and equipment at local petrochemical plants. These overseas operations carry inherent risks, as stated below, and the TKK Group’s business results and financial position could be adversely affected by these risks.

- (1) Unexpected changes in laws and regulations
- (2) Political and economic instability
- (3) Difficulties in securing human resources
- (4) Tax system revisions that could be unfavorable to the TKK Group

- (5) Social disorder due to terrorism, war, epidemics, disasters, or other factors

The TKK Group is working to reduce risks by making early arrangements against shortages of parts and steeply rising prices affected by the impact of the COVID-19 pandemic and the materialization of geopolitical risks.

In addition, when working on a project, we take out product liability insurance for that project, and to ensure quality, the Group has established internal regulations and put in place a quality management system to strengthen quality control. We have also established a system that enables a quick response to quality problems by placing the department responsible for quality control directly under the president. However, in the unlikely event of serious quality complaints or problems with a product, not only would profits from the project deteriorate due to repair costs and indemnification, but this could also lead to a decline in the Group’s social reputation, which could adversely affect our business results and financial position.

3. Impact on securing and developing human resources

The TKK Group recognizes that securing and developing human resources are two of our most important issues, and that any drain of human resources and increasing recruitment costs could affect our business activities.

Therefore, through several initiatives, we have broadened our hiring practices to recruit a more diverse range of employees and have worked hard to improve employee retention by creating a more comfortable workplace environment and by being more flexible. For example, we have created an action plan to promote women’s participation and advancement in the workplace, including programs to train and promote female employees to management positions. We also allow employees to choose staggered work hours, and are striving to improve the rate of taking paid leave as well as male employees taking childcare leave. As a result of these initiatives, the Company was certified as a Health Management® Excellent Corporation 2025 (Large Corporation Category).

In addition, the Company improves employees’ skills and

provides safety training for our Logistics Solutions Business operations at an education center.

4. Impact of intensifying competition for orders

The TKK Group’s main businesses are order- based, exposing us to severe competition for orders. If we face unreasonable downward pressure on profitability, our business results and financial position could be adversely affected. Further, customer policies and plans, changes in the business environment of the industry, and industry restructuring could affect our ability to obtain orders.

In response to these risks, in the Logistics Solutions Business, we are expanding our customer areas in Japan and overseas, and providing optimal solutions by flexibly introducing outside technologies, while at the same time promoting in-house production and standardized products to strengthen price competitiveness. We are taking on other initiatives, such as revamping our internal systems, to further improve the efficiency of our operations.

In the Plant & Next-Generation Energy Development Business, as the severe business environment drags on, we are improving and developing our core technology for tank EPC (engineering, procurement, construction) contracts, and are working to obtain orders by taking advantage of our superior quality, as well as expanding our business domains through overseas subsidiaries.

Furthermore, with intense competition for orders, the TKK Group develops a wide range of technologies by collaborating with domestic and overseas companies that have leading technologies, and by partnering with startups using corporate venture capital. With these initiatives, the Group intends to continually increase our value and contribute to the prosperity of society based on our management vision, to become an Innovator of Solutions that solve social issues through innovative technology and execution capability.

However, as the lifecycle of products and technologies becomes shorter and shorter, any delays in meeting market requests could result in a decline in the Group’s competitiveness, adversely affecting our business results and financial position over the medium to long term.

On a consolidated basis, the Group owns both tangible

and intangible fixed assets, and continually monitors financial performance as a means to forecast when it may be difficult to secure returns on investments in these assets. If we determine that these assets are less profitable or cannot generate sufficient cash flow due to significant changes in the operating environment or business situation, we might record an impairment loss on the assets, which could negatively affect the Group’s business results and financial position.

5. Risks related to the launch of new businesses

For a long time, the TKK Group has been developing two main business segments: Logistics Solutions and Plant & Next-Generation Energy Development. So far, these two businesses have underpinned the Group’s earnings in a complementary way, but we recognize that fluctuations in the environment surrounding these businesses are large and the volatility of earnings is high.

Therefore, we are exploring various possibilities with suitable partner companies, such as executing M&A, launching a CVC fund, and collaborating with startups. In M&A, we conduct detailed due diligence in advance with internal and external experts on the financial, tax, and legal contractual relationships, as well as business conditions of the target company, striving to minimize risks as much as possible. However, if there are sudden changes in the business environment after the M&A, or if the business does not progress as initially planned due to other unforeseen reasons, it may impact the Group’s financial condition and business performance.

6. Impact on occupational health and safety

The TKK Group considers safety to be our highest priority. Under our Occupational Safety and Health Policy, we strive to ensure and improve the health and safety of our employees by acquiring and renewing OHSAS 18001 and ISO 45001 certifications, establishing a supervisory department directly under the president, holding group safety meetings, conducting on-site patrols, and maintaining and improving safety systems, including at partner companies.

However, in the event of problems or an accident, even though countermeasures have been taken, they could not only interfere with plant operations and customer

service, but could also lead to compensation for damages, criminal penalties, administrative punishment, and the loss of social trust, which could affect our business activities and financial position.

7. Compliance risks

The TKK Group operates in the field of social infrastructure, a field that cannot exist without the trust of society. We recognize that compliance with laws and regulations is one of the most important fundamentals of trusted business operations.

Therefore, in addition to putting in place an organizational structure, such as setting up the Compliance Committee and appointing supervisors, the Company has established regulations, including TKK Group Charter of Corporate Behavior and we are promoting initiatives to maintain compliance, such as ensuring all Group directors and employees are fully informed of their social responsibility and public mission, and fostering awareness of these principles.

However, in the unlikely event that laws and regulations in Japan or overseas are violated, large surcharges and damages could occur, which would not only adversely affect the Group’s business results and financial position but would also undermine the public’s trust in the Group and affect our business continuity.

8. Risks related to natural disasters, epidemics, etc.

To prepare for fires, earthquakes, large-scale natural disasters, and epidemics, the TKK Group has developed a business continuity plan (BCP) manual, and we have taken all necessary steps for business continuity, such as establishing a contact system, building up stockpiles of emergency supplies, conducting seismic reinforcement work and setting up shelters at major manufacturing and development bases in Japan, conducting regular drills, and reorganizing and enhancing manufacturing functions to support our BCP initiatives. However, serious physical or human injury caused by a greater-than-expected disaster could have a significant impact not only on the health of employees but also on the operation of our plants, and although appropriate coverage is taken out through non-life insurance, the direct and indirect damage and recovery

costs could be larger than anticipated, which would adversely affect our business results and financial position.

Recognizing that the impact of epidemics, etc. poses risks at many levels, the TKK Group has issued infection prevention guidelines, compiled a manual for dealing with practical situations, and put measures in place to prevent the spread of infection. Human resource systems were updated to allow remote working and encourage paid days off, and improvements were made to IT systems, such as electronic application systems and cloud storage, to facilitate the changes in workplace conditions.

9. Impact of information security and maintaining the information infrastructure

The Group handles a large amount of highly confidential data, such as customer and technical information. To appropriately protect these information assets, we have established a system centered on the Information Security Subcommittee and continuously provide employee training. In April 2023, we obtained certification for our Information Security Management System (ISMS) and have been working to ensure management standards through third-party verification.

On the other hand, threats surrounding information security are becoming more complex, with the sophistication of cyberattacks, new methods exploiting generative AI, and an increase in attacks targeting the entire supply chain. In the event of information leakage or data corruption, there is a possibility of significant impact on business continuity, such as loss of trust, business suspension, and legal liability.

To address such risks, we implement access controls based on the “Zero Trust” concept, encrypt communications, and employ multi-layered defense measures for terminal and cloud environments. Additionally, from the perspective of ensuring the safety of the entire supply chain, including business partners, we have, in principle, prohibited attaching files to emails sent externally and have consolidated file sharing to a single secure cloud-based service, Box®.

Furthermore, the Company positions Digital Transformation (DX) as a pillar of our growth strategy and

is advancing the efficiency of business processes by utilizing AI and Robotic Process Automation (RPA). We aim to modernize outdated business systems to ensure stable operation, and in areas requiring flexible business responses, we are systematically planning a fundamental overhaul of operations without being constrained by the traditional boundaries of systemization.

If these initiatives encounter obstacles, there is a potential for management risks such as business stagnation, confusion due to system failures, and loss of new business opportunities. Therefore, we are committed to careful and phased promotion and risk management.

10. Risks related to market trends

In the Logistics Solutions Business, we supply products and systems mainly for the retail, wholesalers, and co-op industries. We also provide baggage handling systems, primarily to airports in Japan. Consequently, this business segment could be affected if investments in logistics facilities slow due to a lower volume in logistics as a result of a recession or declining birthrate and aging population or trends in demand for air travel. We are therefore intensifying our business operations using AI and IoT technologies.

In the Plant & Next-Generation Energy Development Business, we supply tanks for LNG plants and refineries, as well as perform maintenance on existing crude oil tanks, etc. This segment's results could be adversely affected due to a plant owner discontinuing, postponing, or making major revisions to investment plans due to global economic trends. Other factors that could affect business results are the economic and social conditions of oil and gas producing and consuming countries; trends in energy and environmental policies in each country; trends in crude oil and LNG prices; and other factors. We are therefore strengthening initiatives that improve the profitability of maintenance projects, in this way establishing a business structure that is resistant to fluctuations in orders and that secures a stable source of income.

In addition, risks such as the following are possible due to a deterioration of the economic environment:

a) Fluctuations in foreign exchange rates

The TKK Group's business activities include the overseas manufacture of products, sales of materials, and construction work, and involve transactions that are mainly conducted in U.S. dollars. Currently, we view the risk of fluctuations in foreign exchange rates as low because foreign currency-denominated transactions and the amount of assets held in foreign currencies are relatively small, but unexpected fluctuations could adversely affect the Group's business results and financial position in the future.

b) Fluctuations in interest rates
The TKK Group secures funding from financial institutions while considering the balance between short- and long-term financing to provide credit for trade receivables and to acquire fixed assets. Although low interest rates have continued due to large-scale monetary easing, etc., funding costs could increase if interest rates rise, which could adversely affect the Group's business results and financial position.

c) Valuations of held securities
The TKK Group holds securities with market value and redetermines their value based on share prices as of the final day of each fiscal year. If share prices fall significantly, the Group's business results and financial position could be adversely affected.

Approaches and Initiatives for Material Issues

Basic Approach to Sustainability

The Toyo Kanetsu Group has identified 10 important material issues to prioritize in order to raise the value for stakeholders through business activities. By devising solutions for these issues, the Group is working to grow sustainably while helping accomplish the UN's Sustainable Development Goals (SDGs) and realize a sustainable planet. Our sustainability actions are organized around two categories of material issues: responding to changes in the business environment caused by climate change, as well as the training and utilization of human resources.

For the next fiscal year, we will review these material issues and continue business activities with a new set of eight items. For more details, please refer to the Medium-Term Business Plan.

For information about the Group's specific initiatives, please refer to our integrated report, *TKK Report 2025*.

Forward-looking statements in the text are based on assessments as of March 31, 2025, the date of the fiscal year ended.

1. Governance

Governance related to the business risks that could affect the TKK Group is overseen by the Company's Sustainability Committee, which is chaired by a director designated by the Board of Directors. This committee formulates and executes all necessary plans. The Company's Risk Management Office serves as the committee's executive office. The members of the Sustainability Committee are selected from among the directors or executive officers in charge of relevant businesses in each division. This facilitates the sharing of knowledge and experience in countering risks and addressing climate change issues, etc., when formulating plans for implementation.

2. Strategy

(1) Disclosure of information based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)

The Group has endorsed the TCFD recommendations and with the assistance of a team of outside experts has disclosed information based on the framework of the recommendations. Based on the recommendations, a scenario analysis was conducted to identify climate change risks and opportunities that could significantly impact the Group's operations.

The period up to 2050 was covered in this analysis, and we referred to several existing scenarios published by the International Energy Agency (IEA), the Intergovernmental Panel on Climate Change (IPCC), and other organizations from three perspectives: short-term (about 3 years), medium-term (up to 2030), and long-term (up to 2050). The analysis was exhaustive, assuming a world view based on two climate change scenarios (one with an average temperature increase of less than 2°C from the Industrial Revolution to the end of the century, and one with an average temperature increase of 4°C).

We examined the risks and opportunities for the Group based on the two scenarios and their associated business and financial implications. Looking ahead to 2050, we believe that the opportunities outweigh the risks associated with their overall financial impact on the Group's three core businesses (Logistics Solutions Business, Plant Business, and Next-Generation Energy Development Business) which accounted for roughly 80% of the Group's operations.

In the Logistics Solutions Business segment, opportunities are expected to significantly outweigh risks as demand for labor- and energy-saving systems at logistics facilities is projected to continue growing due to the environmental impact on logistics facilities caused by climate change, as well as the impact of the aging of Japan's population.

For the Plant Business segment, although demand for maintaining oil and gas storage tanks is forecast to gradually decline, these tanks are expected to be replaced with others for storing methylcyclohexane (MCH) and ammonia, expected to be next-generation energy sources, driving up demand for upgrading and maintenance.

For the Next-Generation Energy Development Business segment, while demand for upgrading oil and gas storage tanks is on the decline due to fossil fuel

restrictions, this decline is expected to be offset by demand for new tanks that store hydrogen and ammonia fuel, considered alternative energy sources for the next generation, as well as for liquid carbon dioxide.

Based on the 4°C temperature increase scenario, among the most acute physical risks is a high probability of water damage from swollen rivers, typhoons, and floods impacting the operation of facilities in the supply chain. Rising sea levels, among the most impactful physical risks, could by the end of the century affect our business sites. However, our analysis up to 2050 concluded that the financial impact would be minor. The TKK Group will take steps to mitigate the impact of these physical risks on operations and manufacturing plants.

(2) Policies and strategies for developing human resources and improving workplace conditions

a) Basic Policies
Under the slogan, “Action for the Future,” the Group has formulated a basic policy to train and capitalize on human resources that excel in creativity, exercise critical thinking, and possess specialized expertise. The goal is to realize the management vision of becoming an Innovator of Solutions that solve social issues through innovative technology and execution capability.

The Group also recognizes that promoting diversity and fostering employee-friendly workplaces lead to value creation. For this reason, we introduced varied training programs and an employee evaluation system for helping to motivate employees and improve their skills.

Basic policies for developing human resources and bettering workplace conditions are outlined below.

[Human resource development policy]
As a basic policy for developing human resources, the Group proactively promotes highly talented individuals to management positions regardless of their gender, nationality, or current job position, especially those with managerial skills and the ability to produce results. For this reason, the Group provides many opportunities for all employees to receive training both on and off the job while encouraging them to continue learning, with an awareness of the expertise and skills they need.

Guided by this policy, the Group has set up general

training programs for every category and job level, specialized training for specific areas, as well as training programs designed to boost knowledge and skills about the wider issues that society is facing. By offering these programs on a regular basis, the Group can determine what knowledge and which skills are required, particularly for women, employees from overseas, and mid-career hires, then offer opportunities for acquiring those skills through training. In addition, English-language classes are provided to all employees regardless of their job level as well as career development training to those being assigned to new jobs.

[Policy for improving the workplace]
As a basic policy, the Group fosters employee-friendly workplaces that stress the importance of a work-life balance in order to retain and attract diverse human resources. At the same time, we are promoting a workplace environment where every employee’s opinions and values are respected and their health and wellbeing are protected. Through these actions, the Group will improve the corporate culture and employee engagement.

In line with this policy, workplaces have adopted remote working and flex-time systems that are making it easier for employees to take childcare and nursing care leave regardless of their gender, while we proactively hire people with disabilities. In addition, employee self-evaluations are being used for assignments to job positions that consider personal preferences, aptitude, and skills.

b) Human Resource Initiatives
[Employee development initiatives to support self-learning employees]
We believe that improving the abilities of individual employees, combined with their voluntary motivation, is a crucial factor in enhancing corporate competitiveness. To this end, we are working to increase opportunities for structured programs, such as hierarchical and career development training. Additionally, under the policy of “supporting self-learners,” we are focusing on enhancing initiatives that promote self-development. Recently, we have established an open system that supports the costs of external training on themes employees wish to learn about, in addition to supporting qualification acquisition, online learning, language acquisition, and book purchase subsidies.

[Creating an organization and workplace environment that leverages diversity]
We believe that reflecting the diverse values and perspectives of various personnel in the decision-making process is essential for enhancing the value provided to customers and strengthening corporate competitiveness.

The Group has adopted a recruitment policy that welcomes diverse talent without limiting attributes, promoting the hiring of individuals with a wide range of backgrounds. We are also diversifying our recruitment methods by strengthening mid-career hiring and referral programs.

Furthermore, we are focusing on creating a workplace environment where each employee can work energetically, enthusiastically, and securely for many years. In addition to improving treatment and enhancing leave systems, we are particularly focusing on strengthening the treatment and welfare of employees who are active on the front lines, striving to enhance engagement from the perspectives of both job satisfaction and ease of work.

[New trainee program]
The assignment of new employees who have not yet developed specialized expertise to specific fields can significantly affect their future career development. To address this, the Group implements a trainee program in which new employees rotate through multiple departments for about six months before receiving their official placements. This allows us to place them in departments that reflect their interests as much as possible. Through this process, new employees can understand the roles of different departments and the processes involved before and after their tasks. By undergoing a process of self-selection, we aim to minimize career mismatches, foster a sense of ownership, and help them grasp the overall picture of their work. We also expect this system to provide opportunities for each department to nurture new talent, thereby improving employee retention rates and revitalizing the organization.

3. Risk Management

As the environment surrounding the Company becomes more complex and diverse, the Group is placing greater

importance on the appropriate management of risks that could significantly impact business, and the practice of sophisticated risk management has been included as one of the Group’s key management issues.

The Sustainability Committee meets at least once a quarter and periodically reports to the Board of Directors and management councils. The councils handle important discussions and make decisions based on the reports and findings of the committee. The Board of Directors reviews reports on the councils’ and committee’s discussions and decisions, then oversees the execution and progress of the Group’s policies as well as plans for responding to the Group’s overall business risks.

For information about the Group’s risk management, please refer to Business Risks on page 2.

4. Metrics and Targets

(1) Disclosing information based on TCFD recommendations
(Reducing greenhouse gases (GHGs) with the goal of achieving carbon neutrality)

GHGs to be reduced:
Scope 1 and 2 GHG emissions from Toyo Kanetsu and our consolidated subsidiaries worldwide
*Scope 1 emissions: Direct emissions of GHGs from inhouse fuel consumption
*Scope 2 emissions: Indirect emissions of GHGs from purchased electricity and heat

GHG reduction targets:
Achieve carbon neutrality by 2050
50% reduction of GHGs by 2030 compared with amounts in fiscal 2019

The TKK Group intends to achieve carbon neutrality by 2050 by reducing GHG emissions through energy conservation and the use of renewable energy sources.

We will also work to reduce Scope 3 emissions across the value chain in partnership with suppliers and customers.
*Scope 3 emissions: Indirect emissions of GHGs (aside from Scopes 1 and 2) from operations within the supply chain

The TKK Group’s GHG emissions across the supply chain have been calculated based on the standards of the Greenhouse Gas Protocol.

Combined Scope 1 and 2 emissions for the entire TKK Group worldwide (tonnes of CO₂ equivalent):
5,276 in FY2019, 4,993 in FY2020, 5,142 in FY2021, 3,600 in FY2022, 3,663 in FY2023, and 3,832 in FY2024

Scope 1 and 2 GHG emissions from the entire TKK Group worldwide were reduced by 27% in FY2024 compared with FY2019 levels.

Scope 3 emissions for the entire TKK Group worldwide (tonnes of CO₂ equivalent):
348,949 in FY2020, 382,849 in FY2021, 285,324 in FY2022, and 270,508 in FY2023

* Of this total, 63,048 fell under Category 11, "use of sold products," and 192,972 fell under Category 1, "purchase of goods and services." Combined, the results for these two categories accounted for 94.6% of Scope 3 emissions in fiscal 2023. Adding up all the fiscal 2023 results (above), total GHG emissions across the supply chain came to 274,171 tonnes of CO₂ equivalent, of these Scope 1 and 2 emissions made up 1.3% and Scope 3 emissions accounted for 98.7%.

In fiscal 2023, electricity consumption accounted for 53% of Scope 1 and 2 emissions, while gasoline and diesel oil consumption accounted for 36%. Accordingly, the Group recognizes the need for the following measures to reduce GHG emissions:

- Installing solar panels onsite for producing energy
- Procuring electricity from zero-emission and renewable-energy sources
- Switching over company vehicles to EVs
- Introducing energy-saving equipment

The TKK Group has examined initiatives for each category of Scope 3 emissions, such as reducing electricity consumption over the product lifecycle. We are also working with suppliers and customers to develop and

implement measures for reducing GHG emissions. In addition, the Group introduced an internal carbon pricing system in fiscal 2022. By using specified internal carbon prices for calculating reference costs when considering capital investment plans, the Group is integrating this system into investment decisions, while promoting investments in decarbonization.

For more information on corporate governance and risk management, please refer to sections 1 and 3 of Basic Approach to Sustainability (above).

(2) Indicators and targets for developing human resources and improving workplace conditions

In the Group, while the Company is managing the indicators related to the policy on human resources development and internal environmental improvement, including ensuring diversity of human resources, as described in the above "2. Strategy (2) Policies and strategies for developing human resources and improving workplace conditions" and is taking specific relevant measures, not all companies belonging to the consolidated group are doing so. Accordingly, it is difficult to provide a description on a consolidated basis. Accordingly, the following targets and results in relation to the indicators are those of the reporting company, which operates major businesses within the consolidated group.

[Targets of indicators]

- Percentage of female managers:
10% by FY2027
- Percentage of annual paid vacation taken:
80% by FY2024

[Results]

The following results and indicators extend over the past three years.

Indicators		FY2022	FY2023	FY2024
Percentage of female managers (%)		6.9	8.3	7.1
Male employees taking childcare leave (%)		61.5	66.7	83.3
Female employees taking childcare leave (%)		100.0	100.0	100.0
Mid-career employees hired (%)		65.7	55.3	56.3
Mid-career managers hired (%)		38.0	37.5	35.7
Annual paid vacation taken (%)		71.8	76.5	71.3
Percentage of employees submitting proposals to the commendation system		79.8	73.0	72.3
Average wage difference between male and female employees (%)	All employees	62.1	64.4	67.5
	Full-time employees	62.7	65.5	68.5
	Part-time and temporary employees	31.2	41.5	49.2

Note: Targets and results are applicable to employees of the Company on a non-consolidated basis.
For more information about corporate governance and risk management, please refer to sections 1 and 3 of Basic Approach to Sustainability (above).

Consolidated financial statements, etc.

(1) Consolidated financial statements

(i) Consolidated balance sheet

(Millions of yen)				
		Previous fiscal year (As of March 31, 2024)		Current fiscal year (As of March 31, 2025)
Assets				
Current assets				
Cash and deposits		8,351		6,516
Notes and accounts receivable - trade, and contract assets	*1, *6	25,571	*1	26,874
Merchandise and finished goods		26		35
Work in process		1,476		1,144
Raw materials and supplies		5,163		4,676
Other		1,420		912
Allowance for doubtful accounts		(34)		(20)
Total current assets		41,975		40,140
Non-current assets				
Property, plant and equipment				
Buildings and structures, net	*4	4,634	*4	5,945
Machinery, equipment and vehicles, net	*4	698	*4	723
Tools, furniture and fixtures, net	*4	484	*4	558
Land	*4, *5	10,092	*4, *5	10,265
Construction in progress		598		467
Other, net		43		28
Total property, plant and equipment	*2	16,551	*2	17,988
Intangible assets		634		690
Investments and other assets				
Investment securities	*3	6,971	*3	6,497
Deferred tax assets		205		258
Retirement benefit asset		820		1,085
Other		948		965
Allowance for doubtful accounts		(216)		(190)
Total investments and other assets		8,729		8,616
Total non-current assets		25,915		27,295
Total assets		67,891		67,436

(Millions of yen)

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	*6 997	976
Short-term borrowings	*4 11,375	*4 8,240
Current portion of bonds payable	—	20
Current portion of long-term borrowings	*4 2,480	432
Accrued expenses	5,197	5,720
Income taxes payable	1,384	989
Contract liabilities	584	1,436
Provision for bonuses	410	538
Provision for loss on orders received	104	416
Provision for warranties for completed construction	106	351
Provision for loss on litigation	—	42
Other	1,043	1,228
Total current liabilities	23,685	20,393
Non-current liabilities		
Bonds payable	1,000	*4 1,080
Long-term borrowings	*4 2,160	*4 4,213
Deferred tax liabilities	858	571
Deferred tax liabilities for land revaluation	*5 1,095	*5 1,128
Retirement benefit liability	420	457
Asset retirement obligations	820	505
Other	99	176
Total non-current liabilities	6,454	8,133
Total liabilities	30,139	28,526
Net assets		
Shareholders' equity		
Share capital	18,580	18,580
Capital surplus	1,273	1,278
Retained earnings	17,722	18,353
Treasury shares	(1,704)	(798)
Total shareholders' equity	35,871	37,414
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,835	1,413
Deferred gains or losses on hedges	21	(6)
Revaluation reserve for land	*5 684	*5 652
Foreign currency translation adjustment	(958)	(920)
Remeasurements of defined benefit plans	291	349
Total accumulated other comprehensive income	1,874	1,488
Non-controlling interests	5	7
Total net assets	37,752	38,909
Total liabilities and net assets	67,891	67,436

(ii) Consolidated statement of income and comprehensive income

(Millions of yen)

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Net sales	*1 53,787	*1 60,474
Cost of sales	*2 42,018	*2 47,232
Gross profit	11,768	13,241
Selling, general and administrative expenses	*3, *4 8,678	*3, *4 9,109
Operating profit	3,090	4,131
Non-operating income		
Interest income	5	7
Dividend income	231	197
Foreign exchange gains	129	14
Share of profit of entities accounted for using equity method	—	47
Insurance return	79	—
Gain on sale of scraps	33	28
Subsidy income	21	45
Reversal of allowance for doubtful accounts	0	0
Other	105	71
Total non-operating income	607	412
Non-operating expenses		
Interest expenses	81	118
Share of loss of entities accounted for using equity method	13	—
Other	24	22
Total non-operating expenses	118	140
Ordinary profit	3,579	4,403
Extraordinary income		
Gain on sale of non-current assets	439	28
Gain on sale of investment securities	1,210	715
Insurance claim income	496	—
Other	0	3
Total extraordinary income	2,146	747
Extraordinary losses		
Loss on retirement of non-current assets	10	16
Loss on valuation of investment securities	12	1
Impairment losses	*5 368	—
Loss on litigation	—	42
Loss on disaster	509	10
Other	1	—
Total extraordinary losses	902	69
Profit before income taxes	4,823	5,082
Income taxes - current	1,523	1,626
Income taxes - deferred	(255)	(185)
Total income taxes	1,267	1,441
Profit	3,555	3,640
Profit attributable to		
Profit attributable to owners of parent	3,554	3,638
Profit attributable to non-controlling interests	1	1

(Millions of yen)

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,538)	(400)
Deferred gains or losses on hedges	27	(28)
Revaluation reserve for land	—	(32)
Foreign currency translation adjustment	(59)	38
Remeasurements of defined benefit plans, net of tax	151	57
Share of other comprehensive income of entities accounted for using equity method	(0)	(21)
Total other comprehensive income	*6 (1,419)	*6 (386)
Comprehensive income	2,136	3,254
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,134	3,252
Comprehensive income attributable to non-controlling interests	1	1

(iii) Consolidated statement of changes in equity

Previous fiscal year (From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	18,580	1,273	18,135	(3,200)	34,789
Changes during period					
Dividends of surplus			(1,197)		(1,197)
Profit attributable to owners of parent			3,554		3,554
Purchase of treasury shares				(1,203)	(1,203)
Cancellation of treasury shares			(2,769)	2,769	—
Increase in treasury shares arising from increase in entities accounted for using equity method				(70)	(70)
Net changes in items other than shareholders' equity					
Total changes during period	—	—	(413)	1,495	1,082
Balance at end of period	18,580	1,273	17,722	(1,704)	35,871

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	3,374	(6)	684	(899)	140	3,293	4	38,087
Changes during period								
Dividends of surplus								(1,197)
Profit attributable to owners of parent								3,554
Purchase of treasury shares								(1,203)
Cancellation of treasury shares								—
Increase in treasury shares arising from increase in entities accounted for using equity method								(70)
Net changes in items other than shareholders' equity	(1,538)	27	—	(59)	151	(1,419)	1	(1,417)
Total changes during period	(1,538)	27	—	(59)	151	(1,419)	1	(335)
Balance at end of period	1,835	21	684	(958)	291	1,874	5	37,752

Current fiscal year (From April 1, 2024 to March 31, 2025)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	18,580	1,273	17,722	(1,704)	35,871
Changes during period					
Dividends of surplus			(2,174)		(2,174)
Profit attributable to owners of parent			3,638		3,638
Purchase of treasury shares				(4)	(4)
Disposal of treasury shares		5		76	81
Cancellation of treasury shares			(833)	833	–
Net changes in items other than shareholders' equity					
Total changes during period	–	5	631	905	1,542
Balance at end of period	18,580	1,278	18,353	(798)	37,414

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,835	21	684	(958)	291	1,874	5	37,752
Changes during period								
Dividends of surplus								(2,174)
Profit attributable to owners of parent								3,638
Purchase of treasury shares								(4)
Disposal of treasury shares								81
Cancellation of treasury shares								–
Net changes in items other than shareholders' equity	(421)	(28)	(32)	38	57	(386)	1	(384)
Total changes during period	(421)	(28)	(32)	38	57	(386)	1	1,157
Balance at end of period	1,413	(6)	652	(920)	349	1,488	7	38,909

(iv) Consolidated statement of cash flows

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Cash flows from operating activities		
Profit before income taxes	4,823	5,082
Depreciation	755	843
Amortization of goodwill	6	10
Share of loss (profit) of entities accounted for using equity method	13	(47)
Impairment losses	368	–
Increase (decrease) in allowance for doubtful accounts	9	(40)
Increase (decrease) in retirement benefit liability	2	(2)
Decrease (increase) in retirement benefit asset	(73)	(144)
Increase (decrease) in provision for loss on orders received	58	312
Increase (decrease) in provision for warranties for completed construction	(95)	244
Increase (decrease) in provision for loss on litigation	–	42
Interest and dividend income	(237)	(205)
Interest expenses	81	118
Insurance claim income	(496)	–
Loss on disaster	509	10
Foreign exchange losses (gains)	(105)	(47)
Loss (gain) on valuation of investment securities	12	1
Loss (gain) on sale of investment securities	(1,210)	(715)
Loss (gain) on sale of non-current assets	(439)	(28)
Loss on retirement of non-current assets	10	16
Decrease (increase) in trade receivables and contract assets	(1,874)	(1,141)
Decrease (increase) in investments in leases	30	–
Decrease (increase) in inventories	(737)	940
Decrease (increase) in advance payments to suppliers	(426)	506
Increase (decrease) in trade payables	214	396
Increase (decrease) in contract liabilities	(1,550)	849
Other, net	*2 468	216
Subtotal	118	7,217
Interest and dividends received	237	205
Interest paid	(79)	(123)
Proceeds from insurance income	496	–
Payments associated with disaster loss	(492)	(16)
Income taxes paid	(1,019)	(1,981)
Net cash provided by (used in) operating activities	(739)	5,300
Cash flows from investing activities		
Payments into time deposits	(102)	(102)
Proceeds from withdrawal of time deposits	102	102
Purchase of non-current assets	(1,460)	(2,135)
Proceeds from sale of non-current assets	449	28
Purchase of investment securities	(1,392)	(10)
Proceeds from sale and redemption of investment securities	1,379	818
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(264)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	15	–
Payments for asset retirement obligations	–	(238)
Other, net	(36)	39
Net cash provided by (used in) investing activities	(1,045)	(1,762)

(Millions of yen)

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	6,018	(3,200)
Proceeds from long-term borrowings	1,200	2,480
Repayments of long-term borrowings	(1,700)	(2,540)
Purchase of treasury shares	(1,203)	(4)
Proceeds from disposal of treasury shares	—	6
Dividends paid	(1,194)	(2,164)
Net cash provided by (used in) financing activities	3,120	(5,422)
Effect of exchange rate change on cash and cash equivalents	28	49
Net increase (decrease) in cash and cash equivalents	1,364	(1,834)
Cash and cash equivalents at beginning of period	6,921	8,285
Cash and cash equivalents at end of period	*1 8,285	*1 6,450

Notes

Basis of presenting the consolidated financial statements

The accompanying consolidated financial statements of the Company and its domestic consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. The accounts of overseas consolidated subsidiaries are based on their financial statements prepared in conformity with generally accepted accounting principles and practices prevailing in the respective countries in which the subsidiaries are incorporated.

Significant accounting policies for preparation of the consolidated financial statements

1. Disclosure of scope of consolidation

Number of consolidated subsidiaries: 14 companies

Names of major consolidated subsidiaries are omitted since those names are described in “TKK Group Companies.”

2. Disclosure about application of the equity method

Number of entities accounted for using equity method: 1 company

Name of entity accounted for using equity method is omitted since the name is described in “TKK Group Companies.”

3. Disclosure about fiscal years, etc. of consolidated subsidiaries

Of the Company’s consolidated subsidiaries, Kankyo Research Institute Inc., Scrum Software Co.,Ltd, MAXPULL MACHINERY & ENGINEERING CO., LTD., Toyo Kanetsu Corporate Venture Investment Partnership, Toyo Kanetsu Corporate Venture Fund II, PT Toyo Kanetsu Indonesia, Toyo Kanetsu (Malaysia) Sdn. Bhd., and two other companies have a closing date of December 31. In preparation of the consolidated financial statements, their financial statements as of December 31 are used. However, for major transactions that occurred between that date and the consolidated balance sheet date, the necessary adjustments are made in the consolidated financial statements.

4. Disclosure of accounting policies

(1) Accounting policy for measuring significant assets

(i) Securities

a) Held-to-maturity bonds: Stated at amortized cost (straight-line method)

b) Available-for-sale securities

Securities other than shares that do not have a market value are stated at fair value (valuation differences are directly charged or credited to net assets, and cost of securities sold is determined by the moving-average method).

Shares that do not have a market value are valued at cost determined by the moving-average method.

(ii) Derivatives

Derivatives are valued at fair value.

(iii) Inventories

a) Finished goods: Primarily, at cost using the first-in first-out method

(The value on the balance sheet is written down to reflect a decline in profitability.)

b) Work in process: Primarily, at cost using the specific identification method

(The value on the balance sheet is written down to reflect a decline in profitability.)

c) Raw materials: Primarily, at cost using the weighted-average method

(The value on the balance sheet is written down to reflect a decline in profitability.)

(2) Accounting policy for depreciation of significant assets

(i) Property, plant and equipment

The Company and its domestic consolidated subsidiaries use the declining-balance method, and overseas consolidated subsidiaries use the straight-line method in accordance with provisions of accounting standards in their respective countries.

However, the Company and its domestic consolidated subsidiaries use the straight-line method to depreciate buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016.

The estimated useful lives of major items are as follows:

Buildings and structures	3 to 57 years
Machinery and equipment	2 to 13 years

(ii) Intangible assets

Intangible assets are amortized using the straight-line method.

Software for internal use is amortized using the straight-line method over the estimated useful life as internally determined (5 years).

(3) Accounting policy for significant provisions

(i) Allowance for doubtful accounts

To cover losses from bad debts for trade receivables, loans receivable and others, an allowance for doubtful accounts is provided based on historical experience of bad debts for general receivables. For specific receivables such as highly doubtful receivables, the collectability is individually considered and the estimated amount of uncollectible accounts is provided as the allowance.

(ii) Provision for bonuses

To pay bonuses to employees, out of the estimated amount to be paid in the following fiscal year, an amount attributable to the current fiscal year is recorded.

(iii) Provision for loss on orders received

To make provision for losses on orders received, as for existing construction, for which an amount of loss can be reasonably estimated at the end of the current fiscal year, an expected amount of loss in future is recorded as the provision.

(iv) Provision for warranties for completed construction

To cover costs of warranty against defects and after-sales service for completed construction, an amount is recorded based on the historical loss rate as well as consideration of an amount for individual construction that is expected to incur in future at the end of the current fiscal year.

(v) Provision for loss on litigation

To make provision for potential loss on litigation, potential future losses are estimated and the necessary amounts recognized are recorded.

(4) Method of accounting for retirement benefits

(i) Method of attributing estimated retirement benefits to periods

For the purpose of attributing estimated retirement benefits over the period up to the end of the current fiscal year in the calculation of retirement benefit obligations, the benefit formula method is applied.

(ii) Method of amortizing actuarial gain or loss and past service cost

Past service costs are recorded as an expense in the year they are incurred.

With regard to actuarial gain or loss, the amount is amortized by the straight-line method over a certain term within the average remaining service period of the eligible employees (5 years) for each applicable fiscal year, and expensed from the year following the year in which the gain or loss is recognized.

(5) Accounting policies for significant revenues and expenses

The Group enters into long-term construction contracts mainly in the Logistics Solutions Business, the Plant Business and the Next-Generation Energy Development Business, under which it assumes obligations to deliver merchandise and finished goods such as logistics facilities and storage tanks pursuant to such construction contracts. Given that costs with respect to any such construction contract are deemed to arise in proportion to appreciation of customer-controlled assets, revenue in relation to a construction contract is recognized according to the degree of progress thereof. The degree of progress is calculated as the proportion of construction cost incurred to date relative to total estimated cost under the construction contract.

Revenue is recognized using the cost recovery method in cases where recovery of incurred costs is likely but reasonable estimation regarding the degree of progress is not possible.

In addition, no adjustments are made to significant financing components because consideration for business transactions is mainly received within 180 days of having satisfied a performance obligation.

(6) Significant accounting policy for hedging

(i) Method of hedge accounting

In principle, the deferral accounting is applied. The allocation method is applied to forward foreign exchange contracts that meet requirements thereof, and the exceptional treatment is applied to interest rate swaps that meet requirements thereof.

(ii) Hedging instruments and hedged items

Hedging instruments: Forward foreign exchange contracts, Interest rate swaps

Hedged items: Forecast transactions denominated in foreign currencies and borrowings

(iii) Hedging policy

In accordance with the “Rules on Handling of Derivative Transactions” established by the Company, the Company and its consolidated subsidiaries (collectively, the “Group”) do not enter into any derivative transaction for speculative purposes but use derivative transactions only to hedge exchange rate fluctuation risk and interest rate fluctuation risk.

(iv) Method of assessing the hedging effectiveness

The Group confirms effectiveness by comparing and examining cash flows of hedging instruments and hedged items in advance. However, the Group omits assessment of effectiveness on interest rate swaps to which the exceptional treatment is applied.

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

Cash and cash equivalents include cash in hand, readily available deposits and short-term investments with maturities of three months or less from the purchase date whose value is not subject to significant fluctuation risk.

Notes - Significant accounting estimates

(Construction contracts for which revenue is recognized based on degree of progress)

(1) Amount recognized in the consolidated financial statements for the current fiscal year

(Millions of yen)		
	Previous fiscal year	Current fiscal year
Net sales	19,235	20,615

(2) Information on the content of significant accounting estimates related to identified items

With respect to construction contracts for which revenue is recognized based on degree of progress, the Group records net sales based on the progress rate calculated as the proportion of construction cost incurred corresponding to value of work done at the end of the current fiscal year, relative to the total amount of estimated cost of construction work.

The estimated amount of total cost of construction work has been determined on the basis of management’s best estimate and judgments based on past experience and available information collected as well as individual work specifications. However, changes to original estimates may occur due to price fluctuations in the market, changes to specifications, natural disasters and others, and such changes may have a significant effect on the amount recognized in the consolidated statement of income for the next fiscal year.

Notes - Changes in accounting policies

(Application of the “Accounting Standard for Current Income Taxes” and other relevant ASBJ regulations)

The Company has applied the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; hereinafter the “2022 revised accounting standard”) and other relevant ASBJ regulations from the beginning of the fiscal year ended March 31, 2025.

The revisions regarding the classification of current income taxes (tax on other comprehensive income) follow the transitional treatment stipulated in the proviso to section 20-3 of the 2022 revised accounting standard and the transitional treatment stipulated in the proviso to section 65-2 paragraph (2) “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022, hereinafter the “2022 revised implementation guidance”). This change in accounting policies has no impact on the consolidated financial statements.

In addition, the Company has applied the 2022 revised implementation guidance with regard to the amendments related to the revision of the treatment in the consolidated financial statements of the deferral for tax purposes of gains or losses arising from the sale of shares of subsidiaries and other securities between consolidated companies from the beginning of the fiscal year ended March 31, 2025. Changes in accounting policy have been applied retrospectively, and the consolidated financial statements for the previous fiscal year have been prepared on a retrospective basis. This change in accounting policies has no impact on the consolidated financial statements for the previous fiscal year.

Notes - New accounting standards to be applied

- “Accounting Standard for Leases” (ASBJ Statement No. 34, September 13, 2024, ASBJ)
- “Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024, ASBJ), Etc.

(1) Overview

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

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

(2) Scheduled date of application

These ASBJ statement and guidance will be applied at the start of the fiscal year beginning on April 1, 2027.

(3) Effects of application of the accounting standard, etc.

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

Notes -Changes in presentation

(Consolidated statement of income)

“Loss on retirement of non-current assets,” which had been included in “Other” under “Extraordinary losses” until the previous fiscal year, is presented separately from the current fiscal year due to its increased materiality in terms of amount.

“Loss on retirement of non-current assets” for the previous fiscal year was ¥10 million.

Notes - Additional information

Transaction of granting the Company’s own shares to Directors, etc. through a trust

The Company has introduced a performance-linked share-based compensation using a trust for Directors (excluding Directors who are Audit and Supervisory Committee Members and outside Directors), and Executive Officers who are ranked Managing Executive Officer or higher and who are not Directors (hereinafter collectively referred to as “Directors, etc.”) from FY2019, for the purpose of increasing the incentive to improve the Company’s medium- to long-term performance and enhance the corporate value more than ever by clarifying the linkage between remuneration of Directors, etc., and the Company’s medium- to long-term performance and stock value, and sharing profits and risks resulting from the linkage with stock price between Directors, etc. and shareholders.

To the accounting treatment for this trust agreement, “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (ASBJ PITF No. 30, issued on March 26, 2015) is applied correspondingly.

(1) Outline of transaction

Money is entrusted to a trust designated by the Company (hereinafter referred to as the “Trust”), which acquires shares of the Company. Points are given to each Director, etc. at the end of each fiscal year of the medium-term business plan in accordance with the Share Delivery Regulations established by the Company’s Board of Directors,

and shares of the Company are delivered through the Trust in a certain period during the tenure of the Director, etc. specified in the Regulations for the Provision of Shares for the Performance-linked Share-based Remuneration Plan for officers, or at the time of retirement of the Director, etc. in the number corresponding to the number of points accumulated by then.

(2) The Company’s shares remaining in the Trust

Shares of the Company remaining in the Trust have been recorded at the book value in the Trust (excluding the amount of incidental costs) as treasury shares in net assets. The book value and number of these treasury shares for the previous fiscal year were ¥105 million and 59,400 shares, respectively, and for the current fiscal year were ¥99 million and 56,000 shares, respectively.

Notes - Consolidated balance sheet

*1. Of the amount stated for notes and accounts receivable - trade, and contract assets, amounts of receivables and contract assets from contracts with customers are as follows:

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Notes receivable - trade	¥658 million	¥587 million
Accounts receivable - trade	8,632	11,865
Contract assets	16,281	14,422

*2. Accumulated depreciation of property, plant and equipment are as follows:

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
	¥12,850 million	¥13,564 million

*3. Matters concerning affiliates are as follows:

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Investment securities (shares)	¥1,304 million	¥1,449 million

*4. Assets pledged and liabilities secured

Assets pledged and liabilities secured as collateral are as follows:

Assets pledged

	Previous fiscal year (As of March 31, 2024)		Current fiscal year (As of March 31, 2025)	
Buildings and structures	¥186 million	[¥186 million]	¥277 million	[¥170 million]
Machinery, equipment and vehicles	0	[0]	0	[0]
Tools, furniture and fixtures	0	[0]	0	[0]
Land	5,458	[5,458]	5,572	[5,458]
Total	5,645	[5,645]	5,849	[5,629]

Liabilities secured as collateral

	Previous fiscal year (As of March 31, 2024)		Current fiscal year (As of March 31, 2025)	
Short-term borrowings	¥1,670 million	[¥1,670 million]	¥1,910 million	[¥1,910 million]
Current portion of long-term borrowings	1,480	[1,480]	–	[–]
Long-term borrowings	500	[500]	1,495	[1,480]
Bonds payable	–	[–]	50	[–]
Total	3,650	[3,650]	3,455	[3,390]

In the above table, figures in brackets present mortgages on factory foundation and the relevant debts. The amounts of land are after revaluation.

*5. In accordance with the “Act on Revaluation of Land” (Act No. 34 promulgated on March 31, 1998), the Company revalues its land for business use and, as for the valuation difference, records an amount equivalent

to tax relating to the valuation difference as “deferred tax liabilities for land revaluation” in the liabilities section and an amount after deducting said amount as “revaluation reserve for land” in the net assets section.

- Method of revaluation – The Company revalues the land by the calculation method where a value based on the assessed value of fixed asset tax set forth in Article 2, Item 3 and road rating set forth in Article 2, Item 4 of the “Order for Enforcement of the Act on Revaluation of Land” (Cabinet Order No. 119 promulgated on March 31, 1998) is reasonably adjusted.
- Date of revaluation – March 31, 2002

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Difference between the year-end value of revaluated land and the book value after the revaluation	¥(2,370) million	¥(2,344) million

***6. Notes matured at the end of the consolidated fiscal year**

Although the last day of the previous fiscal year was a bank holiday, notes matured at the end of the fiscal year are accounted for as if they were settled at the maturity date. The amounts of notes maturing at the end of the fiscal year are as follows.

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Notes receivable - trade	¥95 million	¥– million
Notes payable - trade	97	–

Notes - Consolidated statement of income and comprehensive income

***1. Revenue from contracts with customers**

Revenue from contracts with customers and revenue other than that from contracts with customers are not stated separately with respect to net sales. Amounts of revenue from contracts with customers have been presented in “Notes - Revenue recognition, 1. Information on disaggregation of revenue from contracts with customers” of the consolidated financial statements.

***2. Provision for loss on orders received included in cost of sales**

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
	¥58 million	¥312 million

***3. Major components of selling, general and administrative expenses are as follows:**

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Salaries and allowances	¥2,517 million	¥2,626 million
Bonuses	545	636
Provision for bonuses	148	201
Retirement benefit expenses	146	119
Commission expenses	1,292	1,341
Provision of allowance for doubtful accounts	8	(1)

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

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
	¥468 million	¥579 million

***5. Impairment losses**

Previous fiscal year (From April 1, 2023 to March 31, 2024)

The Company recorded impairment losses on the following asset groups.

(1) Outline of asset groups on which impairment losses were recognized

Location	Use	Type
Head Office (Koto-ku, Tokyo)	Company-wide	Intangible assets
Head Office (Koto-ku, Tokyo)	Next-Generation Energy Development Business	Machinery, equipment and vehicles
Toyo Kanetsu (Malaysia) Sdn. Bhd. (Bintulu, Malaysia)	Same as above	Machinery, equipment and vehicles
PT Toyo Kanetsu Indonesia (Batam, Indonesia)	Same as above	Machinery, equipment and vehicles

(2) Circumstances leading to recognition of impairment losses

For asset groups of which cash flows arising from operating activities continued, or were expected to continue, to be negative, the carrying amount was reduced to the recoverable amount, and the reduced amount was recorded as impairment losses in extraordinary losses.

(3) Amount of impairment losses and breakdown of the amount by type of major non-current assets

Type	Amount (Millions of yen)
Buildings and structures	2
Machinery, equipment and vehicles	21
Tools, furniture and fixtures	9
Intangible assets	335
Total	368

(4) Method of grouping assets

In principle, the Group’s assets for business use are grouped on the basis of the business, and the Group’s idle assets are grouped by each asset. In addition, as for Head Office, the assets are grouped as commonly used assets.

(5) Method of calculating the recoverable amount

The recoverable amount of this asset group is measured at value in use, and the amount calculated by discounting future cash flows at weighted average cost of capital of 4.70% is applied.

Current fiscal year (From April 1, 2024 to March 31, 2025)

Not applicable

*6. Reclassification adjustments and income taxes and tax effects, relating to other comprehensive income

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Valuation difference on available-for-sale securities:		
Amount recorded during the period	¥(1,028) million	¥86 million
Reclassified amount	(1,166)	(664)
Pre-adjustment of income taxes and tax effects	(2,195)	(577)
Amount of income taxes and tax effects	656	177
Valuation difference on available-for-sale securities	(1,538)	(400)
Deferred gains or losses on hedges:		
Amount recorded during the period	31	(9)
Reclassified amount	8	(31)
Pre-adjustment of income taxes and tax effects	39	(40)
Amount of income taxes and tax effects	(12)	12
Deferred gains or losses on hedges	27	(28)
Revaluation reserve for land:		
Amount recorded during the period	—	—
Reclassified amount	—	—
Pre-adjustment of income taxes and tax effects	—	—
Amount of income taxes and tax effects	—	(32)
Revaluation reserve for land	—	(32)
Foreign currency translation adjustment:		
Amount recorded during the period	(58)	38
Reclassified amount	(0)	—
Pre-adjustment of income taxes and tax effects	(59)	38
Amount of income taxes and tax effects	—	—
Foreign currency translation adjustment	(59)	38
Remeasurements of defined benefit plans, net of tax:		
Amount recorded during the period	273	195
Reclassified amount	(53)	(108)
Pre-adjustment of income taxes and tax effects	220	86
Amount of income taxes and tax effects	(69)	(29)
Remeasurements of defined benefit plans, net of tax	151	57
Share of other comprehensive income of entities accounted for using equity method:		
Amount recorded during the period	(0)	(21)
Total other comprehensive income	(1,419)	(386)

Notes - Consolidated statement of changes in equity

Previous fiscal year (From April 1, 2023 to March 31, 2024)

1. Matters concerning class and total number of issued shares, and class and number of treasury shares
(Thousands of shares)

	Number of shares at beginning of period	Number of shares increased in period	Number of shares decreased in period	Number of shares at end of period
Issued shares				
Common shares (Note 3)	9,323	—	1,000	8,323
Total	9,323	—	1,000	8,323
Treasury shares				
Common shares (Notes 1, 2 and 3)	1,235	375	1,000	611
Total	1,235	375	1,000	611

- (Notes) 1. The number of treasury shares of common shares includes shares of the Company held by the benefit trust for officers (59 thousand shares at beginning of period, 59 thousand shares at end of period).
2. Total number of treasury shares of common shares increased by 375 thousand shares because of an increase due to acquisition of treasury shares based on a resolution by the Board of Directors of 353 thousand shares, an increase due to purchase of shares less than one unit of 1 thousand shares, and a portion of the Company's shares belonged to the Company held by entities accounted for using the equity method of 21 thousand shares.
3. The decrease of 1,000 thousand shares in common shares issued and the number of treasury shares is due to the cancellation of treasury shares based on a resolution by the Board of Directors.

2. Matters concerning dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders on June 28, 2023	Common shares	¥1,197 million	¥147	March 31, 2023	June 29, 2023

(Note) The total amount of dividends based on a resolution at the Ordinary General Meeting of Shareholders on June 28, 2023 includes dividends on shares of the Company held by the benefit trust for officers of ¥8 million.

(2) Dividends whose record dates are in the current fiscal year but whose effective dates fall in the next fiscal year

Resolution	Class of shares	Total dividends	Source of dividends	Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders on June 26, 2024	Common shares	¥1,784 million	Retained earnings	¥229	March 31, 2024	June 27, 2024

(Note) The total amount of dividends based on a resolution at the Ordinary General Meeting of Shareholders on June 26, 2024 includes dividends on shares of the Company held by the benefit trust for officers of ¥13 million.

Current fiscal year (From April 1, 2024 to March 31, 2025)

1. Matters concerning class and total number of issued shares, and class and number of treasury shares
(Thousands of shares)

	Number of shares at beginning of period	Number of shares increased in period	Number of shares decreased in period	Number of shares at end of period
Issued shares				
Common shares (Note 1)	8,323	—	300	8,023
Total	8,323	—	300	8,023
Treasury shares				
Common shares (Notes 2, 3 and 4)	611	1	324	287
Total	611	1	324	287

- (Notes) 1. The decrease of 300 thousand shares in common shares issued is due to the cancellation of treasury shares based on a resolution by the Board of Directors.
2. The number of treasury shares of common shares includes shares of the Company held by the benefit trust for officers (59 thousand shares at beginning of period, 56 thousand shares at end of period).

3. Total number of treasury shares of common shares increased by 1 thousand shares because of an increase due to purchase of shares less than one unit of 1 thousand shares, and a portion of the Company’s shares belonged to the Company held by entities accounted for using the equity method of 0 thousand shares.
4. The decrease of 324 thousand treasury shares is due to the cancellation of 300 thousand shares based on a resolution by the Board of Directors, the disposal of 3 thousand shares for the benefit trust for officers, and the sale of 21 thousand shares by an entity accounted for using the equity method.

2. Matters concerning dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders on June 26, 2024	Common shares	¥1,784 million	¥229	March 31, 2024	June 27, 2024
Board of Directors Meeting on November 14, 2024	Common shares	¥389 million	¥50	September 30, 2024	December 3, 2024

- (Notes) 1. The total amount of dividends based on a resolution at the Ordinary General Meeting of Shareholders on June 26, 2024 includes dividends on shares of the Company held by the benefit trust for officers of ¥13 million.
2. The total amount of dividends based on a resolution at the Board of Directors Meeting on November 14, 2024 includes dividends on shares of the Company held by the benefit trust for officers of ¥2 million.

(2) Dividends whose record dates are in the current fiscal year but whose effective dates fall in the next fiscal year

Resolution	Class of shares	Total dividends	Source of dividends	Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders on June 26, 2025	Common shares	¥1,449 million	Retained earnings	¥186	March 31, 2025	June 27, 2025

- (Note) The total amount of dividends based on a resolution at the Ordinary General Meeting of Shareholders on June 26, 2025 includes dividends on shares of the Company held by the benefit trust for officers of ¥10 million.

Notes - Consolidated statement of cash flows

*1 Reconciliation of ending balance of cash and cash equivalents with account balances on the consolidated balance sheet

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Cash and deposits	¥8,351 million	¥6,516 million
Time deposits with maturity over 3 months	(66)	(66)
Cash and cash equivalents	8,285	6,450

*2 Significant non-cash transactions
Newly recorded asset retirement obligations

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Asset retirement obligations	¥18 million	¥-million

Notes - Leases

(Borrower)

Operating lease transactions

Future lease payments under non-cancelable operating leases

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Within 1 year	¥80 million	¥105 million
Over 1 year	176	197
Total	257	302

Notes - Financial instruments

1. Status of financial instruments

(1) Policy on treatment of financial instruments

The Group raises funds necessary to run its business smoothly by bonds payable and borrowing from banks. In the case where the Group has temporary surplus funds, it invests them only in safe financial instruments.

The Group uses derivative transactions to hedge various risks described in (2) in accordance with the “Rules on Handling of Derivative Transactions” established by the Company and has a policy not to enter into any speculative transaction.

(2) Content and risks of financial instruments and risk management system therefor

The Group’s notes and accounts receivable - trade are subject to credit risk of its customers, and its certain receivables denominated in foreign currencies are subject to exchange rate fluctuation risk. The Group mitigates the credit risk of its customers by periodically confirming whether there is any overdue receivable using an aging schedule and other documents, and mitigates the exchange rate fluctuation risk by borrowing in foreign currencies as needed.

The Company’s securities are subject to credit risk of its investees, but the Company invests surplus funds in safe financial instruments with high ratings through prescribed internal procedures.

The Group’s investment securities are subject to credit risk of its investees and market price fluctuation risk. They are equity securities of listed companies with which the Group has business relationships, most of which are categorized as available-for-sale securities, and the Group periodically ascertains the fair value thereof.

The Group’s notes and accounts payable - trade and accrued expenses are subject to liquidity risk, and its certain payables denominated in foreign currencies are subject to exchange rate fluctuation risk. The Group mitigates the liquidity risk by periodically preparing a schedule of cash receipts and disbursements and other documents, and mitigates the exchange rate fluctuation risk by forward exchange contracts and other means as needed.

Of bonds payable and borrowings, short-term borrowings are primarily for daily business transactions, and long-term borrowings and bonds payable are primarily for temporary advances on large-scale projects. Variable-rate borrowings are subject to interest rate fluctuation risk, and the Group uses interest rate swaps as hedging instruments for respective contracts for most of the long-term borrowings in order to hedge the fluctuation risk of the interest rates to be paid and fix interest expenses. The Group limits interest rate swaps to those to which the exceptional treatment can be applied and omits assessment of hedge effectiveness thereon. The Group mitigates the liquidity risk by periodically preparing a schedule of cash receipts and disbursements and other documents.

The Group executes and manages derivative transactions in accordance with the Company’s Rules on Handling of Derivative Transactions and, when using derivatives, enters into transactions with financial institutions with high ratings to mitigate credit risk. Please see “Significant accounting policy for hedging” of “Disclosure of accounting policies” in “Significant accounting policies for preparation of the consolidated financial statements” described previously for the hedging instruments, hedging policy, method of assessing the hedging effectiveness and other information on hedge accounting.

(3) Supplementary explanation concerning fair values of financial instruments

As several variable factors are incorporated in measuring fair value of financial instruments, the resulting amount may vary depending on the different preconditions employed. In addition, the contract amounts of derivative transactions, mentioned in “Notes - Derivatives” in Notes, should not be considered indicative of the sizes of the market risks involved in the derivative transactions.

2. Fair values of financial instruments

The carrying amounts, fair values, and the differences between them for financial instruments on the consolidated balance sheet are as shown below.

Previous fiscal year (As of March 31, 2024)

(Millions of yen)			
	Carrying amount on the consolidated balance sheet	Fair value	Difference
(1) Investment securities (*2)	4,189	4,189	–
Total assets	4,189	4,189	–
(1) Bonds payable	1,000	1,009	9
(2) Long-term borrowings (including within 1 year)	4,640	4,732	92
Total liabilities	5,640	5,742	102
Derivatives (*3)			
(1) Those to which hedge accounting is not applied	–	–	–
(2) Those to which hedge accounting is applied	32	32	–
Total derivatives	32	32	–

Current fiscal year (As of March 31, 2025)

(Millions of yen)			
	Carrying amount on the consolidated balance sheet	Fair value	Difference
(1) Investment securities (*2)	3,593	3,593	–
Total assets	3,593	3,593	–
(1) Bonds payable (including within 1 year)	1,100	1,080	(19)
(2) Long-term borrowings (including within 1 year)	4,645	4,713	68
Total liabilities	5,745	5,794	48
Derivatives (*3)			
(1) Those to which hedge accounting is not applied	–	–	–
(2) Those to which hedge accounting is applied	(9)	(9)	–
Total derivatives	(9)	(9)	–

(*1) This information has been omitted with respect to “cash and deposits,” “notes receivable - trade,” “accounts receivable – trade,” “notes and accounts payable - trade,” “short-term borrowings,” and “accrued expenses” because they are cash or their fair values approximate the carrying amounts given that they are settled on a short-term basis.

(*2) Shares that do not have a market value have not been included in “(1) Investment securities.” The carrying amount of such financial instruments on the consolidated balance sheet is as follows:

(Millions of yen)		
Classification	Previous fiscal year	Current fiscal year
Unlisted equity securities, etc.	2,782	2,903

(*3) Net receivables and payables arising from derivative transactions are presented in their net amounts.

(Notes) 1. Projected redemption amounts for monetary claims and securities with maturities after the consolidated balance sheet date
Previous fiscal year (As of March 31, 2024)

(Millions of yen)				
	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Deposits	8,307	—	—	—
Notes receivable - trade	658	—	—	—
Accounts receivable - trade	8,632	—	—	—
Securities	—	—	—	—
Investment securities				
Held-to-maturity bonds	—	—	—	—
Available-for-sale securities	—	—	—	—
Total	17,598	—	—	—

Current fiscal year (As of March 31, 2025)

(Millions of yen)				
	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Deposits	6,471	—	—	—
Notes receivable - trade	587	—	—	—
Accounts receivable - trade	11,865	—	—	—
Securities	—	—	—	—
Investment securities				
Held-to-maturity bonds	—	—	—	—
Available-for-sale securities	—	—	—	—
Total	18,923	—	—	—

2. Scheduled repayment amounts of bonds payable, long-term borrowings and other interest-bearing liabilities after the consolidated balance sheet date
Previous fiscal year (As of March 31, 2024)

(Millions of yen)					
	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years
Bonds payable	—	—	1,000	—	—
Long-term borrowings	400	—	—	1,200	560
Total	400	—	1,000	1,200	560

Current fiscal year (As of March 31, 2025)

(Millions of yen)					
	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years
Bonds payable	70	1,010	—	—	—
Long-term borrowings	13	9	1,210	980	2,000
Total	83	1,019	1,210	980	2,000

3. Matters regarding the breakdown of financial instruments by each fair value level
The fair values of financial instruments are categorized into the following three levels, in accordance with the observability and significance of the inputs used in the measurement of fair value.

- Level 1 fair value: Fair value is measured using the market price related to the asset or liability subject to measurement of fair value formed in an active market, from among the observable inputs used in fair value measurement.
- Level 2 fair value: Fair value is measured enlisting the inputs used in the measurement of fair value, other than the Level 1 inputs, from among the observable inputs used in fair value measurement.
- Level 3 fair value: Fair value is measured enlisting the unobservable inputs used in fair value measurement.

In cases where multiple inputs which have a material effect on the measurement of fair value are used, the fair value is categorized at the level with the lowest priority in the fair value measurement among the levels to which the respective inputs belong.

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

(Millions of yen)				
Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	4,186	—	—	4,186
Corporate bonds	—	2	—	2
Derivative transactions				
Currencies	—	32	—	32
Total assets	4,186	35	—	4,221
Derivative transactions				
Currencies	—	0	—	0
Total liabilities	—	0	—	0

Current fiscal year (As of March 31, 2025)

(Millions of yen)				
Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	3,590	—	—	3,590
Corporate bonds	—	2	—	2
Derivative transactions				
Currencies	—	0	—	0
Total assets	3,590	3	—	3,593
Derivative transactions				
Currencies	—	9	—	9
Total liabilities	—	9	—	9

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

(Millions of yen)				
Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Bonds payable	—	1,009	—	1,009
Long-term borrowings (including within 1 year)	—	4,732	—	4,732
Total liabilities	—	5,742	—	5,742

Current fiscal year (As of March 31, 2025)

(Millions of yen)				
Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Bonds payable (including within 1 year)	—	1,080	—	1,080
Long-term borrowings (including within 1 year)	—	4,713	—	4,713
Total liabilities	—	5,794	—	5,794

(Note) Explanation of valuation methods used to measure fair value and inputs relating to fair value measurement

Investment securities

Listed stocks and corporate bonds are valued using quoted market prices. The fair value of listed stocks is classified as level 1 fair value given that listed stocks are traded in active markets. Corporate bonds are classified at Level 2 because their trade frequency in the market is low and their fair value is not considered to be their quoted market price in an active market.

Derivative transactions

The fair values of interest rate swaps and forward exchange contracts are measured using the discounted present value method (DCF method: discounted cash flow method) with observable inputs, such as interest rate and currency exchange rate. They are categorized as the Level 2 fair value. The fair value of interest rate swaps that are accounted for using exceptional treatment is included in fair value of “Liabilities (2) Long-term borrowings (including within 1 year),” as those interest rate swaps are treated together with the long-term borrowings that are subject to hedging (refer to “Long-term borrowings,” below). The fair value of forward exchange contracts is measured enlisting the discounted cash flow method using observable inputs such as exchange rates.

Bonds payable

The fair value of bonds payable issued by the Company is measured enlisting the discounted cash flow method based on interest rates considering the sum of principal and interest, and the interest rates considering the remaining duration and credit risk of the bonds payable, and is categorized as Level 2 fair value.

Long-term borrowings

The fair value of long-term borrowings is measured enlisting the discounted cash flow method based on interest rates considering the sum of principal and interest, and the interest rates considering the remaining duration and credit risk of the obligation, and is categorized as Level 2 fair value. Long-term borrowings with variable interest rates are subject to exceptional treatment of interest rate swaps (refer to “Derivative transactions,” above), and their fair values are measured using the sum of principal and interest accounted for with the relevant interest rate swaps.

Notes - Securities

1. Held-to-maturity bonds

Previous fiscal year (As of March 31, 2024)
Not applicable

Current fiscal year (As of March 31, 2025)
Not applicable

2. Available-for-sale securities (securities classified as other securities under Japanese GAAP)

Previous fiscal year (As of March 31, 2024)

(Millions of yen)				
	Type	Carrying amount on the consolidated balance sheet	Acquisition cost	Difference
Securities for which the carrying amount on the consolidated balance sheet exceeds the acquisition cost	(1) Stocks	3,905	1,370	2,534
	(2) Bonds			
	(i) Government bonds and municipal bonds, etc.	—	—	—
	(ii) Corporate bonds	—	—	—
	(iii) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	3,905	1,370	2,534
Securities for which the carrying amount on the consolidated balance sheet does not exceed the acquisition cost	(1) Stocks	280	443	(162)
	(2) Bonds			
	(i) Government bonds and municipal bonds, etc.	—	—	—
	(ii) Corporate bonds	2	2	(0)
	(iii) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	283	446	(162)
Total		4,189	1,817	2,372

(Note) “Available-for-sale securities” in the above table do not include shares that do not have a market value (unlisted equity securities; carrying amount on the consolidated balance sheet of ¥2,782 million).

Current fiscal year (As of March 31, 2025)

(Millions of yen)

	Type	Carrying amount on the consolidated balance sheet	Acquisition cost	Difference
Securities for which the carrying amount on the consolidated balance sheet exceeds the acquisition cost	(1) Stocks	3,094	1,137	1,956
	(2) Bonds			
	(i) Government bonds and municipal bonds, etc.	—	—	—
	(ii) Corporate bonds	—	—	—
	(iii) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	3,094	1,137	1,956
Securities for which the carrying amount on the consolidated balance sheet does not exceed the acquisition cost	(1) Stocks	495	647	(151)
	(2) Bonds			
	(i) Government bonds and municipal bonds, etc.	—	—	—
	(ii) Corporate bonds	2	2	(0)
	(iii) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	498	650	(152)
Total		3,593	1,788	1,804

(Note) “Available-for-sale securities” in the above table do not include shares that do not have a market value (unlisted equity securities; carrying amount on the consolidated balance sheet of ¥2,903 million).

3. Available-for-sale securities that were sold

Previous fiscal year (From April 1, 2023 to March 31, 2024)

(Millions of yen)

Type	Sales amount	Total gain on sales	Total loss on sales
(1) Shares	1,595	1,210	—
(2) Bonds			
(i) Government bonds and municipal bonds, etc.	—	—	—
(ii) Corporate bonds	—	—	—
(iii) Other	—	—	—
(3) Other	—	—	—
Total	1,595	1,210	—

Current fiscal year (From April 1, 2024 to March 31, 2025)

(Millions of yen)

Type	Sales amount	Total gain on sales	Total loss on sales
(1) Shares	818	715	—
(2) Bonds			
(i) Government bonds and municipal bonds, etc.	—	—	—
(ii) Corporate bonds	—	—	—
(iii) Other	—	—	—
(3) Other	—	—	—
Total	818	715	—

4. Securities subject to the recognition of impairment loss

In the previous fiscal year, impairment loss of ¥12 million (shares in available-for-sale securities: ¥12 million) was recognized on securities. In the current fiscal year, impairment loss of ¥1 million (shares in available-for-sale securities: ¥1 million) was recognized on securities.

In the treatment for impairment loss, impairment loss is recognized in principle when the fair market value at the period-end decreased by 50% or more compared with the acquisition cost, and impairment loss is recognized to the extent of the amount considered necessary in light of materiality of the amount, recoverability and other factors when the fair market value at the period-end decreased by approximately 30% to 50%.

Notes - Derivatives

1. Derivative transactions to which hedge accounting is not applied

Previous fiscal year (As of March 31, 2024)

Not applicable

Current fiscal year (As of March 31, 2025)

Not applicable

2. Derivative transactions to which hedge accounting is applied

(1) Currencies

Previous fiscal year (As of March 31, 2024)

(Millions of yen)

Classification	Type of derivative transaction, etc.	Principal hedged items	Contract amount	Portion of contract amount over 1 year	Fair value	Fair value calculation method
Allocation method for forward exchange contract	Forward exchange contract	Accounts payable - trade	1,054	—	1,085	Fair value is calculated based on the price provided by counterparty financial institutions or other prices.
	Buy contract					
	U.S. dollar					
Total			1,054	—	1,085	

Current fiscal year (As of March 31, 2025)

(Millions of yen)

Classification	Type of derivative transaction, etc.	Principal hedged items			Fair value	Fair value calculation method
			Contract amount	Portion of contract amount over 1 year		
Allocation method for forward exchange contract	Forward exchange contract	Accounts payable - trade	673	123	663	Fair value is calculated based on the price provided by counterparty financial institutions or other prices.
	Buy contract					
	U.S. dollar					
Total			673	123	663	

(2) Interest rates

Previous fiscal year (As of March 31, 2024)

(Millions of yen)						
Classification	Type of derivative transaction, etc.	Principal hedged items	Contract amount	Portion of contract amount over 1 year	Fair value	Fair value calculation method
Exceptional treatment of interest rate swaps	Interest rate swap transactions Receive variable, pay fixed	Long-term borrowings	2,700	1,200	(Note)	(Note)

(Note) The fair value of interest rate swaps that are accounted for using exceptional treatment is included in that of corresponding long-term borrowings, as those interest rate swaps are treated as an adjustment to long-term borrowings as hedged items.

Current fiscal year (As of March 31, 2025)

(Millions of yen)						
Classification	Type of derivative transaction, etc.	Principal hedged items	Contract amount	Portion of contract amount over 1 year	Fair value	Fair value calculation method
Exceptional treatment of interest rate swaps	Interest rate swap transactions Receive variable, pay fixed	Long-term borrowings	1,700	1,700	(Note)	(Note)

(Note) The fair value of interest rate swaps that are accounted for using exceptional treatment is included in that of corresponding long-term borrowings, as those interest rate swaps are treated as an adjustment to long-term borrowings as hedged items.

Notes - Retirement benefits

1. Summary of retirement benefit plans adopted

The Company and certain consolidated subsidiaries have defined benefit corporate pension plans as defined benefit plans, and certain consolidated subsidiaries have a small and medium sized enterprise retirement allowance cooperative plan and lump-sum retirement plans.

In addition, the Company and certain consolidated subsidiaries have defined contribution corporate pension plans. The Company and certain consolidated subsidiaries participate in Nihon Sangyo Kikai Kougyo Kigyonenkin Kikin (pension fund of Japan industrial machinery manufacturers) or Zenkankyo Kigyonenkin Kikin (pension fund for employees in the environmental measurement certification sector nationwide). For this fund, since the amount of pension plan assets corresponding to contributions by the respective companies cannot be reasonably calculated, the fund is accounted for in a manner similar to defined contribution plans.

2. Defined benefit plans

(1) Reconciliation between beginning balance and ending balance of retirement benefit obligations

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Beginning balance of retirement benefit obligations	¥3,817 million	¥3,888 million
Service cost	244	252
Interest expenses	11	11
Unrecognized net actuarial gain or loss	3	(251)
Retirement benefits paid	(192)	(336)
Past service cost	1	—
Other	1	2
Ending balance of retirement benefit obligations	3,888	3,565

(2) Reconciliation between beginning balance and ending balance of pension plan assets

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Beginning balance of pension plan assets	¥3,939 million	¥4,288 million
Expected return on plan assets	36	39
Unrecognized net actuarial gain or loss	277	(56)
Amount of employer contribution	214	231
Retirement benefits paid	(181)	(309)
Other	0	0
Ending balance of pension plan assets	4,288	4,193

(3) Retirement benefit obligations and pension plan assets at the end of the fiscal year and reconciliation of retirement benefit liability and retirement benefit asset on consolidated balance sheet

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Retirement benefit obligations under funded system	¥3,888 million	¥3,565 million
Pension plan assets	(4,288)	(4,193)
	(400)	(628)
Retirement benefit obligations under unfunded system	—	—
Net amount of assets and liabilities stated in the consolidated balance sheet	(400)	(628)
Retirement benefit liability	420	457
Retirement benefit asset	(820)	(1,085)
Net amount of assets and liabilities stated in the consolidated balance sheet	(400)	(628)

(4) Retirement benefit expenses and components thereof

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Service cost	¥244 million	¥252 million
Interest expenses	11	11
Expected return on plan assets	(36)	(39)
Amortization of net actuarial gain or loss	(55)	(106)
Amortization of past service cost	1	—
Retirement benefit expenses pertaining to defined benefit plans	165	117

(5) Remeasurements of defined benefit plans on consolidated statement of income and comprehensive income

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

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Past service cost	¥— million	¥— million
Actuarial gains and losses	(220)	(86)
Total	(220)	(86)

(6) Remeasurements of defined benefit plans on consolidated balance sheet

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

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Unrecognized past service cost	¥— million	¥— million
Unrecognized net actuarial gain or loss	(422)	(508)
Total	(422)	(508)

(7) Pension plan assets

(i) Major components of pension plan assets

Ratio of major components for total pension plan assets is as follows:

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Bonds	25%	25%
Shares	42	41
General account	25	26
Other	8	8
Total	100	100

(ii) Method of establishing expected long-term rates of return on plan assets

In order to determine the expected long-term rates of return on plan assets, the current and forecast distribution of plan assets and the current and expected future long-term rates of return from the diverse assets that comprise the plan assets are taken into consideration.

(8) Matters relating to the basis for actuarial calculations

Main basis for actuarial calculations

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Discount rate	0.25%	1.60%
Expected long-term rates of return on pension plan assets	1.00%	1.00%

3. Defined contribution plans

The required contribution from the Company and its consolidated subsidiaries into the defined contribution pension plans was ¥85 million in the previous fiscal year and ¥88 million in the current fiscal year.

4. Multi-employer plan

The required contribution amount to the corporate pension fund plan under the multi-employer plan, which is accounted for in the same manner as a defined contribution plan, was ¥105 million in the previous fiscal year and ¥121 million in the current fiscal year.

(1) Nihon Sangyo Kikai Kougyo Kigyonenkin Kikin (pension fund of Japan industrial machinery manufacturers)

(i) Funded status of multi-employer plan

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Plan assets	¥15,832 million	¥18,848 million
Sum of actuarial obligations calculated for finance status of pension plan and minimum reserve	19,987	19,559
Net amount	(4,155)	(710)

(ii) Group's proportion of total contributions to plan

Previous fiscal year	7.79%	(As of March 31, 2024)
Current fiscal year	8.15%	(As of March 31, 2025)

(iii) Supplementary explanation

Major factors for the net amount in (i) above are the balance of past service liabilities (¥6,096 million as of March 31, 2024 and ¥4,899 million as of March 31, 2025) and surplus amount (¥1,941 million as of March 31, 2024 and ¥1,941 million as of March 31, 2025) for pension financing calculation.

The principal and interest of past service liabilities in this plan are amortized equally over 10 years and 6 months, and the Group recorded special contributions applied to such amortization (¥74 million as of March 31, 2024 and ¥85 million as of March 31, 2025) as expenses in the consolidated financial statements.

The proportions in (ii) above are not consistent with the proportions actually funded by the Group.

(2) Zenkankyo Kigyonenkin Kikin (pension fund for employees in the environmental measurement certification sector nationwide)

(i) Funded status of multi-employer plan

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Plan assets	¥9,456 million	¥11,171 million
Sum of actuarial obligations calculated for finance status of pension plan and minimum reserve	7,155	7,277
Net amount	2,300	3,894

(ii) Group's proportion of total contributions to plan

Previous fiscal year	1.57%	(As of March 31, 2023)
Current fiscal year	1.58%	(As of March 31, 2024)

(iii) Supplementary explanation

The proportions in (ii) above are not consistent with the proportions actually funded by the Group.

Notes - Share options, etc.

Not applicable

Notes - Tax effect accounting

1. Significant components of deferred tax assets and liabilities

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Deferred tax assets		
Tax loss carry-forward (Note)	¥145 million	¥114 million
Accrued business tax	92	77
Retirement benefit liability	75	72
Provision for bonuses	128	175
Allowance for doubtful accounts	76	66
Provision for loss on orders received	31	127
Loss on valuation of investment securities	169	156
Loss on valuation of investments in capital	185	171
Impairment loss	251	311
Depreciation	210	197
Asset retirement obligations	251	163
Other	426	609
Deferred tax assets subtotal	2,044	2,241
Valuation reserve for tax loss carry- forwards (Note)	(142)	(106)
Valuation reserve for the total of deductible temporary differences, etc.	(781)	(730)
Valuation reserve subtotal	(924)	(837)
Total deferred tax assets	1,120	1,404
Offset with deferred tax liabilities	(915)	(1,146)
Net deferred tax assets	205	258
Deferred tax liabilities		
Revaluation reserve for land	1,095	1,128
Valuation difference on available-for-sale securities	623	461
Reserve for tax purpose reduction entry of non-current assets	851	870
Retirement benefit asset	252	332
Other	46	53
Total deferred tax liabilities	2,869	2,846
Offset with deferred tax assets	(915)	(1,146)
Net deferred tax liabilities	1,954	1,699

(Note) Amounts of tax loss carry-forwards and related deferred tax assets by carry-forward period

Previous fiscal year (As of March 31, 2024)

(Millions of yen)							
	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Tax loss carry-forwards (*)	2	56	4	2	6	72	145
Valuation reserve	—	(56)	(4)	(2)	(6)	(72)	(142)
Deferred tax assets	2	—	—	—	—	—	2

Current fiscal year (As of March 31, 2025)

(Millions of yen)							
	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Tax loss carry-forwards (*)	7	1	1	1	1	98	114
Valuation reserve	–	(1)	(1)	(1)	(1)	(98)	(106)
Deferred tax assets	7	–	–	–	–	–	7

(*) Tax loss carry-forwards represents the amount multiplied by the statutory effective tax rate.

2. Main components causing significant differences between the statutory effective tax rate and the actual effective tax rate after application of tax effect accounting

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Statutory effective tax rate	30.62%	30.62%
<u>Adjustments</u>		
Increase/decrease in valuation reserve	(7.25)	(2.00)
Expenses not deductible for income tax purposes, such as entertainment expenses	1.59	1.45
Income not included for income tax purposes, such as dividends received	(0.29)	(0.09)
Per capita levy of inhabitant taxes	0.65	0.76
Effect of differences in tax rates applicable to subsidiaries from tax rate applicable to the Company	0.58	0.59
Retained earnings of overseas subsidiaries	0.25	0.16
Tax credits	(0.34)	(2.97)
Adjustment amounts of year-end deferred tax assets and deferred tax liabilities due to change in tax rate	–	0.38
Other	0.57	(0.56)
Actual effective tax rate	26.36	28.36

3. Amendments to the amounts of deferred tax assets and deferred tax liabilities due to changes in the income tax rate

Due to the enactment of the “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 13 of 2025) in the Japanese Diet on March 31, 2025, the “Special Corporation Tax for National Defense” will be imposed from the fiscal years beginning on or after April 1, 2026.

Accordingly, deferred tax assets and deferred tax liabilities related to temporary differences expected to be reversed in the fiscal years beginning on or after April 1, 2026 are calculated by changing the statutory effective tax rate from 30.62% to 31.52%.

As a result of this change, in the current fiscal year the amount of deferred tax assets (the amount after deducting deferred tax liabilities) increased by ¥4 million, and the amount of deferred tax liabilities (the amount after deducting deferred tax assets) increased by ¥2 million. Deferred gains or losses on hedges increased by ¥0 million, while remeasurements of defined benefit plans decreased by ¥4 million, income taxes - deferred decreased by ¥19 million, and valuation difference on available-for-sale securities decreased by ¥13 million.

In addition, deferred tax liabilities for land revaluation increased by ¥32 million and revaluation reserve for land decreased by the same amount.

Notes - Asset retirement obligations

Of asset retirement obligations, items recorded on the consolidated balance sheet

1. Outline of asset retirement obligations

The Group assumes obligations to restore the original state of certain facilities for rent, such as costs of removing asbestos from buildings containing asbestos and real estate lease agreements for manufacturing facilities and other

owned sites situated on leased land under the Ordinance on Prevention of Asbestos Hazards and other such regulations.

2. Calculation method for determining asset retirement obligation amount

With respect to facilities containing asbestos, this amount is not discounted because the estimated period of use has already elapsed. Estimates regarding future costs of removing asbestos are recognized as asset retirement obligations.

With respect to obligations to restore the original state of sites associated with real estate lease agreements, the amount of asset retirement obligations was calculated using a discount rate of 0.643% assuming an estimated period of use of 28 years from acquisition.

3. Increase (decrease) in total asset retirement obligations

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Beginning balance	¥800 million	¥820 million
Increase due to acquisition of property, plant and equipment	–	–
Increase due to change in estimates	18	(7)
Adjustments associated with passage of time	0	0
Decrease due to settlement of asset retirement obligations	–	(295)
Ending balance	820	517

Notes - Real estate for lease, etc.

The Company and certain subsidiaries rent out a space such as in their business places as well as land mainly for rental housing and buildings in the Tokyo metropolitan area and other areas. Rental profit related to the real estate for rent, etc. for the previous fiscal year was ¥43 million (rent income is recorded in net sales, and rent expenses are recorded in cost of sales). Rental profit related to the real estate for rent, etc. for the current fiscal year was ¥33 million (rent income is recorded in net sales, and rent expenses are recorded in cost of sales).

Carrying amounts on the consolidated balance sheet, changes during period for the previous and current fiscal years and fair values of the real estate for rent, etc. are as follows:

(Millions of yen)		
	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Carrying amount on the consolidated balance sheet		
Balance at beginning of period	4,976	4,093
Increase (decrease) during period	(882)	1,122
Balance at end of period	4,093	5,216
Fair value at end of period	2,753	3,618

- (Notes)
- Carrying amount on the consolidated balance sheet is calculated by subtracting accumulated depreciation and impairment loss from acquisition cost.
 - The main factors for changes during the previous fiscal year were a decrease due to a reduction in rental area (¥661 million) and a decrease due to changes in usage purposes (¥218 million). The main factors for changes during the current fiscal year were an increase due to the renovation and expansion of rental assets (¥618 million) and an increase in rental area (¥507 million).
 - Fair value of property whose amount has significance at the end of the period is an amount based on a value investigation report by an external licensed real estate appraiser, and that of other property whose amount has little significance is an amount based on an index which is believed to reflect a market value appropriately.

Notes - Revenue recognition

1. Information on disaggregation of revenue from contracts with customers
Information on disaggregated revenue by timing of revenue recognition is as follows:
Previous fiscal year (From April 1, 2023 to March 31, 2024)

	Reportable segments					Other (Note)	Total
	Logistics Solutions Business	Plant Business	Next- Generation Energy Develop- ment Business	Business Innovation	Total		
Goods and services transferred at a point in time	9,189	—	210	9,229	18,629	7	18,637
Goods and services transferred over time	23,301	9,420	1,286	707	34,716	—	34,716
Revenue from contracts with customers	32,491	9,420	1,497	9,937	53,346	7	53,353
Other revenue	—	—	—	—	—	434	434
Sales to external customers	32,491	9,420	1,497	9,937	53,346	441	53,787

(Note) “Other” represents business segments not included in the reportable segments of the Company including leasing and real estate rental operations.

Current fiscal year (From April 1, 2024 to March 31, 2025)

	Reportable segments					Other (Note)	Total
	Logistics Solutions Business	Plant Business	Next- Generation Energy Develop- ment Business	Business Innovation	Total		
Goods and services transferred at a point in time	10,630	—	277	9,638	20,547	5	20,553
Goods and services transferred over time	27,170	10,328	1,880	146	39,525	—	39,525
Revenue from contracts with customers	37,800	10,328	2,158	9,785	60,073	5	60,079
Other revenue	—	—	—	—	—	395	395
Sales to external customers	37,800	10,328	2,158	9,785	60,073	401	60,474

(Note) “Other” represents business segments not included in the reportable segments of the Company including leasing and real estate rental operations.

2. Information that serves as a basis for understanding revenue from contracts with customers
Information that serves as a basis for understanding revenue from contracts with customers has been presented in, “Notes - Significant accounting policies for preparation of the consolidated financial statements, 4. Disclosure of accounting policies, (5) Accounting policies for significant revenues and expenses.”
3. Information on the relationship between satisfying performance obligations pursuant to contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized in subsequent fiscal years from contracts with customers that existed at the end of the current fiscal year.

- (1) Balance of contract assets and contract liabilities

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Receivables from contracts with customers	9,290	12,452
Contract assets	16,281	14,422
Contract liabilities	584	1,436

Contract assets represent the unbilled revenue recognized based on the measurement of progress primarily in construction contracts. Contract assets are transferred to receivables from contracts with customers when the right to compensation becomes unconditional.

Main components of contract liabilities relate to advances received from customers based on contractual terms and conditions in construction contracts, and are reversed upon recognition of revenue due to satisfying performance obligations. Of the revenues recognized in the current fiscal year, ¥479 million is included in the balance of contract liabilities as of the beginning of the fiscal year.

In the current fiscal year, the amount of revenue recognized from the performance obligations satisfied in the past period is not significant.

In addition, since the payment terms in each construction contract vary by contract, there is no clear relationship between the timing of satisfaction of performance obligations and payment terms.

- (2) Transaction price allocated to remaining performance obligations

Unsatisfied performance obligations are ¥44,029 million as of March 31, 2024. These performance obligations mainly involve construction contracts in the Logistics Solutions Business, the Plant Business and the Next-Generation Energy Development Business, with respect to which approximately 90% is to be recognized as revenue within one year subsequent to the end of the fiscal year and the remaining 10% is to be recognized as revenue within two to five years.

Unsatisfied performance obligations are ¥45,724 million as of March 31, 2025. These performance obligations mainly involve construction contracts in the Logistics Solutions Business, the Plant Business and the Next-Generation Energy Development Business, with respect to which approximately 80% is to be recognized as revenue within one year subsequent to the end of the fiscal year and the remaining 20% is to be recognized as revenue within two to five years.

Notes - Segment information, etc.

[Segment information]

1. Description of reportable segments

The reportable segments of the Company are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors of the Company to make decisions about resource allocation and assess their performance.

The Group develops comprehensive business strategies and engages in business activities for respective products and service of divisions by product and service in the Company.

Accordingly, the Company is comprised of segments by product and service, and its reportable segments consist of “Logistics Solutions Business,” “Plant Business,” “Next-Generation Energy Development Business,” and “Business Innovation.”

“Logistics Solutions Business” develops, designs, and builds material handling systems focusing on sorting, picking and conveying systems that integrate IT, and provides maintenance services and other operations for these systems. “Plant Business” provides maintenance services and other operations for storage tanks for LNG, LPG, crude oil and other gas and liquid. “Next-Generation Energy Development Business” designs, builds, and executes construction works of, storage tanks for LNG, LPG, crude oil and other gas and liquid. “Business Innovation” engages in building contracting, manufacturing and sales of industrial equipment and machinery, investigation, measurement, and analysis of substances such as asbestos, maintenance and management of environmental measurement equipment and environmental surveys, as well as the manufacturing and sales of various manual and electric winches.

2. Method of measurements of sales, profit (loss), asset, and other items for each reportable segment

The accounting procedures for the reporting operating segments are nearly the same as those stated in “Significant accounting policies for preparation of the consolidated financial statements.” Profits of the reportable segments are based on operating profit. Intersegment transactions are based on actual transaction amounts.

3. Disclosure of sales, profit (loss), asset, and other items for each reportable segment
Previous fiscal year (From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reportable segments					Other (Note)	Adjustment	Total
	Logistics Solutions Business	Plant Business	Next- Generation Energy Development Business	Business Innovation	Total			
Sales								
Sales to external customers	32,491	9,420	1,497	9,937	53,346	441	–	53,787
Transactions with other segments	–	21	–	75	97	187	(285)	–
Total	32,491	9,442	1,497	10,013	53,443	629	(285)	53,787
Segment profit (loss)	3,271	708	(481)	786	4,285	86	(1,281)	3,090
Segment assets	35,228	7,633	2,510	10,385	55,757	4,850	7,283	67,891
Other items								
Depreciation	431	11	4	231	678	64	11	755
Increase in property, plant and equipment, and intangible assets	878	15	40	324	1,259	390	26	1,676

(Note) “Other” includes real estate rental and leasing operations.

Current fiscal year (From April 1, 2024 to March 31, 2025)

(Millions of yen)

	Reportable segments					Other (Note)	Adjustment	Total
	Logistics Solutions Business	Plant Business	Next- Generation Energy Development Business	Business Innovation	Total			
Sales								
Sales to external customers	37,800	10,328	2,158	9,785	60,073	401	–	60,474
Transactions with other segments	–	21	–	96	118	212	(330)	–
Total	37,800	10,349	2,158	9,882	60,191	613	(330)	60,474
Segment profit (loss)	3,722	1,041	(433)	873	5,203	174	(1,246)	4,131
Segment assets	34,205	7,608	2,686	9,980	54,481	5,721	7,233	67,436
Other items								
Depreciation	471	9	5	248	735	88	20	843
Increase in property, plant and equipment, and intangible assets	1,110	11	158	365	1,645	406	42	2,094

(Note) “Other” includes real estate rental and leasing operations.

4. Differences between total amounts for reportable segments and amounts in the consolidated financial statements and main details of these differences (matters relating to difference adjustments)

(Millions of yen)

Profit	Previous fiscal year	Current fiscal year
Reportable segments total	4,285	5,203
Profit of “other”	86	174
Corporate expenses (Note)	(1,200)	(1,233)
Other adjustments	(80)	(12)
Operating profit in the consolidated financial statements	3,090	4,131

(Note) Corporate expenses mainly represent expenses related to administrative divisions such as the general affairs division, which are not attributable to the reportable segments.

(Millions of yen)

Asset	Previous fiscal year	Current fiscal year
Reportable segments total	55,757	54,481
Assets of “other”	4,850	5,721
Corporate assets (Note)	7,380	7,377
Other adjustments	(96)	(144)
Total assets in the consolidated financial statements	67,891	67,436

(Note) Corporate assets mainly represent assets related to divisions managing cash and deposits, investment securities and other assets of the Company, which are not attributable to the reportable segments.

[Information associated with reportable segments]

Previous fiscal year (From April 1, 2023 to March 31, 2024)

1. Information for each product and service

(Millions of yen)					
	Material handling system equipment, etc.	Storage tank, etc.	Maintenance services of storage tanks	Other	Total
Sales to external customers	32,491	1,497	9,420	10,379	53,787

2. Information about geographical area

(1) Sales

(Millions of yen)			
Japan	Southeast Asia	Other	Total
52,349	1,347	91	53,787

(Note) Sales are classified by country or region on the basis of construction sites.

(2) Property, plant and equipment

(Millions of yen)			
Japan	Southeast Asia	Oceania	Total
16,477	38	36	16,551

3. Information for each of main customers

Name of customer	Sales	Relevant segment
Amazon Japan G.K.	¥10,794 million	Logistics Solutions Business

Current fiscal year (From April 1, 2024 to March 31, 2025)

1. Information for each product and service

(Millions of yen)					
	Material handling system equipment, etc.	Storage tank, etc.	Maintenance services of storage tanks	Other	Total
Sales to external customers	37,800	2,158	10,328	10,186	60,474

2. Information about geographical area

(1) Sales

(Millions of yen)			
Japan	Southeast Asia	Other	Total
58,461	1,919	94	60,474

(Note) Sales are classified by country or region on the basis of construction sites.

(2) Property, plant and equipment

(Millions of yen)			
Japan	Southeast Asia	Oceania	Total
17,786	167	34	17,988

3. Information for each of main customers

Name of customer	Sales	Relevant segment
ASKUL Corporation	¥7,638 million	Logistics Solutions Business
Amazon Japan G.K.	¥6,981 million	Logistics Solutions Business

[Disclosure of impairment loss on non-current assets for each reportable segment]

Previous fiscal year (From April 1, 2023 to March 31, 2024)

	Reportable segments				Other	Adjustment	Total
	Logistics Solutions Business	Plant Business	Next-Generation Energy Development Business	Business Innovation			
Impairment losses	–	–	10	–	–	358	368

Current fiscal year (From April 1, 2024 to March 31, 2025)

Not applicable

[Amortization and unamortized balance of goodwill for each reportable segment]

Previous fiscal year (From April 1, 2023 to March 31, 2024)

	Reportable segments				Other	Adjustment	Total
	Logistics Solutions Business	Plant Business	Next-Generation Energy Development Business	Business Innovation			
Amortization in the current fiscal year	4	–	–	1	–	–	6
Ending balance	38	–	–	3	–	–	42

Current fiscal year (From April 1, 2024 to March 31, 2025)

	Reportable segments				Other	Adjustment	Total
	Logistics Solutions Business	Plant Business	Next-Generation Energy Development Business	Business Innovation			
Amortization in the current fiscal year	8	–	–	1	–	–	10
Ending balance	29	–	–	10	–	–	40

[Gain on bargain purchase for each reportable segment]

Previous fiscal year (From April 1, 2023 to March 31, 2024)

Not applicable

Current fiscal year (From April 1, 2024 to March 31, 2025)

Not applicable

[Information associated with related parties]

1. Related party transactions

(1) Transactions between the company submitting the consolidated financial statements and related parties

Not applicable

(2)Transactions between consolidated subsidiaries of the company submitting the consolidated financial statements and related parties

Officers, major shareholders (individuals only), etc. of the company submitting the consolidated financial statements

Previous fiscal year (From April 1, 2023 to March 31, 2024)

Not applicable

Current fiscal year (From April 1, 2024 to March 31, 2025)

Type	Name of company, etc.	Location	Share capital or stake (Millions of yen)	Nature of business or occupation	Ratio of voting rights, etc. holding (held) (%)	Relationship with related parties	Transactions	Amount of transactions (Millions of yen)	Item	Ending balance (Millions of yen)
Executive officer of a subsidiary	Koichi Ono	—	—	President and CEO of a subsidiary	—	—	Guarantees for borrowings of a subsidiary from a financial institution	11	—	—

(Note) The consolidated subsidiary, MAXPULL MACHINERY & ENGINEERING CO., LTD., has received a debt guarantee from its President and CEO, Koichi Ono, for its borrowings from a financial institution. No guarantee fee is being paid. Additionally, this borrowing utilizes the guarantee system of the Chiba Credit Guarantee Association, which requires the corporate representative to act as a guarantor. The lender is MUFG Bank, Ltd., and the repayment due date is February 26, 2026.

2. Notes concerning the parent company or important affiliated companies

Not applicable

Notes - Per share information

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Net assets per share	¥4,894.51	¥5,028.98
Basic earnings per share	¥456.13	¥471.62

(Notes) 1. The amount of diluted earnings per share is not provided because there are no potential shares.
2. In the calculation of “net assets per share,” shares of the Company held by the benefit trust for officers are included in treasury shares deducted from the total number of shares issued at the end of the fiscal year (59,400 shares in the previous fiscal year, 56,000 shares in the current fiscal year).
In addition, in the calculation of “basic earnings per share,” such shares are included in treasury shares deducted in the calculation of the average number of shares during the period (59,400 shares in the previous fiscal year, 56,915 shares in the current fiscal year).
3. The basis for calculation for basic earnings per share is as follows:

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Profit attributable to owners of parent	¥3,554 million	¥3,638 million
Profit not relating to common shareholders	—	—
Profit attributable to owners of parent pertaining to common shares	¥3,554 million	¥3,638 million
Average number of shares during the period	7,792 thousand shares	7,715 thousand shares

Notes - Significant events after reporting period

(Changes in reportable segments)

Until now, the Group’s reportable segments have been divided into four categories: “Logistics Solutions Business,” “Plant Business,” “Next-Generation Energy Development Business,” and “Business Innovation.” However, starting from the next fiscal year, they will be divided into three categories: “Logistics Solutions Business,” “Plant Business,” and “Business Innovation.”

This change is in response to an organizational restructuring effective April 1, 2025, which aims to progressively dissolve the “Next-Generation Energy Development Business” and transition it to the “Next-Generation Energy Development Center,” an organization directly under the President and Representative Director. This restructuring is intended to accelerate the research and development of large-scale storage containers for liquid hydrogen with the goal of realizing a hydrogen-based society. By doing so, we aim to establish an environment that enables swift decision-making for development and to establish manufacturing technology for large-scale storage containers for liquid hydrogen.

Information regarding sales, profits, assets, liabilities, and other items for each reportable segment for the current fiscal year, based on the revised segment classifications, is as follows.

Current fiscal year (From April 1, 2024 to March 31, 2025)

(Millions of yen)

	Reportable segments				Other (Note)	Adjustment	Total
	Logistics Solutions Business	Plant Business	Business Innovation	Total			
Sales							
Sales to external customers	37,800	12,486	9,785	60,073	401	—	60,474
Transactions with other segments	—	—	96	96	212	(309)	—
Total	37,800	12,486	9,882	60,169	613	(309)	60,474
Segment profit	3,722	901	873	5,497	174	(1,540)	4,131
Segment assets	34,205	10,015	9,990	54,211	5,713	7,511	67,436
Other items							
Depreciation	471	13	248	734	88	21	843
Increase in property, plant and equipment, and intangible assets	1,110	156	365	1,632	406	56	2,094

(Note) “Other” includes real estate rental and leasing operations.

(v) Annexed consolidated detailed schedules

Annexed consolidated detailed schedule of bonds payable

Company name	Type of bond	Date of issuance	Beginning balance (Millions of yen)	Ending balance (Millions of yen)	Interest rate (%)	Collateral	Date of maturity
Toyo Kanetsu K.K.	1st Series of Unsecured Bonds	September 25, 2020	500	500	0.39	None	September 24, 2027
Toyo Kanetsu K.K.	2nd Series of Unsecured Bonds	March 25, 2021	500	500	0.41	None	March 24, 2028
MAXPULL MACHINERY & ENGINEERING CO., LTD.	Straight bonds of a subsidiary	August 23, 2021	—	20 (10)	0.20	None	August 21, 2026
MAXPULL MACHINERY & ENGINEERING CO., LTD.	Straight bonds of a subsidiary	September 28, 2022	—	30 (10)	0.31	None	September 28, 2027
MAXPULL MACHINERY & ENGINEERING CO., LTD.	Straight bonds of a subsidiary	January 17, 2023	—	50	0.57	Yes	February 24, 2026
Total	—	—	1,000	1,100	—	—	—

(Notes) 1. The figures shown in parentheses represent the amount to be redeemed within one year.
2. Projected redemption amounts for five years after the consolidated balance sheet date are as follows:

(Millions of yen)

Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years
20	70	1,010	—	—

Annexed consolidated detailed schedule of borrowings

Classification	Beginning balance (Millions of yen)	Ending balance (Millions of yen)	Average interest rate (%)	Repayment due
Short-term borrowings	11,375	8,240	0.982	—
Current portion of long-term borrowings	2,480	432	0.682	—
Long-term borrowings (excluding current portion)	2,160	4,213	1.686	From 2026 to 2032
Total	16,015	12,886	—	—

(Notes) 1. In calculating the average interest rate, the weighted average interest rate on the ending balance of borrowings, is shown.
2. Repayment of long-term borrowings (excluding the current portion) scheduled within five years after the consolidated balance sheet date is as follows:

(Millions of yen)

Classification	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years
Long-term borrowings	13	9	1,210	980

Annexed consolidated detailed schedule of asset retirement obligations

A schedule of asset retirement obligations has been omitted since matters to be stated in the schedule are stated as notes prescribed in Article 15-23 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

(2) Other information

Semi-annual information for the current fiscal year

(Cumulative period)	Six months ended September 30, 2024	Current fiscal year (From April 1, 2024 to March 31, 2025)
Net sales (Millions of yen)	28,475	60,474
Profit before income taxes (Millions of yen)	2,458	5,082
Profit attributable to owners of parent (Millions of yen)	1,616	3,638
Basic earnings per share (Yen)	209.60	471.62

(TRANSLATION)

INDEPENDENT AUDITOR’S REPORT

June 26, 2025

To the Board of Directors of
Toyo Kanetsu K.K.

GYOSEI & CO.
Tokyo Office

Designated Partner
Engagement Partner
Certified Public Accountant Tetsuo Noguchi

Designated Partner
Engagement Partner
Certified Public Accountant Yasuaki Takemoto

Audit of Consolidated Financial Statements

Audit Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act of Japan, we have audited the accompanying consolidated financial statements of Toyo Kanetsu K.K. (the “Company”), which comprise the consolidated balance sheet as of March 31, 2025, and the consolidated statements of income and comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the fiscal year from April 1, 2024 to March 31, 2025, and significant accounting policies for preparation of the consolidated financial statements, other notes, and annexed consolidated detailed schedules, all expressed in Japanese yen.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its consolidated subsidiaries (the “Group”) as of March 31, 2025, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for Audit 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 in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current fiscal year. 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.

Consideration of the estimate of the total cost of construction work involving contracts for which revenue is recognized based on the degree of progress	
Description of key audit matters and reason for determining the matter	How we addressed the matter in our audit
As stated in the “Notes - Significant accounting estimates,” net sales under contracts for which revenue is recognized based on degree of progress recorded in the consolidated statement of income and comprehensive income for the current fiscal year by the consolidated group of Toyo Kanetsu K.K. are ¥20,615 million. Most of the amount was recorded in the Company’s Logistics Solutions Business. The Company records sales based on degree of progress, which is calculated as the proportion of construction cost incurred corresponding to the value of work done at the end of the current fiscal year, relative to the total amount of estimated cost of construction work. The estimated amount of total cost of construction work is determined based on management’s best estimates and judgments, by collecting available information and past performance, and according to the specifications of each individual project. However, there is a possibility that the initial estimates may diverge from actual results due to market price fluctuations, changes in specifications, natural disasters, and other factors. Due to the above factors, we have judged that the estimate of total cost of construction work that the Company recognizes as revenue based on the degree of progress in the Logistics Solutions Business is a key audit matter.	In examining appropriateness of the estimate of total cost of construction work involving contracts for which revenue is recognized based on the degree of progress, we mainly implemented the following audit procedures. (1) Assessment of internal control We assessed the design of internal control related to estimation of the total cost of construction work, and the effectiveness of the operational status. (2) Assessment of reasonableness of the estimate of total cost of construction work With regard to the estimate of total cost of construction work as at the end of the current fiscal year, we mainly implemented the following audit procedures. - We questioned the person responsible for the managerial unit of the division estimating total cost of construction works to understand the overview of the construction work, and examined consistency between the description of the work understood and major components of the total cost of construction work. - We checked materials supporting estimation of cost of construction work such as quotations received from subcontractors and suppliers of products against components of the total cost of construction work, and examined appropriateness of the estimated amount of the total cost of construction work. - With regard to total cost of construction work for which the cost rate was estimated to be lower in light of past records, we asked questions about reasons why the cost rate was estimated to be lower in light of past results, and examined reasonableness of the estimate. - With regard to construction works that were completed or delivered in the current fiscal year, we compared the estimated amount of total cost of construction work with the actual amount and checked whether there was any matter to be taken into account in examining appropriateness of the estimated amount of total cost of construction work for the current fiscal year.

Other information

The other information comprises the information included in the Annual Securities Report aside from the consolidated financial statements, the non-consolidated financial statements, and the auditor’s reports thereon. Management is responsible for preparing and disclosing the other information. The Audit and Supervisory Committee is responsible for overseeing Directors in executing their duties with respect to developing and administering 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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation 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 whether it is appropriate to prepare the consolidated financial statements with the assumption of the Group's ability to continue as a going concern, and for disclosing matters related to going concern, as applicable in accordance with accounting principles generally accepted in Japan.

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

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

Our responsibilities 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 on the consolidated financial statements based on our audit from an independent point of view. 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.

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, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider, in making those risk assessments, internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements 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 notes to the consolidated financial statements or, if such notes are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. 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 Company to cease to continue as a going concern.
- Evaluate whether the overall presentation of the consolidated financial statements and the notes thereto are in accordance with accounting principles generally accepted in Japan, as well as whether the overall presentation, structure and content of the consolidated financial statements, including the notes thereto, and the consolidated financial statements represent the underlying transactions and accounting 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

consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures taken to eliminate obstruction factors or related safeguards in order to reduce obstruction factors to an acceptable level.

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

Audit of Internal Control

Audit Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act of Japan, we have audited management's report on internal control of the Company as of March 31, 2025.

In our opinion, the management's report on internal control referred to above, which represents that the internal control over financial reporting of the Company as of March 31, 2025 was effective, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Audit Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under the auditing standards for internal control over financial reporting are further described in the "Auditor's Responsibilities for the Audit of the Report on Internal Control" section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and the Audit and Supervisory Committee for the Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting, and for the preparation and fair presentation of the report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

The Audit and Supervisory Committee is responsible for overseeing and verifying the design and operation of effective internal control over financial reporting.

There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Audit of the Report on Internal Control

Our responsibilities are to obtain reasonable assurance about whether the report on internal control is free from material misstatement, and to issue a report on audit of internal control that includes our opinion on the report on internal control based on our internal control audit from an independent point of view.

In accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures in order to obtain audit evidence regarding the evaluation results for internal control over financial reporting in the report on internal control. The audit procedures for internal control auditing selected and applied depend on the auditor's judgment, including the significance of effects on the reliability of financial

reporting.

- Evaluate disclosures on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluate the overall presentation of the report on internal control.
- Plan and perform the audit of the internal control report to obtain sufficient appropriate audit evidence regarding the results of the assessments of internal control over financial reporting in the report on internal control. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the report on internal control. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding the planned scope and timing of the internal control audit, results of the internal control audit, significant identified deficiencies in internal control that should be disclosed, results of their correction, and other matters required by auditing standards for internal control.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures taken to eliminate obstruction factors or related safeguards in order to reduce obstruction factors to an acceptable level.

Remuneration-related Information

Remuneration based on audit attestation services and non-audit services for the Group, to our firm and others in the same network as our firm, is described in [Audit Status] “Status of Corporate Governance, etc.” included in “Status of the Submitting Company”

Conflicts of Interest

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

The above represents a translation, for convenience only, of the original report issued in the Japanese language. Please note that the other information contained in the TKK Report 2025 Financial Section differs from the other information contained in the Annual Securities Report.

Corporate Data

Date of Establishment	May 16, 1941
Common Stock	¥18,580 million
Authorized Shares	29,700,000
Capital Stock Issued	8,023,074
Number of Shareholders	13,566
Security Traded	Tokyo Stock Exchange, Prime Market
Transfer Agent and Registrar	The Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan
Annual Meeting	The annual meeting of shareholders is normally held in June in Tokyo, Japan

Directory

Head Office

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URL: <https://www.toyokanetsu.co.jp/global/>

Wakayama Plant

457, No, Arida, Wakayama 649-0314, Japan

Chiba Plant

2 Tsukiji, Kisarazu, Chiba 292-0835, Japan

Domestic Subsidiaries

Toyo Kanetsu Builtec K.K.

11-1, Minamisuna 2-chome, Koto-ku, Tokyo 136-8666, Japan
URL: <http://www.web-tkb.com>

Toyo Service System K.K.

11-1, Minamisuna 2-chome, Koto-ku, Tokyo 136-8666, Japan
URL: <https://www.toyoservice.co.jp>

Toyo Koken K.K.

11-1, Minamisuna 2-chome, Koto-ku, Tokyo 136-8666, Japan
URL: <https://www.toyokoken.co.jp/english/>

Kankyo Research Institute Inc.

112-2, Okadomachi, Hachioji-shi, Tokyo 192-0054, Japan
URL: <http://www.kankyo-research.co.jp/>

Eco Analysis Corporation

84, Takedakitamitsuguicho, Fushimi-ku, Kyoto-shi, Kyoto 612-8419, Japan
URL: <http://www.kankyoku-keisoku.co.jp/>

TKK Plant Engineering K.K.

11-1, Minamisuna 2-chome, Koto-ku, Tokyo 136-8666, Japan
URL: <https://tkkplanteng.co.jp/>

Scrum Software Co.,Ltd

Minamisenba M21BLDG, 6th Floor, 10-20, Minamisenba 1-chome, Chuo-ku, Osaka-city, Osaka 542-0081, Japan
URL: <https://scrumsoftware.co.jp/>

Sakata Denki Co., Ltd.

2-17-20, Yagisawa, Nishitokyo-shi, Tokyo 202-0022, Japan
URL: https://www.sakataadenki.co.jp/e/index_e.html

Maxpull Machinery & Engineering Co., Ltd.

Nagareyama Industrial Park, 1296-22 Nakaya, Nishifukai, Nagareyama-shi, Chiba 270-0107, Japan
URL: <https://www.maxpull.co.jp/english/>

Domestic Equity Method Affiliate

Kimoto Corporation

187-1, No, Arida, Wakayama 649-0314, Japan
URL: <https://www.kimoto-industry.co.jp/>

Overseas Subsidiaries

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(Jakarta Head Office)
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URL: <http://www.pttki.com/>

Toyo Kanetsu (Malaysia) Sdn. Bhd.

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