



Annual Report 2025

Year ended March 31, 2025

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Kyokuto Kaihatsu Kogyo Co., Ltd.

1. Operational Results

(1) Analysis of Operational Results

<Summary of Operational Results for the Consolidated Fiscal Year ended March 31, 2025>

In the fiscal year under review, the Japanese economy continued to show a moderate recovery trend due to improvements in employment and income conditions as well as growth in capital investments backed by strong corporate performance. However, the future of the economy is still uncertain mainly due to concerns about the impact of U.S. policies under the country's new administration on the global economy, in addition to the continuing high prices.



Representative Director,
President, CEO
Tatsuya Nunohara

Under these circumstances, our Group strived to implement various measures, including strengthening the income structure by improving productivity and building a solid business foundation that supports sustainable growth and reform. We did so as we wrapped up our three-year medium-term management plan, 2022–24 “Creating The Future As One” (April 1, 2022, to March 31, 2025), which provided the first step toward the realization of our long-term management vision “Kyokuto Kaihatsu 2030” in the fiscal year ending March 2031 (FY2030).

As a result, in the current consolidated fiscal year, net sales increased by 12,423 million yen (9.7%) compared with the preceding consolidated fiscal year to 140,449 million yen. Operating income increased by 1,831 million yen (38.0%) to 6,656 million yen, and the current net income attributable to owners of the parent increased by 2,319 million yen (66.2%) to 5,820 million yen.

We would like to present the summary of business on a consolidated basis by segment in comparison with the preceding fiscal year.

i) Special Purpose Vehicles Business

Orders both in Japan and overseas were firm and remained strong. Both net sales and profits increased due to the effects of ongoing product price revisions and improved productivity resulting from a gradual improvement in the supply of truck chassis and other factors.

In April 2025, we revised the sales prices of some products for special-purpose vehicles and repair parts for special-purpose vehicles.

Looking at initiatives taken in Japan, we relocated and expanded our Tohoku Branch in April 2024 to strengthen the sales structure and expand our stock-type business. The Tohoku site is also home to FE-Auto Sendai Service Center, a directly managed service plant. We also worked to reinforce our production structure. In December 2024, we completed a small-sized rear dump trucks body automation line at the Yokohama plant, and in March 2025, NIPPON TREX completed the construction of a new plant building for trailer production at its headquarters plant.

Furthermore, in October 2024, we fully remodeled a new rotary type refuse truck. We also delivered to Minato Ward, Tokyo, a special version of an electric refuse truck for a battery electric vehicle (BEV) chassis, the first eCanter-equipped refuse compactor chassis (skeleton packer vehicle) for environmental studies in Japan.

As an investment for future growth, we moved forward with the construction of the Group's research and development site (Kyokuto Kaihatsu Group Technical Center) with the aim of strengthening our R&D structure so that we can accommodate social changes toward carbon neutrality, including new technologies such as the IoT and AI.

In the overseas business, SATRAC, a group company in India, proceeded with the construction of a new plant in the suburbs of Chennai. In December 2024, we acquired shares of STG Global Holdings Pty Ltd, an Australian special-purpose vehicle manufacturer, and brought the firm into our Group. Going forward, we will further promote growth and expansion of our overseas business by establishing a structure that enables us to provide high-quality products that meet the diverse needs of each country in a timely manner.

Net sales in the Specialty Truck Segment increased by 11,593 million yen (10.8%) to 118,708 million yen. Segment profit increased by 2,224 (90.7%) million yen to 4,676 million yen.



New rotary type refuse truck



Small-sized rear dump trucks body automation line at the Yokohama plant



Garbage truck
manufactured by STG Global Holdings Pty Ltd

ii) Environmental Equipment and Systems Business

In plant construction, we strived to attract orders for new projects while proceeding with the construction of properties for which orders have been received. As a result, in June 2024, we received an order from Amagasaki City, Hyogo Prefecture, for the construction and operation of

a general waste treatment facility, and in July 2024, we received an order from Wajima-shi Anamizu-machi Environmental Sanitation & Incineration Facility Association, consisting of one city (Wajima City) and one town (Anamizu Town) in Ishikawa Prefecture, for the construction of a facility for material recycling. Further, in September 2024, we received an order from Yufu City, Oita Prefecture, for the construction of a waste transfer station facility. At the same time, we continued to focus on the stock-type business such as maintenance and entrusted operation.

Net sales in the Environmental Equipment and Systems Segment increased by 371 million yen (2.7%) to 13,821 million yen. Segment profit increased by 127 million yen (4.8%) to 2,772 million yen.



Noncombustible and oversized garbage treatment facility at the Central Breakwater Reclamation Area of Clean Authority of TOKYO (Tokyo 23-ku Seisou Ichibu Kumiai) Image drawing



Thermal recycling factory in Nishi-Tenboku

iii) Car Parking Systems Business

For multistory parking systems, the Group focused on actively attracting orders for new properties, in addition to concentrating on the stock-type business, such as upgrading and maintenance to secure earnings.

In the area of coin-operated parking, we sought to secure sales and profits by improving occupancy rates and operating our business with the emphasis on profitability.

In addition, we strove to develop a new business that entails installing EV charging facilities and providing charging management services for multistory parking systems and coin-operated parking lots.

Net sales in the Parking and Other Operations Segment increased by 487 million yen (6.3%) to 8,187 million yen. Segment profit increased by 66 million yen (8.5%) to 847 million yen.



Multi-story parking equipment



EV charging facility installation and charging management service

<Forecast of Operations for the Next Consolidated Fiscal Year ending March 31, 2026>

The Japanese economy is expected to continue its gradual recovery due to improved income conditions resulting from higher wages. However, the economic outlook will likely remain unpredictable primarily due to the continuing rise in prices and energy costs and concerns about a global recession caused by reciprocal tariffs imposed by the U.S.

As the term of the Group's previous medium-term management plan came to completion in the fiscal year ended March 31, 2025, we formulated a new medium-term management plan 2025–27 “Creating The Future As One (II)” (3-year plan; April 1, 2025, to March 31, 2028) as the second step toward the realization of our long-term management vision “Kyokuto Kaihatsu 2030” in the fiscal year ending March 31, 2031 (FY2030).

To achieve this plan, we will further enhance sophistication in terms of both financial and non-financial aspects by further strengthening synergies in the Group. We will do so based on the successful results achieved from the largest-ever growth investments made during the previous medium-term management plan along with various initiatives implemented.

(2) Analysis on Financial Conditions**i) Situations of Assets, Liabilities and Net Worth**

In the current consolidated fiscal year, total assets increased by 17,331 million yen (10.2%) from the end of the preceding fiscal year to 187,748 million yen.

Current assets increased by 5,527 million yen (6.0%) to 96,933 million yen, due to increases in inventories, etc.

Non-current assets (property, plant and equipment, intangible assets and investments and other assets) increased by 11,803 million yen (14.9%) to 90,814 million yen, due to increases in goodwill, etc.

Regarding liabilities, current liabilities increased by 17,590 million yen (51.1%) to 52,023 million yen due to increases in short-term borrowings, etc. Non-current liabilities increased by 163 million yen (0.9%) to 18,453 million yen due to increases in other lease obligations, etc.

Total net assets decreased by 422 million yen (0.4%) to 117,271 million yen due to decreases in unrealized gains on other securities, etc.

As a result, the capital adequacy ratio stood at 61.8% as of the end of the current fiscal year (68.7% at the end of the preceding fiscal year).

ii) Cash Flow Situation

Consolidated cash and cash equivalents at the end of period increased by 855 million yen (4.4%) compared with the end of the preceding fiscal year to 20,253 million yen. Cash flow by activity type is summarized as follows:

Cash Flow from Operating Activities

Net cash provided by operating activities amounted to 5,225 million yen (an increase of 7,070 million yen compared with the preceding fiscal year). This was because of decreasing of accounts receivables, etc.

Cash Flow from Investing Activities

Net cash used by investing activities amounted to 15,472 million yen (an decrease of 5,989 million yen compared with the preceding fiscal year). This was because of acquisition of subsidiary shares resulting in a change in the scope of consolidation, etc.

Cash Flow from Financing Activities

Net cash provided by financing activities amounted to 11,200 million yen (a decrease of 12,696 million yen compared with the preceding fiscal year). This was because of increasing of short-term borrowings, etc.

(3) Principal policy for return of profits to shareholders and payment of dividends for the current year and next year

With our primary focus on achieving sustainable growth and increasing corporate value, we are continually working to enhance shareholder returns in order to also heighten the satisfaction level of shareholders, while improving capital efficiency and properly controlling equity capital. The Company's basic policy is to return profits to shareholders through stable and high-level dividends.

Based on the above basic policy, the Meeting of Shareholders on June 27, 2025, resolved and passed to pay a dividend of 83 yen per share at the end of March 2025 as originally proposed by management, making the annual dividend 158 yen per share (including the interim dividend of 75 yen per share paid), which is an increase of 71 yen from the previous fiscal year. The dividend payout ratio is approximately 101%.

With regard to the shareholder return policy in the new medium-term management plan (fiscal year ending March 31, 2026, to fiscal year ending March 31, 2028), we aim to increase the share value by paying stable dividends totaling at least 15 billion yen and a DOE (dividend on equity) ratio of at least 4% over the three-year period.

Based on this policy, the Company plans to pay a dividend of 140 yen per share (including an interim dividend of 70 yen per share) for the fiscal year ending March 31, 2026. This will result in a decrease in dividend of 18 yen per share compared with the dividend paid in the fiscal year ended March 31, 2025, but DOE is expected to be approximately 4.9% (estimated based on the consolidated balance sheet as of March 31, 2025).

2. Management Policy

(1) Basic Management Policy of the Company

The management philosophy of the Kyokuto Kaihatsu Group is "Value technology and trust, make concerted efforts to develop the company, and widely contribute to the society."

Our ultimate goal in the management policy is to implement corporate policy recognizing a social role and responsibility as a public company in a strong relationship with various stakeholders such as customers, business partners, shareholders, employees, and local societies. In addition, by providing safe, effective and high quality products and services through our fair and sound business activities, the Kyokuto Kaihatsu Group seeks to bring about greater contribution to our society and maximize corporate value.

With this management policy, we devote ourselves to three major business domains including Special Purpose Vehicles Business, Environmental Equipment and Systems Business, and Car Parking Systems Business.

(2) Mid-to-Long Term Management Strategy

Under the new medium-term management plan 2025–27 “Creating The Future As One (II)” (3-year plan; April 1, 2025, to March 31, 2028), which is the second step toward the realization of our long-term management vision “Kyokuto Kaihatsu 2030” in the fiscal year ending March 31, 2031 (FY2030), the Group will promote priority strategies for driving growth of the Group based on the following policy.

【Medium-Term Management Plan 2022–24 “Creating The Future As One”】

In our long-term management vision, we aim to become “a global comprehensive infrastructure manufacturer that contributes to the realization and development of a sustainable society and leads the industry.” Our new medium-term management plan, formulated as the second step toward realizing this vision, sets out five basic policies based on which we will strive to establish the foundation of the Kyokuto Kaihatsu Group by surely implementing the plan. In addition, we will optimize the allocation of cash for investment and returns through implementing strategies that maintain a good balance between “active investment in growth” and “returns to society and stakeholders,” including efficient procurement of funds, mainly from the funds obtained through our business activities to date and cash flows to be generated during the period of this medium-term management plan. In this way, we will strive to further enhance corporate value, which is one of our most important issues.

1. Basic policies

- (1) Solving social issues and creating value through high-value-added products and services

By utilizing the Group Technical Center and other resources, we will consolidate the group's expertise and swiftly introduce new products and services to the market that respond to changing external environments and needs. This will contribute to the creation of a circular economy, the efficiency of logistics, and the realization of carbon neutrality.

- (2) Improve productivity and strengthen income structures

By realizing the effects of various investments made in the previous medium-term management plan and restructuring domestic and international production bases to maximize productivity, we will enhance group synergies further and achieve an improvement in profit margins.

(3) Accelerating the growth of overseas business

We will establish a system that can timely provide high-quality products tailored to the diverse needs of each country, including the establishment and restructuring of production bases, and will further grow and expand our overseas business.

(4) Creating an attractive company through the promotion of sustainability management

To be a corporate group that continues to contribute to a sustainable society, we will work together as a group to address materiality (key issues) in the areas of environment, people, society, and governance, aiming to improve stakeholder engagement, including that of our employees.

(5) Promoting capital policies to enhance corporate value

To achieve an appropriate corporate valuation as a listed company on the Tokyo Stock Exchange Prime Market and realize corporate value, we will implement capital policies and cash allocations that prioritize investment efficiency.

2. Financial policies

- Strategic Investment: Over the three-year period, 30 billion yen will be allocated to growth investments and 10 billion yen to new M&A investments.
- Shareholder Returns: Over the three-year period, a total of 15 billion yen or more.
 <<Dividend>>Stable profit return with a Dividend on Equity (DOE) of 4% or more.

3. Performance Targets

	FY2027 target value	[For Reference] Long-Term Management Vision
Net Sales	190 billion yen	200 billion yen
Operating profit ratio	8%	10%
ROE	8%	10%

4. Sustainability Goals

	FY2027 target value	[For Reference] Long-Term Management Vision
CO ₂ Emission Reduction (*1)	Compared to the fiscal year 2013: -28%	Compared to the fiscal year 2013: -38%
New Environmental Standards (Gold Label) Certification Acquisition Rate (*3)	100%	100%

Waste Recycling Rate during production (*2)	Over 99%	Over 99%
Percentage of women in management positions (Assistant Manager level and above) (*1)	3%	4%
Reduction in total working hours	Compared to the fiscal year 2024: -5%	-
Reduction in work-related accidents (*2)	Work-related accident frequency rate (*4) = 1.16 (2023 fiscal year manufacturing industry average: 1.29)	-

(*1) Scope: Domestic group companies

(*2) Scope: Kyokuto Kaihatsu Kogyo Industry and NIPPON TREX

(*3) Gold Label: The Gold Label is a certification defined by the Japan Automobile Manufacturers Association, with one of the certification requirements being a "material recycling rate of 95% for products."
- Scope: New products of Kyokuto Kaihatsu Kogyo Industry and NIPPON TREX that are applicable to the subcommittee of the Japan Automobile Manufacturers Association.
Products other than these will comply with the Gold Label requirements.

(*4) Frequency rate = (Number of lost-time workers ÷ Total working hours) × 1,000,000

5. Capital cost (End of March 2025)

- WACC : Estimated to be approximately 6%
(Of which, cost of stockholders' equity : estimated to be approximately 7%)

(3) Targeted management index

In the long-term management vision "Kyokuto Kaihatsu 2030," our consolidated financial performance targets are net sales of 200 billion yen or more, operating income margin of 10% or more, and ROE of 10%.

In addition, for the term ending March 2028, the last fiscal year of the medium-term management plan 2025-27 "Creating The Future As One (II)" (3-year plan; April 1, 2025 to March 31, 2028), our consolidated financial performance targets are net sales of 190 billion yen or more and operating income margin of 8% or more.

CONSOLIDATED BALANCE SHEETS
At March 31, 2025 and 2024

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
ASSETS	2025	2024	2025
Current assets:			
Cash and deposits (Notes 7 & 8)	¥ 20,291	¥ 15,740	\$ 135,699
Short-term securities (Notes 7 & 8)	-	3,700	-
Trade notes receivable (Notes 8, 15 & 17)	3,228	5,487	21,587
Trade accounts receivable (Notes 8 & 17)	28,173	28,275	188,409
Contract assets (Note 17)	2,762	2,287	18,470
Electronically recorded monetary claims - operating (Notes 8, 15 & 17)	10,934	9,651	73,120
Merchandise & finished goods	2,472	2,193	16,530
Work in process	15,339	8,990	102,584
Raw materials & supplies	11,052	12,575	73,915
Other current assets (Note 8)	2,794	2,570	18,683
Allowance for doubtful accounts	(111)	(62)	(742)
Total current assets	96,934	91,406	648,255
Property, plant and equipment (Note 9):			
Land	28,249	29,149	188,919
Buildings and structures	41,896	40,778	280,188
Machinery, equipment and vehicles	27,628	23,147	184,764
Construction in progress	4,836	2,988	32,342
Other	7,625	6,165	50,993
Total	110,234	102,227	737,206
Accumulated depreciation	(48,644)	(45,428)	(325,313)
Net property, plant and equipment	61,590	56,799	411,893
Intangible assets			
Goodwill (Note 18 and 19)	7,629	662	51,021
Customer-related assets	1,189	436	7,953
Other	2,166	1,093	14,488
Total	10,984	2,191	73,462
Investments and other assets:			
Investment securities (Notes 3 & 8)	15,379	17,150	102,850
Deferred tax assets (Note 13)	371	362	2,483
Long-term loans receivable (Note 8)	189	221	1,262
Net defined benefit assets (Note 5)	1,095	1,187	7,320
Other assets	1,910	1,819	12,774
Allowance for doubtful accounts	(704)	(718)	(4,710)
Total investments and other assets	18,240	20,021	121,979
Total non-current assets	90,814	79,011	607,334
Total	¥ 187,748	¥ 170,417	\$ 1,255,589

The accompanying notes are an integral part of these statements.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2025	2024	2025
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term bank loans (Note 4)	¥ 19,114	¥ 1,685	\$ 127,824
Current portion of long-term bank loans (Notes 4 & 8)	8	8	55
Trade notes and accounts payable (Note 15)	13,653	9,141	91,308
Electronically recorded obligations - operating (Note 15)	3,548	13,373	23,729
Accrued expenses	5,292	5,099	35,389
Income taxes payable	2,666	734	17,829
Other current liabilities (Note 4 & 17)	7,742	4,393	51,777
Total current liabilities	52,023	34,433	347,911
Non-current liabilities:			
Bonds payable (Notes 4 & 8)	2,800	2,800	18,725
Long-term bank loans (Notes 4 & 8)	7,625	7,337	50,993
Net defined benefit liabilities (Note 5)	54	41	358
Liabilities for directors' retirement benefits	86	79	575
Deferred tax liabilities (Note 13)	6,180	6,753	41,332
Other non-current liabilities (Note 4)	1,709	1,280	11,428
Total non-current liabilities	18,454	18,290	123,411
Total liabilities	70,477	52,723	471,322
Net assets:			
Shareholders' equity:			
Share capital (Note 11):			
Authorized-170,950,672 shares			
Issued-40,150,000 shares in 2025 and 2024	11,900	11,900	79,582
Capital surplus (Note 11)	11,880	11,750	79,452
Retained earnings	87,481	86,761	585,041
Treasury stock, at cost (Note 11):			
1,814,442 shares in 2024			
1,729,600 shares in 2025	(1,750)	(1,836)	(11,703)
Total shareholders' equity	109,511	108,575	732,372
Accumulated other comprehensive income (Note 14):			
Unrealized gain on available-for-sale securities	6,228	7,419	41,653
Foreign currency translation adjustments	27	367	180
Remeasurements of defined benefit plans	340	681	2,271
Total accumulated other comprehensive income	6,595	8,467	44,104
Non-controlling interests	1,165	652	7,791
Total net assets	117,271	117,694	784,267
Total	¥ 187,748	¥ 170,417	\$ 1,255,589

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2025 and 2024

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2025	2024	2025
Net sales (Note 17)	¥ 140,450	¥ 128,026	\$ 939,276
Cost of sales (Note 16)	115,698	107,324	773,742
Gross profit	24,752	20,702	165,534
Selling, general and administrative expenses (Note 12)	18,096	15,877	121,019
Operating income	6,656	4,825	44,515
Other income (expenses):			
Interest and dividend income	515	395	3,443
Interest expense	(181)	(63)	(1,212)
Gain (loss) on sales of investment securities, net	1,907	47	12,756
Gain (loss) on sales or disposition of property and equipment, net	(24)	(287)	(160)
Share of profit (loss) of entities accounted for using equity method	(50)	83	(335)
Foreign exchange gain (loss)	14	386	92
Other-net	(83)	(57)	(559)
Other income-net	2,098	504	14,025
Income before income taxes and non-controlling interests	8,754	5,329	58,540
Income taxes (Note 13):			
Current	3,033	1,434	20,283
Deferred	(148)	269	(990)
Total income taxes	2,885	1,703	19,293
Net income	5,869	3,626	39,247
Net income (loss) attributable to non-controlling interests	48	124	320
Net income attributable to owners of the parent	¥ 5,821	¥ 3,502	\$ 38,927

	<i>Yen</i>		<i>U.S. dollars (Note 1)</i>
	2025	2024	2025
Amounts per shares:			
Basic net income	¥ 151.74	¥ 91.49	\$ 1.01
Diluted net income	-	-	-
Cash dividends applicable to earnings of the year	158.00	87.00	1.06

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended March 31, 2025 and 2024

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2025	2024	2025
Net income	¥ 5,869	¥ 3,626	\$ 39,247
Other comprehensive income (Note 14):			
Unrealized gain on available-for-sale securities	(1,191)	3,016	(7,967)
Foreign currency translation adjustments	(319)	283	(2,135)
Remeasurements of defined benefit plans	(343)	782	(2,291)
Share of other comprehensive income in affiliates accounted for by the equity method	38	21	255
Total other comprehensive income	(1,815)	4,102	(12,138)
Comprehensive income	¥ 4,054	¥ 7,728	\$ 27,109
Total comprehensive income attributable to:			
Owners of the parent	3,949	7,571	26,411
Non-controlling interests	105	157	698

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years ended March 31, 2025 and 2024

	Shareholders' equity					Accumulated other comprehensive income					Millions of yen	
	Share capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets	
Balance, March 31, 2023	¥ 11,900	11,679	85,362	(1,801)	107,140	4,403	96	(101)	4,398	426	111,964	
Cumulative effects of changes in accounting policies			41		41						41	
Restated balance, March 31, 2023	11,900	11,679	85,403	(1,801)	107,181	4,403	96	(101)	4,398	426	112,005	
Purchases of treasury stock				(122)	(122)						(122)	
Disposal of treasury stock		71		87	158						158	
Net income attributable to owners of the parent			3,502		3,502						3,502	
Appropriation			(2,144)		(2,144)							
Cash dividends paid												
Other net changes in the year						3,016	271	782	4,069	226	4,295	
Balance, March 31, 2024	¥ 11,900	11,750	86,761	(1,836)	108,575	7,419	367	681	8,467	652	117,694	
Purchases of treasury stock				(1)	(1)						(1)	
Disposal of treasury stock		130	5,821	87	217						217	
Net income attributable to owners of the parent					5,821						5,821	
Appropriation												
Cash dividends paid			(5,101)		(5,101)							
Other net changes in the year						(1,191)	(340)	(341)	(1,872)	513	(1,359)	
Balance, March 31, 2025	¥ 11,900	11,880	87,481	(1,750)	109,511	6,228	27	340	6,595	1,165	117,271	

	Shareholders' equity					Accumulated other comprehensive income					Thousands of U.S. dollars	
	Share capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets	
Balance, March 31, 2024	\$ 79,582	78,584	580,223	(12,282)	726,107	49,617	2,452	4,551	56,620	4,362	787,089	
Purchases of treasury stock				(9)	(9)						(9)	
Disposal of treasury stock		868		588	1,456						1,456	
Net income attributable to owners of the parent			38,927		38,927						38,927	
Appropriation			(34,109)		(34,109)							
Cash dividends paid												
Other net changes in the year						(7,964)	(2,272)	(2,280)	(12,516)	3,429	(9,087)	
Balance, March 31, 2025	\$ 79,582	79,452	585,041	(11,703)	732,372	41,653	180	2,271	44,104	7,791	784,267	

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2025 and 2024

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2025	2024	2025
Operating activities:			
Income before income taxes and non-controlling interests	¥ 8,754	¥ 5,329	\$ 58,540
Depreciation and amortization	4,002	3,069	26,763
Amortization of goodwill	285	98	1,905
Loss (gain) on sales of investment securities, net	(1,907)	(47)	(12,756)
Share of loss (profit) of entities accounted for using equity method	50	(83)	335
Loss (gain) on sales or disposition of property and equipment, net	24	77	160
Interest and dividend income	(515)	(395)	(3,443)
Interest expenses	181	63	1,212
Decrease (increase) in trade notes and accounts receivable	2,136	(8,867)	14,287
Decrease (increase) in inventories	(81)	(2,367)	(540)
Increase (decrease) in trade notes and accounts payable	(9,017)	3,504	(60,306)
Increase (decrease) in net defined benefit liabilities	(382)	(122)	(2,552)
Increase (decrease) in allowance for doubtful accounts	25	9	164
Increase (decrease) in allowance for others	2	118	15
Increase (decrease) in consumption taxes payable	819	220	5,478
Other, net	1,945	(475)	13,009
Sub total	6,321	131	42,271
Interest and dividend income received	518	406	3,466
Interest expenses paid	(187)	(65)	(1,252)
Income taxes paid	(1,426)	(2,317)	(9,539)
Net cash used in operating activities	5,226	(1,845)	34,946
Investing activities:			
Purchases of securities and investments	(8)	(69)	(57)
Proceeds from sales of securities and investments	2,069	311	13,838
Proceeds from redemption of securities	-	1,501	-
Purchases of property, plant and equipment	(7,873)	(10,819)	(52,654)
Proceeds from sales of property, plant and equipment	11	5	75
Purchases of shares of subsidiaries	-	(369)	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 18)	(9,620)	-	(64,334)
Net decrease (increase) in short-term loans receivable	(88)	(92)	(587)
Payments of long-term loans receivable	(48)	(8)	(322)
Proceeds from collection of long-term loans receivable	80	30	537
Other, net	5	27	32
Net cash used in investing activities	(15,472)	(9,483)	(103,472)
Financing activities:			
Net increase (decrease) in short-term bank loans	17,462	767	116,778
Repayment of long-term bank loans	(1,465)	(21)	(9,798)
Payment of finance lease obligations	(113)	(46)	(756)
Purchases of treasury stock	(1)	(122)	(9)
Proceeds from share issuance to non-controlling shareholders	406	68	2,720
Dividends paid	(5,089)	(2,142)	(34,032)
Net cash used in financing activities	11,200	(1,496)	74,903
Foreign currency translation adjustments on cash and cash equivalents	(98)	158	(653)
Net increase (decrease) in cash and cash equivalents	856	(12,666)	5,724
Cash and cash equivalents at beginning of year	19,398	32,064	129,724
Cash and cash equivalents at end of year (Note 7)	¥ 20,254	¥ 19,398	\$ 135,448

The accompanying notes are an integral part of these statements.

1. Basis of Presenting Consolidated Financial Statements

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

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically, in order to present them in a form which is more familiar to readers outside Japan.

In addition, the notes to consolidated financial statements include additional information which is not required under generally accepted accounting principles and practices in Japan.

The financial statements presented herein are expressed in Japanese yen and, solely for the convenience of the readers, have been translated into U.S. dollars at the rate of ¥149.53=US\$1, the approximate exchange rate on March 31, 2025. These translations should not be construed as representations that the Japanese yen amounts actually are, have been or could be converted into U.S. dollar amounts.

2. Summary of Significant Accounting Policies

(a) Consolidation

The consolidated financial statements include the accounts of the Company and its 26 significant subsidiaries. Investments in 5 nonconsolidated subsidiaries and 1 affiliated company are accounted for by the equity method. In the current fiscal year,

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

On March 31, 2025, 8 subsidiaries are excluded from scope of consolidation. As to these, investments in 5 nonconsolidated subsidiaries other than Eco Facility Nishinomiya Co., Ltd., Kyushutokusyu Motors Co., Ltd. and Kyokuto Australia Pty Ltd. are accounted for by the equity method. These companies are not material in terms of total assets, net sales, net income and retained earnings and do not have any significant impact on the consolidated financial statements.

During the fiscal year ended March 31, 2025, Kyokuto Australia Holdings Pty Ltd (“Kyokuto Australia Holdings”) has been included into the scope of consolidation, since it was newly established. STG Global Holdings Pty Ltd (“STG”) and its 13 subsidiaries have also been included into the scope of consolidation, since Kyokuto Australia Holdings purchased its all shares.

Among the consolidated subsidiaries, the balance sheet date for PT. Kyokuto Indomobil Manufacturing Indonesia and 2 other subsidiaries is December 31. They are consolidated using the financial statements as of their balance sheet date. In addition, the balance sheet date for STG and 11 other companies is June 30th, and financial statements based on provisional financial statements as of December 31st are used. Significant inter-company transactions between their balance sheet date or provisional settlement date and consolidated balance sheet date are adjusted for consolidation.

Furthermore, the balance sheet date for Kyokuto Special Automobile Trading (Shanghai) Co., Ltd. under the equity method is different from the consolidated balance sheet date, but no adjustments were made.

All significant inter-company balances and transactions have been eliminated in the consolidated financial statements. All material unrealized gains resulting from inter-company transactions have been eliminated.

Assets and liabilities of the consolidated subsidiaries at the time of investment are all valued at fair value. The goodwill is evaluated on an individual basis and amortized on a straight-line basis over a period considered reasonable that does not exceed 20 years. However, insignificant goodwill is charged to expenses when incurred.

(b)Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. All of cash equivalents mature or become due within three months from the date of acquisition.

(c) Short-term Securities and Investment Securities

The Group classifies their securities which have readily determinable fair values as held-to-maturity debt securities, available-for-sale securities, depending on management's intent.

(Held-to-maturity debt securities)

Held-to-maturity debt securities are stated at amortized cost.

(Available-for-sale securities)

Securities other than shares that do not have a market value are stated at fair value, with unrealized gains or losses, net of applicable taxes, and reported in accumulated other comprehensive income. The cost of available-for-sale securities sold is determined based on the moving average method.

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

(d) Inventories

Merchandises are stated at cost determined by the specific identification method, or if lower, the net realizable value.

Raw materials, finished goods and work in process are stated at cost determined by the periodic average method, or if lower, the net realizable value.

Supplies are stated at cost determined by the last purchase cost method, or if lower, the net realizable value.

(e) Depreciation

Depreciation is principally computed under the straight-line method, using rates based on the estimated useful lives of the assets (except for lease assets). The useful lives are principally ranging from 7 to 60 years for buildings and structures, and 4 to 17 years for machinery, equipment and vehicles.

Amortization of intangible assets is computed by the straight-line method.

(f) Retirement Benefits

Net defined benefit liabilities are recorded for employees' pension and severance payments based on the projected benefit obligations and the fair value of plan assets at the balance sheet date.

In calculating the projected retirement obligations, the straight-line attribution is applied for allocation of projected benefits to the periods until the end of the current fiscal year.

Actuarial gains or losses are amortized by declining-balance method over stated years that do not exceed the average remaining service period of the employees (10 years) beginning with the year following the year which incurred.

(g) Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided against potential losses on collections at an amount determined using a historical bad debt loss ratio and an amount individually estimated on the collectability of receivables that are expected to be uncollectible due to bad financial condition or insolvency of the debtor.

(h) Asset Retirement Obligations

Asset retirement obligations are defined as a statutory or similar obligation with regard to the removal of tangible fixed assets and are incurred when tangible fixed assets are acquired, constructed, developed or used in an ordinary way. The asset retirement obligation is recognized as the sum of the discounted cash flow required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made.

(i) Revenue Recognition

In terms of revenue from contracts with customers of the Group, the contents of the main performance obligations and the usual timing of satisfaction of performance obligations (at the usual timing of revenue recognition) are as follows.

In the domestic sales of merchandise or finished goods, the period for which the control of merchandise or finished goods is transferred to the customers after shipping is usual, the revenue is recognized at the shipping applied to the alternative treatment provided in Paragraph 98 of "Implementation Guidance on Accounting Standard for Revenue Recognition".

- Specialty truck business

In "Specialty truck business", the Group operates the manufactures and sales of the specialty trucks such as dump tracks and tailgate lifters, and also, the after-sales services such as the sales of the related components or inspection and maintenance.

In terms of sales of finished goods and components, revenue is recognized at the time of shipping. In terms of providing the inspection and maintenance, “Maintenance pack contract” is entered into with customer, and the transaction price is allocated to contents of inspection in the contract, so revenue is recognized over a certain period based on the implementation of inspection.

Payment terms are decided based on contracts with customers, the considerations of transaction are mostly received within 3 months after delivery, and do not include a significant financing component.

- Environmental equipment and systems business

In “Environmental equipment and systems business”, the Group operates the construction of recycling facilities such as bulky garbage facilities and recycling centers, and also, the after-sales services such as the sales of the related components or inspection and maintenance. In addition, some consolidated subsidiaries operate the business of providing the service, working and management related to these facilities and equipment. In terms of construction contracts, the performance obligation satisfies for a certain period. So, revenue is recognized based on the measure of progress towards the complete satisfaction of the performance obligation, excluding the contracts of short construction period. The method used to estimate the progress towards the satisfaction of the performance obligation is the input method based on the ratio of the actual costs to the total estimated costs. In terms of sales of recycling facilities and related components, revenue is recognized at the time of shipping to customers. In terms of service such as inspection, maintenance, working and management, revenue is recognized over time based on the occasion of each service under comprehensive maintenance contracts or working consignment contracts.

Payment terms are decided based on contracts with customers, the considerations of transaction are received for several times depending on the progress of construction. So, they do not include a significant financing component.

(j) Allowance for Losses on Construction Contracts

Estimated losses on construction contracts are charged to income in the period in which they are identified.

(k) Leases

Finance lease transactions, except for immaterial or short-term finance lease transactions which are accounted for as operating leases, are capitalized to recognize lease assets and lease obligations in the balance sheet. Such capitalized lease assets are depreciated by the straight-line method over the lease terms assuming no residual value.

(l) Income Taxes

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amount and tax bases of assets and liabilities, and operating loss carry-forwards.

(m) Derivatives

All derivatives, except for certain foreign exchange forward contracts and interest rate swap contracts described below, are stated at fair value. If derivative financial instruments are used as hedges and meet certain hedging criteria, the Group defers recognition of gains or losses resulting from a change in the market value of the derivative financial instruments until the related gains or losses on the hedged items are recognized. Accounts payable hedged by foreign exchange contracts which meet certain hedging criteria are translated at their contracted rates. Interest rate swaps which meet certain hedging criteria are accounted for as if the interest rate applied to the swaps had originally applied to the underlying debt.

(n) Per Share Information

Basic net income per share is computed based on net income available to common stockholders and the weighted average number of shares of common stock outstanding during each period. The average numbers of shares used in the computations are 38,360 and 38,275 thousand shares for 2025 and 2024, respectively.

Diluted net income per share is not disclosed because the Company had no potentially dilutive shares outstanding at these balance sheet dates.

Cash dividends per share shown in the statements of income are the amounts applicable to the respective years.

(o) Significant Accounting Estimates

(Goodwill and Customer-related assets, etc.)

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2025	2024	2025
Goodwill	¥ 7,629	¥ 662	\$ 51,021
Customer-related assets	¥ 1,189	¥ 436	\$ 7,953
Other intangible assets	¥ 143	¥ —	\$ 955

(ii) Information concerning significant accounting estimates for identifiable items

Goodwill, Customer-related assets and other intangible assets of the newly consolidated subsidiary are amortized under the straight-line method, using rates based on the estimated useful lives of assets, below.

The amount of goodwill, Customer-related assets and other intangible assets includes ¥ 924 million (\$ 6,182 thousand) relating to the acquisition of shares in SATRAC ENGINEERING PRIVATE LIMITED and ¥ 8,037 million (\$ 53,747 thousand) relating to the acquisition of shares in STG Global Holdings Pty Ltd.

In the breakdown of the acquisition cost of STG Global Holdings Pty Ltd, which was a business combination through share acquisition, the amount allocated to goodwill and intangible assets other than goodwill was relatively large, so indications of impairment were identified. When the total amount of estimated undiscounted future cash flows based on the business plan approved by management was compared with the book value of goodwill and other intangible assets, the undiscounted future cash flows exceed the book value, so no impairment loss is recognized.

Estimated useful lives	Years
Goodwill	10
Customer-related assets	4 to 16
Other intangible assets	0.5

(Impairment losses of Property, plant and equipment, and Intangible assets)

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

There are no applicable items.

(ii) Information concerning significant accounting estimates for identifiable items

When there are indications of impairment for Property, plant and equipment, and Intangible assets, if the total undiscounted future cash flows for the asset group is less than the book value, the book value is reduced to the recoverable amount (the higher of the value in use or the net selling value) and an impairment loss is recorded. If the net selling value at the end of the consolidated fiscal year clearly exceeds the book value, we decide unnecessary to record an impairment loss. There are some assets that were determined to have indications of impairment during the current consolidated fiscal year. The net selling value at the end of the fiscal year exceeded the book value, so impairment losses were not recorded. The net selling value is based on the valuation calculated reasonably by a real estate appraiser. However, when these estimates of the assumptions in the valuation may be affected by changes in uncertain future economic conditions, and it may become necessary to review the net selling value, the impairment losses related these assets may be recognized in the future. For the current fiscal year, the assets which have indications of impairment are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2025	2024	2025
Specialty truck	¥ 9,950	¥ 13,601	\$ 66,545
Environmental equipment and systems	641	643	4,285
Parking and other operations	146	145	977
Total	¥ 10,737	¥ 14,389	\$ 71,807

(p) Changes in accounting policies

(Application of Accounting Standard for Current Income Taxes, etc.)

The Company applied the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022), etc. from the beginning of the current fiscal year. The amendment of classification of income taxes (taxation on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of “Accounting Standard for Current Income Taxes” and the proviso of paragraph 65-2 (2) of “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022; hereinafter the “Revised Guidance 2022”). This does not affect the consolidated financial statements.

In addition, with regard to the amendment related to the revision of the treatment on the consolidated financial statements for profits and losses on the sale of shares of subsidiaries and affiliates between consolidated companies that are deferred for tax purposes, the Company applies “Revised Guidance 2022” from the beginning of the current fiscal year. This change has been applied retrospectively and the consolidated financial statements for the previous fiscal year are after the retrospective application. Regarding the treatment of tax effects where the gain or loss on sales resulting from sales of shares of the Company’s subsidiaries among consolidated companies is deferred for tax purposes, in the financial statements of the company selling shares of the subsidiaries in question, where deferred tax assets or deferred tax liabilities are recorded on the temporary difference associated with the gain or loss on sale in question, in the past, the Company did not revise the amount of the deferred tax assets or deferred tax liabilities associated with the temporary difference in question in the consolidated accounting procedures, however, the Company has decided to reverse the deferred tax assets or deferred tax liabilities associated with the temporary difference in question. As a result, compared to before retroactive application, in the consolidated balance sheets at the end of the previous consolidated fiscal year, deferred tax assets in investments and other assets increased by ¥ 18 million (\$ 122 thousand), deferred tax liabilities in fixed liabilities decreased by ¥ 23 million (\$ 153 thousand), and net assets per share increased by ¥ 1.07 (\$ 0.01). In addition, due to the cumulative effect being reflected in net assets at the beginning of the previous consolidated fiscal year, retained earnings increased by ¥ 41 million (\$ 274 thousand).

(q) Accounting Standards issued but not yet applied

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

1. Overview

As part of its efforts to ensure consistency between Japanese GAAP and international accounting standards, the ASBJ reviewed the Accounting Standard for Leases to recognize assets and liabilities for all leases held by a lessee, with international accounting standards taken into consideration. Accordingly, the ASBJ issued the Accounting Standard for Leases, etc. that adopts only the key provisions of IFRS 16 that is based on the single accounting model. The revision aims to be simple and highly convenient, and to make it unnecessary in principle to revise non-consolidated financial statements that apply IFRS 16 in the Accounting Standard for Leases, etc.

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

2. Effective date

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

3. Effects of the application of the standards

The effects of the application of the aforementioned guidance on the Company's consolidated financial statements are currently under assessment.

(r) Additional information

(Disposal of treasury shares as Restricted Stock Compensation Plan)

The Company resolved, at the meeting of board of directors held on July 25, 2024, to dispose of treasury shares as follows, and the payment has been completed on August 23, 2024.

1. Outline of the disposal

(1) Payment date	August 23, 2024
(2) Type and number of shares to be disposed	Common stock of the Company : 23,300 shares
(3) Disposal value	¥ 2,526 (\$ 16.89) per share
(4) Total amount of disposal	¥ 58,855,800 (\$ 393,605)
(5) Allottees and number of allottees, and, number of shares to be disposed of	- Directors of the Company (excluding Outside Directors) 5 persons and 8,100 shares - Executive Officers, etc. who do not concurrently serve as Directors of the Company 13 persons and 9,100 shares - Directors of the domestic affiliates of the Company 15 persons and 5,100 shares - Executive Officers who do not concurrently serve as Directors of the domestic affiliates of the Company 5 persons and 1,000 shares

2. Purposes and reasons of the disposal

The Company resolved, at the meeting of board of directors held on May 13, 2021, to introduce a restricted stock compensation plan (hereinafter; the “Plan”) as a new compensation system for relevant Directors and other officers. The purpose is to provide the Company’s Directors (excluding Outside Directors), the Company’s Executive Officers who do not concurrently serve as Directors of the Company, and Directors of domestic affiliates of the Company as well as Executive Officers of domestic affiliates who do not concurrently serve as Directors (hereinafter, collectively referred to as the “Eligible Directors, etc.”) with an incentive to promote sustainable enhancement of corporate value of the Company. Another purpose is to further share value with shareholders and in order to further promote shared values with shareholders. In addition, at the 86th General Meeting of Shareholders held on June 25, 2021, it was approved that, based on the Plan, the Company will pay monetary claims of up to ¥ 50 million (\$ 334 thousand) per year to the Eligible Directors as monetary compensation to be used as assets for investment in acquiring restricted shares. It was also approved that the Company may issue or dispose of up to 50,000 shares of common stock of the Company per year, and it set a transfer restriction period of three years for the restricted shares among other conditions.

(Disposal of treasury shares as restricted stock compensation for Employee Shareholding Association)

The Company resolved, at the meeting of board of directors held on November 12, 2024, to dispose of treasury shares as follows, and the payment has been completed on February 3, 2025.

1. Outline of the disposal

(1) Payment date	February 3, 2025
(2) Type and number of Shares to be disposed	Common stock of the Company : 63,620 shares
(3) Disposal value	¥ 2,497 (\$ 16.70) per share
(4) Total amount of disposal	¥ 158,859,140 (\$ 1,062,390)
(5) Method of disposal (Scheduled allottee)	Third party allotment (Kyokuto Kaihatsu Employee Shareholding Association (hereinafter; the “ESA”) 63,620 shares)

2. Purposes and reasons of the disposal

The Company resolved to introduce the Plan as part of attempts to improve human capital, and under the Plan, the Company provided among employees in the Company who were members of ESA and who have agreed to the Plan (hereinafter; the “Eligible Employees”) with opportunities for acquiring the restricted shares (the common stock of the Company) to be issued or disposed of by the Company through the ESA, as a measure to enhance the welfare of the Eligible Employees, ESAs to support property accumulation of the Eligible Employees, as well as to provide them an incentive to promote sustainable enhancement of corporate value of the Company, and in order to further share values with shareholders.

3. Securities

The following were a summary of available-for-sale securities at March 31, 2025 and 2024:

<i>Millions of yen</i>				
	Available-for-sale securities			
		Gross unrealized gains	Gross unrealized losses	Book Value (Estimated fair value)
March 31, 2025	Cost			
Market value available:				
Equity securities	¥ 3,914	¥ 9,134	¥ (51)	¥ 12,997
Other securities	32	0	—	32
Subtotal	¥ 3,946	¥ 9,134	¥ (51)	¥ 13,029
Market value not available:				2,350
Total				¥ 15,379

Millions of yen

	Available-for-sale securities			
	Cost	Gross unrealized gains	Gross unrealized losses	Book Value (Estimated fair value)
March 31, 2024				
Market value available:				
Equity securities	¥ 4,065	¥ 10,722	¥ (34)	¥ 14,753
Other securities	32	—	(0)	32
Subtotal	¥ 4,097	¥ 10,722	¥ (34)	¥ 14,785
Market value not available:				2,365
Total				¥ 17,150

Thousands of U.S. dollars

	Available-for-sale securities			
	Cost	Gross unrealized gains	Gross unrealized losses	Book Value (Estimated fair value)
March 31, 2025				
Market value available:				
Equity securities	\$ 26,178	\$ 61,085	\$ (343)	\$ 86,920
Other securities	211	0	—	211
Subtotal	\$ 26,389	\$ 61,085	\$ (343)	\$ 87,131
Market value not available:				15,719
Total				\$ 102,850

No impairment losses were recorded during the fiscal year ended March 31, 2025 and 2024.

4. Short-term Bank Loans and Long-term Debts

The annual average interest rates applicable to short-term bank loans at March 31, 2025 and 2024 were 1.49% and 2.28%, respectively.

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2025	2024	2025
Bonds payable	¥ 2,800	¥ 2,800	\$ 18,725
Long-term bank loans	7,633	7,345	51,048
Lease obligations	639	115	4,271
Total	¥ 11,072	¥ 10,260	\$ 74,044

Aggregate annual maturities of long-term debts subsequent to March 31, 2025 were as follows:

Year ending March 31	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2026	¥ 252	\$ 1,682
2027	253	1,690
2028	10,201	68,222
2029	111	747
2030 and thereafter	255	1,703
Total	¥ 11,072	\$ 74,044

5. Retirement Benefits

The Company, a domestic subsidiary and 2 foreign subsidiaries have defined benefit corporate pension plans and lump-sum retirement benefit plans. Other consolidated subsidiaries have defined contribution plans.

The changes in defined benefit obligations for the fiscal years ended March 31, 2025 and 2024 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2025	2024	2025
Benefit obligations at beginning of year	¥ 7,744	¥ 8,124	\$ 51,787
Service cost	487	524	3,254
Interest cost	98	46	655
Actuarial (gains) losses	21	(523)	141
Retirement benefits paid	(311)	(429)	(2,076)
Translation adjustments	0	2	0
Benefit obligations at end of year	¥ 8,039	¥ 7,744	\$ 53,761

The changes in plan assets for the fiscal years ended March 31, 2025 and 2024 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2025	2024	2025
Plan assets at beginning of year	¥ 8,890	¥ 8,026	\$ 59,456
Expected return on plan assets	178	160	1,189
Actuarial gains (losses)	(262)	573	(1,752)
Contributions from employers	537	526	3,593
Retirement benefits paid	(263)	(395)	(1,763)
Plan assets at end of year	¥ 9,080	¥ 8,890	\$ 60,723

The reconciliation of the defined benefit obligations and plan assets to the net defined benefit liabilities recognized in the consolidated balance sheet as of March 31, 2025 and 2024 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2025	2024	2025
Funded benefit obligations	¥ 7,985	¥ 7,703	\$ 53,403
Plan assets at end of year	9,080	8,890	60,723
	(1,095)	(1,187)	(7,320)
Non funded benefit obligations	54	41	358
Net amount of liabilities (assets) recognized in consolidated balance sheet	¥ (1,041)	¥ (1,146)	\$ (6,962)
Net defined benefit liabilities	¥ 54	¥ 41	\$ 358
Net defined benefit assets	(1,095)	(1,187)	(7,320)
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ (1,041)	¥ (1,146)	\$ (6,962)

The retirement benefit expenses for the fiscal years ended March 31, 2025 and 2024 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2025	2024	2025
Service cost	¥ 487	¥ 524	\$ 3,254
Interest cost	98	46	655
Expected return on plan assets	(178)	(160)	(1,189)
Recognition of actuarial (gains) losses	(202)	30	(1,350)
Severance and pension costs	¥ 205	¥ 440	\$ 1,370

Remeasurements of defined benefit plans recognized in other comprehensive income (amount before income tax effect) were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2025	2024	2025
Recognized actuarial gains (losses)	¥ (487)	¥ 1,126	\$ (3,254)
Total	¥ (487)	¥ 1,126	\$ (3,254)

Remeasurements of defined benefit plans recognized in accumulated other comprehensive income (amount before income tax effect) were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2025	2024	2025
Unrecognized actuarial (gains) losses	¥ (494)	¥ (980)	\$ (3,307)
Total	¥ (494)	¥ (980)	\$ (3,307)

The components of plan assets as of March 31, 2025 and 2024 were as follows:

	<i>Ratio</i>	
	2025	2024
Bonds	59%	58%
Shares	24%	25%
General account asset	6%	8%
Other	11%	9%
Total	100%	100%

The major actuarial assumptions for the fiscal years ended March 31, 2025 and 2024 were as follows:

	<i>Ratio</i>	
	2025	2024
Discount rate		
The Company and a domestic subsidiary	1.0 to 1.5%	1.0 to 1.5%
A foreign subsidiary	6.7 to 7.2%	6.7 to 7.2%
Long-term rate of return on plan assets		
The Company and a domestic subsidiary	2.0%	2.0%
A foreign subsidiary	—%	—%
Future salary increase		
The Company and a domestic subsidiary	4.4 to 8.8%	4.4 to 8.8%
A foreign subsidiary	5.0 to 8.0%	5.0 to 8.0%

Long-term rate of return on plan assets was determined by considering the current and future portfolio of plan assets and the current and future long-term performance of various assets comprise the plan assets.

The required amount of the defined contribution pension plan were ¥ 163 million (\$ 1,088 thousand) and ¥ 140 million for the fiscal years ended March 31, 2025 and 2024 in the Company and other domestic subsidiaries.

6. Contingencies

At March 31, 2025 and 2024, the Group was contingently liable as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2025	2024	2025
As a guarantor of indebtedness of :			
Other	¥ 1	¥ 2	\$ 6
As a guarantor for performance guarantee insurance of :			
Nonconsolidated subsidiary	108	108	721
Total	¥ 109	¥ 110	\$ 727

An employee of one of the overseas subsidiaries has filed a lawsuit regarding the amount of bonuses paid. At present, it is difficult to reasonably estimate the impact of this lawsuit, so it has not been reflected in the consolidated financial statements.

7. Cash and cash equivalents

Cash and cash equivalents at March 31, 2025 and 2024 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2025	2024	2025
Cash and deposits	¥ 20,291	¥ 15,740	\$ 135,699
Short-term securities	—	3,700	—
Time deposits with an original maturity of over 3 months	(34)	(39)	(228)
Deposit for issuance of a letter of credit to the bank	(3)	(3)	(23)
Cash and cash equivalents	¥ 20,254	¥ 19,398	\$ 135,448

8. Financial Instruments and Related Disclosures

(1) Policy for financial instruments

The Group manages funds by utilizing short-term deposits, etc. and raises money by borrowing from financial institutions and by issuing bonds. Derivatives are used, not for speculative nor trading purpose, but to hedge the exposure to foreign exchange rate risks with the debts and credits denominated in foreign currencies and interest rate risks associated with certain interest payments on borrowings.

(2) Types of financial instruments and related risk, and risk management for financial instruments

Trade notes and accounts receivable are exposed to credit risk in relation to customers. In order to monitor credit risk, the Group manages, according to the credit management guideline of the Group, the due date and the balance of operating receivables from customers.

Investment securities consist of mainly equity securities issued by the Group's business partners and these securities are exposed to market risk. The Group periodically monitors the fair value of such equity securities, which is reported to the board meeting.

Trade notes and accounts payable have payment due dates mainly within 1 year. Trade notes and accounts payable denominated in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rate.

Such risk is hedged principally by forward foreign currency contract.

Short-term bank loans are raised mainly in connection with business activities and long-term bank loan and bonds payable, which are due mainly within 5 years, are raised principally for the purpose of making capital investments. Long-term debts with variable interest rates are exposed to interest rate fluctuation risk, so the Group may enter into interest rate swap transactions for each individual contract to manage such interest rate exposure.

Derivatives are managed in accordance with policies and procedures for risk assessment (see Note 10 “Derivatives”) and also the Group enters into derivative transactions only with financially stable financial institutions to reduce institutions’ credit risk.

Based on a report from the Company and consolidated subsidiaries, the Group prepares and updates its cash flow plans on a monthly basis to manage the Group’s liquidity.

(3) Supplementary explanation of the estimated fair value of financial instruments

With regard to the below mentioned contract prices etc. of derivatives, the contract prices themselves do not present the market risk on the derivative transactions.

(4) Fair values of financial instruments

Summarized in the table below are the carrying amounts and the estimated fair value of financial instruments outstanding at March 31, 2025 and 2024. Financial instruments for which do not have a market value are not included in the table below.

	<i>Millions of yen</i>		
	Carrying		Unrecognized
March 31, 2025	amount	Fair value	gain/loss
Investment securities	¥ 13,029	¥ 13,029	¥ —
Long-term loans receivable (*1)	208	206	(2)
Long-term bank loans (*1)	(7,633)	(7,534)	99
Bonds payable	(2,800)	(2,747)	53

	<i>Millions of yen</i>		
	Carrying		Unrecognized
March 31, 2024	amount	Fair value	gain/loss
Investment securities	¥ 14,785	¥ 14,785	¥ —
Long-term loans receivable (*1)	247	246	(1)
Long-term bank loans (*1)	(7,345)	(7,322)	23
Bonds payable	(2,800)	(2,790)	10

	<i>Thousands of U.S. dollars</i>		
	Carrying		Unrecognized
March 31, 2025	amount	Fair value	gain/loss
Investment securities	\$ 87,131	\$ 87,131	\$ —
Long-term loans receivable (*1)	1,390	1,377	(13)
Long-term bank loans (*1)	(51,048)	(50,387)	661
Bonds payable	(18,725)	(18,373)	352

(*1) The carrying amounts of current portion of long-term loans receivable amounting ¥ 19 million (\$ 128 thousand) and ¥ 26 million which are disclosed in “Other Current Assets” at March 31, 2025 and 2024 are included in Long-term loans receivable. The carrying amounts of current portion of long-term bank loans are included in Long-term bank loans.

(*2) The fair value of “Cash and deposits”, “Short-term securities”, “Trade notes receivable”, “Trade accounts receivable”, “Electronically recorded monetary claims – operating”, “Short-term bank loans”, Trade notes and accounts payable”, and “Electronically recorded obligations – operating” are not disclosed because these are settled in a short period of time and their fair values are approximately the same as the book value.

Financial instruments for which do not have a market value at March 31, 2025 and 2024 consist of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2025	2024	2025
Non-listed equity securities	¥ 2,350	¥ 2,365	\$ 15,719

The annual maturities of financial assets and investment securities with contractual maturities subsequent to March 31, 2025 and 2024 were as follows:

	<i>Millions of yen</i>		
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years
March 31, 2025			
Cash and deposits	¥ 20,291	¥ —	¥ —
Trade notes receivable	3,228	—	—
Trade accounts receivable	28,173	—	—
Electronically recorded monetary claims - operating	10,934	—	—
Short-term securities	—	—	—
Total	¥ 62,626	¥ —	¥ —

	<i>Millions of yen</i>		
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years
March 31, 2024			
Cash and deposits	¥ 15,740	¥ —	¥ —
Trade notes receivable	5,487	—	—
Trade accounts receivable	28,275	—	—
Electronically recorded monetary claims - operating	9,651	—	—
Short-term securities	3,700	—	—
Total	¥ 62,853	¥ —	¥ —

	<i>Thousands of U.S. dollars</i>		
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years
March 31, 2025			
Cash and cash equivalents	\$ 135,699	\$ —	\$ —
Trade notes receivable	21,587	—	—
Trade accounts receivable	188,409	—	—
Electronically recorded monetary claims - operating	73,120	—	—
Short-term securities	—	—	—
Total	\$ 418,815	\$ —	\$ —

(5) 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 materiality of the inputs used in the fair value calculation.

Level 1 fair value: Fair value calculated using the market price in an active market among the observable input relating to the calculating the fair value for an identical asset or liability.

Level 2 fair value: Fair value calculated using inputs among the observable input relating to the calculating the fair value, other than the Level 1 inputs.

Level 3 fair value: Fair value calculated using inputs that cannot be observed.

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

Financial instruments with the carrying amount recorded using the fair value subsequent to March 31, 2025 and 2024 were as follows:

Millions of yen

March 31, 2025	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	¥ 12,997	¥ 32	¥ —	¥ 13,029
Total	¥ 12,997	¥ 32	¥ —	¥ 13,029

Millions of yen

March 31, 2024	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	¥ 14,753	¥ 32	¥ —	¥ 14,785
Total	¥ 14,753	¥ 32	¥ —	¥ 14,785

Thousands of U.S. dollars

March 31, 2025	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	\$ 86,920	\$ 211	\$ —	\$ 87,131
Total	\$ 86,920	\$ 211	\$ —	\$ 87,131

Financial instruments other than those recorded using the fair value subsequent to March 31, 2025 and 2024 were as follows:

Millions of yen

March 31, 2025	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	¥ —	¥ 206	¥ —	¥ 206
Assets Total	¥ —	¥ 206	¥ —	¥ 206
Long-term bank loans	¥ —	¥ 7,534	¥ —	¥ 7,534
Bonds payable	—	2,747	—	2,747
Liabilities Total	¥ —	¥ 10,281	¥ —	¥ 10,281

Millions of yen

March 31, 2024	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	¥ —	¥ 246	¥ —	¥ 246
Assets Total	¥ —	¥ 246	¥ —	¥ 246
Long-term bank loans	¥ —	¥ 7,322	¥ —	¥ 7,322
Bonds payable	—	2,790	—	2,790
Liabilities Total	¥ —	¥ 10,112	¥ —	¥ 10,112

Thousands of U.S. dollars

March 31, 2025	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	\$ —	\$ 1,377	\$ —	\$ 1,377
Assets Total	\$ —	\$ 1,377	\$ —	\$ 1,377
Long-term bank loans	\$ —	\$ 50,387	\$ —	\$ 50,387
Bonds payable	—	18,373	—	18,373
Liabilities Total	\$ —	\$ 68,760	\$ —	\$ 68,760

Explanation of the valuation methods and inputs used in calculating fair values

Investment securities

Listed shares are valued using the market price. Because listed shares are traded on active markets, their fair value is categorized as a level 1 fair value.

Bonds investment trust are measured at the quoted price obtained from counterparty financial institutions, their fair value is categorized as a level 2 fair value.

Long-term loans receivable

The fair value of long-term loans receivable is calculated using the discounted method based on estimated interest rates if similar new loan transaction is performed in the current period, their fair value is categorized as a level 2 fair value.

Long-term bank loans and Bonds payable

The fair value of long-term bank loans and bonds payable are calculated using the discounted method based on estimated interest rates if similar new borrowings are entered into in the current period, their fair value is categorized as a level 2 fair value.

9. Investment Property

The company and certain subsidiaries hold some logistics facilities for rental, etc. including land in Kanagawa and other areas (“investment properties”). The amounts of net income related to investment properties (rental income is recognized in operating revenue and rental expense is principally charged to operating expenses) were ¥ 690 million (\$ 4,617 thousand) and ¥ 586 million for the fiscal years ended March 31, 2025 and 2024, respectively.

The carrying amount, changes in such balances and fair market value of investment properties were as follows:

			<i>Millions of yen</i>
Carrying amount			Fair value
	Increase/ (decrease)		
April 1, 2024		March 31, 2025	March 31, 2025
¥ 5,673	¥ 18	¥ 5,691	¥ 5,464

<i>Millions of yen</i>			
Carrying amount		Fair value	
	Increase/ (decrease)		
April 1, 2023		March 31, 2024	March 31, 2024
¥ 5,670	¥ 3	¥ 5,673	¥ 5,116

<i>Thousands of U.S. dollars</i>			
Carrying amount		Fair value	
	Increase/ (decrease)		
April 1, 2024		March 31, 2025	March 31, 2025
\$ 37,941	\$ 120	\$ 38,061	\$ 36,541

- (a) Carrying amount is net of accumulated depreciation and accumulated impairment losses, if any.
- (b) Increase during the fiscal year ended March 31, 2025 was mainly due to the expenditure of the guide signs of the coin parking business in amount of ¥ 92 million (\$ 617 thousand). Decrease during the fiscal year ended March 31, 2025 was mainly due to depreciation in amount of ¥ 67 million (\$ 445 thousand).
- Increase during the fiscal year ended March 31, 2024 was mainly due to the expenditure of the guide signs of the coin parking business in amount of ¥ 71 million. Decrease during the fiscal year ended March 31, 2024 was mainly due to depreciation in amount of ¥ 63 million.
- (c) Fair value at March 31, 2025 and 2024 were principally measured based on the real estate appraisal assessed by the external real estate appraiser. In the case that there was a certain sales price under a contract, the sales price was adopted as the fair value.

10. Derivatives

Derivative financial instruments are utilized by the Company principally to reduce interest rate risk and foreign exchange rate risk. The Company has established a control environment which includes policies and procedures for risk assessment and for the approval, reporting and monitoring of transactions involving derivative financial instruments. The Company does not hold or issue derivative financial instruments for trading purposes.

At March 31, 2025 and 2024, the notional amounts and the estimated fair value of derivative financial instruments, for which deferred hedge accounting has been applied or has not been applied were none, respectively.

11. Shareholders' Equity

Changes in common stock and additional paid-in capital have resulted from the following:

	Number of shares issued	<i>Millions of yen</i>	
		Share capital	Capital surplus
Balance at March 31, 2023	40,150,000	¥ 11,900	¥ 11,679
Movement of stock during 2024	—	—	71
Balance at March 31, 2024	40,150,000	11,900	11,750
Movement of stock during 2025	—	—	130
Balance at March 31, 2025	40,150,000	¥ 11,900	¥ 11,880

	<i>Thousands of U.S. dollars</i>	
	Share Capital	Capital surplus
Balance at March 31, 2024	\$ 79,582	\$ 78,584
Movement of stock during 2025	—	868
Balance at March 31, 2025	\$ 79,582	\$ 79,452

Increase of capital surplus during 2025 and 2024 was mainly due to the disposal of treasury stock.

The Company adopted 100 shares of common stock as “unit amount of shares”. A holder of shares representing less than one unit cannot exercise any voting rights with respect to such shares. However, the holder is entitled to receive dividends and other distributions. A holder of a fraction of a unit may at any time request the Company to purchase such shares at the prevailing market price.

During 2025, the increase of treasury stock was due to the purchase of odd-lot shares (528 shares) and the acquisition without consideration associated with the retirement of object persons of the restricted stock compensation (1,550 shares).

The decrease of treasury stock was due to the disposal of treasury stock as restricted stock compensation (86,920 shares).

During 2024, the increase of treasury stock was due to the purchase of odd-lot shares (661 shares) and the acquisition without consideration associated with the retirement of object persons of the restricted stock compensation (720 shares), and purchase based on resolution of board of directors (73,800 shares). The decrease of treasury stock was due to the disposal of treasury stock as restricted stock compensation (86,030 shares).

12. Research and Development

Research and development expenditure which is included in “Selling, general and administrative expenses” were ¥ 1,939 million (\$ 12,965 thousand) and ¥ 1,589 million for the fiscal years ended March 31, 2025 and 2024, respectively.

13. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income, which in the aggregate resulted in a statutory tax rate of approximately 30.58% for the fiscal years ended March 31, 2025 and 2024. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2025 and 2024 were as follows.

As described “2. Summary of Significant Accounting Policies (p) Changes in accounting policies”, the changes in accounting policy in the current fiscal year have been applied retrospectively. Therefore the amount for the fiscal year ended March 31, 2024 is presented after the retrospective application.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2025	2024	2025
Deferred tax assets:			
Accrued Bonuses	¥ 794	¥ 738	\$ 5,308
Accrued corporation enterprise tax	193	68	1,291
Forecast of construction cost	45	50	299
Excess depreciation	472	428	3,160
Allowance for doubtful accounts	280	241	1,876
Provision for product warranties	277	265	1,852
Provision for loss on construction contracts	142	115	952
Net defined benefit liabilities	13	10	89
Loss on valuation of inventories	120	135	801
Loss on valuation of investment for subsidiaries and affiliates	53	66	353
Fixed assets – elimination of intercompany profits	200	200	1,337
Loss on impairment of fixed assets	171	166	1,143
Tax loss carry forward	303	351	2,025
Other	1,194	755	7,982
Deferred tax assets sub-total	4,257	3,588	28,468
Less valuation allowance relevant to tax loss carry forward	(290)	(326)	(1,937)
Less valuation allowance relevant to total deductible temporary difference	(1,124)	(1,046)	(7,515)
Valuation allowance sub-total	(1,414)	(1,372)	(9,452)
Total deferred tax assets	¥ 2,843	¥ 2,216	\$ 19,016

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2025	2024	2025
Deferred tax liabilities:			
Unrealized gain on investment securities	¥ (2,863)	¥ (3,268)	\$ (19,146)
Reduction reserve for fixed assets	(3,694)	(3,626)	(24,707)
Net defined benefit assets	(344)	(363)	(2,304)
Unrealized gain on subsidiaries' fixed assets by revaluation at the beginning of consolidation	(1,609)	(1,308)	(10,758)
Other	(142)	(42)	(950)
Total deferred tax liabilities	(8,652)	(8,607)	(57,865)
Net deferred tax assets (liabilities)	¥ (5,809)	¥ (6,391)	\$ (38,849)

(Note) Tax loss carry forward and related deferred tax assets by expiration periods were as follows.

At March 31, 2025

Millions of yen

	Within 1 year	After 1 year through 2years	After 2 year through 3years	After 3 year through 4years	After 4 year through 5years	After 5 years	Total
Tax loss carry forward	4	43	100	42	50	64	303
Valuation allowance	(4)	(43)	(100)	(42)	(50)	(51)	(290)
Deferred tax assets	—	—	—	—	—	13	13

At March 31, 2024

Millions of yen

	Within 1 year	After 1 year through 2years	After 2 year through 3years	After 3 year through 4years	After 4 year through 5years	After 5 years	Total
Tax loss carry forward	67	56	3	39	92	94	351
Valuation allowance	(67)	(56)	(3)	(39)	(92)	(69)	(326)
Deferred tax assets	—	—	—	—	—	25	25

At March 31, 2025

Thousands of U.S. dollars

	Within 1 year	After 1 year through 2years	After 2 year through 3years	After 3 year through 4years	After 4 year through 5years	After 5 years	Total
Tax loss carry forward	25	287	667	283	335	428	2,025
Valuation allowance	(25)	(287)	(667)	(283)	(335)	(340)	(1,937)
Deferred tax assets	—	—	—	—	—	88	88

- (a) Tax loss carry forward is shown as an amount multiplied by the statutory tax rate.
- (b) The deferred tax assets of ¥ 13 million (\$ 88 thousand) and ¥ 25 million were recognized for the balance of tax loss carry forward (an amount multiplied by the statutory tax rate) of ¥ 303 million (\$ 2,025 thousand) and ¥ 351 million at March 31, 2025 and 2024, respectively.

Valuation allowance has not been recognized in the portion of tax loss carryforward based on judgement of recoverability through future taxable income.

The reconciliation between the statutory tax rate and the effective income tax rate for the year ended March 31, 2025 was as follows:

	2025
Statutory tax rate	30.58%
Non-deductible expenses for income tax purpose	0.54
Non-taxable dividend income	(0.28)
Inhabitant per capita tax	1.01
Tax credit	(3.20)
Change in valuation allowance	1.79
Equity in earnings of affiliated companies	0.18
Change in Statutory tax rate	1.43
Other	0.91
Effective tax rate	32.96%

The reconciliation between the statutory tax rate and the effective income tax rate for the fiscal year ended March 31, 2024 was omitted because the difference is less than 5% of the statutory income tax rate.

Since the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 13 of 2025) passed the Diet on March 31, 2025, and the "Special Defense Corporate Tax" will be imposed starting from the consolidated fiscal year beginning on or after April 1, 2026.

As a result, the effective statutory tax rate has therefore been changed from 30.58% to 31.47% for the calculation of deferred tax assets and liabilities for temporary differences that are expected to be settled in the fiscal year starting April 1, 2026, or later.

Consequently, deferred tax liabilities (after deducting deferred tax assets), income taxes – deferred increased by ¥ 207 million (\$ 1,386 thousand), ¥126 million (\$ 839 thousand), and net unrealized gains (losses) on available-for-sale securities for the current fiscal year, remeasurements of defined benefit plans decreased by ¥77 million (\$ 517 thousand), ¥4 million (\$ 30 thousand), respectively.

14. Comprehensive Income

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2025	2024	2025
Unrealized gain on available-for-sale securities:			
Gains (Losses) arising during the year	¥ 303	¥ 4,392	\$ 2,030
Reclassification adjustments for gain (loss)	(1,907)	(47)	(12,756)
Amount before income taxes and income tax effect	(1,604)	4,345	(10,726)
Income taxes and income tax effect	413	(1,329)	2,759
Total	¥ (1,191)	¥ 3,016	\$ (7,967)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (319)	¥ 283	\$ (2,135)
Reclassification adjustments for gain (loss)	—	—	—
Amount before income taxes and income tax effect	(319)	283	(2,135)
Income taxes and income tax effect	—	—	—
Total	¥ (319)	¥ 283	\$ (2,135)
Remeasurements of defined benefit plans:			
Gains (Losses) arising during the year	¥ (285)	¥ 1,096	\$ (1,905)
Reclassification adjustments for gain (loss)	(202)	30	(1,349)
Amount before income taxes and income tax effect	(487)	1,126	(3,254)
Income taxes and income tax effect	144	(344)	963
Total	¥ (343)	¥ 782	\$ (2,291)
Share of other comprehensive income in affiliates accounted for by equity method:			
Gains (Losses) arising during the year	¥ 38	¥ 21	\$ 255
Reclassification adjustments for gain (loss)	—	—	—
Total	¥ 38	¥ 21	\$ 255
Total other comprehensive income	¥ (1,815)	¥ 4,102	\$ (12,138)

15. Trade Note Maturities

The following Trade notes receivable, Electronically recorded monetary claims - operating, Trade notes payable and Electronically recorded obligation - operating which matured but were not settled on March 31, 2024 because that day fell on a bank holiday, were included in the balance sheet as of March 31, 2024:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>	
	2025	2024	2025	
Trade notes receivable	¥ —	¥ 296	\$ —	
Electronically recorded monetary claims - operating	—	260	—	
Trade notes payable	—	77	—	
Electronically recorded obligation - operating	—	2,586	—	

16. Provision of reserve for Losses on Construction Contracts

Provision of reserve for losses on construction contracts included in Cost of Sales were ¥ 394 million (\$ 2,638 thousand) and ¥ 239 million for the fiscal years ended March 31, 2025 and 2024, respectively.

17. Revenue from Contracts with Customers

(1) Disaggregation of revenue

Disaggregation of revenue is disclosed in Note 20.

(2) Basic information to understand revenue from contracts with customers

Basic information to understand revenue from contracts with customers is disclosed in Note 2(i).

(3) Contract balances

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2025	2024	2025
Receivables from contracts with customers (beginning balance)	¥ 43,413	¥ 34,999	\$ 290,333
Receivables from contracts with customers (ending balance)	42,335	43,413	283,116
Contract assets (beginning balance)	2,287	1,715	15,294
Contract assets (ending balance)	2,762	2,287	18,470
Contract liabilities (beginning balance)	395	369	2,639
Contract liabilities (ending balance)	2,053	395	13,727

Contract assets are primarily consideration for on-going construction. Contract liabilities are advances received on construction contracts in progress and sales of specialty trucks. Contract liabilities are included in other current liabilities in the accompanying consolidated balance sheets.

Of the revenue recognized during the fiscal year ended March 31, 2025, the amount included in contract liabilities at the beginning of the fiscal year was ¥ 390 million (\$ 2,605 thousand), and during the year ended March, 31, 2024, it was ¥ 369 million.

The increase of contract assets for the fiscal year ended March 31, 2025 and 2024 were mainly due to the recognition of revenue from of on-going construction, and increase of construction projects, respectively.

The increase of contract liabilities for the fiscal year ended March 31, 2025 was mainly due to the increase of advances received on construction contracts in progress.

The decrease of contract liabilities for the fiscal year ended March 31, 2024 was mainly due to the transfer to revenue from advances received on construction contracts in progress.

(4) Transaction price allocated to the remaining performance obligations

The Group applies the practical expedient and the contracts whose initial expected terms are 1 year or less aren't included in the note of transaction price allocated to the remaining performance obligations.

Performance obligations mainly relate to the manufactures and sales of specialty trucks and "Maintenance pack contract" in "Specialty truck business" and construction contracts such as construction of recycling facilities and comprehensive maintenance contracts in "Environmental equipment and systems business".

The total amount of transaction price allocated to the remaining performance obligations by prospective satisfaction period at March 31, 2025 and 2024 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2025	2024	2025
Within 1 year	¥ 41,441	¥ 40,569	\$ 277,142
After 1 year through 2 years	24,304	13,109	162,538
After 2 year through 3 years	27,207	4,071	181,953
After 3 years	15,182	29,892	101,530
Total	¥ 108,134	¥ 87,641	\$ 723,163

In terms of transaction price related to construction contracts, the amount was allocated based on the timing of prospective completion due to uncertain ratio of the cost incurred for each year. They approximately will be completed within 3 years and revenue will be recognized.

18. Supplemental cash flow information

Assets and liabilities of STG Global Holdings Pty Ltd and 13 companies (“STG”) that have been included in the scope of consolidation as a result of the purchase of all shares, the purchase amount of shares and the expenditures associated with the purchase of shares were as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Current assets	¥ 7,448	\$ 49,812
Non-current assets	1,520	10,167
Customer-related assets	859	5,744
Other intangible assets	286	1,915
Goodwill	7,291	48,761
Current liabilities	(4,766)	(31,872)
Non-current liabilities	(2,414)	(16,147)
Deferred tax liabilities	(343)	(2,298)
Purchase amount of shares of STG	9,881	66,082
Cash and cash equivalents of STG	(261)	(1,748)
Expenditures associated with the purchase of shares	¥ (9,620)	\$ (64,334)

19. Business Combination

(Business combination through acquisitions)

The Company resolved, at the meeting of board of directors held on November 12, 2024, to acquire the stocks of STG Global Holdings Pty Ltd (“STG”) through Kyokuto Australia Holdings Pty Ltd (“Kyokuto Australia Holdings”) which was newly established, and Kyokuto Australia had acquired 100% of the STG’s shares on December 2, 2024. As a result, STG and its affiliates have become affiliates of the Company.

(a) Summary of the business combination

(i) Name of the acquired company and its business description

Name: STG Global Holdings Pty Ltd

Business description: Holding company

※ The affiliates of STG operate manufacturing and sales of special purpose vehicles.

(ii) Major reason for the business combination

STG and its affiliates have their main manufacturing base in China and are expanding the special purpose vehicles business mainly in Australia. The purpose of incorporating STG into the Group is to effectively and fully utilize synergy such as “improving efficiency and profitability by utilizing / integrating the companies’ base in Australia and China”, “cross-selling primarily in the Japanese and Australian markets by leveraging the highly complementary product line-up of both companies”, “obtaining the platform for entering the North American and European markets”, to contribute to consolidated financial results in the early and middle and long-term, and to further expand the business and performance and strengthen the global expansion.

(iii) Date of the business combination

December 2, 2024

The date of acquisition for preparing the consolidated financial statements is December 31, 2024.

(iv) Legal form of the business combination

Share acquisition

(v) Name of the acquired company after the business combination

Not changed

(vi) Ratio of the acquired voting rights

100%

(vii) Basis for determination of the acquiring company

Kyokuto Australia Holdings which is a subsidiary of the Company acquired the 100% of the STG's shares in exchange for cash.

(b) Period for which the operation of the acquired company is included in the accompanying consolidated financial statements

From October 1, 2024 to December 31, 2024

The Company consolidates the consolidated financial statements of the acquired companies based on their provisional financial statements as of December 31, significant inter-company transactions between provisional settlement date and consolidated balance sheet date are adjusted for consolidation.

(c) Acquisition cost and details of the consideration by its class

	<i>Thousands of</i>	
	<i>Millions of yen</i>	<i>U.S. dollars</i>
Consideration for acquisition by cash	¥ 9,881	\$ 66,082

Price adjustment of acquisition cost after the share acquisition have not been completed, and the acquisition cost has not been determined as of the end of this fiscal year.

(d) Major acquisition-related costs and their natures

	<i>Thousands of</i>	
	<i>Millions of yen</i>	<i>U.S. dollars</i>
Advisory fees and commissions etc.	¥ 488	\$ 3,266

(e) Amount of goodwill recognized, reasons for recognition and method and period of amortization of goodwill

(i) Amount of goodwill recognized

¥ 7,291 million (\$ 48,761 thousand)

(ii) Reasons for recognition

Goodwill arose from expected excess earnings power from business development in the future.

(iii) Method and period of amortization of goodwill

Goodwill is amortized on a straight-line basis over 10 years.

- (f) Amounts of the assets acquired and the liabilities assumed on the business combination date and their major details

	<i>Thousands of</i>	
	<i>Millions of yen</i>	<i>U.S. dollars</i>
Current assets	¥ 7,448	\$ 49,812
Non-current assets	1,520	10,167
Total assets	¥ 8,968	\$ 59,979
Current liabilities	¥ 4,766	\$ 31,872
Non-current liabilities	2,414	16,147
Total liabilities	¥ 7,180	\$ 48,019

- (g) If the business combination had been completed at the beginning of the current year, the estimated financial effects on the consolidated statement of income for the current year would have been as follows.

	<i>Thousands of</i>	
	<i>Millions of yen</i>	<i>U.S. dollars</i>
Net sales	¥ 10,748	\$ 71,877
Operating income	773	5,173

(Method of calculating estimated financial effects)

The estimated financial effects are the differences between net sales and profit/loss information calculated assuming that the business combination had been completed at the beginning of the current year, and net sales and profit/loss information of the acquired company in the consolidated statement of income. This note is unaudited.

20. Segment Information

(1) Description of reportable segments

The Group's reportable segments are those for which separately financial information is available and regular evaluation by the Board of Directors is being performed in order to decide how resources are allocated among the Group. The Group conducts several types of businesses including specialty truck business, environmental equipment and systems and real estate rental business. The Company and its consolidated subsidiaries are engaged in each business as an independent management unit. The Group consists of three reportable segments, which are "Specialty truck" (Industry A), "Environmental equipment and systems" (Industry B) and "Parking and other operations" (Industry C). Industry

A manufactures and distributes specialty trucks such as dump trucks, tailgate lifters, tank trucks, refuse trucks, trailers, etc. Industry B manufactures and distributes recycle facilities, including maintenance and consignment business. Industry C manufactures multistory parking equipment and offers operating services for toll parking.

(2) Methods of measurement for the amounts of sales, profit, assets, liabilities, and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, “Summary of Significant Accounting Policies”. Intersegment sales or transfers are based on the market prices.

(3) Information about sales, profit, assets and other items for the fiscal years ended March 31, 2025 and 2024 were as follows:

					<i>Millions of yen</i>	
	<i>Reportable segments</i>				Reconciliations (Note a)	Consolidated (Note b)
	Industry A	Industry B	Industry C	Total		
2025						
Net sales:						
Goods or service transferred at a point in time	¥ 118,516	¥ 4,958	¥ 7,053	¥ 130,527	—	¥ 130,527
Goods or service transferred over time	112	9,235	—	9,347	—	9,347
Revenue from contracts with customers	118,628	14,193	7,053	139,874	—	139,874
Other revenue	56	—	520	576	—	576
External customers	118,684	14,193	7,573	140,450	—	140,450
Intersegment sales or transfers	25	—	615	640	(640)	—
Total	118,709	14,193	8,188	141,090	(640)	140,450
Segment profit	4,676	2,772	848	8,296	(1,640)	6,656
Segment assets	116,923	9,620	9,648	136,191	51,557	187,748
Other items:						
Depreciation	3,412	65	367	3,844	88	3,932
Increase in tangible and intangible fixed assets	7,858	190	297	8,345	0	8,345

(a) Reconciliations of segment profit in an amount of ¥ (1,640) million which consisted of elimination of intersegment transactions in an amount of ¥ 9 million and corporate expenses which were not allocated to each reportable segment in an amount of ¥ (1,649) million. Corporate expenses were mainly general administrative expenses not attributable to any other reportable segments.

Reconciliations of segment assets were surplus fund (Cash and deposits and Short-term securities), long-term investment fund (Investment securities), and head office building (Property, plant and equipment) of the Company.

(b) Segment profit was reconciled with operating income in the consolidated statements of income.

Millions of yen

	Reportable segments				Reconciliations (Note a)	Consolidated (Note b)
	Industry A	Industry B	Industry C	Total		
2024						
Net sales:						
Goods or service transferred at a point in time	¥ 106,946	¥ 4,434	¥ 6,604	¥ 117,984	—	¥ 117,984
Goods or service transferred over time	107	9,388	—	9,495	—	9,495
Revenue from contracts with customers	107,053	13,822	6,604	127,479	—	127,479
Other revenue	58	—	489	547	—	547
External customers	107,111	13,822	7,093	128,026	—	128,026
Intersegment sales or transfers	3	—	607	610	(610)	—
Total	107,114	13,822	7,700	128,636	(610)	128,026
Segment profit	2,452	2,644	781	5,877	(1,052)	4,825
Segment assets	100,420	11,339	13,157	124,916	45,501	170,417
Other items:						
Depreciation	2,568	69	300	2,937	88	3,025
Increase in tangible and intangible fixed assets	9,816	51	1,543	11,410	—	11,410

(a) Reconciliations of segment profit in an amount of ¥ (1,052) million which consisted of elimination of intersegment transactions in an amount of ¥ 12 million and corporate expenses which were not allocated to each reportable segment in an amount of ¥ (1,064) million. Corporate expenses were mainly general administrative expenses not attributable to any other reportable segments.

Reconciliations of segment assets were surplus fund (Cash and deposits and Short-term securities), long-term investment fund (Investment securities), and head office building (Property, plant and equipment) of the Company.

(b) Segment profit was reconciled with operating income in the consolidated statements of income.

(c) As described "2. Summary of Significant Accounting Policies (p) Changes in accounting policies", the changes in accounting policy in the current fiscal year have been applied retrospectively. Therefore the segment information for the fiscal year ended March 31, 2024 is presented after the retrospective application.

Thousands of U.S. dollars

	Reportable segments				Reconciliations (Note a)	Consolidated (Note b)
	Industry A	Industry B	Industry C	Total		
2025						
Net sales:						
Goods or service transferred at a point in time	\$ 792,590	\$ 33,157	\$ 47,166	\$ 872,913	—	\$ 872,913
Goods or service transferred over time	748	61,766	—	62,514	—	62,514
Revenue from contracts with customers	793,338	94,923	47,166	935,427	—	935,427
Other revenue	372	—	3,477	3,849	—	3,849
External customers	793,710	94,923	50,643	939,276	—	939,276
Intersegment sales or transfers	169	—	4,113	4,282	(4,282)	—
Total	793,879	94,923	54,756	943,558	(4,282)	939,276
Segment profit	31,273	18,539	5,666	55,478	(10,963)	44,515
Segment assets	781,935	64,340	64,521	910,796	344,793	1,255,589
Other items:						
Depreciation	22,820	432	2,457	25,709	590	26,299
Increase in tangible and intangible fixed assets	52,549	1,272	1,985	55,806	2	55,808

(a) Reconciliations of segment profit in an amount of \$ (10,963) thousand which consisted of elimination of intersegment transactions in an amount of \$ 62 thousand and corporate expenses which were not allocated to each reportable segment in an amount of \$ (11,025) thousand. Corporate expenses were mainly general administrative expenses not attributable to any other reportable segments.

Reconciliations of segment assets were surplus fund (Cash and deposits and Short-term securities) and long-term investment fund (Investment securities) , and head office building (Property, plant and equipment) of the Company.

(b) Segment profit was reconciled with operating income in the consolidated statements of income.

(4) Amortization and unamortized balances of goodwill by reportable segment for the fiscal years ended March 31, 2025 and 2024 were as follows:

<i>Millions of yen</i>					
	Industry A	Industry B	Industry C	Reconciliations	Consolidated
2025					
Amortization	¥ 285	¥ –	¥ –	¥ –	¥ 285
Unamortized balances	7,629	–	–	–	7,629

<i>Millions of yen</i>					
	Industry A	Industry B	Industry C	Reconciliations	Consolidated
2024					
Amortization	¥ 98	¥ –	¥ –	¥ –	¥ 98
Unamortized balances	662	–	–	–	662

<i>Thousands of U.S. dollars</i>					
	Industry A	Industry B	Industry C	Reconciliations	Consolidated
2025					
Amortization	\$ 1,905	\$ –	\$ –	\$ –	\$ 1,905
Unamortized balances	51,021	–	–	–	51,021

21. Subsequent Event

(Appropriations of the Company's retained earnings)

The following appropriations of the Company's retained earnings in respect of the fiscal year ended March 31, 2025 were as proposed by the Board of Directors and approved by the shareholders at the annual general meeting held on June 27, 2025.

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends of ¥ 83 (\$ 0.56) per share	¥ 3,189	\$ 21,326

(Disposal of Treasury Shares as Restricted Stock Compensation)

The Company has resolved, at the meeting of board of directors held on June 27, 2025, to dispose of treasury shares as follows.

1. Outline of the disposal

(1) Payment date	July 24, 2025
(2) Type and number of shares to be disposed	Common stock of the Company: 25,000 shares
(3) Disposal value	¥ 2,665 (\$ 17.82) per share
(4) Total amount of disposal	¥ 66,625,000 (\$ 445,563)
(5) Allottees, number of allottees, and number of shares to be disposed of	- Directors of the Company (excluding Outside Directors) 5 persons and 8,100 shares - Executive Officers who do not hold concurrent position as Director of the Company 15 persons and 10,400 shares - Directors of the domestic subsidiaries of the Company 17 persons and 5,500 shares - Executive Officers who do not hold concurrent serve as Director of the domestic subsidiaries of the Company 5 persons and 1,000 shares

2. Purposes and reasons of the disposal

The Company resolved at the Board of Directors meeting held on May 13, 2021, to introduce a restricted stock compensation plan (hereinafter, the “Plan”) as a new compensation system for relevant Directors and other officers. The purpose is to provide the Company’s Directors (excluding Outside Directors), the Company’s Executive Officers, etc. who do not concurrently serve as Directors of the Company, and Directors of domestic subsidiaries of the Company as well as Executive Officers of domestic subsidiaries who do not concurrently serve as Directors (hereinafter, collectively referred to as the “Eligible Directors, etc.”) with an incentive to promote sustainable enhancement of corporate value of the Company. Another purpose is to further share value with shareholders. In addition, at the 86th Annual General Meeting of Shareholders held on June 25, 2021, it was approved that, based on the Plan, the Company will pay monetary

claims of up to ¥ 50 million (\$ 334 thousand) per year to the Eligible Directors as monetary compensation to be used as assets for investment in acquiring restricted shares (hereinafter, the “Restricted Stock Compensation”). It was also approved that the Company may issue or dispose of up to 50,000 shares of common stock of the Company per year, and it set a transfer restriction period of three years for the restricted shares among other conditions.

(Provision for losses related to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade)

As announced in the “Notice Concerning Receipt of a notice of hearing of opinions from the Japan Fair Trade Commission” dated June 30, 2025, the Company and Nippon Trex Co., Ltd., the subsidiary of the Company (hereinafter, “Both Companies”) received a notice of hearing of opinions from the Japan Fair Trade Commission regarding a cease and desist order (draft) and surcharge payment order (draft) under the under the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (hereinafter, the “Notice of Hearing”).

As a result, based on current estimates, the Company has recorded a provision for losses related to said Act. by ¥ 5,926 million (\$ 39,628 thousand) in the first quarter of the fiscal year ending March 31, 2026. The amount is the Both Companies’ estimate based on the surcharge payment order (draft) the Both Companies received and may change in accordance with future progress.

Both Companies will carefully review and confirm the contents of the Notice of Hearing, and upon receiving an explanation from the Commission, will carefully consider how to respond to this matter.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of KYOKUTO KAIHATSU KOGYO CO., LTD.

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 21. Subsequent Event (Provision for losses related to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade) to the consolidated financial statements, which describes the Company has recorded a provision for losses related to said Act. by ¥ 5,926 million (\$ 39,628 thousand) in the first quarter of the fiscal year ending March 31, 2026. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Appropriateness of accounting treatments for business combination through share acquisition of STG Global Holdings Pty Ltd	
Description of Key Audit Matter	Auditor's Response
As stated in Note No.19 Business Combination to the consolidated financial statements, the Company acquired 100% of the issued share capital of STG Global Holdings Pty Ltd. ('STG') through Kyokuto Australia Holdings Pty Ltd('KAH') on 2 December 2024, making STG and its group companies ('STG Group') subsidiaries. The acquisition cost was JPY 9,881 million and the Company recognized and measured the identifiable assets and assumed liabilities based on the calculated value by the external experts.	We principally performed the following audit procedures to assess appropriateness of the accounting treatment for the business combination. - We assessed effectiveness of the design and operation of internal control related to the recognition of the identifiable assets and assumed liabilities - We reviewed the minutes of the board directors and the management meeting and the related documents, the contract, to understand the purpose of the share acquisition, and the content and the environment of business in STG group.

As a result, the Company recorded the customer-related asset of JPY 858 million, the other intangible asset of JPY 286 million and the goodwill of JPY 7,291 million. For allocating the acquisition cost, the Company used the significant assumptions related to the future sales forecast generated from the relationship of the customers, the future market growth rate in Australia and the discount rate calculating for the value measurement. The business combination by shares acquisition is quantitatively significant and complicated. Additionally, the significant assumptions require management's subjective judgment and inherent uncertainty. Therefore, we determined this matter to be a key audit matter.	-We examined the consistency of the acquisition cost and the value of the intangible assets by reviewing the report of the valuation of the shares, the intangible assets, and due diligence report. -We assessed the adequacy, the ability and the objectivity of the management's experts. We assessed the reasonableness of the valuation model for calculating the intangible assets. We assessed the appropriateness of significant assumptions related to the future sales forecast, the business plan for the income from the operations and the calculation method of the discount rate by comparison and analysis with available external data on growth rates and other reliable information and trend analysis based on past performance.
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Evaluation of goodwill and Customer-related assets etc.	
Description of Key Audit Matter	Auditor's Response
As stated in Note No.2 Summary of Significant Accounting Policies (o)"Significant Accounting Estimates", "Goodwill and Customer-related assets etc." to the consolidated financial statements, The Company recorded the goodwill, the customer-related assets and the other intangible assets of JPY 7,629 million, JPY 1,189 million and JPY142 million in the Consolidated Financial Statements. In these assets, the Company recognized the goodwill, the customer-related assets and the other intangible assets of JPY 7,090 million, JPY 803 million and JPY 142 million which have arisen from that the Company acquired 100% of the issued share capital of STG through KAH on 2 December 2024 and made STG Group subsidiaries. Although the goodwill is amortized in every fiscal year, in case of the indication of impairment, the Company would determine to recognize impairment loss comparing the carrying amount to discounting estimated future cash flows from the unit which the goodwill has been allocated If the carrying amount of the unit exceeds the recoverable amount of the unit, the Company must recognize impairment loss and reduce the carrying amount to the recoverable amount. The amounts allocated to the goodwill and the customer-related assets etc. were	We principally performed the following audit procedures to assess appropriateness of the evaluation of goodwill and customer-related assets etc. - We assessed effectiveness of the design and operation of internal control related to the evaluation of goodwill and customer-related assets etc. -We understood whether there was the deterioration of the excess earning power expected at the acquisition date and the variation of business environment. -We assessed the appropriateness of market growth rate in Australia which is the significant assumptions related to the business plan and the estimation for future cash flow by the comparison with available external the information. -We made inquiries the CEO in STG Group to understand and assess the appropriateness of the business plan of management.

relatively large. Therefore, the Company identified the indication of impairment, whereas the Company did not recognize the impairment loss because the undiscounted future cash flow at the end of the consolidated fiscal year clearly exceeded the book value of the asset group including the goodwill and the customer-related assets etc. The major assumptions of the business plan based on undiscounted future cash flow is the future market growth rate in Australian market, which involves management's subjective judgment and inherent uncertainty. The evaluation of goodwill and customer-related assets etc. related to STG Group is especially significant. Therefore, we determined this matter to be a key audit matter.	
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Other Information

The other information comprises the information included in a disclosure document that contains audited consolidated financial statements but does not include the consolidated financial statements and our audit report thereon. Management is responsible for preparation and disclosure of the other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Group's reporting process of 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, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error

and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, for the risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Fee-related Information

The fees for the audits of the financial statements of KYOKUTO KAIHATSU KOGYO CO., LTD. and its subsidiaries and other services provided by us and other PKF member firms for the year ended March 31, 2025 are 54 million yen and 0 million yen, respectively.

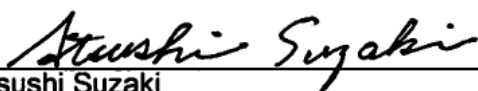
Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2025 are presented solely for convenience. Our audit also included the translation of Japanese yen amount into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

PKF Hibiki Audit Corporation
Osaka, Japan
August 8th, 2025


Atsushi Suzaki
Representative Partner
Engagement Partner
Certified Public Accountant


Sayo Uno
Engagement Partner
Certified Public Accountant

CORPORATE INFORMATION

Kyokuto Kaihatsu Kogyo Co., Ltd.

Established: June 1, 1955

Paid-in Capital: 11,899,867,400 yen (March 31, 2025)

Number of Employees: consolidated 3,481; non-consolidated 1,180 (March 31, 2025)

Headquarters:

Kyokuto Group Head Office Building, 2-5-11, Awajimachi, Chuo-ku, Osaka,
541-8519, Japan

Tel.+81-6-6205-7800, Fax.+81-6-6205-7830

Tokyo Office (Overseas Business Department):

3-15-10, Higashi-shinagawa, Shinagawa-ku, Tokyo, 140-0002, Japan

Tel.+81-3-5781-9828, Fax+81-3-5781-3431

Domestic Plants:

Yokohama Plant

Occupies 96,657 m²

Located in Yamato, Kanagawa (Japan)

Nagoya Plant

Occupies 109,611 m²

Located in Komaki, Aichi (Japan)

Miki Plant

Occupies 100,728 m²

Located in Miki, Hyogo (Japan)

Fukuoka Plant

Occupies 43,503 m²

Located in Iizuka, Fukuoka (Japan)

Head Plant of NIPPON TREX Co., Ltd.

Occupies 125,285 m²

Located in Toyokawa, Aichi (Japan)

Otowa Plant of NIPPON TREX Co., Ltd.

Occupies 20,889 m²

Located in Toyokawa, Aichi (Japan)

Mito Plant of NIPPON TREX Co., Ltd.

Occupies 36,367 m²

Located in Toyokawa, Aichi (Japan)

Overseas Plants:

Plant of KYOKUTO KAIHATSU (KUNSHAN) MACHINERY CO., LTD.

Occupies 83,140 m²

Located in Kunshan, Jiangsu (China)

Plant of SATRAC ENGINEERING PRIVATE LIMITED

Occupies 24,292 m²

Located in Nidavanda Village, Nelmangala, Bangalore (India)

Plant of PT KYOKUTO INDOMOBIL MANUFACTURING INDONESIA

Occupies 20,028 m²

Located in Purwakarta, Jawa Barat (Indonesia)

Plant of STG GLOBAL HOLDINGS PTY LTD

Occupies 35,500 m²

Located in Dandenong South, VIC (Australia)

Plant of FOSHAN YANDE GENERAL EQUIPMENT CO., LTD.

Occupies 7,674 m²

Located in Foshan, Guangdong (China)

Plant of STG GLOBAL CORP.

Occupies 9,765 m²

Located in Subic Bay Freeport Zone, Zambales (Philippines)

BOARD OF DIRECTORS AND STATUTORY AUDITORS

Tatsuya Nunohara,	Representative Director, President, CEO
Takeo Norimitsu,	Representative Director, Senior Managing Director, Senior Managing Executive Officer
Noboru Horimoto,	Director, Associate Senior Executive Officer
Teruyuki Kizu,	Director, Associate Senior Executive Officer
Tetsuya Ichimura,	Director, Executive Officer
Hiroyuki Terakawa,	Outside Director
Keiko Kaneko,	Outside Director
Takanobu Tomohiro,	Outside Director
Akira Sakurai,	Standing Auditor
Hiroaki Kuriyama,	Auditor
Kuniaki Fujiwara,	Outside Corporate Auditor
Nobuhiro Asada,	Outside Corporate Auditor
Fumihiro Takasaki,	Associate Senior Executive Officer
Yukihiro Hosozawa,	Executive Officer
Shinichi Takahama,	Executive Officer
Yutaka Yoshida,	Executive Officer
Masashi Ushio,	Executive Officer
Shinsaku Chijiiwa,	Executive Officer
Tatsuya Nomura,	Executive Officer
Keisuke Iwata,	Executive Officer
Koh Yamamoto,	Executive Officer
Shigeyuki Satake,	Executive Officer
Satoshi Okamoto,	Executive Officer
Takahiro Okazaki,	Executive Officer
Hideyuki Kurisue,	Executive Officer
Masaki Ueyama,	Executive Officer
Kazuhiko Akatsuka,	Executive Officer

A research report by Shared Research

We have released a research report by Shared Research Inc. to help investors better understand our company. We hope this will help you understand our business better.



<https://sharedresearch.jp/en/companies/7226>