Consolidated Financial Statements

MITSUI E&S Co., Ltd.
and Consolidated Subsidiaries

For the Years ended March 31,
2024 and 2023
Together with Independent
Auditor's Report

MITSUI E&S

Contents

Definition of Abbreviations

Abbreviations	Definition
the Group	MITSUI E&S Co., Ltd. and its consolidated subsidiaries (MITSUI E&S Group)
the Company	MITSUI E&S Co., Ltd. on a standalone basis
FY2022	Fiscal year ended March 31, 2023
FY2023	Fiscal year ended March 31, 2024

Exchange Rate During the Period

Currency	FY2023
U.S. Dollar	151.41 yen

Consolidated Financial Statements

Consolidated Balance Sheets

As of March 31, 2024 and 2023

ASSETS

	Japanese Yen (millions)		U.S. Dollars (thousands)(Note 1(a))
Current Assets	FY2023	FY2022	FY2023
Cash and time deposits (Note 2(g))	¥ 35,571	¥ 45,804	$ 234,932
Receivables			
Trade, and contract assets (Notes 2(b) and 2(i))	96,283	81,851	635,909
Others	6,674	6,586	44,079
Allowance for doubtful accounts	(801)	(354)	(5,290)
Merchandise and finished goods	9,683	6,096	63,952
Raw materials and supplies	8,437	6,137	55,723
Work in progress	49,602	46,799	327,600
Others	17,788	19,710	117,482
Total current assets	223,237	212,629	1,474,387
Property, Plant and Equipment			
Land (Notes 2(f) and 2(g))	67,699	68,544	447,123
Buildings and structures (Note 2(g))	114,621	115,911	757,024
Machinery, equipment and vehicles	83,563	82,462	551,899
Lease assets	13,727	12,747	90,661
Construction in progress	3,627	3,166	23,955
	283,237	282,830	1,870,662
Less accumulated depreciation (Note 2(c))	(167,250)	(167,063)	(1,104,616)
Net property, plant and equipment (Note 2(h))	115,987	115,767	766,046
Intangible Assets			
Intangible assets	15,607	15,503	103,078
Investments and Other Assets			
Investment securities (Notes 2(a) and 2(g))	76,137	68,802	502,853
Long-term loans (Note 2(g))	2,120	2,126	14,002
Net defined benefit assets	17,109	9,957	112,998
Deferred tax assets	5,597	2,984	36,966
Others (Note 2(a))	11,474	12,477	75,781
Allowance for doubtful accounts	(127)	(285)	(839)
Total investments and other assets	112,310	96,061	741,761
Total assets	¥ 467,141	¥ 439,960	$ 3,085,272

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

LIABILITIES AND NET ASSETS

	Japanese Yen (millions)		U.S. Dollars (thousands)(Note 1(a))
Current Liabilities	FY2023	FY2022	FY2023
Short-term borrowings (Notes 2(j) and 2(k))	¥ 149,785	¥ 115,246	$ 989,268
Current portion of long-term indebtedness (Note 2(g))	1,411	14,375	9,319
Lease obligations	2,076	1,863	13,711
Trade payables (Note 2(i))	64,733	54,939	427,535
Contract liabilities	30,809	25,300	203,481
Accrued income taxes	2,195	797	14,497
Provision for losses on construction contracts	4,326	14,026	28,571
Provision for construction warranties	2,934	2,403	19,378
Provision for bonuses	5,199	4,059	34,337
Provision for demolition and removal	810	-	5,350
Others	16,086	53,972	106,241
Total current liabilities	280,364	286,980	1,851,688
Long-term Liabilities			
Long-term indebtedness (Note 2(g))	10,817	11,928	71,442
Lease obligations	6,572	7,061	43,405
Provision for business restructuring	758	853	5,006
Net defined benefit liabilities	4,617	5,049	30,494
Deferred tax liabilities			
On revaluation reserve for land (Note 2(f))	12,012	12,242	79,334
Others	909	1,846	6,003
Asset retirement obligations	2,097	1,729	13,850
Others (Note 2(l))	2,484	1,586	16,406
Total long-term liabilities	40,266	42,294	265,940
Total liabilities	320,630	329,274	2,117,628
Net Assets			
Share capital	8,846	3,830	58,424
Capital surplus	11,805	10,553	77,967
Retained earnings	67,057	42,292	442,885
Treasury stock	(4,624)	(4,633)	(30,540)
Net unrealized holding gains on securities	1,269	48	8,381
Unrealized gains on hedging derivatives	5,642	8,310	37,263
Revaluation reserve for land (Note 2(f))	27,098	27,601	178,971
Foreign currency translation adjustments	12,925	10,692	85,364
Remeasurements of defined benefit plans	11,993	7,711	79,209
Subscription rights to shares	88	133	581
Non-controlling interests	4,412	4,149	29,139
Total net assets	146,511	110,686	967,644
Total liabilities and net assets	¥ 467,141	¥ 439,960	$ 3,085,272

Consolidated Statements of Operations

For the Years Ended March 31, 2024 and 2023

	Japanese Yen (millions)		U.S. Dollars (thousands)(Note 1(a))
	FY2023	FY2022	FY2023
Net Sales (Note 3(a))	¥ 301,875	¥ 262,301	$ 1,993,759
Cost of Sales (Notes 3(c), 3(g) and 3(h))	254,632	225,376	1,681,739
Gross Profit	47,243	36,925	312,020
Selling, general and administrative expenses (Notes 3(b) and 3(c))	27,613	27,549	182,372
Operating income	19,630	9,376	129,648
Other Income (Expenses)			
Interest and dividend income	789	597	5,211
Interest expenses	(4,289)	(2,882)	(28,327)
Commission expenses	(3,915)	(2,420)	(25,857)
Share of profit of entities accounted for using equity method	7,675	3,811	50,690
Foreign currency exchange gains	745	4,610	4,921
Gain on disposal of non-current assets (Note 3(d))	267	185	1,763
Gain on sales of investment securities	-	686	-
Gain on sales of subsidiaries and affiliates’ stocks	2,079	2,836	13,731
Gain on bargain purchase	1,318	-	8,705
Insurance income	-	1,337	-
Loss on disposal of non-current assets (Note 3(e))	(222)	(173)	(1,466)
Loss on impairment of non-current assets (Note 3(f))	(1,454)	-	(9,603)
Loss on sales of subsidiaries and affiliates’ stocks	-	(274)	-
Loss on change in equity	(1,075)	-	(7,100)
Loss from overseas remittance	(681)	-	(4,498)
Provision for demolition and removal	(810)	-	(5,350)
Loss due to transportation accidents	-	(1,041)	-
Loss on liquidation of business	(719)	(108)	(4,749)
Others, net	77	(560)	509
Total	(215)	6,604	(1,420)
Profit before income taxes	19,415	15,980	128,228
Income Taxes			
Current	2,729	1,371	18,024
Deferred	(8,641)	(1,011)	(57,070)
	(5,912)	360	(39,046)
Profit	25,327	15,620	167,274
Profit attributable to non-controlling interests	275	66	1,816
Profit attributable to owners of parent	¥ 25,052	¥ 15,554	$ 165,458

Consolidated Statements of Comprehensive Income

For the Years Ended March 31, 2024 and 2023

	Japanese Yen (millions)		U.S. Dollars (thousands)(Note 1(a))
	FY2023	FY2022	FY2023
Profit	¥ 25,327	¥ 15,620	$ 167,274
Other comprehensive income (Note 4)			
Net unrealized holding gains (losses) on securities	1,211	(572)	7,998
Unrealized losses on hedging derivatives	(7)	(848)	(46)
Foreign currency translation adjustments	3,337	2,463	22,039
Remeasurements of defined benefit plans	4,340	(1,111)	28,664
Share of other comprehensive income of affiliates accounted for using equity method	(3,783)	21,921	(24,985)
Total	5,098	21,853	33,670
Comprehensive income	¥ 30,425	¥ 37,473	$ 200,944
Comprehensive income attributable to			
Owners of parent	¥ 30,121	¥ 37,400	$ 198,937
Non-controlling interests	¥ 304	¥ 73	$ 2,007

Consolidated Statements of Changes in Net Assets

For the Years ended March 31, 2024 and 2023

	Japanese Yen (millions)											
	Shareholders' equity				Accumulated other comprehensive income							
	Share capital	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains (losses) on securities	Unrealized gains (losses) on hedging derivatives	Revaluation reserve for land	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Subscription rights to shares	Non-controlling interests	Total net assets
Balance as of April 1, 2022	¥ 44,385	¥ 18,132	¥ (33,278)	¥ (4,664)	¥ 615	¥ (5,960)	¥ 27,603	¥ 2,120	¥ 8,138	¥ 124	¥ 5,734	¥ 62,949
Issuance of new shares	6,330	4,957										11,287
Capital reduction	(46,885)	46,885										-
Deficit disposition		(60,015)	60,015									-
Profit attributable to owners of parent			15,554									15,554
Purchases of treasury stock				(1)								(1)
Sales of treasury stock		(7)		32								25
Transfer from revaluation reserve for land			1									1
Change in ownership interest of parent due to transactions with non-controlling interests		601										601
Net changes of items other than those in Shareholders' equity					(567)	14,270	(2)	8,572	(427)	9	(1,585)	20,270
Total changes during the year	(40,555)	(7,579)	75,570	31	(567)	14,270	(2)	8,572	(427)	9	(1,585)	47,737
Balance as of April 1, 2023	¥ 3,830	¥ 10,553	¥ 42,292	¥ (4,633)	¥ 48	¥ 8,310	¥ 27,601	¥ 10,692	¥ 7,711	¥ 133	¥ 4,149	¥ 110,686
Issuance of new shares	5,016	1,255										6,271
Cash dividends paid			(791)									(791)
Profit attributable to owners of parent			25,052									25,052
Purchases of treasury stock				(4)								(4)
Sales of treasury stock		(3)		13								10
Transfer from revaluation reserve for land			504									504
Change in ownership interest of parent due to transactions with non-controlling interests		0										0
Net changes of items other than those in Shareholders' equity					1,221	(2,668)	(503)	2,233	4,282	(45)	263	4,783
Total changes during the year	5,016	1,252	24,765	9	1,221	(2,668)	(503)	2,233	4,282	(45)	263	35,825
Balance as of March 31, 2024	¥ 8,846	¥ 11,805	¥ 67,057	¥ (4,624)	¥ 1,269	¥ 5,642	¥ 27,098	¥ 12,925	¥ 11,993	¥ 88	¥ 4,412	¥ 146,511

	U.S. Dollars (thousands) (Note 1(a))											
	Shareholders' equity				Accumulated other comprehensive income							
	Share capital	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains (losses) on securities	Unrealized gains (losses) on hedging derivatives	Revaluation reserve for land	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Subscription rights to shares	Non-controlling interests	Total net assets
Balance as of April 1, 2023	$ 25,296	$ 69,698	$ 279,321	$ (30,599)	$ 317	$ 54,884	$ 182,293	$ 70,617	$ 50,928	$ 878	$ 27,402	$ 731,035
Issuance of new shares	33,128	8,289										41,417
Cash dividends paid			(5,224)									(5,224)
Profit attributable to owners of parent			165,458									165,458
Purchases of treasury stock				(26)								(26)
Sales of treasury stock		(20)		85								65
Transfer from revaluation reserve for land			3,330									3,330
Change in ownership interest of parent due to transactions with non-controlling interests		0										0
Net changes of items other than those in Shareholders' equity					8,064	(17,621)	(3,322)	14,747	28,281	(297)	1,737	31,589
Total changes during the year	33,128	8,269	163,564	59	8,064	(17,621)	(3,322)	14,747	28,281	(297)	1,737	236,609
Balance as of March 31, 2024	$ 58,424	$ 77,967	$ 442,885	$ (30,540)	$ 8,381	$ 37,263	$ 178,971	$ 85,364	$ 79,209	$ 581	$ 29,139	$ 967,644

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2024 and 2023

	Japanese Yen (millions)				U.S. Dollars (thousands)(Note 1(a))	
Cash Flows from Operating Activities:	FY2023		FY2022		FY2023	
Profit before income taxes	¥	19,415	¥	15,980	$	128,228
Adjustments to reconcile Profit before income taxes to net cash provided by (used in) operating activities						
Depreciation and amortization		7,388		7,044		48,795
Loss on impairment of non-current assets		1,454		-		9,603
Amortization of goodwill		1,009		901		6,664
Increase of allowance for doubtful accounts		296		154		1,955
Increase in net defined benefit liabilities		2,483		1,108		16,399
Decrease (increase) in net defined benefit assets		(1,565)		1,220		(10,336)
Decrease in provision for losses on construction contracts		(10,236)		(45,523)		(67,605)
Interest and dividend income		(789)		(597)		(5,211)
Interest expenses		4,289		2,882		28,327
Share of profit of entities accounted for using equity method		(7,675)		(3,811)		(50,690)
Foreign currency exchange losses		3		30		20
Gain on sales of investment securities		-		(686)		-
Gain on sales of subsidiaries and affiliates’ stocks		(2,079)		(2,562)		(13,731)
Gain on disposal of non-current assets		(45)		(12)		(297)
Insurance income		-		(1,337)		-
Gain on bargain purchase		(1,318)		-		(8,705)
Loss on change in equity		1,075		-		7,100
Loss from overseas remittance		681		-		4,498
Provision for demolition and removal		810		-		5,350
Loss on liquidation of business		719		108		4,749
Changes in assets and liabilities:						
Decrease (increase) in						
Trade receivables and contract assets		(7,890)		(6,500)		(52,110)
Inventories		(5,411)		(13,055)		(35,738)
Other assets		2,273		(2,024)		15,012
Increase (decrease) in						
Trade payables		(27,408)		44,101		(181,019)
Contract liabilities		1,910		(3,552)		12,615
Other liabilities		(4,903)		(3,138)		(32,382)
Others, net		(5,425)		(2,431)		(35,830)
Sub-total		(30,939)		(11,700)		(204,339)
Interest and dividend received		1,516		1,143		10,012
Interest paid		(4,440)		(2,982)		(29,324)
Proceeds from insurance income		-		1,337		-
Income taxes paid		(572)		(2,842)		(3,778)
Net cash provided by (used in) operating activities	¥	(34,435)	¥	(15,044)	$	(227,429)

Cash Flows from Investing Activities:	Japanese Yen (millions) FY2023	FY2022	U.S. Dollars (thousands)(Note 1(a)) FY2023
Net decrease (increase) in time deposits	455	(1,265)	3,005
Capital expenditure	(7,209)	(7,393)	(47,612)
Proceeds from sales of non-current assets	756	843	4,993
Proceeds from sales of investment securities	-	1,061	-
Proceeds from purchases of shares of subsidiaries resulting in change in scope of consolidation (Note 6(b))	1,689	-	11,155
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation (Note 6(c))	-	3,062	-
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation (Note 6(c))	-	(637)	-
Proceeds from sales of shares of subsidiaries and affiliates	2,156	543	14,239
Proceeds from sales of investments in capital of subsidiaries and affiliates	1,721	-	11,367
Disbursements of loans receivable	(17)	(17)	(112)
Collection of loans receivable	27	617	178
Others, net	68	186	449
Net cash provided by (used in) investing activities	¥ (354)	¥ (3,000)	$ (2,338)

Cash Flows from Financing Activities:			
Net increase in short-term borrowings	34,540	20,630	228,122
Proceeds from long-term borrowings	300	1,700	1,981
Repayments of long-term borrowings	(9,375)	(8,165)	(61,918)
Repayments of lease obligations	(1,767)	(1,654)	(11,670)
Repayments on bonds	(5,000)	(15,000)	(33,023)
Proceeds from issuance of preferred shares	-	9,000	-
Proceeds from issuance of subscription rights to shares	-	52	-
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	6,236	2,270	41,186
Cash dividends	(789)	-	(5,211)
Dividends paid to non-controlling interests	(39)	(95)	(257)
Proceeds from sales of shares of subsidiaries not resulting in change in scope of consolidation	-	747	-
Others, net	5	31	33
Net cash provided by (used in) financing activities	¥ 24,111	¥ 9,516	$ 159,243

Effect of Exchange Rate Changes on Cash and Cash Equivalents	727	1,178	4,802
Net decrease in Cash and Cash Equivalents	(9,951)	(7,350)	(65,722)
Cash and Cash Equivalents at Beginning of Period	43,468	50,818	287,088
Cash and Cash Equivalents at End of Period (Note 6(a))	¥ 33,517	¥ 43,468	$ 221,366

Notes to Consolidated Financial Statements

1. Significant Accounting and Reporting Policies

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

(a) Basis of Presenting Consolidated Financial Statements

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

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

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2024, which was ¥151.41 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

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

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

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

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

(b) Translation of Foreign Currency Accounts

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

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

(c) Principles of Consolidation

Scope of consolidation

1) Number of consolidated subsidiaries: 45

The number of consolidated subsidiaries in the fiscal year under review increased by one company due to share acquisition, decreased by two companies due to absorption-type mergers, and decreased by one company due to liquidation.

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

Major non-consolidated subsidiaries

MITSUI E&S MACHINERY EUROPE LIMITED

(Reason for exclusion from the scope of consolidation)

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

Application of equity method

1) Number of affiliates accounted for using equity method: 68

The number of affiliates accounted for using equity method in the fiscal year under review increased by one company due to the establishment of a new company, increased by two companies due to their increased importance, decreased by four companies due to sales of shares, decreased by one company due to liquidation, and decreased by one company due to a decrease in the ratio of equity ownership.

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

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

MITSUI E&S MACHINERY EUROPE LIMITED

Names of main affiliates not accounted for using equity method

NHI Co., Ltd.

MES TECHNOSERVICE MACHINERY CONSTRUCTION LOGISTICS INDUSTRY AND TRADE CORPORATION

(Reason for not applying the equity method)

They are excluded from the scope of application of the equity method, because such exclusion has only an immaterial effect on the consolidated financial statements in terms of each company's profit or loss (amount corresponding to the Company's ownership interest) and retained earnings (amount corresponding to the Company's ownership interest), and they have no significance as a whole.

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

Fiscal year of consolidated subsidiaries

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

(d) Securities

1) Shares of subsidiaries and affiliates

Valued at cost determined by the moving-average method.

2) Available-for-sale securities

Securities other than shares, etc. without market value

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

Shares, etc. without market value

Valued at cost determined by the moving-average method.

(e) Derivatives

Valued at fair value.

(f) Significant Hedge Accounting Methods

1) Hedge accounting method

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

2) Hedging instruments and hedged items

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

3) Hedging policy

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

4) Method of evaluating the effectiveness of hedges

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

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

5) Risk management policy

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

(g) Inventories

Merchandise, finished goods, raw materials and supplies are stated at cost determined mainly by the moving-average method (Balance sheet value reflects downturn in profitability). Work in progress is stated using identified cost method (Balance sheet value reflects downturn in profitability). Construction costs, which are accumulated in inventory, consist of direct materials, labor, other items directly attributable to each contract and an allocable portion of general manufacturing and construction overheads.

(h) Property, Plant and Equipment and Depreciation

Depreciation of plant and equipment is mainly computed using the straight-line method over their estimated useful lives. Ordinary maintenance and repairs are charged to the profit and loss account as incurred.

(i) Intangible Assets

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

(j) Finance Lease Transactions

The method of amortization of the lease assets related to finance lease transactions without transfer of ownership is by the straight-line method corresponding to lease period. The residual value is the guaranteed residual value in case such value is set forth in the lease contract but otherwise is zero value.
The method of amortization of the lease assets related to finance lease transactions that transfer ownership is based on the same standard as the depreciation method that is applied for self-owned non-current assets.

(k) Allowance for Doubtful Accounts

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

(l) Provision for Construction Warranties

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

(m) Provision for Losses on Construction Contracts

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

(n) Provision for Bonuses

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

(o) Provision for Demolition and Removal

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

(p) Provision for Business Restructuring

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

(q) Employees’ Severance and Retirement Benefits

In calculating retirement benefit obligations, the benefit formula basis is used to allocate projected retirement benefits over the period to the end of this consolidated fiscal year. Actuarial gains and losses are recognized in the Consolidated Statements of Operations commencing with the following year using the straight-line method mainly for five or ten years. Prior service costs are recognized in the Consolidated Statements of Operations using the straight-line method mainly for one or five years.
After being adjusted for tax effect, unrecognized actuarial gains and losses, unrecognized prior service costs are added to “Remeasurements of defined benefit plans,” an item within “Accumulated other comprehensive income (net assets).”
Certain consolidated subsidiaries apply a simplified method for the calculation of net defined benefit liabilities and retirement benefit expenses, using the amount payable at the end of the fiscal year as the retirement benefit obligation.

(r) Revenue Recognition

The Group recognizes revenue based on the following five-step approach.
Step 1: Identify the contract with the customer
Step 2: Identify performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the separate performance obligations
Step 5: Recognize revenue when (or as) each performance obligation is satisfied
Details of major performance obligations in principal businesses related to revenue from contracts with customers of the Company and its consolidated subsidiaries, and normal timing of satisfying these performance obligations (normal timing of recognizing revenue) are as follows:

1) Sales of products

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

2) Construction contracts and provision of services

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

(s) Cash and Cash Equivalents

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

(t) Significant Accounting Estimates

1) **Valuation of goodwill**

The total amounts of goodwill recorded as of March 31, 2024 and 2023, and major components were as follows.

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Goodwill	¥ 7,532	¥ 7,626	$ 49,746
Of the above, goodwill allocated to the ship engineering business which arose when MES Germany Beteiligungs GmbH, a consolidated subsidiary located in Germany, acquired control of TGE Marine AG	7,520	7,608	49,666

MES Germany Beteiligungs GmbH applies International Financial Reporting Standards (IFRS), and for the cash generating unit to which goodwill is included, impairment tests are required to be carried out on an annual basis in addition to when indicators of impairment have been identified.
The value in use is used for the recoverable amount for impairment tests on goodwill, and the future cash flows that are used to measure this value in use are estimated on the basis of the Mid-Term Business Plan for the ship engineering business, including the growth forecast for the Gas carrier market, etc. and the mid-term plan for orders.
Although the Group deems that the possibility of a significant impairment loss arising is low based on the result of the most recent impairment test, if the recoverable amount falls below the carrying amount, the carrying amount will be reduced to the recoverable amount, and the amount of that decrease in carrying amount will be recognized as impairment loss, and it is possible that such impairment loss could have a significant effect on the Group's financial position, business results and cash flow position.

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

As stated in "1. Significant Accounting and Reporting Policies, (r) Revenue Recognition, 2) Construction contracts and provision of services" in the notes to consolidated financial statements, when the control of goods or services is transferred to the customer over a certain period of time, the work progress towards satisfaction of performance obligations is estimated and revenue is recognized based on this work progress.
In applying the method where the work progress towards satisfaction of performance obligations is estimated and revenue is recognized based on this work progress, the Group recognizes revenue based on the work progress calculated at the proportion of construction cost incurred according to the progress of construction as at the end of the current fiscal year to the estimated total construction cost. The amounts recorded in the consolidated financial statements for the years ended March 31, 2024 and 2023 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Revenue based on the work progress towards satisfaction of performance obligations	¥ 80,476	¥ 82,211	$ 531,510

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

3) **Recoverability of deferred tax assets**

The amounts of deferred tax assets recorded in the consolidated financial statements for the years ended March 31, 2024 and 2023 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Deferred tax assets	¥ 5,597	¥ 2,984	$ 36,966

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

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

(u) Accounting Standards and Guidance Issued but not yet Applied

- "Accounting Standard for Current Income Taxes, etc." (ASBJ Statement No. 27, October 28, 2022)
- "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022)
- "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022)

1) Outline:

In February 2018, ASBJ Statement No. 28 "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc." ("ASBJ Statement No. 28, etc.") was issued, thereby completing the transfer of jurisdiction concerning the practical guidelines on tax effect accounting from The Japanese Institute of Certified Public Accountants to the Accounting Standards Board of Japan. The above statement was issued based on a debate regarding the following two points, which had, in the course of deliberations for the aforementioned transfer of jurisdiction, been scheduled to be reviewed after the issuance of ASBJ Statement No. 28, etc.

- Accounting classification for tax expenses (taxation of other comprehensive income)
- Tax effects concerning sales of the shares of subsidiaries, etc. (shares of subsidiaries or shares of affiliates) under the group taxation regime

2) Planned date of application:

To be applied from the beginning of the fiscal year ending March 31, 2025.

3) Impact of application of the accounting standards:

The impacts of the application of the "Accounting Standard for Current Income Taxes, etc." and others on the Group's consolidated financial statements are currently being evaluated.

- "Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules" (ASBJ Practical Issues Task Force No. 46, March 22, 2024)

1) Outline:

This practical solution provides for accounting for and disclosure of income taxes (current taxes) related to the global minimum tax rules.

2) Planned date of application:

To be applied from the beginning of the fiscal year ending March 31, 2025.

3) Impact of application of the accounting standard:

The impacts of the application of the "Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules" on the Group's consolidated financial statements are currently being evaluated.

(v) Changes in Presentation

Consolidated Balance Sheets

"Accrued expenses," which was presented individually in "Current liabilities" in the year ended March 31, 2023, has been included in "Others" from the year ended March 31, 2024, since its materiality in amount has decreased. Consolidated financial statements for the year ended March 31, 2023, have been reclassified in order to reflect this change in presentation.

As a result, in the consolidated balance sheets as of March 31, 2023, ¥39,312 million previously presented in "Accrued expenses" under "Current liabilities" has been reclassified as "Others."

Consolidated Statements of Cash Flows

"Loss on liquidation of business," which was included in "Decrease (Increase) in other assets" under "Cash Flows from Operating Activities" in the year ended March 31, 2023, has been presented individually from the year ended March 31, 2024 since its materiality has increased. In order to reflect this change in presentation, consolidated financial statements for the year ended March 31, 2023 have been reclassified.

As a result, in the consolidated statements of cash flows for the year ended March 31, 2023, ¥(1,916) million previously presented in "Decrease (Increase) in other assets" under "Cash Flows from Operating Activities" in the consolidated statements of cash flows for the year ended March 31, 2023, has been reclassified as ¥108 million in "Loss on liquidation of business" and ¥(2,024) million in "Decrease (Increase) in other assets."

2. Consolidated Balance Sheets

(a) Investments in Non-Consolidated Subsidiaries and Affiliates

Investments in non-consolidated subsidiaries and affiliates included in investment securities as of March 31, 2024 and 2023 were ¥71,558 million ($472,611 thousand) and ¥65,929 million, respectively. Investments in non-consolidated subsidiaries and affiliates included in other assets as of March 31, 2024 and 2023 were ¥8,817 million ($58,233 thousand) and ¥9,775 million, respectively.

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

The notes receivable, accounts receivable and contract assets (arising from contracts with customers and contract assets) as of March 31, 2024 and 2023 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Notes receivable	¥ 6,314	¥ 4,928	$ 41,701
Accounts receivable	57,336	50,584	378,681
Contract assets	32,633	26,330	215,527

(c) Accumulated Impairment Losses Included in Accumulated Depreciation

Accumulated impairment losses included in accumulated depreciation as of March 31, 2024 and 2023 were ¥12,567 million ($83,000 thousand) and ¥13,404 million, respectively.

(d) Contingent Liabilities

1) Contingent liabilities of the Group as of March 31, 2024 and 2023 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Guarantees of bank loans and other indebtedness	¥ 1,123	¥ 1,314	$ 7,417

2) Others

Two companies, namely, Burmeister & Wain Scandinavian Contractor A/S and BWSC (Mauritius) Ltd., consolidated subsidiaries of Mesco Denmark A/S, received a document giving notice of additional levies in August 2020, as a result of tax examinations for the years from 2016 to 2019 by the Mauritius Revenue Authority. However, the Group believes that the two companies that received the indication have appropriately filed tax returns in accordance with the local tax law, and has submitted a written counterargument against the additional levies to the authorities. Therefore, the impacts of this indication have not been recorded as liabilities in the consolidated financial statements for the year ended March 31, 2024, and the Company recognizes that this will have no major impact on its operating results in the future.

(e) Discounted Notes Receivable

Discounted notes receivable as of March 31, 2024 and 2023 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Discounted notes receivable	¥ 252	¥ -	$ 1,664

(f) Revaluation Reserve for Land

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

According to the Law, revaluation of the land is not permitted at any time after the above revaluation even in cases where the fair value of the land declines. Such unrecorded revaluation losses are ¥30,318 million ($200,238 thousand) and ¥31,032 million as of March 31, 2024 and 2023, respectively. That amounts related to rental properties are ¥10,172 million ($67,182 thousand) and ¥10,523 million as of March 31, 2024 and 2023, respectively.

(g) Pledged Assets

Assets pledged as collateral for long-term indebtedness as of March 31, 2024 and 2023 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Land	¥ 3,139	¥ 3,139	$ 20,732
Buildings and structures	3,599	3,757	23,770
Investment securities	638	638	4,214
Cash and time deposits	29	26	192
Long-term loans	2,095	2,095	13,837
Total	¥ 9,500	¥ 9,655	$ 62,745

Long-term indebtedness secured by the above pledged assets as of March 31, 2024 and 2023 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Long-term indebtedness	¥ 3,098	¥ 3,199	$ 20,461

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

(h) Tax Purpose Reduction Entry

The amounts of tax purpose reduction entries deducted from the acquisition cost of property, plant and equipment acquired through national subsidies, etc. as of March 31, 2024 and 2023 were ¥893 million ($5,898 thousand) and ¥898 million, respectively.

(i) Notes Matured on the Year-End Date that Falls on a Bank Holiday

Notes matured on the year-end date that falls on a bank holiday are accounted for as settled on their clearing date though it belongs to the next fiscal year. As March 31, 2024 was a bank holiday, the notes matured on the year-end date were included in the year-end balance as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Notes receivable	¥ 813	¥ -	$ 5,370
Notes payable	155	-	1,024

(j) Unexecuted Balance of Overdraft Facilities and Lending Commitments

The unexecuted balance of overdraft facilities and lending commitments at the Group as of March 31, 2024 and 2023 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Total overdraft facilities and lending commitments	¥ 112,425	¥ 135,351	$ 742,520
Less amounts currently executed	87,795	90,751	579,849
Unexecuted balance	¥ 24,630	¥ 44,600	$ 162,671

(k) Financial Covenants

Commitment line contracts entered into between the Company and financial institutions, which are subject to financial covenants. Main covenants are as follows:

Commitment line contracts (short-term borrowings):

- At the end of each fiscal period (including quarter period), total shareholders' equity in the consolidated balance sheets must be maintained above a defined level.

The balance of short-term borrowings based on such contracts as of March 31, 2024 and 2023 were as follows:

	Japanese Yen (millions)		U. S. Dollars (thousands)
	FY2023	FY2022	FY2023
Short-term borrowings	¥ 87,215	¥ 90,741	$ 576,019

(l) Provision Incurred from Business Combination

The amount of ¥899 million ($5,938 thousand) in provision incurred from business combination is included in "Others" in long-term liabilities in the year ended March 31, 2024. This is due to the Company's acquisition of shares of Mitsui E&S DU Co., Ltd. on April 1, 2023, and is comprised of an estimated increase in rent that is expected to occur in the future.

3. Consolidated Statements of Operations

(a) Revenue from Contracts with Customers

Revenue from contracts with customers and other revenues are not stated separately and both of them are included in net sales. Revenue from contracts with customers is stated in Note 16 “Revenue Recognition (a) Disaggregation of Revenue.”

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

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Remuneration, salaries and allowances for directors (and other officers)	¥ 14,334	¥ 11,942	$ 94,670

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

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Costs relating to research and development activities	¥ 1,955	¥ 1,762	$ 12,912

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

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Buildings and structures	¥ 7	¥ 68	$ 46
Machinery, equipment and vehicles	8	6	53
Land	251	98	1,657
Others	1	13	7
Total	¥ 267	¥ 185	$ 1,763

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

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Buildings and structures	¥ 49	¥ 6	$ 324
Machinery, equipment and vehicles	44	54	291
Land	-	9	-
Others	29	13	191
Removal cost	100	91	660
Total	¥ 222	¥ 173	$ 1,466

(f) Loss on Impairment of Non-current Assets

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

The loss on impairment of non-current assets for the years ended March 31, 2024 and 2023 were comprised of the following.

FY2023

Location	Tamano City, Okayama Prefecture
Major use	Business assets
Asset category	Machinery, equipment and vehicles, etc.
Amount	¥377 million ($2,490 thousand)
Reason	Determination of disposal due to business withdrawal

Location	Tamano City, Okayama Prefecture
Major use	Assets to be disposed
Asset category	Buildings and structures, etc.
Amount	¥547 million ($3,613 thousand)
Reason	Determination of disposal

Location	Ichihara City, Chiba Prefecture
Major use	Idle assets
Asset category	Land, etc.
Amount	¥530 million ($3,500 thousand)
Reason	Decline in market value

FY2022

Not applicable

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

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Loss on valuation of inventories	¥ (69)	¥ (60)	$ (456)

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

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Provision for loss on construction contracts	¥ (9,700)	¥ (45,582)	$ (64,064)

4. Comprehensive Income

Each component of other comprehensive income for the years ended of March 31, 2024 and 2023 were the following:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Net unrealized holding gains (losses) on securities:			
Amount of generation at this fiscal term	¥ 1,703	¥ 119	$ 11,248
Amount of rearrangement adjustment	-	(917)	-
Before adjusting the tax effect	1,703	(798)	11,248
Tax effect	(492)	226	(3,250)
Net unrealized holding gains (losses) on securities	1,211	(572)	7,998
Unrealized losses on hedging derivatives:			
Amount of generation at this fiscal term	(14)	(1,430)	(92)
Amount of rearrangement adjustment	4	-	26
Before adjusting the tax effect	(10)	(1,430)	(66)
Tax effect	3	582	20
Unrealized losses on hedging derivatives	(7)	(848)	(46)
Foreign currency translation adjustments:			
Amount of generation at this fiscal term	3,130	2,463	20,672
Amount of rearrangement adjustment	207	-	1,367
Before adjusting the tax effect	3,337	2,463	22,039
Tax effect	-	-	-
Foreign currency translation adjustments	3,337	2,463	22,039
Remeasurements of defined benefit plans:			
Amount of generation at this fiscal term	9,496	1,788	62,717
Amount of rearrangement adjustment	(3,804)	(3,244)	(25,124)
Before adjusting the tax effect	5,692	(1,456)	37,593
Tax effect	(1,352)	345	(8,929)
Remeasurements of defined benefit plans	4,340	(1,111)	28,664
Share of other comprehensive income of affiliates accounted for using equity method:			
Amount of generation at this fiscal term	(3,730)	21,954	(24,635)
Amount of rearrangement adjustment	(53)	(33)	(350)
Share of other comprehensive income of affiliates accounted for using equity method	(3,783)	21,921	(24,985)
Total	¥ 5,098	¥ 21,853	$ 33,670

5. Consolidated Statements of Changes in Net Assets

(a) Class and number of issued shares

FY2023

	Number of shares (Thousands of shares)			
	At the beginning of the period	Increase in the period	Decrease in the period	At the end of the period
Common stock	89,737	13,362	-	103,099
Class-A preferred shares	18,000	-	-	18,000
Total	107,737	13,362	-	121,099

(note 1) The increase of 13,362 thousand shares in the number of Common stock issued is due to the exercise of subscription rights to shares.

FY2022

	Number of shares (Thousands of shares)			
	At the beginning of the period	Increase in the period	Decrease in the period	At the end of the period
Common stock	83,099	6,638	-	89,737
Class-A preferred shares	-	18,000	-	18,000
Total	83,099	24,638	-	107,737

(note 1) The increase of 6,638 thousand shares in the number of Common stock issued is due to the exercise of subscription rights to shares.

(note 2) The increase of 18,000 thousand shares in the number of Class-A preferred shares issued is due to the issuance of new shares by third-party allotment.

(b) Class and number of treasury stock

FY2023

	Number of shares (Thousands of shares)			
	At the beginning of the period	Increase in the period	Decrease in the period	At the end of the period
Common stock	2,227	5	6	2,226

(note 1) Reason for the increase in the number of shares is as follows:

Increase due to requests for the purchase of shares less than one share unit: 5 thousand shares

(note 2) Reason for the decrease in the number of shares is as follows:

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

Decrease due to the exercise of subscription rights to shares (stock options): 6 thousand shares

FY2022

	Number of shares (Thousands of shares)			
	At the beginning of the period	Increase in the period	Decrease in the period	At the end of the period
Common stock	2,239	4	16	2,227

(note 1) Reason for the increase in the number of shares is as follows:

Increase due to requests for the purchase of shares less than one share unit: 4 thousand shares

(note 2) Reason for the decrease in the number of shares is as follows:

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

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

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

FY2023

			Number of shares underlying the subscription rights to shares (thousands of shares)				Japanese Yen (millions)	U.S. Dollars (thousands)
Category	Description of subscription rights to shares	Class of the shares underlying the subscription rights to shares	At the beginning of the period	Increase in the period	Decrease in the period	At the end of the period	Balance at the end of the period	Balance at the end of the period
The Company	Subscription rights to shares as stock options	-	-	-	-	-	¥ 88	$ 581
	Subscription rights to shares through the third-party allotment (1st series of share acquisition rights with an exercise price amendment clause)	Common stock	13,362	-	13,362	-	¥ -	$ -
Total			13,362	-	13,362	-	¥ 88	$ 581

(note 1) The reason for the decrease in the subscription rights to shares through the third-party allotment in the period is the exercise of the 1st series of share acquisition rights with an exercise price amendment clause.

FY2022

Category	Description of subscription rights to shares	Class of the shares underlying the subscription rights to shares	Number of shares underlying the subscription rights to shares (thousands of shares)				Japanese Yen (millions)
			At the beginning of the period	Increase in the period	Decrease in the period	At the end of the period	Balance at the end of the period
The Company	Subscription rights to shares as stock options	-	-	-	-	-	¥ 98
	Subscription rights to shares through the third-party allotment (1st series of share acquisition rights with an exercise price amendment clause)	Common stock	-	20,000	6,638	13,362	¥ 35
Total			-	20,000	6,638	13,362	¥ 133

(note 1) The reason for the increase in the subscription rights to shares through the third-party allotment in the period is the issuance of the 1st series of share acquisition rights with an exercise price amendment clause.

(note 2) The reason for the decrease in the subscription rights to shares through the third-party allotment in the period is the exercise of the 1st series of share acquisition rights with an exercise price amendment clause.

(d) Dividends

1) Amount of dividends paid

FY2023

Resolution	Class of shares	Source of dividends	Total amount of dividends	Dividend per share	Record date	Effective date
Ordinary General Meeting of Shareholders (June 28, 2023)	Common stock	Retained earnings	¥ 263 million	¥ 3.00	March 31, 2023	June 29, 2023
	Class-A preferred shares	Retained earnings	¥ 529 million	¥ 29.38	March 31, 2023	June 29, 2023

FY2022

Not applicable

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

FY2023

Resolution	Class of shares	Source of dividends	Total amount of dividends	Dividend per share	Record date	Effective date
Ordinary General Meeting of Shareholders (June 26, 2024)	Common stock	Retained earnings	¥ 504 million ($ 3,329 thousand)	¥ 5.00 ($ 0.033)	March 31, 2024	June 27, 2024
	Class-A preferred shares	Retained earnings	¥ 702 million ($ 4,636 thousand)	¥ 39.00 ($ 0.258)	March 31, 2024	June 27, 2024

FY2022

Resolution	Class of shares	Source of dividends	Total amount of dividends	Dividend per share	Record date	Effective date
Ordinary General Meeting of Shareholders (June 28, 2023)	Common stock	Retained earnings	¥ 263 million	¥ 3.00	March 31, 2023	June 29, 2023
	Class-A preferred shares	Retained earnings	¥ 529 million	¥ 29.38	March 31, 2023	June 29, 2023

6. Cash Flow Statement

(a) Reconciliation of cash and time deposits shown in the Consolidated Balance Sheets and cash and cash equivalents in the Consolidated Statements of Cash Flows as of March 31, 2024 and 2023 were as follows.

	Japanese Yen (millions)				U.S. Dollars (thousands)	
	FY2023		FY2022		FY2023	
Cash and time deposits	¥	35,571	¥	45,804	$	234,932
Time deposits with maturities exceeding 3 months		(2,054)		(2,336)		(13,566)
Cash and cash equivalents	¥	33,517	¥	43,468	$	221,366

(b) The following tables summarize breakdown of assets and liabilities of newly consolidated subsidiaries acquired through stock purchase.

FY2023:

Breakdown of assets and liabilities of Mitsui E&S DU Co., Ltd. at the time of its consolidation, which became a newly consolidated subsidiary through the acquisition of shares, and the relationship between the acquisition cost of the shares and net proceeds from the acquisition were as follows.

	Japanese Yen (millions)		U.S. Dollars (thousands)	
Current assets	¥	8,822	$	58,266
Non-current assets		1,162		7,674
Current liabilities		(7,507)		(49,581)
Long-term liabilities		(1,848)		(12,205)
Gain on bargain purchase		(1,318)		(8,705)
Acquisition price of shares (including working capital adjustment amount)		(689)		(4,551)
Cash and cash equivalents		(1,000)		(6,604)
Net: Proceeds from purchases of shares subsidiaries resulting in change in scope of consolidation	¥	1,689	$	11,155

(note 1) The acquisition price of the shares includes working capital adjustments based on the share transfer agreement.

(note 2) The above amounts are based on the amounts after reflecting the significant revision of the initial allocation of historical cost due to the finalization of the provisional accounting treatment for the business combination.

FY2022:

Not applicable

(c) The following tables summarize breakdown of assets and liabilities of subsidiaries excluded from the scope of consolidation due to the sale of its shares.

FY2023:

Not applicable

FY2022:

Breakdown of assets and liabilities of MES Facilities Co., Ltd. (name changed to NH Facilities Co., Ltd. on April 1, 2022), that were excluded from the scope of consolidation due to the sale of its shares and the relationship between the sale price of the shares and net payments for the sale of shares were as follows.

	Japanese Yen (millions)	
Current assets	¥	1,647
Non-current assets		1,317
Current liabilities		(1,090)
Long-term liabilities		(336)
Others		(193)
Expenses for sales of shares		108
Gain on sales of subsidiaries and affiliates' stocks		2,407
Sales prices of shares		3,860
Expenses for sales of shares		(108)
Cash and cash equivalents		(690)
Net: Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	¥	3,062

Breakdown of assets and liabilities of Mitsui E&S Shipbuilding Co., Ltd. and its subsidiaries Niigata Shipbuilding & Repair, Inc. and MES YURA DOCKYARD Co., Ltd. (name changed to YURA DOCKYARD Co., Ltd. on January 1, 2023), that were excluded from the scope of consolidation due to the sale of its shares and the relationship between the sale price of the shares and net payments for the sale of shares were as follows.

	Japanese Yen (millions)
Current assets	¥ 7,097
Non-current assets	5,765
Current liabilities	(7,723)
Long-term liabilities	(366)
Non-controlling interests	(1,123)
Others	(801)
Investment accounts after the sales of shares	(2,243)
Expenses for sales of shares	2
Gain on sales of subsidiaries and affiliates' stocks	173
Sales prices of shares	781
Expenses for sales of shares	(2)
Cash and cash equivalents	(1,416)
Net: Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	¥ (637)

7. Leases

(a) Lessee

i) Unexpired lease payments of operating lease transactions as of March 31, 2024 and 2023 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Due within one year	¥ 1,760	¥ 2,037	$ 11,624
Due after one year	9,967	11,606	65,828
Total	¥ 11,727	¥ 13,643	$ 77,452

(b) Lessor

i) Unexpired lease receivables of operating lease transactions as of March 31, 2024 and 2023 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Due within one year	¥ 16	¥ 16	$ 106
Due after one year	76	92	502
Total	¥ 92	¥ 108	$ 608

8. Financial Instruments

(a) Articles concerning status of financial instruments

1) Policies for financial instruments

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

2) Substances and risks of financial instruments

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

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

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

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

3) Risk management in financial instruments

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

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

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

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

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

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

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

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

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

4) Supplementary explanation about fair value of financial instruments

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

The contract amounts for derivatives stated in the following "(b) Articles concerning fair value of financial instruments," do not indicate the market risks of derivatives.

(b) Articles concerning fair value of financial instruments

Consolidated balance sheet amounts, fair value of financial instruments and the differences between them for the fiscal years ended March 31, 2024 and 2023 were as follows. Information on “Cash and time deposits,” “Trade receivables,” “Trade payables,” “Short-term borrowings” and “Accrued income taxes” is omitted because these items are cash or accounts which are settled in the short term and considered to be close to the book value.

FY2023	Book value	Fair value	Difference
	Japanese Yen (millions)		
(1) Investment securities *1			
Available-for-sale securities	¥ 2,266	¥ 2,266	¥ -
Stocks of subsidiaries and affiliates	58,989	84,891	25,902
(2) Long-term loans	2,120	1,955	(165)
Total assets	¥ 63,375	¥ 89,112	¥ 25,737
(1) Current portion of long-term borrowings	¥ 1,411	¥ 1,234	¥ (177)
(2) Long-term borrowings	10,817	10,243	(574)
(3) Lease obligations	8,648	8,954	306
Total liabilities	¥ 20,876	¥ 20,431	¥ (445)
Derivative transactions *3			
i. Derivative transactions for which hedge accounting has not been applied	¥ (21)	¥ (21)	¥ -
ii. Derivative transactions for which hedge accounting has been applied	190	190	-
Total derivative transactions	¥ 169	¥ 169	¥ -

FY2022	Book value	Fair value	Difference
	Japanese Yen (millions)		
(1) Investment securities *1			
Available-for-sale securities	¥ 586	¥ 586	¥ -
Stocks of subsidiaries and affiliates	54,858	38,720	(16,138)
(2) Long-term loans	2,126		
Less allowance for doubtful accounts *2	(152)		
	1,974	1,850	(124)
Total assets	¥ 57,418	¥ 41,156	¥ (16,262)
(1) Current portion of long-term borrowings	¥ 9,375	¥ 9,143	¥ (232)
(2) Current portion of bonds	5,000	5,033	33
(3) Long-term borrowings	11,928	11,141	(787)
(4) Lease obligations	8,924	9,276	352
Total liabilities	¥ 35,227	¥ 34,593	¥ (634)
Derivative transactions *3			
i. Derivative transactions for which hedge accounting has not been applied	¥ (75)	¥ (75)	¥ -
ii. Derivative transactions for which hedge accounting has been applied	858	858	-
Total derivative transactions	¥ 783	¥ 783	¥ -

FY2023	U.S. Dollars (thousands) Book value	Fair value	Difference
(1) Investment securities [*1]			
Available-for-sale securities	$ 14,966	$ 14,966	$ -
Stocks of subsidiaries and affiliates	389,598	560,670	171,072
(2) Long-term loans	14,002	12,912	(1,090)
Total assets	$ 418,566	$ 588,548	$ 169,982
(1) Current portion of long-term borrowings	$ 9,319	$ 8,150	$ (1,169)
(2) Long-term borrowings	71,442	67,651	(3,791)
(3) Lease obligations	57,116	59,137	2,021
Total liabilities	$ 137,877	$ 134,938	$ (2,939)
Derivative transactions [*3]			
i. Derivative transactions for which hedge accounting has not been applied	$ (139)	$ (139)	$ -
ii. Derivative transactions for which hedge accounting has been applied	1,255	1,255	-
Total derivative transactions	$ 1,116	$ 1,116	$ -

[*1] As to the following financial instruments, there is no available fair market value, and they are not included in "(1) Investment securities." Book value of these financial instruments are as follows.

	Japanese Yen (millions)		U.S. Dollars (thousands)
	Book value		Book value
	FY2023	FY2022	FY2023
Unlisted equity securities	¥ 14,881	¥ 13,358	$ 98,283

[*2] Allowance for doubtful accounts is deducted from Long-term loans.

[*3] Receivables and payables arising from derivative transactions are shown on the net basis. The items which are net debt in total are shown in parentheses.

(note 1) The expected redemption amount of monetary credit and securities with maturity after the fiscal years ended March 31, 2024 and 2023 were as follows.

FY2023	Japanese Yen (millions)			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 35,558	¥ -	¥ -	¥ -
Trade receivables	63,534	116	-	-
Long-term loans	-	16	9	2,095
Total	¥ 99,092	¥ 132	¥ 9	¥ 2,095

FY2022	Japanese Yen (millions)			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 45,792	¥ -	¥ -	¥ -
Trade receivables	54,910	611	-	-
Long-term loans	-	20	11	2,095
Total	¥ 100,702	¥ 631	¥ 11	¥ 2,095

FY2023	U.S. Dollars (thousands)			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	$ 234,846	$ -	$ -	$ -
Trade receivables	419,615	766	-	-
Long-term loans	-	106	59	13,837
Total	$ 654,461	$ 872	$ 59	$ 13,837

(note 2) The expected redemption amount of bonds, long-term borrowings and lease obligations after the fiscal years ended March 31, 2024 and 2023 were as follows.

FY2023	Japanese Yen (millions)					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	¥ 149,785	¥ -	¥ -	¥ -	¥ -	¥ -
Long-term borrowings	1,411	1,511	1,322	1,211	5,426	1,347
Lease obligations	2,076	1,930	1,498	1,192	1,101	851
Total	¥ 153,272	¥ 3,441	¥ 2,820	¥ 2,403	¥ 6,527	¥ 2,198

FY2022	Japanese Yen (millions)					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	¥ 115,246	¥ -	¥ -	¥ -	¥ -	¥ -
Bonds	5,000	-	-	-	-	-
Long-term borrowings	9,375	1,377	1,444	1,255	1,144	6,708
Lease obligations	1,863	1,680	1,580	1,442	970	1,389
Total	¥ 131,484	¥ 3,057	¥ 3,024	¥ 2,697	¥ 2,114	¥ 8,097

FY2023	U.S. Dollars (thousands)					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	$ 989,268	$ -	$ -	$ -	$ -	$ -
Long-term borrowings	9,319	9,980	8,731	7,998	35,836	8,897
Lease obligations	13,711	12,746	9,894	7,873	7,272	5,620
Total	$ 1,012,298	$ 22,726	$ 18,625	$ 15,871	$ 43,108	$ 14,517

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

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

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

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

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

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

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

	Japanese Yen (millions)			
FY2023	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	¥ 2,266	¥ -	¥ -	¥ 2,266
Derivative transactions				
Currency related	-	170	-	170
Total assets	¥ 2,266	¥ 170	¥ -	¥ 2,436

	Japanese Yen (millions)			
FY2022	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	¥ 586	¥ -	¥ -	¥ 586
Derivative transactions				
Currency related	-	783	-	783
Total assets	¥ 586	¥ 783	¥ -	¥ 1,369

	U.S. Dollars (thousands)			
FY2023	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	$ 14,966	$ -	$ -	$ 14,966
Derivative transactions				
Currency related	-	1,123	-	1,123
Total assets	$ 14,966	$ 1,123	$ -	$ 16,089

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

FY2023	Japanese Yen (millions) Level 1	Level 2	Level 3	Total
Investment securities				
Stocks of subsidiaries and affiliates				
Shares	¥ 84,891	¥ -	¥ -	¥ 84,891
Long-term loans	-	1,955	-	1,955
Total assets	¥ 84,891	¥ 1,955	¥ -	¥ 86,846
Current portion of long-term borrowings	¥ -	¥ 1,234	¥ -	¥ 1,234
Long-term borrowings	-	10,243	-	10,243
Lease obligations	-	8,954	-	8,954
Total liabilities	¥ -	¥ 20,431	¥ -	¥ 20,431

FY2022	Japanese Yen (millions) Level 1	Level 2	Level 3	Total
Investment securities				
Stocks of subsidiaries and affiliates				
Shares	¥ 38,720	¥ -	¥ -	¥ 38,720
Long-term loans	-	1,850	-	1,850
Total assets	¥ 38,720	¥ 1,850	¥ -	¥ 40,570
Current portion of long-term borrowings	¥ -	¥ 9,143	¥ -	¥ 9,143
Current portion of bonds	-	5,033	-	5,033
Long-term borrowings	-	11,141	-	11,141
Lease obligations	-	9,276	-	9,276
Total liabilities	¥ -	¥ 34,593	¥ -	¥ 34,593

FY2023	U.S. Dollars (thousands) Level 1	Level 2	Level 3	Total
Investment securities				
Stocks of subsidiaries and affiliates				
Shares	$ 560,670	$ -	$ -	$ 560,670
Long-term loans	-	12,912	-	12,912
Total assets	$ 560,670	$ 12,912	$ -	$ 573,582
Current portion of long-term borrowings	$ -	$ 8,150	$ -	$ 8,150
Long-term borrowings	-	67,651	-	67,651
Lease obligations	-	59,137	-	59,137
Total liabilities	$ -	$ 134,938	$ -	$ 134,938

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

Investment securities

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

Derivative transactions

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

Long-term loans

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

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

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

Current portion of bonds

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

9. Investment Securities

(a) The following tables summarize acquisition costs, book values and fair values of securities with available fair values as of March 31, 2024 and 2023:

FY2023	Japanese Yen (millions) Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 412	¥ 2,266	¥ 1,854
Sub Total	412	2,266	1,854
Securities with book values not exceeding acquisition costs:			
Equity securities	-	-	-
Sub Total	-	-	-
Total	¥ 412	¥ 2,266	¥ 1,854

FY2022	Japanese Yen (millions) Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 61	¥ 245	¥ 184
Sub Total	61	245	184
Securities with book values not exceeding acquisition costs:			
Equity securities	349	341	(8)
Sub Total	349	341	(8)
Total	¥ 410	¥ 586	¥ 176

FY2023	U. S. Dollars (thousands) Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book values exceeding acquisition costs:			
Equity securities	$ 2,721	$ 14,966	$ 12,245
Sub Total	2,721	14,966	12,245
Securities with book values not exceeding acquisition costs:			
Equity securities	-	-	-
Sub Total	-	-	-
Total	$ 2,721	$ 14,966	$ 12,245

(b) Proceeds from sales of available-for-sale securities and realized gains and losses on sales of available-for-sale securities for the years ended March 31, 2024 and 2023 were as follows:

	Japanese Yen (millions) FY2023	FY2022	U.S. Dollars (thousands) FY2023
Proceeds from sales of available-for-sale securities			
Securities	¥ -	¥ 1,061	$ -
Realized gains on sales of available-for-sale securities			
Securities	¥ -	¥ 686	$ -
Realized losses on sales of available-for-sale securities			
Securities	¥ -	¥ -	$ -

10. Derivative Transactions

Derivative transactions of the Group for market value information as of March 31, 2024 and 2023 were as follows:

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

FY2023	Japanese Yen (millions)			
	Contract amount		Fair value	Unrealized gain (loss)
	Total	Due after one year		
Currency related derivatives				
Off-market trades				
Forward contracts				
To buy U.S. Dollars	¥ 1,614	¥ 894	¥ 17	¥ 17
Swiss Franc	449	181	(13)	(13)
Chinese Yuan	4,039	2,008	(19)	(19)
To sell U.S. Dollars	562	-	(1)	(1)
Chinese Yuan	61	-	(5)	(5)
	¥ 6,725	¥ 3,083	¥ (21)	¥ (21)

FY2022	Japanese Yen (millions)			
	Contract amount		Fair value	Unrealized gain (loss)
	Total	Due after one year		
Currency related derivatives				
Off-market trades				
Forward contracts				
To buy U.S. Dollars	¥ 73	¥ -	¥ (6)	¥ (6)
Swiss Franc	401	-	(4)	(4)
Chinese Yuan	3,121	1,246	35	35
To sell U.S. Dollars	1,409	-	(100)	(100)
	¥ 5,004	¥ 1,246	¥ (75)	¥ (75)

FY2023	U. S. Dollars (thousands)			
	Contract amount		Fair value	Unrealized gain (loss)
	Total	Due after one year		
Currency related derivatives				
Off-market trades				
Forward contracts				
To buy U.S. Dollars	$ 10,660	$ 5,905	$ 112	$ 112
Swiss Franc	2,965	1,195	(86)	(86)
Chinese Yuan	26,676	13,262	(125)	(125)
To sell U.S. Dollars	3,712	-	(7)	(7)
Chinese Yuan	403	-	(33)	(33)
	$ 44,416	$ 20,362	$ (139)	$ (139)

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

FY2023	Hedged items	Japanese Yen (millions) Contract amount Total	Due after one year	Fair value
Currency related derivatives				
Deferral hedge accounting				
Forward contracts				
To buy U.S. Dollars	Trade payables	¥ 7,070	¥ 924	¥ 1,058
Euro		2,717	-	82
STG Pounds		18,807	-	147
Indonesian Rupiah		2,168	-	298
Chinese Yuan		3	-	0
To sell U.S. Dollars	Trade receivables	18,321	-	(930)
STG Pounds		28,713	-	(464)
Alternative method				
Forward contracts				
To sell U.S. Dollars	Trade receivables	43	-	(1)
		¥ 77,842	¥ 924	¥ 190
Interest swap				
Exceptional treatment *1: To receive float, pay fix	Long-term borrowings	¥ 3,880	¥ 3,456	¥ -
		¥ 3,880	¥ 3,456	¥ -

FY2022	Hedged items	Japanese Yen (millions) Contract amount Total	Due after one year	Fair value
Currency related derivatives				
Deferral hedge accounting				
Forward contracts				
To buy U.S. Dollars	Trade payables	¥ 34,322	¥ 1,626	¥ 652
Euro		2,146	-	95
STG Pounds		11,564	-	(343)
Indonesian Rupiah		10,344	-	135
To sell U.S. Dollars	Trade receivables	6,420	-	(117)
STG Pounds		19,036	678	335
Alternative method				
Forward contracts				
To sell U.S. Dollars	Trade receivables	1,960	-	101
		¥ 85,792	¥ 2,304	¥ 858
Interest swap				
Exceptional treatment *1: To receive float, pay fix	Long-term borrowings	¥ 10,304	¥ 3,880	¥ -
		¥ 10,304	¥ 3,880	¥ -

FY2023	Hedged items	U.S. Dollars (thousands) Contract amount Total	Due after one year	Fair value
Currency related derivatives				
Deferral hedge accounting				
Forward contracts				
To buy U.S. Dollars	Trade payables	$ 46,694	$ 6,103	$ 6,988
Euro		17,945	-	541
STG Pounds		124,212	-	971
Indonesian Rupiah		14,319	-	1,968
Chinese Yuan		20	-	0
To sell U.S. Dollars	Trade receivables	121,003	-	(6,142)
STG Pounds		189,637	-	(3,065)
Alternative method				
Forward contracts				
To sell U.S. Dollars	Trade receivables	284	-	(7)
		$ 514,114	$ 6,103	$ 1,255
Interest swap				
Exceptional treatment [*1]: To receive float, pay fix	Long-term borrowings	$ 25,626	$ 22,825	$ -
		$ 25,626	$ 22,825	$ -

[*1] As interest swap subject to exceptional treatment of interest swap is accounted for as a single item with underlying long-term borrowings, which are hedged items, their fair value is included in that of long-term borrowings.

11. Liability for Severance and Retirement Benefits

(a) Overview of adopting severance and retirement benefits plans

The Group has system of funded and unfunded severance and retirement benefits, defined benefit pension plans, and defined contribution pension plans.
Severance and retirement benefits (all funded) pay out lump-sum payment or annual pension based on salary and length of service.
Lump-sum payment (part of which becomes funded as a result of benefit trust although the system is unfunded) is paid out based on salary and length of service as retirement benefits.
Effective April 1, 2024, the Company has made changes to its retirement benefit system in conjunction with the extension of the retirement age from 60 to 65. As a result of this change, the retirement benefit obligation decreased by ¥2,480 million ($16,379 thousand), and the same amount was recognized as prior service costs.
Some domestic Subsidiaries have adopted a “simplified method” to calculate liability for severance and retirement benefits for employees.

(b) Breakdown of information concerning severance and retirement benefits

i) Movements of severance and retirement benefit obligation:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Balance at beginning of period	¥ 27,086	¥ 31,822	$ 178,892
Current service costs	1,475	1,585	9,742
Interest costs	290	205	1,915
Actuarial differences on pension plan obligation	(847)	(1,063)	(5,594)
Benefits paid	(2,412)	(2,594)	(15,930)
Prior service costs	(2,482)	(401)	(16,393)
Changes in the scope of consolidation	967	(2,513)	6,386
Others	137	45	905
Balance at end of period	¥ 24,214	¥ 27,086	$ 159,923

ii) Movements of pension assets:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Balance at beginning of period	¥ 31,994	¥ 36,873	$ 211,307
Expected return on pension assets	22	11	145
Actuarial differences on pension assets	6,010	803	39,694
Contribution to pension plans	101	408	667
Benefits paid	(1,587)	(1,872)	(10,481)
Changes in the scope of consolidation	-	(2,778)	-
Return of retirement benefit trust	-	(1,400)	-
Others	166	(51)	1,096
Balance at end of period	¥ 36,706	¥ 31,994	$ 242,428

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

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Retirement benefit obligation (funded non-contributory)	¥ 22,729	¥ 26,509	$ 150,116
Less fair value of pension assets	(36,706)	(31,994)	(242,428)
Retirement benefit obligation (unfunded termination and retirement allowance plan)	1,485	577	9,808
Net defined benefit assets / liabilities recorded in the consolidated balance sheets	¥ (12,492)	¥ (4,908)	$ (82,504)
Defined benefit liabilities	4,617	5,049	30,494
Defined benefit assets	(17,109)	(9,957)	(112,998)
Net defined benefit assets / liabilities recorded in the consolidated balance sheets	¥ (12,492)	¥ (4,908)	$ (82,504)

iv) Severance and retirement benefit expenses:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Current service costs	¥ 1,475	¥ 1,585	$ 9,742
Interest costs	290	205	1,915
Expected return on pension assets	(22)	(11)	(145)
Amortization of actuarial differences	(1,321)	(1,747)	(8,724)
Amortization of prior service costs	(2,482)	(364)	(16,393)
Severance and retirement benefit expenses	¥ (2,060)	¥ (332)	$ (13,605)

v) Remeasurements of defined benefit plans (before deducted tax effects):

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Prior service costs	¥ -	¥ 37	$ -
Actuarial differences	5,692	(1,078)	37,593
Others	0	(415)	0
Total	¥ 5,692	¥ (1,456)	$ 37,593

vi) Unrecognized actuarial differences (before deducted tax effects):

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Unrecognized actuarial differences	¥ (16,851)	¥ (11,310)	$ (111,294)
Others	21	65	139
Total	¥ (16,830)	¥ (11,245)	$ (111,155)

vii) The major categories of pension assets:

	Percentage of composition	
	FY2023	FY2022
Bonds	2%	3%
Securities	45%	36%
Cash and deposits	49%	55%
Others	4%	6%
Total	100%	100%

viii) The principal actuarial assumptions at reporting date are summarized below:

	FY2023	FY2022
Discount rate	0.3% - 2.5%	0.1% - 1.9%
Expected rate of return on pension plan assets	0.0%	0.0%
Expected rate of pay raises	Primarily 0.0% - 2.2%	Primarily 0.0% - 2.2%

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

(c) Defined contribution pension plan

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

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Contribution paid to the defined contribution pension plan	¥ 398	¥ 266	$ 2,629

12. Stock options

(a) The stock options outstanding at March 31, 2024 are as follows:

	FY2015 Stock option	FY2014 Stock option
Persons granted	Directors of the Company: 9 (Including persons concurrently serving as executive officers) Executive officers of the Company: 13 (Excluding persons concurrently serving as directors) Deputy directors of the Company: 17	Directors of the Company: 14 Deputy directors of the Company: 21
Class and number of shares	Common stock 49,700 shares	Common stock 36,600 shares
Grant date	August 21, 2015	August 22, 2014
Vesting conditions	The grantee shall maintain his or her position as Director, Executive officer or Deputy director from the grant date (August 21, 2015) to the vesting date (June 30, 2016 or March 31, 2016).	The grantee shall maintain his or her position as Director or Deputy director from the grant date (August 22, 2014) to the vesting date (June 30, 2015 or March 31, 2015).
Service period	(Directors of the Company) From July 1, 2015 to June 30, 2016 (Executive officers of the Company) From April 1, 2015 to March 31, 2016 (Deputy directors of the Company) From April 1, 2015 to March 31, 2016	(Directors of the Company) From July 1, 2014 to June 30, 2015 (Deputy directors of the Company) (continuously - appointed) From July 1, 2014 to March 31, 2015 (Deputy directors of the Company) (newly - appointed) From April 1, 2014 to March 31, 2015
Exercise period	From August 22, 2015 to August 21, 2045	From August 23, 2014 to August 22, 2044

	FY2013 Stock option
Persons granted	Directors of the Company: 14 Deputy directors of the Company: 19
Class and number of shares	Common stock 62,400 shares
Grant date	August 23, 2013
Vesting conditions	The grantee shall maintain his or her position as Director or Deputy director from the grant date (August 23, 2013) to the vesting date (June 30, 2014).
Service period	From July 1, 2013 to June 30, 2014
Exercise period	From August 24, 2013 to August 23, 2043

(note) Effective October 1, 2017, the Company consolidated every 10 shares of its common stock into 1 share. The number of shares has been converted into those after the share consolidation.

(b) The numbers of and changes in stock options during the year ended March 31, 2024 are as follows:

	FY2015 Stock option	FY2014 Stock option	FY2013 Stock option
Non-vested:			
Outstanding at March 31, 2023	-	-	-
Granted	-	-	-
Forfeited	-	-	-
Vested	-	-	-
Outstanding of non-vested at March 31, 2024	-	-	-
Vested:			
Outstanding at March 31, 2023	25,400	16,200	16,600
Vested	-	-	-
Exercised	3,700	1,100	1,100
Forfeited	-	-	-
Outstanding of non-exercised at March 31, 2024	21,700	15,100	15,500
Exercise price - Yen (U.S. Dollars)	¥ 1 ($0.007)	¥ 1 ($0.007)	¥ 1 ($0.007)
Average share price at exercise - Yen (U.S. Dollars)	¥ 826 ($5.455)	¥ 521 ($3.441)	¥ 427 ($2.820)
Fair value price at grant date - Yen (U.S. Dollars)	¥ 1,690 ($11.162)	¥ 1,910 ($12.615)	¥ 1,440 ($9.511)

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

(c) Initial capitalized amount and account title related to stock options for the Company's shares

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Cash and time deposits	¥ -	¥ 52	$ -

(d) The stock options for the Company's shares outstanding at March 31, 2024 are as follows:

	1st series of share acquisition rights with an exercise price amendment clause
Persons granted	SMBC Nikko Securities Inc.
Class and number of stock options for the Company's shares	Common stock 20,000,000 shares
Grant date	April 18, 2022
Vesting conditions	No vesting conditions are set.
Service period	No service period are set.
Exercise period	From April 19, 2022 to April 30, 2025

(e) The numbers of and changes in stock options for the Company's shares during the year ended March 31, 2024 are as follows:

	1st series of share acquisition rights with an exercise price amendment clause
Non-vested:	
Outstanding at March 31, 2023	-
Granted	-
Forfeited	-
Vested	-
Outstanding of non-vested at March 31, 2024	-
Vested:	
Outstanding at March 31, 2023	13,361,600
Vested	-
Exercised	13,361,600
Forfeited	-
Outstanding of non-exercised at March 31, 2024	-
Exercise price - Yen (U.S. Dollars)	¥ 403 ($2.662)
Average share price at exercise - Yen (U.S. Dollars)	¥ 469 ($3.098)
Fair value price at grant date - Yen (U.S. Dollars)	¥ 2.6 ($0.017)

(note) The initial exercise price is stated for the exercise price.

On the effective date of each exercise request of the Stock Acquisition Rights by the Stock Acquisition Rights Holder ("Determination Date"), the Exercise Price is revised to an amount ("Exercise Price After Revision"; calculated in yen to two decimal places and then rounded up to one decimal place) equivalent to 92% of the volume weighted average price ("VWAP") of the Company's common stock in regular trading on the Tokyo Stock Exchange, Inc. on the trading day preceding the Determination Date (however, if there is no closing VWAP of the Company's common stock in regular trading on the trading day preceding the Determination Date, the VWAP on the immediately preceding trading day), and the Exercise Price After Revision shall apply from the Determination Date. However, in the calculation of the Exercise Price After Revision, if the figure obtained from the calculation is less than the minimum exercise price, the Exercise Price After Revision shall be the minimum exercise price.

(f) Calculation method for the number of rights vested

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

13. Income Taxes

(a) Significant components of deferred tax assets and liabilities as of March 31, 2024 and 2023 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Deferred tax assets:			
Net defined benefit liabilities	¥ -	¥ 1,660	$ -
Elimination of intercompany profit of non-current assets	217	205	1,433
Tax loss carryforwards	44,108	50,830	291,315
Loss on revaluation of inventories	301	255	1,988
Accrued expenses	2,543	1,618	16,795
Provision for construction warranties	627	441	4,141
Allowance for doubtful accounts	602	426	3,976
Provision for losses on construction contracts	2,037	4,791	13,454
Loss on impairment of non-current assets	4,489	4,599	29,648
Loss on valuation of marketable and investment securities	965	241	6,373
Difference arising from trust for employees' retirement benefit	4,585	4,422	30,282
Difference on application of percentage-of-completion method	815	684	5,383
Investments in subsidiaries and affiliates	-	3,527	-
Others	4,095	5,111	27,046
Gross deferred tax assets	65,384	78,810	431,834
Valuation allowance for tax loss carryforwards	(37,064)	(48,224)	(244,792)
Valuation allowance for the total of deductible temporary differences, etc.	(8,617)	(24,446)	(56,912)
Less valuation allowance	(45,681)	(72,670)	(301,704)
Total deferred tax assets	¥ 19,703	¥ 6,140	$ 130,130
Deferred tax liabilities:			
Net unrealized holding gains on securities	(548)	(56)	(3,619)
Reserve for advanced depreciation of non-current assets	(410)	(430)	(2,708)
Gain on contribution of securities to trust for employees' retirement benefit	(446)	(471)	(2,946)
Difference arising on percentage-of-completion	(802)	(816)	(5,297)
Unrealized gain on assets and liabilities of consolidated subsidiaries	(1,956)	(1,945)	(12,919)
Net defined benefit assets	(405)	-	(2,675)
Investments in subsidiaries and affiliates	(8,896)	-	(58,754)
Others	(1,553)	(1,284)	(10,256)
Total deferred tax liabilities	¥ (15,016)	¥ (5,002)	$ (99,174)
Net deferred tax assets (liabilities)	¥ 4,687	¥ 1,138	$ 30,956

(note 1) Decrease in valuation allowance of ¥26,989 million ($178,251 thousand) is mainly attributable to the decrease in valuation allowance for tax loss carryforwards from consolidated subsidiaries.

(note 2) For the year ended March 31, 2024 and 2023, tax loss carryforwards and corresponding deferred tax assets by expiration date were the following:

	Japanese Yen (millions)						
FY2023	Within 1 year	Over 1 year ~ within 2 years	Over 2 years ~ within 3 years	Over 3 years ~ within 4 years	Over 4 years~ within 5 years	Over 5 years	Total
Tax loss carryforwards*1	¥ -	¥ -	¥ 0	¥ -	¥ 1,339	¥ 42,769	¥ 44,108
Less valuation allowance	¥ -	¥ -	¥ (0)	¥ -	¥ (1,339)	¥ (35,725)	¥ (37,064)
Deferred tax assets*2	¥ -	¥ -	¥ -	¥ -	¥ -	¥ 7,044	¥ 7,044

FY2022	Japanese Yen (millions) Within 1 year	Over 1 year ~ within 2 years	Over 2 years ~ within 3 years	Over 3 years ~ within 4 years	Over 4 years~ within 5 years	Over 5 years	Total
Tax loss carryforwards[*1]	¥ -	¥ -	¥ -	¥ 1	¥ -	¥ 50,829	¥ 50,830
Less valuation allowance	¥ -	¥ -	¥ -	¥ (1)	¥ -	¥ (48,223)	¥ (48,224)
Deferred tax assets[*2]	¥ -	¥ -	¥ -	¥ -	¥ -	¥ 2,606	¥ 2,606

FY2023	U.S. Dollars (thousands) Within 1 year	Over 1 year ~ within 2 years	Over 2 years ~ within 3 years	Over 3 years ~ within 4 years	Over 4 years~ within 5 years	Over 5 years	Total
Tax loss carryforwards[*1]	$ -	$ -	$ 0	$ -	$ 8,843	$ 282,472	$ 291,315
Less valuation allowance	$ -	$ -	$ (0)	$ -	$ (8,843)	$ (235,949)	$ (244,792)
Deferred tax assets[*2]	$ -	$ -	$ -	$ -	$ -	$ 46,523	$ 46,523

[*1] Tax loss carryforwards are calculated by multiplying the statutory tax rate.

[*2] As for tax loss carryforwards, valuation allowance is not recognized for the portion judged to be recoverable based on expected future taxable income.

(b) Significant differences between the statutory tax rate and the Group's effective tax rate for financial statement purposes for the year ended March 31, 2024 and 2023 were as follows:

	FY2023	FY2022
Statutory tax rate	30.6 %	30.6 %
Expenses not deductible permanently, such as entertainment expenses	0.3	0.3
Non-taxable income permanently, such as dividend income	(4.3)	(8.2)
Amortization of goodwill	1.6	1.7
Share of profit of entities accounted for using equity method	(12.1)	(7.3)
Consolidation adjustment for gain on sales of subsidiaries and affiliates' stocks	0.5	8.4
Valuation allowance	(80.4)	(30.7)
Taxation on per capita basis	0.3	0.5
Income of foreign subsidiaries taxed at lower than Japanese statutory tax rate	(0.8)	(0.1)
Controlled foreign subsidiary and affiliate rules	4.9	1.2
Increase of deferred tax assets, net of liabilities at fiscal year-end by the change of tax rate	-	1.1
Reserved profit of subsidiaries and affiliates	24.3	0.0
Corporate income taxes, etc. paid in past fiscal years	(0.2)	0.4
Gain on bargain purchase	(2.1)	-
Others	(7.0)	4.4
Effective tax rate	(30.4)%	2.3 %

(Change in Presentation)
"Reserved profit of subsidiaries and affiliates," which was included in "Others" in the year ended March 31, 2023, have been presented individually from the year ended March 31, 2024 since its materiality has increased. In order to reflect this change in presentation, notes in the year ended March 31, 2023, has been reclassified.
As a result, 4.4% presented in "Others" for the year ended March 31, 2023, has been reclassified as 0.0% in "Reserved profit of subsidiaries and affiliates" and 4.4% in "Others."

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

14. Business Combination

Business merger through acquisition

(Transfer of business related to marine large bore engines and its associated products)

On September 27, 2022, the Company concluded a share transfer agreement with IHI Corporation and IHI Power Systems Co., Ltd. (hereinafter, "IPS") for the transfer of IPS's business related to marine large bore engines and its associated products (hereinafter, the "Business"), and as of April 1, 2023, the Company acquired all shares of the new company "IPS Aioi Co., Ltd." which took over the Business. As of the same date, the company changed its corporate name to "Mitsui E&S DU Co., Ltd."

1. Outline of the business merger

1) Name of the acquired company and its business

Name of acquired company: IPS Aioi Co., Ltd.

Business description: Business related to marine large bore engines and its associated products

2) Reason for business merger

Mitsui E&S DU Co., Ltd. is a company with strength in the manufacture and after-sales service of 2-stroke engines licensed through Winterthur Gas & Diesel (hereinafter, "WinGD") and 4-stroke engines licensed through S.E.M.T Pielstick, which has earned the trust of its customers. As Mitsui E&S DU Co., Ltd. newly became a member of our Group, we expect to further strengthen our resources in development, production, and after-sales service under the double license system of MAN Energy Solutions and WinGD in our core marine engine business, and through the commercialization of new fuel-compatible engines, we are committed to meeting our customers' needs and creating a carbon-free society.

3) Date of business merger

April 1, 2023

4) Legal form of the business merger

Acquisition of shares in exchange for cash

5) Name of company after merger

Mitsui E&S DU Co., Ltd.

6) Percentage of voting rights acquired

100%

7) Main basis for determining the acquiring company

The Company acquired the shares in exchange for cash.

2. The period of financial result of the combined entity included in the consolidated financial statement

From April 1, 2023 to March 31, 2024

3. Acquisition cost of the acquired company and breakdown by type of consideration

Consideration for the acquisition (Including adjustments for working capital, etc.)	Cash	(¥689) million (($4,551) thousand)
Acquisition Cost		(¥689) million (($4,551) thousand)

The above amount includes adjustments for working capital, etc. based on the share transfer agreement.

4. Details and amounts of main acquisition-related expenses

Advisory fee, etc: ¥180 million ($1,189 thousand)

5. Amount of gain on bargain purchase and reason for accrual

1) Amount of gain on bargain purchase: ¥1,318 million ($8,705 thousand)

In the first through third quarters of the fiscal year under review, the allocation of acquisition costs was not completed and provisional accounting treatment was applied, but this was finalized at the end of the fiscal year under review.

2) Reason for accrual

Since the net amount of assets received and liabilities assumed from the acquired company exceeded the acquisition cost of the acquired company, the excess amount is recognized as gain on bargain purchase.

6. Value of assets acquired and liabilities assumed on the date of business merger and their main breakdown

	Japanese Yen (millions)	U.S. Dollars (thousands)
Current assets	¥ 8,822	$ 58,266
Non-current assets	1,162	7,674
Total assets	¥ 9,984	$ 65,940
Current liabilities	¥ (7,507)	$ (49,581)
Long-term liabilities	(1,848)	(12,205)
Total liabilities	¥ (9,355)	$ (61,786)

7. Amounts other than goodwill distributed as intangible fixed assets and breakdown by type, and period of amortization

	Japanese Yen (millions)	U.S. Dollars (thousands)	Period of amortization
Customer-related assets	¥ 172	$ 1,136	16 years

Transactions under common control

(Absorption-type merger of consolidated subsidiaries)

Effective April 1, 2023, the Company merged with the two wholly-owned subsidiaries by absorption-type merger, with the Company as the surviving company and the two wholly-owned subsidiaries as the dissolving companies.

As of the same date, the Company changed the corporate name to "MITSUI E&S Co., Ltd."

1. Transaction summary

1) Names and businesses of the parties to the merger

	Surviving company in absorption-type merger	Dissolving companies in absorption-type merger	
Name	Mitsui E&S Holdings Co., Ltd.	Mitsui E&S Machinery Co., Ltd.	Mitsui E&S Business Service Co., Ltd.
Business description	Ownership of stocks of companies engaged in design, manufacture, engineering, construction, installation, repair, and maintenance of ships, various machinery, plants, etc., management and administration of such companies, and related operations	Marine and stationary diesel engines, marine equipments, gas engines, steam turbines, blowers, process compressors, gas turbines, cogeneration system, process equipment, container cranes, industrial cranes, container terminal management systems, HWM manipulators, equipment of radar sensing for underground and construction, induction heaters, and wave generators	Shared service business for corporate operations among the Mitsui E&S Group, including finance and accounting, human resources and general affairs, etc.

2) Date of business merger

April 1, 2023

3) Legal form of the business merger

An absorption-type merger, with the Company as the surviving company and its wholly-owned subsidiaries, Mitsui E&S Machinery Co., Ltd. (hereinafter, "MES-M") and Mitsui E&S Business Service Co., Ltd. (hereinafter, "MES-B") as the dissolving companies.

4) Name of company after merger

MITSUI E&S Co., Ltd.

5) Other matters concerning the outline of the transaction

i) Purpose of the merger

Since April 2018, the Group has been working to strengthen its competitiveness and promote growth under a pure holding company. Based on the "Mitsui E&S Group Business Revival Plan" started in FY 2019, we have implemented various measures such as "execution of the sale of assets and businesses" and "business restructuring and promotion of collaboration with other companies regarding cooperative businesses." As a result, we have reached a situation where we are on track to achieve the Business Revival Plan to a certain extent, including the bold implementation of various measures and promotion of selection and concentration under the current structure.

In order to achieve future growth and improve profitability, we have decided on the optimal measures to shift to a new organizational structure. We aim to shorten the distance between MES-M, the Group's mainstay business, and management as well as speed up strategic planning and execution by unifying them. Also, going forward, we aim to change the Group's organizational structure to emphasize growth areas.

Specifically, we will shift from the current pure holding company structure to an operating holding company structure, and merge MES-M, which will be the center of future growth strategies, and MES-B, which will be responsible for corporate operations, into our company to create a unified management structure. This will accelerate the implementation of our growth strategies and improve management efficiency.

ii) Financial position and operating results of the main merged company (MES-M) for the most recent fiscal year (fiscal year ended March 31, 2023)

Assets	¥136,621 million	($902,325 thousand)
Liabilities	¥92,412 million	($610,343 thousand)
Net assets	¥44,209 million	($291,982 thousand)
Net sales	¥141,341 million	($933,498 thousand)
Profit	¥4,941 million	($32,633 thousand)

2. Summary of accounting procedures implemented

This business merger was treated as a transaction under common control, in accordance with the "Accounting Standards for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standards for Business Combinations and Accounting Standards for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

15. Investment and Rental Property

(a) Articles concerning situation of investment and rental property

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

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

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

FY2023

	Japanese Yen (millions)			
	Book value			Fair value
Usage	Beginning balance as of April 1, 2023	Increase (Decrease)	Ending balance as of March 31, 2024	As of March 31, 2024
Facilities for lease	¥ 24,565	¥ 143	¥ 24,708	¥ 16,137
Idle assets (Land)	1,765	366	2,131	2,297
Total	¥ 26,330	¥ 509	¥ 26,839	¥ 18,434

	U.S. Dollars (thousands)			
	Book value			Fair value
Usage	Beginning balance as of April 1, 2023	Increase (Decrease)	Ending balance as of March 31, 2024	As of March 31, 2024
Facilities for lease	$ 162,242	$ 944	$ 163,186	$ 106,578
Idle assets (Land)	11,657	2,417	14,074	15,171
Total	$ 173,899	$ 3,361	$ 177,260	$ 121,749

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

(note 2) The increase in rental properties in this fiscal year is mainly due to reclassificaton to idle assets (land) (¥366 million/ $2,417 thousand).

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

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

FY2023

Usage	Japanese Yen (millions)			
	Rental income	Rental expenses	Difference	Others (Profit or Loss on sales of assets, etc.)
Facilities for lease	¥ 1,109	¥ 273	¥ 836	¥ -
Idle assets (Land)	-	-	-	(366)
Total	¥ 1,109	¥ 273	¥ 836	¥ (366)

Usage	U.S. Dollars (thousands)			
	Rental income	Rental expenses	Difference	Others (Profit or Loss on sales of assets, etc.)
Facilities for lease	$ 7,324	$ 1,803	$ 5,521	$ -
Idle assets (Land)	-	-	-	(2,417)
Total	$ 7,324	$ 1,803	$ 5,521	$ (2,417)

(note 1) Rental expenses include depreciation, repair, insurance and taxes-and-dues. Rental income and rental expenses are included in operating income.
(note 2) Others include loss on impairment of non-current assets and taxes-and-dues, which are recognized as other income (expenses).

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

FY2022

Usage	Japanese Yen (millions)			
	Book value			Fair value
	Beginning balance as of April 1, 2022	Increase (Decrease)	Ending balance as of March 31, 2023	As of March 31, 2023
Facilities for lease	¥ 21,048	¥ 3,516	¥ 24,564	¥ 16,260
Idle assets (Land)	1,766	(0)	1,766	2,046
Total	¥ 22,814	¥ 3,516	¥ 26,330	¥ 18,306

(note 1) Accumulated depreciation and accumulated impairment losses are deducted from acquisition costs, and the book value is stated the consolidated balance sheets.
(note 2) The increase in rental properties in this fiscal year is mainly due to the change in scope of consolidation of certain subsidiary (¥3,184 million), contract modification (¥488 million) and new acquisitions (¥251 million).
(note 3) Fair value at the end of this fiscal year is mainly estimated based on the "Real estate appraising standard" with an adjustment using a certain indicator.

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

FY2022

Usage	Japanese Yen (millions)			
	Rental income	Rental expenses	Difference	Others (Profit or Loss on sales of assets, etc.)
Facilities for lease	¥ 1,066	¥ 273	¥ 793	¥ 86
Idle assets (Land)	-	-	-	(82)
Total	¥ 1066	¥ 273	¥ 793	¥ 4

(note 1) Rental expenses include depreciation, repair, insurance and taxes-and-dues. Rental income and rental expenses are included in operating income.
(note 2) Others include gain on disposal of non-current assets and taxes-and-dues, which are recognized as other income (expenses).

16. Revenue Recognition

(a) Disaggregation of Revenue

The information on disaggregation of revenue from contracts with customers for the years ended March 31, 2024 and 2023 were as follows:

FY2023	Japanese Yen (millions)							
	New Business Development	Marine Propulsion Systems	Logistics Systems	Peripheral Businesses	Ocean Development	Sub total	Others *1	Total
Breakdown by geographical regions								
Japan	¥ 35,008	¥ 123,085	¥ 24,461	¥ 37,006	¥ -	¥ 219,560	¥ 212	¥ 219,772
Asia	3,242	8,676	15,509	9,677	-	37,104	5,039	42,143
Europe	416	1,797	39	20,969	-	23,221	-	23,221
North America	176	131	5,209	659	-	6,175	-	6,175
Other regions	1,969	309	2,419	5,831	-	10,528	-	10,528
Revenue from contracts with customers	¥ 40,811	¥ 133,998	¥ 47,637	¥ 74,142	¥ -	¥ 296,588	¥ 5,251	¥ 301,839
Other revenue *2	-	36	-	-	-	36	-	36
Net sales to outside customers	¥ 40,811	¥ 134,034	¥ 47,637	¥ 74,142	¥ -	¥ 296,624	¥ 5,251	¥ 301,875

FY2022	Japanese Yen (millions)							
	New Business Development	Marine Propulsion Systems	Logistics Systems	Peripheral Businesses	Ocean Development	Sub total	Others *1	Total
Breakdown by geographical regions								
Japan	¥ 28,965	¥ 89,077	¥ 16,919	¥ 31,584	¥ -	¥ 166,545	¥ 6,628	¥ 173,173
Asia	2,537	7,137	15,790	5,249	-	30,713	22,564	53,277
Europe	861	1,180	317	12,027	-	14,385	501	14,886
North America	524	154	7,691	2,092	-	10,461	-	10,461
Other regions	1,976	111	936	6,404	-	9,427	0	9,427
Revenue from contracts with customers	¥ 34,863	¥ 97,659	¥ 41,653	¥ 57,356	¥ -	¥ 231,531	¥ 29,693	¥ 261,224
Other revenue *2	2	35	-	-	-	37	1,040	1,077
Net sales to outside customers	¥ 34,865	¥ 97,694	¥ 41,653	¥ 57,356	¥ -	¥ 231,568	¥ 30,733	¥ 262,301

FY2023	U.S. Dollars (thousands)							
	New Business Development	Marine Propulsion Systems	Logistics Systems	Peripheral Businesses	Ocean Development	Sub total	Others *1	Total
Breakdown by geographical regions								
Japan	$ 231,213	$ 812,925	$ 161,555	$ 244,409	$ -	$ 1,450,102	$ 1,400	$ 1,451,502
Asia	21,412	57,301	102,430	63,913	-	245,056	33,281	278,337
Europe	2,748	11,868	258	138,491	-	153,365	-	153,365
North America	1,162	865	34,403	4,353	-	40,783	-	40,783
Other regions	13,004	2,042	15,977	38,511	-	69,534	-	69,534
Revenue from contracts with customers	$ 269,539	$ 885,001	$ 314,623	$ 489,677	$ -	$ 1,958,840	$ 34,681	$ 1,993,521
Other revenue *2	-	238	-	-	-	238	-	238
Net sales to outside customers	$ 269,539	$ 885,239	$ 314,623	$ 489,677	$ -	$ 1,959,078	$ 34,681	$ 1,993,759

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

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

Changes in Presentation

Revenues from contracts with customers in "Central and South America," which was presented individually in the year ended March 31, 2023, has been included in "Other regions" from the year ended March 31, 2024 since its materiality has decreased. In order to reflect this change in presentation, disaggregated revenue from contracts with customers for the year ended March 31, 2023, has been reclassified.
As a result, ¥3,114 million presented in "Central and South America" and ¥6,313 million presented in "Other regions" for the year ended March 31, 2023, have been reclassified as ¥9,427 million in "Other regions."

Changes in Reportable Segment

Effective from the current fiscal year, the Company has changed the classification of its Reportable Segment. Details of information are as described in Note 17 "Segment Information, (c) Changes in Reportable Segment."
Comparative disaggregation of revenue from contracts with customers for the previous fiscal year has been restated to reflect the changes.

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

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

(c) Contract Balances

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

	Japanese Yen (millions)				U.S. Dollars (thousands)	
	FY2023		FY2022		FY2023	
Opening balance of receivables from contracts	¥	55,512	¥	50,762	$	366,634
Closing balance of receivables from contracts	¥	63,650	¥	55,512	$	420,381
Opening balance of contract assets	¥	26,330	¥	27,788	$	173,899
Closing balance of contract assets	¥	32,633	¥	26,330	$	215,527
Opening balance of contract liabilities	¥	25,300	¥	30,901	$	167,096
Closing balance of contract liabilities	¥	30,809	¥	25,300	$	203,481

Contract assets are primarily about performance obligations under contracts satisfied over time and revenue has been recognized, but have not yet been billed. In the Group, it primarily relates to the Group's rights to unbilled portion of the construction and installation works of the equipment that had been finished as of the end of reporting period. Contract assets become receivables once the rights to receive consideration become unconditional. This is usually when the invoices are issued to customers. Consideration for the construction and installation of such equipment is received primarily within three months of the satisfaction of performance obligations, in accordance with the terms of the contracts.
Contract liabilities primarily relate to the consideration received before transferring goods or construction services to customers as a credit risk management. Contract liabilities will be reversed and recognized as revenue once the performance obligations are satisfied.
Of revenue recognized for the year ended March 31, 2023, the amount included in the contract liabilities balance as of April 1, 2022, was ¥22,044 million. The decrease in contract assets of ¥1,458 million in that fiscal year was mainly due to the fact that the decrease due to transfers to receivables from contracts with customers and offsetting of contract liabilities exceeded the increase in revenue recognized. Contract liabilities decreased by ¥5,601 million mainly because the decrease due to revenue recognition and offsetting contract assets exceeding the increase due to receipt of advances.
In the year ended March 31, 2023, the amount of revenue recognized from the performance obligations satisfied in the past period was not significant.
Of revenue recognized for the year ended March 31, 2024, the amount included in the contract liabilities balance as of April 1, 2023, was ¥15,780 million ($104,220 thousand). The increase in contract assets of ¥6,303 million ($41,628 thousand) in that fiscal year was mainly due to the fact that the increase in revenue recognized exceeded the decrease due to transfers to receivables from contracts with customers and offsetting contract liabilities. Contract liabilities increased by ¥5,509 million ($36,385 thousand) mainly because the increase due to receipt of advances exceeding the decrease due to revenue recognition and offsetting contract assets.
In the year ended March 31, 2024, the amount of revenue recognized from the performance obligations satisfied in the past period was not significant.

(d) Transaction Price Allocated to Remaining Performance Obligations

Aggregate amount of the transaction price allocated to the remaining performance obligations as of March 31, 2024 and 2023, and the expected timing when revenue will be recognized were as follows:

	Japanese Yen (millions)				U.S. Dollars (thousands)	
	FY2023		FY2022		FY2023	
Due within one year	¥	204,776	¥	163,463	$	1,352,461
Due after one year through two years		61,704		36,505		407,529
Due after two years through three years		21,255		16,396		140,380
Due after three years		94,701		95,453		625,461
Total	¥	382,436	¥	311,817	$	2,525,831

17. Segment Information

(a) Overview of Reportable Segment

Reportable Segment is composed of the segment by products and services belonging to the operating companies and subject to be reviewed periodically by the Board of Directors to decide the allocation of management resources and to evaluate the performance.
The Company organizes divisions by products and services in Head office. Each division makes strategies of its products and services in both Japan and abroad comprehensively and develops the operation.
Reportable Segment is classified into 5 segments: New Business Development, Marine Propulsion Systems, Logistics Systems, Peripheral Businesses and Ocean Development. Main products and services of each Reportable Segment are as follows.

New Business Development: Industrial machinery (process compressors, gas turbines, blowers, process equipment), advanced machinery (ground-penetrating radar systems), and their after-sales services

Marine Propulsion Systems: Marine engines, fuel supply system and auxiliary machineries for dual fuel engines, and their after-sales services

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

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

Ocean Development: FPSOs (floating production storage offloading vessels)

(b) Calculation Method used for Sales, Segment Income and Loss, Assets, Liabilities and Other Items for each Reportable Segment

The accounting method used for Reportable Segment is the same in material aspects as the method used for “Significant Accounting and Reporting Policies.”
Segment income and loss is based on Operating income (loss) in Consolidated Statements of Operations.
Inter segment profit and transfer are based on the market price.

(c) Changes in Reportable Segment

Effective from the current fiscal year, the Company has changed the classification of its Reportable Segment from the previous 4 segments (Ship, Ocean Development, Machinery and Engineering) to 5 new segments (New Business Development, Marine Propulsion Systems, Logistics Systems, Peripheral Businesses and Ocean Development). This change was implemented to clarify the positioning of each business and to expand sales and profits mainly in the core business in accordance with the policy in “Mid-Term Business Plan 2023.”
Comparative segment information for the previous fiscal year has been restated to reflect the changes.

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

Reportable Segment information for the years ended March 31, 2024 and 2023 were as follows:

Japanese Yen (millions)

FY2023	New Business Development	Marine Propulsion Systems	Logistics Systems	Peripheral Businesses	Ocean Development	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:										
Outside customers	¥ 40,811	¥ 134,034	¥ 47,637	¥ 74,142	¥ -	¥ 296,624	¥ 5,251	¥ 301,875	¥ -	¥ 301,875
Inter segment	1,139	624	569	14,600	-	16,932	2	16,934	(16,934)	-
Total	¥ 41,950	¥ 134,658	¥ 48,206	¥ 88,742	¥ -	¥ 313,556	¥ 5,253	¥ 318,809	¥ (16,934)	¥ 301,875
Segment income	¥ 5,883	¥ 6,431	¥ 3,055	¥ 2,355	¥ 6,367	¥ 24,091	¥ 1,906	¥ 25,997	¥ (6,367)	¥ 19,630
Segment assets	¥ 35,201	¥ 127,925	¥ 53,634	¥ 77,841	¥ 58,989	¥ 353,590	¥ 52,824	¥ 406,414	¥ 60,727	¥ 467,141
Depreciation and amortization	¥ 707	¥ 3,008	¥ 1,399	¥ 1,628	¥ -	¥ 6,742	¥ 226	¥ 6,968	¥ 420	¥ 7,388
Amortization of goodwill	¥ -	¥ -	¥ -	¥ 1,009	¥ -	¥ 1,009	¥ -	¥ 1,009	¥ -	¥ 1,009
Year-end balance of goodwill	¥ -	¥ -	¥ -	¥ 7,532	¥ -	¥ 7,532	¥ -	¥ 7,532	¥ -	¥ 7,532
Gain on bargain purchase	¥ -	¥ 1,318	¥ -	¥ -	¥ -	¥ 1,318	¥ -	¥ 1,318	¥ -	¥ 1,318
Share of profit of entities accounted for using equity method	¥ -	¥ 313	¥ 246	¥ 441	¥ 6,367	¥ 7,367	¥ 308	¥ 7,675	¥ -	¥ 7,675
Loss on impairment of non-current assets	¥ 377	¥ -	¥ -	¥ -	¥ -	¥ 377	¥ -	¥ 377	¥ 1,077	¥ 1,454
Increase in property, plant and equipment and intangible assets	¥ 356	¥ 5,796	¥ 1,369	¥ 878	¥ -	¥ 8,399	¥ 126	¥ 8,525	¥ 791	¥ 9,316

(note 1) Segment income in “New Business Development,” “Marine Propulsion Systems,” “Logistics Systems,” “Peripheral Businesses” and “Others” represents “Operating income,” and in “Ocean Development” represents “Share of profit of entities accounted for using equity method.”

(note 2) “Others” is the segment which is not included in Reportable Segment and includes Engineering businesses, etc.

(note 3) Adjustments are as follows:

(1) Adjustments of ¥60,727 million recorded for assets primarily include surplus funds (cash and time deposits), long-term investment (investment securities) and assets related to the administration divisions of the Company of ¥61,843 million that are not allocated to any Reportable Segment.

(2) Adjustments of ¥420 million recorded for depreciation and amortization are depreciation for property, plant and equipment and amortization for intangible assets related to the administration divisions.

(3) Adjustments of ¥1,077 million recorded for loss on impairment of non-current assets are the impairment loss for Corporate.

(4) Adjustments of ¥791 million recorded for increase in property, plant and equipment and intangible assets are increase in assets related to the administration divisions.

(note 4) Segment income is adjusted with operating income in Consolidated Statements of Operations.

Japanese Yen (millions)

FY2022	New Business Development	Marine Propulsion Systems	Logistics Systems	Peripheral Businesses	Ocean Development	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:										
Outside customers	¥ 34,865	¥ 97,694	¥ 41,653	¥ 57,356	¥ -	¥ 231,568	¥ 30,733	¥ 262,301	¥ -	¥ 262,301
Inter segment	1,117	427	175	11,570	-	13,289	42	13,331	(13,331)	-
Total	¥ 35,982	¥ 98,121	¥ 41,828	¥ 68,926	¥ -	¥ 244,857	¥ 30,775	¥ 275,632	¥ (13,331)	¥ 262,301
Segment income	¥ 4,258	¥ 2,639	¥ 1,355	¥ 722	¥ 2,312	¥ 11,286	¥ 402	¥ 11,688	¥ (2,312)	¥ 9,376
Segment assets	¥ 33,313	¥ 107,077	¥ 55,447	¥ 71,789	¥ 54,858	¥ 322,484	¥ 52,439	¥ 374,923	¥ 65,037	¥ 439,960
Depreciation and amortization	¥ 700	¥ 2,539	¥ 1,338	¥ 1,578	¥ -	¥ 6,155	¥ 361	¥ 6,516	¥ 528	¥ 7,044
Amortization of goodwill	¥ -	¥ -	¥ -	¥ 901	¥ -	¥ 901	¥ -	¥ 901	¥ -	¥ 901
Year-end balance of goodwill	¥ -	¥ -	¥ -	¥ 7,626	¥ -	¥ 7,626	¥ -	¥ 7,626	¥ -	¥ 7,626
Share of profit of entities accounted for using equity method	¥ -	¥ 75	¥ 138	¥ 1,041	¥ 2,312	¥ 3,566	¥ 245	¥ 3,811	¥ -	¥ 3,811
Increase in property, plant and equipment and intangible assets	¥ 1,099	¥ 6,161	¥ 969	¥ 767	¥ -	¥ 8,996	¥ 395	¥ 9,391	¥ 390	¥ 9,781

(note 1) Segment income in “New Business Development,” “Marine Propulsion Systems,” “Logistics Systems,” “Peripheral Businesses” and “Others” represents “Operating income,” and in “Ocean Development” represents “Share of profit of entities accounted for using equity method.”

(note 2) “Others” is the segment which is not included in Reportable Segment and includes Engineering businesses, etc.

(note 3) Adjustments are as follows:

(1) Adjustments of ¥65,037 million recorded for assets primarily include surplus funds (cash and time deposits), long-term investment (investment securities) and assets related to the administration divisions of the Company of ¥66,239 million that are not allocated to any Reportable Segment.

(2) Adjustments of ¥528 million recorded for depreciation and amortization are depreciation for property, plant and equipment and amortization for intangible assets related to the administration divisions.

(3) Adjustments of ¥390 million recorded for increase in property, plant and equipment and intangible assets are increase in assets related to the administration divisions.

(note 4) Segment income is adjusted with operating income in Consolidated Statements of Operations.

FY2023	U.S. Dollars (thousands) New Business Development	Marine Propulsion Systems	Logistics Systems	Peripheral Businesses	Ocean Development	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:										
Outside customers	$ 269,539	$ 885,239	$ 314,623	$ 489,677	$ -	$ 1,959,078	$ 34,681	$ 1,993,759	$ -	$ 1,993,759
Inter segment	7,523	4,121	3,758	96,427	-	111,829	13	111,842	(111,842)	-
Total	$ 277,062	$ 889,360	$ 318,381	$ 586,104	$ -	$ 2,070,907	$ 34,694	$ 2,105,601	$ (111,842)	$ 1,993,759
Segment income	$ 38,855	$ 42,474	$ 20,177	$ 15,554	$ 42,051	$ 159,111	$ 12,588	$ 171,699	$ (42,051)	$ 129,648
Segment assets	$ 232,488	$ 844,891	$ 354,230	$ 514,107	$ 389,598	$ 2,335,314	$ 348,881	$ 2,684,195	$ 401,077	$ 3,085,272
Depreciation and amortization	$ 4,669	$ 19,867	$ 9,240	$ 10,752	$ -	$ 44,528	$ 1,493	$ 46,021	$ 2,774	$ 48,795
Amortization of goodwill	$ -	$ -	$ -	$ 6,664	$ -	$ 6,664	$ -	$ 6,664	$ -	$ 6,664
Year-end balance of goodwill	$ -	$ -	$ -	$ 49,746	$ -	$ 49,746	$ -	$ 49,746	$ -	$ 49,746
Gain on bargain purchase	$ -	$ 8,705	$ -	$ -	$ -	$ 8,705	$ -	$ 8,705	$ -	$ 8,705
Share of profit of entities accounted for using equity method	$ -	$ 2,067	$ 1,625	$ 2,913	$ 42,051	$ 48,656	$ 2,034	$ 50,690	$ -	$ 50,690
Loss on impairment of non-current assets	$ 2,490	$ -	$ -	$ -	$ -	$ 2,490	$ -	$ 2,490	$ 7,113	$ 9,603
Increase in property, plant and equipment and intangible assets	$ 2,351	$ 38,280	$ 9,042	$ 5,799	$ -	$ 55,472	$ 832	$ 56,304	$ 5,224	$ 61,528

(note 1) Segment income in “New Business Development,” “Marine Propulsion Systems,” “Logistics Systems,” “Peripheral Businesses” and “Others” represents “Operating income,” and in “Ocean Development” represents “Share of profit of entities accounted for using equity method.”

(note 2) “Others” is the segment which is not included in Reportable Segment and includes Engineering businesses, etc.

(note 3) Adjustments are as follows:

(1) Adjustments of $401,077 thousand recorded for assets primarily include surplus funds (cash and time deposits), long-term investment (investment securities) and assets related to the administration divisions of the Company of $408,447 thousand that are not allocated to any Reportable Segment.

(2) Adjustments of $2,774 thousand recorded for depreciation and amortization are depreciation for property, plant and equipment and amortization for intangible assets related to the administration divisions.

(3) Adjustments of $7,113 thousand recorded for loss on impairment of non-current assets are the impairment loss for Corporate.

(4) Adjustments of $5,224 thousand recorded for increase in property, plant and equipment and intangible assets are increase in assets related to the administration divisions.

(note 4) Segment income is adjusted with operating income in Consolidated Statements of Operations.

[Related information]

(e) Information by products and services

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

(f) Information by geographical area

1) Sales

FY2023	Japanese Yen (millions)					
	Japan	Asia	Europe	North America	Others	Total
Net sales	¥ 219,808	¥ 42,143	¥ 23,221	¥ 6,175	¥ 10,528	¥ 301,875

FY2022	Japanese Yen (millions)					
	Japan	Asia	Europe	North America	Others	Total
Net sales	¥ 174,250	¥ 53,277	¥ 14,886	¥ 10,461	¥ 9,427	¥ 262,301

FY2023	U.S. Dollars (thousands)					
	Japan	Asia	Europe	North America	Others	Total
Net sales	$ 1,451,740	$ 278,337	$ 153,365	$ 40,783	$ 69,534	$ 1,993,759

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

Changes in Presentation

Net sales in “Europe” and “North America”, which were included in “Others” in the year ended March 31, 2023, have been presented individually from the year ended March 31, 2024 since their materiality has increased. In addition, net sales in “Africa” and “Central and South America,” which were presented individually in the year ended March 31, 2023, have been included in “Others” from the year ended March 31, 2024 since their materiality has decreased. In order to reflect these changes in presentation, “(f) Information by geographical area, 1) Sales” in the year ended March 31, 2023, has been reclassified.
As a result, ¥3,904 million presented in “Africa,” ¥3,114 million presented in “Central and South America” and ¥27,756 million presented in “Others” for the year ended March 31, 2023, have been reclassified as ¥14,886 million in “Europe,” ¥10,461 million in “North America” and ¥9,427 million in “Others.”

2) Property, plant and equipment

FY2023	Japanese Yen (millions)		
	Japan	Others	Total
Property, plant and equipment	¥ 115,232	¥ 755	¥ 115,987

FY2022	Japanese Yen (millions)		
	Japan	Others	Total
Property, plant and equipment	¥ 114,982	¥ 785	¥ 115,767

FY2023	U.S. Dollars (thousands)		
	Japan	Others	Total
Property, plant and equipment	$ 761,059	$ 4,987	$ 766,046

(g) Information by major customer

Information by major customer for the fiscal years ended March 31, 2024 and 2023 is not described because there is no customer with the sales amount exceeds 10% of the sales amount in Consolidated Statements of Operations.

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

FY2023

Gain on bargain purchase was recognized in “Marine Propulsion Systems” segment due to the acquisition of all shares of Mitsui E&S DU Co., Ltd., making it our consolidated subsidiary. The amount of the gain from the said event is ¥1,318 million ($8,705 thousand) in the current fiscal year.

FY2022

Not applicable.

18. Related Party Transactions

(a) Related Party Transactions

Transactions between the Company and related parties for the fiscal years ended March 31, 2024 and 2023 were as follows:

FY2023:

Not applicable

FY2022:

Not applicable

Transactions between the Subsidiaries and related parties for the fiscal years ended March 31, 2024 and 2023 were as follows:

FY2023:

Not applicable

FY2022:

Not applicable

(b) Condensed financial information on important affiliates

In the fiscal year ended March 31, 2024, an important affiliate was MODEC, Inc., and its condensed consolidated financial information is as follows.

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Total current assets	¥ 288,702	186,728	$ 1,906,756
Total non-current assets	262,722	229,447	1,735,169
Total current liabilities	318,281	234,142	2,102,113
Total long-term liabilities	86,308	70,417	570,028
Total net assets	146,835	111,617	969,784
Net sales	¥ 507,031	363,567	$ 3,348,729
Profit before income taxes	30,446	7,277	201,083
Profit attributable to owners of parent	13,692	4,960	90,430

The above condensed financial information represents financial statements prepared by MODEC, Inc. in accordance with International Financial Reporting Standards (IFRS) with adjustments required under accounting principles generally accepted in Japan.

19. Per Share Data

	Japanese Yen		U.S. Dollars
	FY2023	FY2022	FY2023
Net assets per share	¥ 1,311.64	¥ 1,107.02	$ 8.663
Earnings per share	255.73	177.47	1.689
Diluted earnings per share	254.42	174.92	1.680

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

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Earnings per share			
Profit attributable to owners of parent	¥ 25,052	¥ 15,554	$ 165,458
Profit not attributable to shareholders of common stock	702	529	4,636
[Of the above, amount of preferred dividends]	[702]	[529]	[4,636]
Profit attributable to owners of parent in accordance with the common stock	24,350	15,025	160,822
Average number of common stock during the period (Thousands of shares)	95,215	84,661	

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Diluted earnings per share			
Adjustments to profit attributable to owners of parent	¥ -	¥ -	$ -
Increase in the number of common stock (Thousands of shares)	493	1,235	
[Of the above, subscription rights to shares (Thousands of shares)]	[493]	[1,235]	
Overview of potential shares not included in the calculation of the diluted earnings per share because of the lack of dilution effects	-	-	

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

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Total net assets	¥ 146,511	¥ 110,686	$ 967,644
Amount deducted from total net assets	14,202	13,810	93,798
[Of the above, amount paid for preferred shares]	[9,000]	[9,000]	[59,441]
[Of the above, amount of cumulative unpaid preferred dividends]	[702]	[529]	[4,636]
[Of the above, subscription rights to shares]	[88]	[133]	[581]
[Of the above, non-controlling interests]	[4,412]	[4,149]	[29,139]
Net assets related to common stock at the end of the period	132,309	96,876	873,846
Number of shares of common stock at the end of the period used to calculate net assets per share (Thousands of shares)	100,873	87,510	

20. Bonds

Bonds as of March 31, 2024 and 2023 were summarized below:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	FY2023	FY2022	FY2023
Unsecured or non-guaranteed-			
0.70% bonds, due September 15, 2023	¥ -	¥ 5,000	$ -
Total	¥ -	¥ 5,000	$ -

21. Borrowings and Indebtedness

Borrowings and Indebtedness as of March 31, 2024 and 2023 were summarized below:

			Japanese Yen (millions)		U.S. Dollars (thousands)
	Average interest rate	Due dates	FY2023	FY2022	FY2023
Short-term borrowings	2.47%	-	¥ 149,785	¥ 115,246	$ 989,268
Current portion of long-term borrowings	0.98%	-	1,411	9,375	9,319
Current portion of lease obligations	-	-	2,076	1,863	13,711
Long-term borrowings	0.96%	2025 to 2042	10,817	11,928	71,442
Lease obligations	-	2025 to 2032	6,572	7,061	43,405
Other interest-bearing liabilities	-	-	-	-	-
			¥ 170,661	¥ 145,473	$ 1,127,145

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

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

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

	Japanese Yen (millions)			
	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years
Long-term borrowings	¥ 1,511	¥ 1,322	¥ 1,211	¥ 5,426
Lease obligations	¥ 1,930	¥ 1,498	¥ 1,192	¥ 1,101

	U.S. Dollars (thousands)			
	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years
Long-term borrowings	$ 9,980	$ 8,731	$ 7,998	$ 35,836
Lease obligations	$ 12,746	$ 9,894	$ 7,873	$ 7,272

22. Subsequent events

Partial sale of shares of an affiliate

The Company transferred a portion of shares of MODEC, Inc. (hereinafter “MODEC”), an affiliate of the Company accounted for using equity method, which were owned by the Company in accordance with the resolution by the Board of Directors on May 14, 2024.

1) Reason for sale

Since the establishment of MODEC, we have held its shares over many years, and MODEC has been one of our key group companies in the area of offshore development. However, as a result of discussions with MODEC to review the capital relationship between us in light of the current transactions level relating to our core businesses as well as from the standpoint of improving corporate governance, we came to share the view that selling a portion of the MODEC shares held by us would contribute to increasing the enterprise value of both companies over the medium to long term, and reached the decision to execute the secondary offering. In addition, free float ratio of MODEC share is also expected to improve as a result of this secondary offering and we believe this will contribute to maintaining the listing requirements for the TSE Prime Market. After the secondary offering, MODEC will no longer be our equity-method affiliate, but there will be no impact on our business relationship and we will continue to maintain good relations with MODEC.

2) Method of sale

Of the 27,697,000 shares of MODEC held by the Company at the end of the current fiscal year, 21,908,400 shares were offered to the public and 3,286,200 shares were offered through an over-allotment (secondary offering).

3) Overview of the affiliate accounted for using equity method

Company Name	MODEC, Inc. (listed on the Tokyo Stock Exchange Prime Market)
Address	3-10, Nihonbashi 2-chome, Chuo-ku, Tokyo, Japan
Representative Director	Hirohiko Miyata, President & CEO
Business Operation	Design, construction and installation, sales, lease and operation of floating offshore oil and gas production facilities (such as FPSO, FSO and TLPs)
Capital	¥18,166 million (as of December 31, 2023)
Established	June 1987

4) Number of shares sold, sale price, gain/loss and date of sale

Number of shares sold	25,194,600 shares
Sale price	¥63,674 million ($420,540 thousand)
Gain/loss on sale	Gain on sales is projected approximately ¥23 billion ($151,905 thousand) in “Other Income (Expenses)”
Date of sale	May 22, 2024 (offered to the public) June 21, 2024 (offered through an over-allotment)

5) Number of shares and percentage of shares held before and after sale

Number of shares held before sale	27,697,000 shares (percentage of shares held : 40.52%)
Number of shares held after sale	2,502,400 shares (percentage of shares held : 3.66%)

Note: The percentage of shares held is calculated using the number of shares (68,344,310) as the denominator (rounded down to two decimal places) after deducting the number of treasury shares (990) held by MODEC from the number of shares outstanding (68,345,300) as of December 31, 2023, as stated in the fiscal 2023 Annual Securities Report submitted by MODEC on March 27, 2024.

Repayment of borrowings

The Company made repayment of borrowings based on a commitment line contract with funds obtained through “Partial sale of shares of an affiliate” mentioned above and other means, for the purpose of improving its financial soundness through a significant reduction in interest-bearing debt and largely cutting down financial costs.

Details of borrowings that were repaid

Creditors	Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited
Amount of repayment	¥55,300 million ($365,233 thousand)
Execution date of repayment	May 31, 2024

Acquisition and Cancellation of Class-A Preferred Shares

The Company resolved at a meeting of the Board of Directors held on June 25, 2024, to acquire all of the Class-A Preferred Shares issued by the Company for cash consideration in accordance with Article 12-6 of the Articles of Incorporation and to cancel the shares on condition of the acquisition in accordance with Article 178 of the Companies Act.

1) Details of acquisition of Class-A preferred shares

Class of shares to be acquired	Class-A preferred shares
Total number of shares to be acquired	18,000,000 shares
Acquisition price per share	¥510.792 (note)
Total amount of acquisition price of shares	¥9,194,256,000
Acquisition date (planned)	July 10, 2024
Party from which shares are to be acquired	SMBCCP Investment Limited Partnership 1

(note) The above acquisition price per share is calculated by adding the equivalent to accrued dividends per diem (the amount equivalent to the preferred shares dividend calculated in accordance with Article 12-5 of the Articles of Incorporation) to the amount paid per share (500yen) at the time of issuance.

2) Details of cancellation of Class-A preferred shares

Class of shares to be cancelled	Class-A preferred shares
Total number of shares to be cancelled	18,000,000 shares
Effective date of cancellation (planned)	July 10, 2024

3) Reason for acquisition and cancellation of Class-A preferred shares

On June 30, 2022, the Company issued a total of 9 billion yen of Class-A preferred shares for the purpose of improving its financial soundness and raising funds for growth. After that, the Group's profitability and financial soundness have steadily improved as a result of the completion of the "Mitsui E&S Group Business Revival Plan," and the partial sale of MODEC shares resolved on May 14, 2024, has provided a prospect for raising funds for growth and financing. Therefore, the Company determined to implement this transaction to reduce the burden of future dividends on the Class-A Preferred Shares with the aim of increasing shareholder returns.

Independent auditor's report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of MITSUI E&S Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2024 and 2023, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements 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

1. As described in Note 17 "Segment Information," the Company has changed the classification of its Reportable Segment.
2. As described in Note 22 "Subsequent events," the Company transferred a portion of shares of MODEC, Inc. an affiliate of the Company accounted for using equity method owned by the Company on May 22, 2024 and June 21, 2024 based on a resolution by the Board of Directors on May 14, 2024.

Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Assessment of the reasonableness of the estimated future cash flows used in the impairment testing on goodwill at MES Germany Beteiligungs GmbH	
The key audit matter	**How the matter was addressed in our audit**
As described in the note 1. "Significant Accounting and Reporting Policies, (t)Significant Accounting Estimates, 1)Valuation of goodwill" to the consolidated financial statements, MITSUI E&S Co., Ltd. and its consolidated subsidiaries (hereinafter, referred to as the "Group") recognized goodwill of ¥7,532 million in the	In order to assess the reasonableness of the estimated future cash flows related to the measurement of the recoverable amount used in the impairment testing on the CGU that included goodwill allocated to the engineering business within the ship segment operated by MES Germany, we requested the auditors of MES

consolidated statement of financial position, including goodwill of ¥7,520 million allocated to the engineering business within the ship segment which arose when MES Germany Beteiligungs GmbH (hereinafter, referred to as “MES Germany”), a consolidated subsidiary in the ship segment of the Group located in Germany, acquired control of TGE Marine AG. MES Germany prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) and performs an impairment test on a cash-generating unit (CGU) or a group of CGUs to which goodwill is allocated at least annually, in addition to when there is an impairment indicator. When the recoverable amount of a CGU is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the resulting decrease in the carrying amount is recognized as an impairment loss. The recoverable amount is the higher of either the value in use or fair value less cost of disposal. In the current fiscal year, MES Germany used the value in use as the recoverable amount in the impairment testing. The future cash flows used to measure the value in use were estimated based on the mid-term business plan of the engineering business within the ship segment prepared by management of MES Germany (hereinafter, referred to as “the mid-term business plan”). Key assumptions underlying the mid-term business plan, such as the prospects for future growth rate of the gas-carrier market in which its engineering business operates as well as mid-term sales forecasts, involved management judgment. Accordingly, management’s judgment thereon had a significant effect on the estimated future cash flows. We, therefore, determined that our assessment of the reasonableness of the estimated future cash flows related to the measurement of the recoverable amount used in the impairment testing on the CGU that included goodwill allocated to the engineering business within the ship segment operated by MES Germany was the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	Germany, a consolidated subsidiary, to perform an audit. Then we evaluated the report of the auditors to conclude on whether sufficient and appropriate audit evidence was obtained from the following procedures, among others: **(1) Internal control testing** Evaluation of the effectiveness of the design and operation of internal controls at MES Germany in relation to the measurement of value in use in impairment tests of CGU, including goodwill, with a focus on the internal approval process for future cash flows created reflecting uncertainties as risks based on the mid-term business plan. **(2) Assessment of the reasonableness of the estimated future cash flows** Inquiring of management and the general manager of MES Germany regarding key assumptions underlying its mid-term business plan which formed the basis for estimating the future cash flows, as well as assessment of the reasonableness of key assumptions by performing the following procedures: ● comparison of the growth rate of the gas-carrier market with relevant market data published by external organizations; ● assessment of the mid-term business plan by comparing it with the latest planned orders and actual orders; ● comparison of the future cash flows estimated by management of MES Germany with those independently estimated by incorporating the effect of specific uncertainties into the mid-term business plan, after considering the results of the evaluation of the reasonableness of key assumptions as well as the assessment of the past business plan including the causes of variances with actual results;

Other Information

The other information comprises the information included in the Consolidated Financial Statements 2024, but does not include the consolidated financial statements, the financial statements, and our auditor’s reports thereon. Management is responsible for the preparation and presentation of the other information. The audit and supervisory committee are responsible for overseeing the directors’ performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

We also provide the audit and supervisory committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are 195 million yen and 12 million yen, respectively.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1(a) to the consolidated financial statements.

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

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Makoto Yamada

Designated Engagement Partner

Certified Public Accountant

Fumitaka Otani

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

June 26, 2024

Notes to the Reader of Independent Auditor's Report:

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

MITSUI E&S