SANWA HOLDINGS CORPORATION

Integrated Report 2026 Financial Section

Year ended March 31, 2026

Consolidated Financial Statements 2
Notes to Consolidated Financial Statements 7
Independent Auditor's Report 37



Consolidated Balance Sheets

Sanwa Holdings Corporation and Subsidiaries
As of March 31, 2026 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
ASSETS			
Current assets:			
Cash and deposits (Note 3)	**¥ 115,589**	¥ 125,495	**$ 722,431**
Securities (Notes 3, 4, 9)	**9,496**	8,893	**59,350**
Notes and accounts receivable — trade, and contract assets (Notes 9, 17)	**119,682**	119,172	**748,013**
Electronically recorded monetary claims — operating (Note 9)	**15,194**	15,905	**94,963**
Inventories (Note 5)	**85,903**	84,482	**536,894**
Other current assets	**10,946**	12,565	**68,413**
Allowance for doubtful accounts	**(3,884)**	(3,816)	**(24,275)**
Total current assets	**352,927**	362,699	**2,205,794**
Non-current assets:			
Property, plant and equipment:			
Land	**20,210**	21,681	**126,313**
Buildings and structures	**88,361**	83,696	**552,256**
Machinery and equipment	**130,467**	120,738	**815,419**
Right-of-use assets	**17,060**	15,412	**106,625**
Construction in progress	**5,591**	4,976	**34,944**
	261,691	246,505	**1,635,569**
Less accumulated depreciation	**(159,884)**	(148,051)	**(999,275)**
Total property, plant and equipment	**101,807**	98,454	**636,294**
Intangible assets:			
Goodwill	**3,253**	3,551	**20,331**
Other intangible assets (Note 6)	**18,494**	18,647	**115,588**
Total intangible assets	**21,747**	22,199	**135,919**
Investments and other assets:			
Investments securities (Notes 4, 9)	**51,097**	33,426	**319,356**
Long-term loans receivable	**261**	427	**1,631**
Retirement benefit asset (Note 8)	**13,730**	10,524	**85,813**
Deferred tax assets (Note 14)	**2,427**	2,438	**15,169**
Other assets	**4,974**	5,509	**31,088**
Allowance for doubtful accounts	**(1,175)**	(1,069)	**(7,344)**
Total investments and other assets	**71,315**	51,256	**445,719**
Total non-current assets	**194,870**	171,910	**1,217,938**
Total assets	**¥ 547,798**	¥ 534,609	**$3,423,738**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term borrowing (Notes 7, 9)	**¥ 35,904**	¥ 14,103	**$ 224,400**
Notes and accounts payable, trade (Note 9)	**33,130**	48,540	**207,063**
Electronically recorded obligations — operating (Note 9)	**11,425**	12,649	**71,406**
Accrued income taxes	**8,793**	10,362	**54,956**
Accrued expenses	**41,179**	41,727	**257,369**
Contract liabilities (Note 17)	**9,473**	8,037	**59,206**
Other current liabilities	**10,872**	13,255	**67,950**
Total current liabilities	**150,779**	148,676	**942,369**
Non-current liabilities:			
Long-term borrowing (Notes 7, 9)	**21,172**	42,883	**132,325**
Retirement benefit liability (Note 8)	**10,449**	10,797	**65,306**
Deferred tax liabilities (Note 14)	**10,887**	4,571	**68,044**
Other non-current liabilities	**3,524**	3,488	**22,025**
Total non-current liabilities	**46,034**	61,740	**287,713**
Total liabilities	**196,813**	210,417	**1,230,081**
NET ASSETS (Note 11)			
Shareholders' equity			
Share capital:			
Authorized — 550,000,000 shares at March 31, 2026 and 2025			
Issued — 221,000,000 shares at March 31, 2026 and 227,000,000 shares at March 31, 2025	**38,413**	38,413	**240,081**
Capital surplus	**39,430**	39,430	**246,438**
Retained earnings	**223,235**	204,938	**1,395,219**
Treasury shares			
(11,115,446 shares at March 31, 2026 and 12,160,918 shares at March 31, 2025)	**(33,557)**	(26,631)	**(209,731)**
Total shareholders' equity	**267,522**	256,151	**1,672,013**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	**17,648**	8,062	**110,300**
Deferred gains or losses on hedges	**(62)**	(177)	**(388)**
Foreign currency translation adjustments	**59,981**	56,611	**374,881**
Remeasurements of defined benefit plans	**3,399**	1,426	**21,244**
Total accumulated other comprehensive income	**80,967**	65,923	**506,044**
Share acquisition rights (Note 12)	**68**	68	**425**
Non-controlling interests	**2,426**	2,049	**15,163**
Total net assets	**350,984**	324,192	**2,193,650**
Total liabilities and net assets	**¥547,798**	¥534,609	**$3,423,738**

Consolidated Statements of Income

Sanwa Holdings Corporation and Subsidiaries
For the years ended March 31, 2026 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Net sales	**¥660,712**	¥662,380	**$4,129,450**
Cost of sales (Note 13)	**441,836**	444,121	**2,761,475**
Gross profit	**218,875**	218,258	**1,367,969**
Selling, general and administrative expenses (Notes 12, 13)	**139,779**	137,743	**873,619**
Operating profit	**79,095**	80,515	**494,344**
Other income (expenses):			
Interest and dividend income	**4,223**	4,645	**26,394**
Interest expenses	**(1,409)**	(1,273)	**(8,806)**
Share of profit or loss of entities accounted for using the equity method	**138**	407	**863**
Other, net (Note 15)	**(1,541)**	(2,966)	**(9,631)**
Other income (expenses), net	**1,412**	814	**8,825**
Profit before income taxes	**80,508**	81,329	**503,175**
Income taxes (Note 14)			
Current	**19,308**	23,684	**120,675**
Deferred	**1,031**	(231)	**6,444**
Total income taxes	**20,339**	23,452	**127,119**
Profit	**60,168**	57,877	**376,050**
Profit attributable to non-controlling interests	**391**	364	**2,444**
Profit attributable to owners of parent	**¥ 59,776**	¥ 57,512	**$ 373,600**

	Yen		U.S. dollars (Note 1)
	2026	2025	2026
Per share: (Note 20)			
Net profit — Basic	**¥281.61**	¥264.61	**$1.76**
— Diluted	**281.48**	264.40	**1.76**
Cash dividends	**130.00**	106.00	**0.81**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Sanwa Holdings Corporation and Subsidiaries
For the years ended March 31, 2026 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Profit	**¥60,168**	¥57,877	**$376,050**
Other comprehensive income (Note 16)			
Valuation difference on available-for-sale securities	**9,586**	872	**59,913**
Deferred gains or losses on hedges	**115**	(212)	**719**
Foreign currency translation adjustments	**3,648**	18,613	**22,800**
Remeasurements of defined benefit plans, net of tax	**1,972**	503	**12,325**
Share of other comprehensive income of entities accounted for using equity method	**(278)**	1	**(1,738)**
Total other comprehensive income (Note 16)	**15,044**	19,779	**94,025**
Comprehensive income	**¥75,212**	¥77,657	**$470,075**
Comprehensive income attributable to:			
Owners of the parent company	**¥74,638**	¥77,206	**$466,488**
Non-controlling interests	**574**	450	**3,588**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Sanwa Holdings Corporation and Subsidiaries
For the years ended March 31, 2026 and 2025

Millions of yen

	Share capital	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at March 31, 2024	¥38,413	¥39,781	¥174,019	¥(14,801)	¥ 7,189	¥ 34	¥37,995	¥ 922	¥ 255	¥1,688	¥285,501
Changes during period											
Dividends of surplus			(20,953)								(20,953)
Profit attributable to owners of the parent company			57,512								57,512
Purchase of treasury stock				(17,819)							(17,819)
Disposal of treasury stock		(52)	(253)	601							295
Retirement of treasury stock			(5,388)	5,388							–
Change in ownership interest of parent due to transactions with non-controlling interests		(298)									(298)
Net changes in items other than shareholders' equity					872	(212)	18,615	503	(187)	361	19,953
Total net changes during the year	–	(351)	30,918	(11,830)	872	(212)	18,615	503	(187)	361	38,690
Balance at March 31, 2025	¥38,413	¥39,430	¥204,938	¥(26,631)	¥ 8,062	¥(177)	¥56,611	¥1,426	¥ 68	¥2,049	¥324,192
Changes during period											
Dividends of surplus			**(25,844)**								**(25,844)**
Profit attributable to owners of the parent company			**59,776**								**59,776**
Purchase of treasury stock				**(22,189)**							**(22,189)**
Disposal of treasury stock		**141**		**165**							**307**
Retirement of treasury stock		**(141)**	**(14,956)**	**15,098**							**–**
Increase by merger			**(679)**								**(679)**
Net changes in items other than shareholders' equity					**9,586**	**115**	**3,369**	**1,972**	**–**	**376**	**15,421**
Total net changes during the year	**–**	**–**	**18,296**	**(6,925)**	**9,586**	**115**	**3,369**	**1,972**	**–**	**376**	**26,792**
Balance at March 31, 2026	**¥38,413**	**¥39,430**	**¥223,235**	**¥(33,557)**	**¥17,648**	**¥ (62)**	**¥59,981**	**¥3,399**	**¥ 68**	**¥2,426**	**¥350,984**

Thousands of U.S. dollars (Note 1)

	Share capital	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at March 31, 2025	**$240,081**	**$246,438**	**$1,280,863**	**$(166,444)**	**$ 50,388**	**$(1,106)**	**$353,819**	**$ 8,913**	**$425**	**$12,806**	**$2,026,200**
Changes during period											
Dividends of surplus			**(161,525)**								**(161,525)**
Profit attributable to owners of the parent company			**373,600**								**373,600**
Purchase of treasury stock				**(138,681)**							**(138,681)**
Disposal of treasury stock		**881**		**1,031**							**1,919**
Retirement of treasury stock		**(881)**	**(93,475)**	**94,363**							**–**
Increase by merger			**(4,244)**								**(4,244)**
Net changes in items other than shareholders' equity					**59,913**	**719**	**21,056**	**12,325**	**–**	**2,350**	**96,381**
Total net changes during the year	**–**	**–**	**114,350**	**(43,281)**	**59,913**	**719**	**21,056**	**12,325**	**–**	**2,350**	**167,450**
Balance at March 31, 2026	**$240,081**	**$246,438**	**$1,395,219**	**$(209,731)**	**$110,300**	**$ (388)**	**$374,881**	**$21,244**	**$425**	**$15,163**	**$2,193,650**

Consolidated Statements of Cash Flows

Sanwa Holdings Corporation and Subsidiaries
For the years ended March 31, 2026 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Cash flows from operating activities:			
Profit before income taxes	**¥ 80,508**	¥ 81,329	**$ 503,175**
Adjustments for:			
Depreciation and amortization	**14,734**	14,383	**92,088**
Amortization of goodwill	**818**	1,802	**5,113**
Impairment loss	**–**	1,107	**–**
Increase (decrease) in allowance for doubtful accounts	**(33)**	(364)	**(206)**
Increase (decrease) in provision for bonuses	**(3,305)**	(379)	**(20,656)**
Increase (decrease) in retirement benefit liability and asset	**(1,361)**	(1,409)	**(8,506)**
Interest and dividend income	**(4,223)**	(4,645)	**(26,394)**
Interest expenses	**1,409**	1,273	**8,806**
Share of loss (profit) of entities accounted for using equity method	**(138)**	(407)	**(863)**
(Increase) decrease in trade receivable	**2,827**	3,518	**17,669**
(Increase) decrease in inventories	**381**	1,774	**2,381**
Increase (decrease) in trade payable	**(17,490)**	(5,045)	**(109,313)**
Other, net	**5,423**	1,487	**33,894**
Subtotal	**79,550**	94,425	**497,188**
Interest and dividend income received	**4,129**	4,612	**25,806**
Interest expenses paid	**(1,445)**	(1,383)	**(9,031)**
Income taxes paid	**(20,837)**	(20,712)	**(130,231)**
Net cash provided by (used in) operating activities	**61,396**	76,942	**383,725**
Cash flows from investing activities:			
Purchase of short-term and long-term investment securities	**(6,381)**	(1,857)	**(39,881)**
Proceeds from sales of short-term and long-term investment	**5,856**	2,573	**36,600**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	**(477)**	–	**(2,981)**
Purchase of non-current assets	**(14,233)**	(15,656)	**(88,956)**
Loan advances	**(138)**	(48)	**(863)**
Proceeds from collections of loans receivable	**335**	210	**2,094**
Other, net	**(2,877)**	(15,395)	**(17,981)**
Net cash provided by (used in) investing activities	**(17,917)**	(30,174)	**(111,981)**
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	**274**	914	**1,713**
Proceeds from long-term borrowings	**2,000**	–	**12,500**
Repayments of long-term borrowings	**(3,055)**	(1,241)	**(19,094)**
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	**–**	(223)	**–**
Net decrease (increase) in treasury shares	**(21,882)**	(17,523)	**(136,763)**
Dividends paid	**(25,844)**	(20,953)	**(161,525)**
Dividends paid to non-controlling interests	**(236)**	(156)	**(1,475)**
Other, net	**(3,959)**	(3,707)	**(24,744)**
Net cash provided by (used in) financing activities	**(52,702)**	(42,890)	**(329,388)**
Effect of exchange rate changes on cash and cash equivalents	**(2,343)**	5,042	**(14,644)**
Net increase (decrease) in cash and cash equivalents	**(11,567)**	8,919	**(72,294)**
Cash and cash equivalents at beginning of period	**103,114**	94,195	**644,463**
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	**36**	–	**225**
Cash and cash equivalents at end of period (Note 3)	**¥ 91,583**	¥103,114	**$ 572,394**

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Financial Statements

Sanwa Holdings Corporation and Subsidiaries
For the years ended March 31, 2026 and 2025

1. Basis of Presenting Consolidated Financial Statements

Sanwa Holdings Corporation (the "Company") and its domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Companies Act and the Financial Instruments and Exchange Law and in accordance with accounting principles and practices generally accepted in Japan, which are different from the accounting and disclosure requirements of International Accounting Standards.

The accounts and records of the Company's overseas subsidiaries have been prepared in accordance with mainly either International Financial Reporting Standards or US GAAP for the Company's consolidation process, except for certain items which are required to be adjusted in the consolidation process.

Amounts less than one million yen and one thousand U.S. dollars are rounded down. Therefore, total or subtotal amounts may not correspond with the aggregation of such account balances.

The accompanying consolidated financial statements are prepared based on the consolidated financial statements of the Company and its subsidiaries (the "Group"), which were filed with the Director of Kanto Local Finance Bureau as required by the Financial Instruments and Exchange Law.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the approximate exchange rate at March 31, 2026, which was ¥160 to US$1.00.

2. Summary of Significant Accounting Policies

(a) Scope of Consolidation

At March 31, 2026, the Company had 98 subsidiaries and 11 affiliates.

The scope of consolidation for the fiscal year ended March 31, 2026 (FY2025) includes Sanwa Holdings Corporation and its 71 consolidated subsidiaries. Equity method accounting is applied to investments in 1 non-consolidated subsidiaries and 1 affiliate at March 31, 2026 (FY2025).

In the fiscal year ended March 31, 2026, Gold Arc, Inc. was included in the scope of consolidation through the acquisition of its shares. Furthermore, Rolla Solution Kft. was excluded from the scope of consolidation because it was dissolved in an absorption-type merger, with Novoferm Hungaria Kft. as the surviving company.

In the fiscal year ended March 31, 2026, Novoferm (Shanghai) Co., Ltd. was excluded from the scope of application of the equity method due to its liquidation.

(b) Foreign Currency Translation

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the respective fiscal year-end and revenue and expense accounts are translated into Japanese yen at average exchange rates during the fiscal year.

Shareholders' equity accounts of foreign subsidiaries and affiliates are translated at historical rates. The resulting translation differences are debited or credited to the foreign currency translation adjustment or to non-controlling interests in shareholders' equity.

(c) Cash Equivalents

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

(d) Short-term Investments and Investments in Securities

The Group adopted the Accounting Standards for Financial Instruments issued by the Business Accounting Deliberation Council. In accordance with these standards, securities are classified into four categories: trading securities, held-to-maturity debt securities, equity investments in associates, and other securities. Based on this classification, securities with a maturity of less than one year are included in "Short-term investments" as current assets.

Securities held by the Group are all classified as other securities. Marketable securities classified as other securities are carried at fair value with the unrealized gain and loss, net of applicable tax, reported in a separate component of shareholders' equity. Non-marketable securities classified as other securities are carried at cost determined by the moving average method. Realized gain and loss and declines in value judged to be other than temporary on other securities are charged to income.

(e) Inventories

Inventories of the domestic consolidated companies are valued at cost, determined by the gross average method (carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability). The costs of inventories held by foreign consolidated subsidiaries are stated at the lower of cost or market value by the first-in, first-out method or the moving average method.

(f) Property, Plant and Equipment (Excluding Lease Assets)

Property, plant and equipment is stated at cost. Depreciation is computed by the declining-balance method over the estimated useful lives of assets, except that the straight-line method is applied to buildings (other than fixtures attached to the buildings) acquired subsequent to April 1, 1998 and fixtures attached to the buildings and structures acquired subsequent to April 1, 2016. The consolidated subsidiaries outside of Japan adopt the straight-line method for depreciation.

Costs of maintenance, repairs and minor renewals are charged to income in the year incurred, although major renewals and improvements are capitalized.

(g) Amortization of Goodwill

Amortization of goodwill is determined on a case by case basis and is generally amortized over a period not exceeding 20 years.

(h) Leased Assets

Leased assets related to finance lease transactions that do not transfer ownership rights are amortized under the straight-line method based on the lease term as the useful life with residual value of zero.

(i) Accounting Method for Retirement Benefits

The Group recognizes pension and severance costs for employees based on the estimates of the pension obligations and the plan assets at the balance sheet date. The benefit formula basis is applied as the method for attributing the expected retirement benefit to periods of service for the calculation of the retirement benefit obligation.

Actuarial differences are amortized principally over a 10-year period, which is within the average remaining service period of employees, using the straight-line method from the fiscal year when the difference was generated. Prior service cost of the domestic consolidated companies is amortized when the prior services cost is generated.

Prior service cost of certain foreign subsidiaries is amortized over a 10-year period.

Certain consolidated subsidiaries have calculated their retirement benefit obligation and retirement benefit expenses based on the amount which would be payable at the year-end if all eligible employees terminated their services voluntarily (the "Simplified Method").

(j) Revenue and Expense Recognition

The Group's principal businesses are the manufacture and sale of rolling shutters, shutter-related products, door products for buildings, partitions, stainless steel products, store front products, window products, residential door products, exterior products, residential garage door products, automatic door products, industrial sectional door products, and operator for garage doors and other doors, as well as the maintenance and service business for these products, etc.

The Group mainly enters into construction contracts with customers, and considers that control is completely transferred and performance obligations are satisfied at the point in time when those construction works or products are delivered.

For the construction contracts involving construction work, when the outcome of a performance obligation to be satisfied over a certain period can be reasonably measured, revenue is recognized according to the ratio of the actual costs to the estimated total costs (the input method), except for projects involving a very short construction period.

For cases in which the outcome of a performance obligation cannot be reasonably measured, revenue is recognized only to the extent of the incurred costs.

If a performance obligation is satisfied at a certain point in time, revenue is recognized when the construction work is completed.

Further, when the contract amount is not fixed in a timely manner, the contract amount is estimated as a variable consideration before the contract amount is fixed, and revenue is recognized only to the extent that it is probable that there will be no material reversal of the accumulated revenue that is recognized when the contract amount is fixed. These considerations are invoiced on a piece-rate basis after fulfillment of the performance obligation and paid generally within three months. The amounts of considerations do not contain a significant financing component.

(k) Research and Development Expense and Software

Research and development expenses are charged to income when incurred.

Expenditure relating to software developed for internal use is charged to income when incurred, except if it contributes to the generation of income or to the future cost savings. Such expenditures capitalized as assets are amortized using the straight-line method over their estimated useful lives of five years.

(l) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. Deferred income taxes are recorded to reflect the expected future tax consequence of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

(m) Net Income per Share

The computation of basic net income (loss) per share is based on the weighted-average number of shares of common stock outstanding. The average number of shares used in the computation was 212,264 thousand and 217,348 thousand for the fiscal years ended March 31, 2026 and 2025, respectively.

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

(n) Derivative and Hedging Activities

The Group utilizes derivative transactions related to foreign currency exchange rates in order to reduce their risk exposure arising from fluctuations in these rates and prices, to reduce the cost of the funds financed and to improve their return on invested funds.

Derivative transactions currently utilized by the Group include forward exchange contracts and currency swap contracts.

Net assets or liabilities arising from derivative transactions are measured at fair value, with unrealized gain or loss included in earnings. Hedging transactions, which meet the criteria of hedge accounting, are accounted for using deferral hedge accounting that requires the unrealized gain or loss to be deferred as a liability or asset until gain or loss relating to the hedge object is recognized.

In addition, certain forward exchange contracts are accounted for using the allocation method which are regulated in the standard. The allocation method requires recognized foreign currency receivables or payables covered by forward exchange contracts to be translated at such contract rates.

The Group has established a control environment, which includes policies and procedures for risk assessment and for the approval, reporting and monitoring of derivative transactions. The Group does not engage in derivative transactions for trading purposes. The Group is exposed to certain market risks arising from derivative transactions. The Group is also exposed to the risk of credit loss in the event of non-performance by the counterparties to those transactions. However, the Group does not anticipate non-performance by any of these counterparties, all of whom are financial institutions with high credit ratings.

The Group evaluates hedge effectiveness by comparing the cumulative changes in cash flows or the changes in fair value of the hedged items with the corresponding changes in the hedging derivative instruments.

The assessment of hedging effectiveness regarding forward exchange contracts, which are accounted for under the above allocation method and special method, is omitted.

(o) Accounting Standards Issued but Not Yet Effective

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

(1) Overview

As part of efforts by the ASBJ to make Japanese accounting standards consistent with international standards, the ASBJ conducted a review based on international accounting standards to lease accounting standards that require recognition of assets and liabilities for all leases of lessees. As a basic policy, although the new lease accounting standards are based on the single accounting model of IFRS 16, they incorporate only its principal provisions, rather than adopting all of its provisions. As a result, the ASBJ has published lease accounting standards, etc. that are simple and convenient to use, and that seek to enable IFRS 16 provisions to be applied to the non-consolidated financial statements without the need for adjustments, in principle.

In terms of lessee accounting, as with IFRS 16, a single accounting model is applied. Under this model, the costs of leases for lessees are allocated by recognizing depreciation of the right-of-use assets and interest expense on the lease liabilities for all leases, regardless of whether they are classified as finance leases or operating leases.

(2) Planned Date of Application

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

(3) Effect of the Application of the Accounting Standard

The amount of the effect of applying the "Accounting Standard for Leases," etc. to the consolidated financial statements is currently under review.

3. Cash and Deposits

The balances of cash and deposits reflected in the accompanying consolidated balance sheets at March 31, 2026 and 2025 were reconciled to the balances of cash and cash equivalents in the accompanying consolidated statements of cash flows for the years ended March 31, 2026 and 2025 as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Cash and deposits	**¥115,589**	¥125,495	**$ 722,431**
Securities	**9,496**	8,893	**59,350**
Time deposits with maturities of more than three months	**(33,002)**	(27,381)	**(206,263)**
Debt securities with maturities of more than three months	**(499)**	(3,893)	**(3,119)**
Cash and cash equivalents at end of period	**¥ 91,583**	¥103,114	**$ 572,394**

4. Short-term Investments, Investments in Securities and Investments in Non-consolidated Subsidiaries and Affiliates

At March 31, 2026 and 2025, other securities, which are included in short-term investments and investment in securities, were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2026			2025			2026		
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:									
Equity securities	**¥35,451**	**¥ 9,279**	**¥26,171**	¥21,303	¥ 9,227	¥12,075	**$221,569**	**$ 57,994**	**$163,569**
Bonds and debentures	**506**	**500**	**6**	1,408	1,401	7	**3,163**	**3,125**	**38**
Other	**2,001**	**2,000**	**1**	2,000	2,000	0	**12,506**	**12,500**	**6**
Subtotal	**37,959**	**11,779**	**26,179**	24,713	12,628	12,084	**237,244**	**73,619**	**163,619**
Securities whose carrying value does not exceed their acquisition costs:									
Equity securities	**26**	**32**	**(5)**	23	32	(8)	**163**	**200**	**(31)**
Bonds and debentures	**18,158**	**18,393**	**(235)**	9,968	10,098	(130)	**113,488**	**114,956**	**(1,469)**
Other	**1,000**	**1,000**	**–**	2,999	3,000	(0)	**6,250**	**6,250**	**–**
Subtotal	**19,185**	**19,425**	**(240)**	12,991	13,131	(139)	**119,906**	**121,406**	**(1,500)**
Total	**¥57,144**	**¥31,205**	**¥25,938**	¥37,705	¥25,760	¥11,945	**$357,150**	**$195,031**	**$162,113**

Information regarding sales of other securities for the years ended March 31, 2026 and 2025 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Proceeds from sales	**¥43,900**	¥33,633	**$274,375**
Net realized gain	**–**	110	**–**

5. Inventories

Inventories at March 31, 2026 and 2025 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Finished goods	**¥17,892**	¥15,418	**$111,825**
Work in process	**15,652**	16,013	**97,825**
Raw materials and supplies	**52,358**	53,050	**327,238**
	¥85,903	¥84,482	**$536,894**

6. Other Intangible Assets

Other intangible assets at March 31, 2026 and 2025 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Trademark	**¥ 7,409**	¥ 7,427	**$ 46,306**
Software	**7,304**	7,995	**45,650**
Other	**3,780**	3,225	**23,625**
	¥18,494	¥18,647	**$115,588**

7. Short-term borrowing, Long-term borrowing and Lease Obligations

Short-term borrowing, long-term borrowing and lease obligations at March 31, 2026 and 2025 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Short-term borrowing (unsecured)	**¥ 8,338**	¥ 7,811	**$ 52,113**
Current portion of long-term borrowing	**14,025**	3,043	**87,656**
0.370% unsecured bonds, due 2026	**10,000**	–	**62,500**
Current portion of lease obligations	**3,540**	3,249	**22,125**
Short-term borrowing	**35,904**	14,103	**224,400**
0.370% unsecured bonds, due 2026	**–**	10,000	**0**
0.290% unsecured bonds, due 2029	**10,000**	10,000	**62,500**
Unsecured loans from banks and other financial institutions maturing 2026–2028 with average interest rate from 0.34% to 4.74%	**16,242**	17,295	**101,513**
Lease obligations	**12,495**	11,880	**78,094**
Long-term borrowing	**38,738**	49,176	**242,113**
Less, current portion	**(17,565)**	(6,292)	**(109,781)**
Long-term borrowing	**¥ 21,172**	¥42,883	**$ 132,325**

Aggregate annual maturities of long-term borrowing and lease obligations at March 31, 2026 were as follows:

	Millions of yen		Thousands of U.S. dollars	
Years ending March 31	Long-term borrowing	Lease obligations	Long-term borrowing	Lease obligations
2028	¥ 17	¥2,815	$ 106	$17,594
2029	2,200	2,175	13,750	13,594
2030 and thereafter	–	3,964	–	24,775
	¥2,217	¥8,954	$13,856	$55,963

8. Retirement and Severance Benefits

The Company and its consolidated subsidiaries have funded and unfunded defined benefit pension plans and defined contribution pension plans to provide for the retirement of employees. The defined benefit pension plans are paid either in a lump sum or as a pension based on the employee's salary and years of service. In the lump-sum payment plans, a lump sum is paid as a retirement benefit based on salary and years of service.

For the defined benefit pension plans and lump-sum payment plans of certain consolidated subsidiaries, the simplified accounting method is used to calculate net defined benefit liability and retirement benefit expense.

Information on retirement benefits for the fiscal years ended March 31, 2026 and 2025 was as follows:

1. Defined Benefit Pension Plan

(1) Changes in Retirement Benefit Obligations (excludes application of simplified accounting method)

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Beginning balance of retirement benefit obligations	**¥25,403**	¥ 38,557	**$158,769**
Service cost	**1,203**	1,331	**7,519**
Interest cost	**448**	733	**2,800**
Actual differences arising during the year	**(1,398)**	(1,123)	**(8,738)**
Retirement benefits paid	**(2,741)**	(3,479)	**(17,131)**
Other	**730**	(10,615)	**4,563**
Ending balance of retirement benefit obligations	**¥23,644**	¥ 25,403	**$147,775**

(2) Changes in Plan Assets (excludes application of simplified accounting method)

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Beginning balance of plan assets	**¥25,987**	¥ 37,346	**$162,419**
Expected return on plan assets	**421**	965	**2,631**
Actual differences arising during the year	**2,067**	(278)	**12,919**
Contribution made by the Company and consolidated subsidiaries	**878**	1,764	**5,488**
Retirement benefits paid	**(1,701)**	(2,542)	**(10,631)**
Other	**159**	(11,268)	**994**
Ending balance of plan assets	**¥27,813**	¥ 25,987	**$173,831**

(3) Changes in Net Defined Benefit Liability (only application of simplified accounting method)

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Beginning net defined benefit liability	**¥857**	¥ 950	**$5,356**
Retirement benefits expense	**140**	116	**875**
Retirement benefits paid	**(88)**	(118)	**(550)**
Contribution to plan	**(48)**	(46)	**(300)**
Other	**26**	(44)	**163**
Ending net defined benefit liability	**¥888**	¥ 857	**$5,550**

(4) Reconciliation of Retirement Benefit Obligations and Plan Assets with Net Defined Benefit Liabilities and Assets on the Consolidated Balance Sheets (includes application of simplified accounting method)

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Funded retirement benefit obligations	**¥ 19,535**	¥ 20,810	**$ 122,094**
Plan assets	**(28,380)**	(26,546)	**(177,375)**
	(8,845)	(5,735)	**(55,281)**
Unfunded retirement benefit obligations	**5,564**	6,009	**34,775**
Net amount of liabilities and assets on consolidated balance sheets	**¥ (3,280)**	¥ 273	**$ (20,500)**
Net defined benefit liabilities	**¥ 10,449**	¥ 10,797	**$ 65,306**
Net defined benefit assets	**(13,730)**	(10,524)	**(85,813)**
Net amount of liabilities and assets on consolidated balance sheets	**¥ (3,280)**	¥ 273	**$ (20,500)**

(5) Retirement Benefit Expenses

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Service cost	**¥1,203**	¥1,331	**$ 7,519**
Interest cost	**448**	733	**2,800**
Expected return on plan assets	**(421)**	(965)	**(2,631)**
Amortization of actuarial differences	**(502)**	(70)	**(3,138)**
Retirement benefit expenses using the simplified method	**140**	116	**875**
Retirement benefit expenses for defined benefit pension plans	**¥ 868**	¥1,145	**$ 5,425**

(6) Remeasurements of Defined Benefit Plans
Breakdown of remeasurements of defined benefit plans (before deduction of tax effects)

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Actuarial differences	**¥2,872**	¥756	**$17,950**
Total	**¥2,872**	¥756	**$17,950**

(7) Accumulated Remeasurements of Defined Benefit Plans
Breakdown of accumulated remeasurements of defined benefit plans (before deduction of tax effects)

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Unrecognized actuarial differences	**¥4,860**	¥1,988	**$30,375**
Total	**¥4,860**	¥1,988	**$30,375**

(8) Plan Assets

a. Breakdown of pension assets

	2026	2025
Bonds	**42%**	45%
Stocks	**32**	30
Cash and deposits	**0**	0
General life insurance accounts	**26**	25
Total	**100%**	100%

b. Determination of long-term expected rate of return on plan assets
The long-term expected rate of return on plan assets is determined by considering the current and expected allocation of plan assets and the current and expected long-term rates of return in the future for the various components of the plan assets.

(9) Basic Assumptions for Calculating Retirement Benefit Obligations

	2026	2025
Discount rate	**0.0%–4.0%**	0.0%–3.3%
Expected rate of return on plan assets	**1.4%–4.0%**	1.0%–3.3%
Expected rate of increase in compensation level	**0.0%–6.1%**	0.0%–6.1%

2. Defined Contribution Pension Plan

Contributions to defined contribution pension plan

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Contributions to defined contribution pension plan	**¥2,115**	¥1,841	**$13,219**

9. Financial Instruments

1. Status of Financial Instruments

(1) Policy for financial instruments

In light of plans for financing, the Group raises the funds it requires through bank loans and bond issuance.

The Group manages temporary fund surpluses through financial assets that have high levels of safety.

The Group strives to reduce customer credit risk associated with notes and accounts receivable, trade, as well as electronically recorded monetary claims, in accordance with its credit management system. In addition, investment securities consist primarily of equities, and the fair value of listed shares is monitored on a quarterly basis.

Borrowings are used for working capital, capital expenditure, and acquisitions. In order to mitigate interest rate fluctuation risk on certain long-term borrowings, the Group conducts interest rate swap transactions to fix interest payments.

The Group limits the use of derivatives to the volume of long-term borrowing and bonds and actual requirements based on established internal control rules, and does not engage in speculative transactions.

(2) Types of financial instruments and related risk

Trade receivables — notes receivable and accounts receivable — electronically recorded monetary claims — are exposed to credit risk in relation to customers.

The Group holds securities and investments in securities, which are mainly issued by companies who have business relationships with the Group, and these securities are exposed to the risk of fluctuation in market prices.

Trade payables — notes payable and accounts payable — mostly have payment due dates within one year.

Bank loans and bonds are taken out principally for the purpose of working capital, capital expenditure and acquisitions, which are exposed to liquidity risk and interest-rate risk.

The Group conducts derivative transactions consisting of forward foreign exchange transactions to hedge foreign exchange fluctuation risks associated with items such as foreign currency-denominated trade receivables and payables, and interest rate swap transactions to hedge the interest payment fluctuation risks associated with borrowings.

(3) Risk management for financial instruments

(a) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies for managing credit risk of the Group, the Group monitors In accordance with its credit management rules, the Company periodically monitors the status of major customers with respect to trade receivables, striving to identify and mitigate potential collection risks at an early stage due to factors such as deteriorating financial conditions.

To minimize credit risk when entering into derivative transactions, counterparties are limited to financial institutions with high ratings.

(b) Monitoring of market risks

Derivatives mainly include currency swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables.

Investments in securities, primarily the equity securities of corporations with which the Group does business, are exposed to the risk of fluctuations in market price. The Group manages this risk by periodically examining market prices and the financial condition of the issuing entities.

The Group executes and manages derivative transactions within the limits of established internal rules and regulations, and reduces credit risk by limiting counterparties to highly creditworthy financial institutions.

(c) Monitoring of liquidity risk for financing (the risk that the Companies may not be able to meet obligations on the scheduled due dates)

The Group manages liquidity risk mainly through the cash-flow plans, which are prepared by the financial department.

In order to achieve more efficient and flexible financing, the Group contracts line-of-credit agreements with certain financial institutions.

(4) Supplementary explanation of items relating to the market value of financial instruments

The Group calculates the fair value of financial instruments based on market prices.

These estimates include variable factors, and are subject to fluctuation due to change in the underlying assumptions. The contract amounts of derivatives are not an indicator of the market risk associated with derivative transactions.

2. Fair Value of Financial Instruments

Amounts recognized in the consolidated balance sheets, fair values and the differences between them on March 31, 2026 and 2025 were as shown below.

	Millions of yen		
	2026		
	Book value	Fair value	Difference
(1) Notes and accounts receivable, trade	**¥110,594**	**¥110,594**	**¥ –**
(2) Electronically recorded monetary claims	**15,194**	**15,194**	**–**
(3) Securities and investments securities	**57,144**	**57,144**	**–**
Total assets	**¥182,932**	**¥182,932**	**¥ –**
(1) Notes and accounts payable, trade	**¥ 33,130**	**¥ 33,130**	**¥ –**
(2) Electronically recorded obligations	**11,425**	**11,425**	**–**
(3) Short-term borrowing	**32,363**	**32,238**	**(125)**
(4) Long-term borrowing	**12,217**	**11,561**	**(655)**
Total liabilities	**¥ 89,136**	**¥ 88,355**	**¥(781)**
Derivative transaction	**¥ (1,579)**	**¥ (1,579)**	**¥ –**

	Millions of yen		
	2025		
	Book value	Fair value	Difference
(1) Notes and accounts receivable, trade	¥108,622	¥108,622	¥ –
(2) Electronically recorded monetary claims	15,905	15,905	–
(3) Securities and investments securities	37,705	37,705	–
Total assets	¥162,233	¥162,233	¥ –
(1) Notes and accounts payable, trade	¥ 48,540	¥ 48,540	¥ –
(2) Electronically recorded obligations	12,649	12,649	–
(3) Short-term borrowing	10,854	10,817	(36)
(4) Long-term borrowing	34,252	33,378	(874)
Total liabilities	¥106,297	¥105,386	¥(911)
Derivative transaction	¥ (2,421)	¥ (2,421)	¥ –

Note 1:

(*1) "Cash and deposits" are omitted, because they comprise cash, and deposits are short-term instruments whose fair value approximates their book value. In addition, "notes and accounts receivable — trade, and contract assets," which is collectively presented in the consolidated balance sheets, represents the amount of notes and accounts receivable — trade, which are financial assets, excluding contract assets.

(*2) Shares, etc. that do not have a market price are not included in "(3) Securities and investment securities." The amounts of these financial instruments on the consolidated balance sheets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
	Book value		Book value
Investments in non-consolidated subsidiaries and affiliates	**¥2,530**	¥3,780	**$15,813**
Other securities Unlisted equity securities	**918**	834	**5,738**

(*3) Receivables and payables arising from derivative transactions are shown in net amounts, and items that are net liabilities in total are shown in parentheses.

	Thousands of U.S. dollars		
	2026		
	Book value	Fair value	Difference
(1) Notes and accounts receivable, trade	**$ 691,213**	**$ 691,213**	**$ –**
(2) Electronically recorded monetary claims	**94,963**	**94,963**	**–**
(3) Securities and investments securities	**357,150**	**357,150**	**–**
Total assets	**$1,143,325**	**$1,143,325**	**$ –**
(1) Notes and accounts payable, trade	**$ 207,063**	**$ 207,063**	**$ –**
(2) Electronically recorded obligations	**71,406**	**71,406**	**–**
(3) Short-term borrowing	**202,269**	**201,488**	**(781)**
(4) Long-term borrowing	**76,356**	**72,256**	**(4,094)**
Total liabilities	**$ 557,100**	**$ 552,219**	**$(4,881)**
Derivative transaction	**$ (9,869)**	**$ (9,869)**	**$ –**

Note 2: Planned redemption amounts after the balance sheet date for monetary assets and investment securities with monetary assets and maturity dates

	Millions of yen			
	2026		2025	
	Within 1 year	Over 1 year	Within 1 year	Over 1 year
Notes and accounts receivable, trade	**¥110,594**	**¥ –**	¥108,622	¥ –
Electronically recorded monetary claims	**15,194**	**–**	15,905	–
Securities and investments in securities				
Other securities (Bonds)	**6,494**	**12,169**	3,893	7,484
Other securities (Others)	**3,001**	**–**	5,000	–
Total	**¥135,285**	**¥12,169**	¥133,422	¥7,484

	Thousands of U.S. dollars	
	2026	
	Within 1 year	Over 1 year
Notes and accounts receivable, trade	**$691,213**	**$ –**
Electronically recorded monetary claims	**94,963**	**–**
Securities and investments in securities		
Other securities (Bonds)	**40,588**	**76,056**
Other securities (Others)	**18,756**	**–**
Total	**$845,531**	**$76,056**

For information in respect to the redemption schedule of bonds and long-term loans, please refer to Note 7. “Short-term borrowing, Long-term borrowing and Lease Obligations“ in the notes to the consolidated financial statements.

3. Matters Regarding the Breakdown of Financial Instruments by Each Fair Value Level

The fair value of financial instruments is categorized into the following three levels, in accordance with the observability and materiality of the inputs used to measure fair value.

Level 1: Fair value measured using the (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Fair value measured using inputs that are directly or indirectly observable, other than Level 1 inputs.

Level 3: Fair value measured using significant inputs that cannot be observed.

If multiple inputs are used that have material impacts on the fair value measurement, the fair value is categorized at the level with the lowest priority in the fair value measurement, among the levels to which these inputs belong.

(1) Financial instruments with the carrying amounts recorded using fair value

Millions of yen

	2026			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investments in securities				
Equity securities	**¥35,478**	**¥ –**	**¥–**	**¥35,478**
Bonds	**–**	**18,664**	**–**	**18,664**
Investment trust	**–**	**3,001**	**–**	**3,001**
Total assets	**¥35,478**	**¥21,665**	**¥–**	**¥57,144**
Derivative transaction				
Currency contracts	**¥ –**	**¥ 1,489**	**¥–**	**¥ 1,489**
Total liabilities	**¥ –**	**¥ 1,489**	**¥–**	**¥ 1,489**

Millions of yen

	2025			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investments in securities				
Equity securities	¥21,327	¥ –	¥–	¥21,327
Bonds	–	11,377	–	11,377
Investment trust	–	5,000	–	5,000
Total assets	¥21,327	¥16,377	¥–	¥37,705
Derivative transaction				
Currency contracts	¥ –	¥ 2,162	¥–	¥ 2,162
Total liabilities	¥ –	¥ 2,162	¥–	¥ 2,162

Thousands of U.S. dollars

	2026			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investments in securities				
Equity securities	**$221,738**	**$ –**	**$–**	**$221,738**
Bonds	**–**	**116,650**	**–**	**116,650**
Investment trust	**–**	**18,756**	**–**	**18,756**
Total assets	**$221,738**	**$135,406**	**$–**	**$357,150**
Derivative transaction				
Currency contracts	**$ –**	**$ 9,306**	**$-**	**$ 9,306**
Total liabilities	**$ –**	**$ 9,306**	**$-**	**$ 9,306**

(2) Financial instruments other than those with the carrying amounts recorded using fair value

	Millions of yen			
	2026			
	Fair value			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable, trade	**¥–**	**¥110,594**	**¥–**	**¥110,594**
Electronically recorded monetary claims	**–**	**15,194**	**–**	**15,194**
Total assets	**¥–**	**¥125,788**	**¥–**	**¥125,788**
Notes and accounts payable, trade	**¥–**	**¥ 33,130**	**¥–**	**¥ 33,130**
Electronically recorded obligations	**–**	**11,425**	**–**	**11,425**
Short-term borrowing	**–**	**32,238**	**–**	**32,238**
Long-term borrowing	**–**	**11,561**	**–**	**11,561**
Derivative transaction				
Currency contracts	**–**	**90**	**–**	**90**
Total liabilities	**¥–**	**¥ 88,446**	**¥–**	**¥ 88,446**

	Millions of yen			
	2025			
	Fair value			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable, trade	¥–	¥108,622	¥–	¥108,622
Electronically recorded monetary claims	–	15,905	–	15,905
Total assets	¥–	¥124,528	¥–	¥124,528
Notes and accounts payable, trade	¥–	¥ 48,540	¥–	¥ 48,540
Electronically recorded obligations	–	12,649	–	12,649
Short-term borrowing	–	10,817	–	10,817
Long-term borrowing	–	33,378	–	33,378
Derivative transaction				
Currency contracts	–	259	–	259
Total liabilities	¥–	¥105,646	¥–	¥105,646

	Thousands of U.S. dollars			
	2026			
	Fair value			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable, trade	**$–**	**$691,213**	**$–**	**$691,213**
Electronically recorded monetary claims	**–**	**94,963**	**–**	**94,963**
Total assets	**$–**	**$786,175**	**$–**	**$786,175**
Notes and accounts payable, trade	**$–**	**$207,063**	**$–**	**$207,063**
Electronically recorded obligations	**–**	**71,406**	**–**	**71,406**
Short-term borrowing	**–**	**201,488**	**–**	**201,488**
Long-term borrowing	**–**	**72,256**	**–**	**72,256**
Derivative transaction				
Currency contracts	**–**	**563**	**–**	**563**
Total liabilities	**$–**	**$552,788**	**$–**	**$552,788**

Note: Description of the valuation methods and inputs used in the fair value measurement

Securities and investments securities
Listed shares and bonds, etc. are valued using market prices. As listed shares are traded in active markets, their fair value is categorized as Level 1 fair value. On the other hand, the fair value of securities, etc. held by the Company is categorized as Level 2 fair value because their quoted prices are obtained from a third party, they are not traded frequently in public markets, and they are not considered to have market prices in active markets.

Beneficiary securities in investment trusts whose fair value is based on quoted prices obtained from third parties are categorized as Level 2 fair value based on the prices obtained and the observability in the market of the inputs used for the prices.

Notes and accounts receivable, trade and electronically recorded monetary claims
The fair value of these items is measured using the discounted cash flow method based on the receivable or claim amount and an interest rate reflecting the period to maturity and credit risk, for each receivable or claim divided into set periods, and is categorized as Level 2 fair value.

Derivative transactions
The fair value of forward exchange contracts is measured using the discounted cash flow method based on observable inputs, such as exchange rates, and is categorized as Level 2 fair value.

Notes and accounts payable, trade, short-term borrowing and electronically recorded obligations
The fair value of these items is measured using the discounted cash flow method based on the future cash flow and an interest rate reflecting the period to the repayment due date and credit risk, for each liability or borrowing divided into set periods, and is categorized as Level 2 fair value.

Long-term borrowing
(Bonds)
The fair value of corporate bonds issued by the Company is measured based on market prices when market prices are available, and is categorized as Level 1 fair value. When market prices are not available, their fair value is measured using the present value based on the sum of the principal and interests discounted at an interest rate reflecting the remaining term to maturity and credit risk of the bond, and is categorized as Level 2 fair value.

(Long-term borrowing)
The fair value of long-term borrowings with floating interest rates is based on their book value because their fair value reflects the market interest rate in a short period, the Company's credit status has not changed significantly since the execution of the borrowings, and their fair value is therefore considered to approximate their book value. The fair value of long-term borrowings with fixed interest rates is measured using the present value based on the sum of the principal and interests discounted at an interest rate that would be applied if a similar new borrowing were made, and is categorized as Level 2 fair value.

10. Derivative Transactions

Derivative transactions to which hedge accounting was not applied at March 31, 2026 and 2025 are as follows:

Millions of yen

	2026				2025			
	Contract amounts	Over 1 year	Fair value	Unrealized gain (loss)	Contract amounts	Over 1 year	Fair value	Unrealized gain (loss)
Currency swap contracts:								
Over-the-counter transactions								
Receive in USD, pay in GBP	**¥ 1,625**	**¥1,625**	**¥ (84)**	**¥ (84)**	¥ 1,519	¥1,519	¥ (49)	¥ (49)
Currency swap contracts:								
Over-the-counter transactions								
Receive in yen, pay in euro	**10,870**	**8,418**	**(1,195)**	**(1,195)**	20,220	5,549	(2,112)	(2,112)
Currency swap contracts:								
Over-the-counter transactions								
Receive in USD, pay in euro	**13,015**	**9,667**	**(209)**	**(209)**	–	–	–	–

Thousands of U.S. dollars

	2026			
	Contract amounts	Over 1 year	Fair value	Unrealized gain (loss)
Currency swap contracts:				
Over-the-counter transactions				
Receive in USD, pay in GBP	**$10,156**	**$10,156**	**$ (525)**	**$ (525)**
Currency swap contracts:				
Over-the-counter transactions				
Receive in yen, pay in euro	**67,938**	**52,613**	**(7,469)**	**(7,469)**
Currency swap contracts:				
Over-the-counter transactions				
Receive in USD, pay in euro	**81,344**	**60,419**	**(1,306)**	**(1,306)**

Note: The fair value is provided by financial institutions with which the Company made the contracts.

Derivative transactions to which hedge accounting was applied at March 31, 2026 and 2025 are as follows:

Millions of yen

	2026			2025		
	Contract amounts	Over 1 year	Fair value	Contract amounts	Over 1 year	Fair value
Currency swap contracts:						
Classification: Deferral hedge accounting						
Hedged item: Long-term debt interest						
Receive in USD, pay GBP	**¥ 47**	**¥ –**	**¥ (0)**	¥118	¥49	¥ (1)
Currency swap contracts:						
Classification: Deferral hedge accounting						
Hedged item: Advances						
Receive in yen, pay in euro	**698**	**388**	**(136)**	367	51	(258)
Currency swap contracts:						
Classification: Deferral hedge accounting						
Hedged item: Advances						
Receive in USD, pay in euro	**560**	**268**	**47**	–	–	–

Thousands of U.S. dollars

	2026		
	Contract amounts	Over 1 year	Fair value
Currency swap contracts:			
Classification: Deferral hedge accounting			
Hedged item: Long-term debt interest			
Receive in USD, pay GBP	**$ 294**	**$ –**	**$ (1)**
Currency swap contracts:			
Classification: Deferral hedge accounting			
Hedged item: Advances			
Receive in yen, pay in euro	**4,363**	**2,425**	**(850)**
Currency swap contracts:			
Classification: Deferral hedge accounting			
Hedged item: Advances			
Receive in USD, pay in euro	**3,500**	**1,675**	**294**

Note: The fair value is provided by financial institutions with which the company made the contracts.

11. Shareholders' Equity

The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

The Company's legal reserve included in retained earnings is nil at March 31, 2026 and 2025.

Movements in common stock and treasury stock for the years ended March 31, 2026 and 2025 were summarized as follows:

1. Stock Information

	Thousands of Shares			
	2026			
	Balance at beginning of year	Increase	Decrease	Balance at end of year
Shares issued: Common Stock	**227,000**	**–**	**6,000**	**221,000**
Treasury stock: Treasury Stock	**12,160**	**5,020**	**6,065**	**11,115**

The decrease in common stock of 6,000 thousand shares comprised the cancellation of 4,000 thousand shares in accordance with a resolution of the Board of Directors' meeting held on May 14, 2025, and the cancellation of 2,000 thousand shares in accordance with a resolution of the Board of Directors' meeting held on July 31, 2025.

The increase in treasury stock of 5,020 thousand shares comprised a share repurchase of 489 thousand shares in accordance with a resolution of the Board of Directors' meeting held on October 31, 2024, a share repurchase of 2,014 thousand shares in accordance with a resolution of the Board of Directors' meeting held on May 14, 2025, a share repurchase of 2,515 thousand shares in accordance with a resolution of the Board of Directors' meeting held on October 31, 2025, and purchases of 1 thousand shares of less than one voting unit.

The decrease in treasury stock of 6,065 thousand shares comprised the cancellation of 4,000 thousand shares in accordance with a resolution of the Board of Directors' meeting held on May 14, 2025, the cancellation of 2,000 thousand shares in accordance with a resolution of the Board of Directors' meeting held on July 31, 2025, and the sale of 65 thousand shares due to disposal of treasury shares as restricted stock compensation.

	Thousands of Shares			
	2025			
	Balance at beginning of year	Increase	Decrease	Balance at end of year
Shares issued: Common Stock	231,000	–	4,000	227,000
Treasury stock: Treasury Stock	12,120	4,512	4,472	12,160

The decrease in common stock of 4,000 thousand shares comprised the cancellation of 2,000 thousand shares in accordance with a resolution of the Board of Directors' meeting held on March 27, 2024, and the cancellation of 2,000 thousand shares in accordance with a resolution of the Board of Directors' meeting held on September 26, 2024.

The increase in treasury stock of 4,512 thousand shares comprised a share repurchase of 1,730 thousand shares in accordance with a resolution of the Board of Directors' meeting held on May 13, 2024, a share repurchase of 2,781 thousand shares in accordance with a resolution of the Board of Directors' meeting held on October 31, 2024, and purchases of 1 thousand shares of less than one voting unit.

The decrease in treasury stock of 4,472 thousand shares comprised the cancellation of 2,000 thousand shares in accordance with a resolution of the Board of Directors' meeting held on March 27, 2024, the cancellation of 2,000 thousand shares in accordance with a resolution of the Board of Directors' meeting held on September 26, 2024, a decrease of 435 thousand shares due to the exercise of stock options, and the sale of 37 thousand shares due to disposal of treasury shares as restricted stock compensation.

2. Dividend Information

			2026			
Dividends paid in fiscal year ended March 31, 2026			Dividends per share		Total dividends	
Resolution	Record date	Effective date	Yen	U.S. dollars	Millions of yen	Thousands of U.S. dollars
Shareholders' meeting on June 25, 2025	March 31, 2025	June 26, 2025	**59.0**	**0.37**	**12,675**	**79,219**
Board of Directors on October 31, 2025	September 30, 2025	December 1, 2025	**62.0**	**0.39**	**13,168**	**82,300**

Dividends paid after March 31, 2026			Dividends per share		Total dividends	
Resolution	Record date	Effective date	Yen	U.S. dollars	Millions of yen	Thousands of U.S. dollars
Shareholders' meeting on June 24, 2026	March 31, 2026	June 25, 2026	**68.0**	**0.43**	**14,272**	**89,200**

			2025	
Dividends paid in fiscal year ended March 31, 2025			Dividends per share	Total dividends
Resolution	Record date	Effective date	Yen	Millions of yen
Shareholders' meeting on June 26, 2024	March 31, 2024	June 27, 2024	49.0	10,725
Board of Directors on October 31, 2024	September 30, 2024	December 2, 2024	47.0	10,228

Dividends paid after March 31, 2025			Dividends per share	Total dividends
Resolution	Record date	Effective date	Yen	Millions of yen
Shareholders' meeting on June 25, 2025	March 31, 2025	June 26, 2025	59.0	12,675

12. Stock Options

1. Amount of Expense Appropriation and Accounting Name during the Fiscal Years Ended March 31, 2026 and 2025

Not applicable.

2. The Contents, Scale, and Change in Stock Options

(1) The contents of stock options

	June 2012 stock option	June 2013 stock option
Company	Sanwa Holdings Corporation	Sanwa Holdings Corporation
Resolution date	June 28, 2012	June 26, 2013
Grantee classification and the number	1 directors	1 directors
Type and number of shares	Common stock of the Company: 18,000 shares	Common stock of the Company: 10,000 shares
Date of grant	July 13, 2012	July 12, 2013
Exercise period of rights	For 30 years from grant date (from July 14, 2012 to July 13, 2042)	For 30 years from grant date (from July 13, 2013 to July 12, 2043)

	June 2014 stock option	June 2015 stock option
Company	Sanwa Holdings Corporation	Sanwa Holdings Corporation
Resolution date	June 26, 2014	June 26, 2015
Grantee classification and the number	1 directors	1 directors
Type and number of shares	Common stock of the Company: 7,000 shares	Common stock of the Company: 4,800 shares
Date of grant	July 14, 2014	July 13, 2015
Exercise period of rights	For 30 years from grant date (from July 15, 2014 to July 14, 2044)	For 30 years from grant date (from July 14, 2015 to July 13, 2045)

	June 2016 stock option	June 2017 stock option
Company	Sanwa Holdings Corporation	Sanwa Holdings Corporation
Resolution date	June 28, 2016	June 28, 2017
Grantee classification and the number	1 directors	1 directors
Type and number of shares	Common stock of the Company: 7,400 shares	Common stock of the Company: 11,300 shares
Date of grant	July 14, 2016	July 14, 2017
Exercise period of rights	For 30 years from grant date (from July 15, 2016 to July 14, 2046)	For 30 years from grant date (from July 15, 2017 to July 14, 2047)

	June 2018 stock option	June 2019 stock option
Company	Sanwa Holdings Corporation	Sanwa Holdings Corporation
Resolution date	June 27, 2018	June 26, 2019
Grantee classification and the number	1 directors	1 directors
Type and number of shares	Common stock of the Company: 11,100 shares	Common stock of the Company: 11,200 shares
Date of grant	July 13, 2018	July 12, 2019
Exercise period of rights	For 30 years from grant date (from July 14, 2018 to July 13, 2048)	For 30 years from grant date (from July 13, 2019 to July 12, 2049)

	June 2020 stock option
Company	Sanwa Holdings Corporation
Resolution date	June 24, 2020
Grantee classification and the number	2 directors
Type and number of shares	Common stock of the Company: 19,500 shares
Date of grant	July 10, 2020
Exercise period of rights	For 30 years from grant date (from July 11, 2020 to July 10, 2050)

(2) Scale, and change in stock options

(2)-1 Number of stock options

	Share								
	June 2012 stock option	June 2013 stock option	June 2014 stock option	June 2015 stock option	June 2016 stock option	June 2017 stock option	June 2018 stock option	June 2019 stock option	June 2020 stock option
Before vested									
Beginning of period	–	–	–	–	–	–	–	–	–
Granted	–	–	–	–	–	–	–	–	–
Forfeited	–	–	–	–	–	–	–	–	–
Vested	–	–	–	–	–	–	–	–	–
Unvested	–	–	–	–	–	–	–	–	–
After vested									
Beginning of period	18,000	10,000	7,000	4,800	7,400	11,300	11,100	11,200	19,500
Vested	–	–	–	–	–	–	–	–	–
Exercised	–	–	–	–	–	–	–	–	–
Expired	–	–	–	–	–	–	–	–	–
Exercisable	18,000	10,000	7,000	4,800	7,400	11,300	11,100	11,200	19,500

(2)-2 Unit value and exercise period for stock option rights

	Yen								
	June 2012 stock option	June 2013 stock option	June 2014 stock option	June 2015 stock option	June 2016 stock option	June 2017 stock option	June 2018 stock option	June 2019 stock option	June 2020 stock option
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average share price at exercise	–	–	–	–	–	–	–	–	–
Fair value unit price (Date of grant)	252	515	625	921	810	975	928	885	631

	U.S. dollars								
	June 2012 stock option	June 2013 stock option	June 2014 stock option	June 2015 stock option	June 2016 stock option	June 2017 stock option	June 2018 stock option	June 2019 stock option	June 2020 stock option
Exercise price	$0.006	$0.006	$0.006	$0.006	$0.006	$0.006	$0.006	$0.006	$0.006
Average share price at exercise	–	–	–	–	–	–	–	–	–
Fair value unit price (Date of grant)	1.575	3.219	3.906	5.756	5.063	6.094	5.800	5.531	3.944

13. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses were ¥6,873 million ($42,956 thousand) and ¥6,411 million for the fiscal years ended March 31, 2026 and 2025, respectively.

Research and development expenses included in cost of sales were ¥934 million ($5,838 thousand) and ¥882 million for the fiscal years ended March 31, 2026 and 2025, respectively.

14. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income, which in the aggregate resulted in a statutory tax rate of approximately 30.6% for the fiscal years ended March 31, 2026 and 2025. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The effective rates for the fiscal years ended March 31, 2026 and 2025 differ from the Company's statutory tax rates for the following reasons:

	2026	2025
Statutory tax rate	**30.6 %**	30.6 %
Permanently non-deductible expenses such as entertainment expenses	**0.3**	0.3
Permanently non-taxable income such as dividend income	**(0.9)**	(0.8)
Corporate inhabitant tax on a per capita basis, etc.	**0.3**	0.3
Depreciation of goodwill	**0.3**	0.7
Change in ending balance of deferred tax assets due to a change in tax rate	**(0.1)**	0.1
Change in valuation allowance	**(0.8)**	(0.1)
Other	**(4.4)**	(2.3)
Effective tax rate	**25.3 %**	28.8 %

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at March 31, 2026 and 2025 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Deferred tax assets:			
Allowance for bonuses	**¥ 1,951**	¥ 1,789	**$ 12,194**
Net defined benefit liability	**2,465**	2,589	**15,406**
Tax loss carry-forwards (Note)	**2,204**	1,107	**13,775**
Securities	**256**	256	**1,600**
Investment in affiliates securities	**495**	473	**3,094**
Impairment loss	**1,767**	2,420	**11,044**
Other	**10,554**	12,074	**65,963**
Subtotal	**19,695**	20,711	**123,094**
Valuation allowance (Deficits) (Note)	**(268)**	(239)	**(1,675)**
Valuation allowance (Temporary difference)	**(2,881)**	(3,511)	**(18,006)**
Less valuation allowance subtotal	**(3,149)**	(3,751)	**(19,681)**
Total	**16,546**	16,959	**103,413**
Deferred tax liabilities:			
Depreciation	**(8,579)**	(8,491)	**(53,619)**
Net unrealized holding gains on securities	**(8,052)**	(3,690)	**(50,325)**
Net defined benefit asset	**(4,327)**	(3,301)	**(27,044)**
Other	**(4,046)**	(3,609)	**(25,288)**
Total	**(25,006)**	(19,092)	**(156,288)**
Net deferred tax assets	**¥ (8,460)**	¥ (2,132)	**$ (52,875)**

Note: Amounts of deficits, valuation allowance and related deferred tax assets by tax loss carry-forwards for the years ended March 31, 2026 and 2025 respectively.

	Millions of yen						
	2026						
	Within 1 year	More than 1 year, within 2 years	More than 2 year, within 3 years	More than 3 year, within 4 years	More than 4 year, within 5 years	More than 5 years	Total
Deficits(*1)	**¥ 482**	**¥438**	**¥537**	**¥578**	**¥70**	**¥ 97**	**¥2,204**
Valuation allowance	**(212)**	**(23)**	**(0)**	**–**	**–**	**(32)**	**(268)**
Deferred tax assets	**¥ 270**	**¥414**	**¥536**	**¥578**	**¥70**	**¥ 65** (*2)	**¥1,936**

	Millions of yen						
	2025						
	Within 1 year	More than 1 year, within 2 years	More than 2 year, within 3 years	More than 3 year, within 4 years	More than 4 year, within 5 years	More than 5 years	Total
Deficits(*1)	¥ 318	¥255	¥255	¥205	¥4	¥ 67	¥1,107
Valuation allowance	(179)	(21)	(7)	–	–	(31)	(239)
Deferred tax assets	¥ 139	¥234	¥248	¥205	¥4	¥ 36 (*2)	¥ 868

	Thousands of U.S. dollars						
	2026						
	Within 1 year	More than 1 year, within 2 years	More than 2 year, within 3 years	More than 3 year, within 4 years	More than 4 year, within 5 years	More than 5 years	Total
Deficits(*1)	**$ 3,013**	**$2,738**	**$3,356**	**$3,613**	**$438**	**$ 606**	**$13,775**
Valuation allowance	**(1,325)**	**(144)**	**(1)**	**–**	**–**	**(200)**	**(1,675)**
Deferred tax assets	**$ 1,688**	**$2,588**	**$3,350**	**$3,613**	**$438**	**$ 406** (*2)	**$12,100**

(*1) Deficits are the amount after multiplying the statutory tax rate.
(*2) Regarding deficits of ¥2,204 million ($13,775 thousand) and ¥1,107 million (amount after multiplying the statutory tax rate), the Company records deferred tax assets of ¥1,936 million ($12,100 thousand) and ¥868 million for the fiscal years ended March 31, 2026 and 2025, respectively.
Regarding deficits, valuation allowance related to the portion deemed to be recoverable based on future taxable income forecasts is not recognized.

Accounting treatment of income taxes, local income taxes, and tax effect accounting
The Company and some of its subsidiaries have applied the group tax sharing system. In addition, their accounting treatment and disclosure of income taxes, local income taxes, and tax effect accounting are in compliance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021).

15. Other Income (Expenses)

Other, net, for the fiscal years ended March 31, 2026 and 2025 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Loss on sales and disposal of fixed assets	**¥ 1,307**	¥ (5)	**$ 8,169**
Gain on sales of investments in securities	**–**	110	**–**
Impairment loss (note)	**–**	(1,107)	**–**
Loss on restructuring cost of subsidiary	**(1,730)**	(1,681)	**(10,813)**
Loss on liquidation of subsidiaries	**(0)**	(1)	**(1)**
Other, net	**(1,117)**	(280)	**(6,981)**
	¥(1,541)	¥(2,966)	**$ (9,631)**

16. Other Comprehensive Income

The reclassification adjustments and tax effects for components of other comprehensive income (loss) for the fiscal years ended March 31, 2026 and 2025 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Valuation difference on available-for-sale securities:			
Amount arising during the year	**¥13,998**	¥ 1,552	**$ 87,488**
Reclassification adjustments for gains (losses) realized in net income	**–**	(110)	**–**
Before tax effect	**13,998**	1,412	**87,488**
Tax effect	**(4,412)**	(539)	**(27,575)**
Total valuation difference on available-for-sale securities	**9,586**	872	**59,913**
Deferred gains or losses on hedges:			
Amount arising during the year	**169**	(309)	**1,056**
Reclassification adjustments for gains (losses) realized in net income	**–**	–	**–**
Before tax effect	**169**	(309)	**1,056**
Tax effect	**(53)**	97	**(331)**
Total deferred gains or losses on hedges	**115**	(212)	**719**
Foreign currency translation adjustments:			
Amount arising during the year	**3,648**	18,613	**22,800**
Reclassification adjustments for gains (losses) realized in net income	**–**	–	**–**
Total foreign currency translation adjustments	**3,648**	18,613	**22,800**
Remeasurements of defined benefit plans:			
Amount arising during the year	**3,055**	744	**19,094**
Reclassification adjustments for gains (losses) realized in net income	**(183)**	11	**(1,144)**
Before tax effect	**2,872**	756	**17,950**
Tax effect	**(899)**	(252)	**(5,619)**
Total remeasurements of defined benefit plans	**1,972**	503	**12,325**
Share of other comprehensive income of entities accounted for using equity method:			
Amount arising during the year	**(278)**	1	**(1,738)**
Total other comprehensive income	**¥15,044**	¥19,779	**$ 94,025**

17. Revenue

1. Disaggregated information on revenue from contracts with customers

Disaggregated information on revenue from contracts with customers is as stated in "Note 18 (Segment information, etc.)."

2. Basic information for understanding revenue from contracts with customers

The Group mainly enters into construction contracts with customers, and considers that control is completely transferred and performance obligations are satisfied at the point in time when those construction works or products are delivered. For the construction contracts involving construction work, when the outcome of a performance obligation to be satisfied over a certain period can be reasonably measured, revenue is recognized according to the ratio of the actual costs to the estimated total costs (the input method), except for projects involving a very short construction period. For cases in which the outcome of a performance obligation cannot be reasonably measured, revenue is recognized only to the extent of the incurred costs. If a performance obligation is satisfied at a certain point in time, revenue is recognized when the construction work is completed. Further, when the contract amount is not fixed in a timely manner, the contract amount is estimated as a variable consideration before the contract amount is fixed, and revenue is recognized only to the extent that it is probable that there will be no material reversal of the accumulated revenue that is recognized when the contract amount is fixed.

These considerations are invoiced on a piece-rate basis after fulfillment of the performance obligation and paid generally within three months. The amounts of considerations do not contain a significant financing component.

3. Relationship between the satisfaction of performance obligations based on contracts with customers and the cash flows arising from such contracts, and information on the amount and timing of revenue recognition from contracts with customers existing as of March 31, 2026 that are expected to be recognized after the fiscal year ending March 31, 2026

(1) Balance, etc. of contract assets and contract liabilities, information on receivables from contracts with customers, contract assets and contract liabilities is as follows.

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Receivables from contracts with customers	**¥110,594**	¥108,622	**$691,213**
Contract assets	**9,087**	10,550	**56,794**
Contract liabilities	**9,473**	8,037	**59,206**

Contract assets represent the amount of rights of consideration received for the consideration for performance obligations satisfied at a certain point in time or over a certain period, excluding amounts to be recognized as receivables. Contract liabilities mainly represent consideration received by the Group from customers prior to the delivery of the products. Further, there are no significant amounts related to performance obligations satisfied in prior periods.

(2) Transaction price allocated to remaining performance obligations

The total amount of transaction price allocated to remaining performance obligations that are unsatisfied (or partially unsatisfied) as of March 31, 2026 is as follows. These performance obligations are expected to be recognized as revenue generally within one to three years. Further, this transaction price does not contain estimated amounts of variable consideration.

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Total transaction price allocated to performance obligations that are unsatisfied	**¥217,008**	¥217,698	**$1,356,300**

18. Segment Information

1. Outline of reportable segments

Reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors of the Company to make decisions on the allocation of management resources and assess performance.

The Group is primarily engaged in the manufacture and sales of steel construction materials for commercial and residential construction, as well as the maintenance and service business for these products. The Group mainly comprises Sanwa Shutter Corporation in Japan, Overhead Door Corporation in North America, Novoferm Gmbh in Europe, and SHANGHAI BAOCHAN — SANWA DOOR CO., LTD., Sanwa Shutter (H.K.) Ltd., An-Ho Metal Industrial Co., Ltd., Vina-Sanwa Company Liability Ltd., Suzuki Shutter (H.K.) Ltd., Sanwa Holdings (Shanghai) Co., Ltd., Sanwa Novoferm (Changshu) Co., Ltd. and AUB Limited in Asia.

Local legal entities are independent management units, and formulate overall regional management strategies for their products and conduct separate business activities.

Accordingly, the Group is composed of regional segments and divided into legal entities, based on the manufacture and sales systems. The Group's four reportable segments are "Japan," "North America," "Europe" and "Asia."

The major products and services of each reportable segment are as follows:

[Japan]
Rolling shutters, shutter-related products, door products for buildings, partitions, stainless steel products, store front products, window products, residential door products, exterior products, residential garage door products, automatic door products, facade products, and the maintenance and service business, etc.

[North America]
Rolling shutters, shutter-related products, industrial sectional door products, residential garage door products, openers for garage doors and other doors, automatic door products, and the maintenance and service business, etc.

[Europe]
Rolling shutters, shutter-related products, door products, industrial sectional door products, residential garage door products, openers for garage doors and other doors, and the maintenance and service business, etc.

[Asia]
Rolling shutters, shutter-related products, door products, industrial sectional door products, and the maintenance and service business, etc.

2. Calculation method used for sales, income or loss, assets and other items on each reportable segment

Accounting policies of the reportable business segments are the same as those noted in "Note 2. Summary of Significant Accounting Policies."

The amount of income on reportable segments is based on operating profit. Intersegment sales and transfers between segments are based on market price.

Information about operations in reportable segments of the Group for the fiscal years ended March 31, 2026 and 2025, was as follows:

(1) Reportable Segments

Millions of yen

	2026						
	Japan	North America	Europe	Asia	Total	Adjustments	Consolidated financial statement
Revenue recognized from contracts with customers	**¥291,217**	**¥241,737**	**¥114,947**	**¥12,745**	**¥660,648**	**¥ 63**	**¥660,712**
Revenue recognized from other sources	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Sales to customers	**291,217**	**241,737**	**114,947**	**12,745**	**660,648**	**63**	**660,712**
Intersegment sales or transfers	**118**	**118**	**75**	**261**	**573**	**(573)**	**–**
Total sales	**¥291,335**	**¥241,856**	**¥115,023**	**¥13,006**	**¥661,221**	**¥ (509)**	**¥660,712**
Segment income (loss)	**¥ 39,067**	**¥ 37,754**	**¥ 2,178**	**¥ 101**	**¥ 79,102**	**¥ (6)**	**¥ 79,095**
Segment assets	**143,848**	**215,727**	**89,753**	**22,302**	**471,631**	**76,166**	**547,798**
Depreciation and amortization	**3,460**	**5,448**	**5,513**	**273**	**14,696**	**38**	**14,734**
Investment in equity method companies	**–**	**–**	**–**	**–**	**–**	**1,332**	**1,332**
Capital expenditures	**4,307**	**6,246**	**3,541**	**108**	**14,203**	**29**	**14,233**

Millions of yen

	2025						
	Japan	North America	Europe	Asia	Total	Adjustments	Consolidated financial statement
Revenue recognized from contracts with customers	¥287,560	¥245,356	¥114,276	¥15,123	¥662,316	¥ 63	¥662,380
Revenue recognized from other sources	–	–	–	–	–	–	–
Sales to customers	287,560	245,356	114,276	15,123	662,316	63	662,380
Intersegment sales or transfers	115	148	79	231	575	(575)	–
Total sales	¥287,676	¥245,505	¥114,356	¥15,354	¥662,892	¥ (511)	¥662,380
Segment income (loss)	¥ 35,841	¥ 41,503	¥ 3,405	¥ 373	¥ 81,124	¥ (609)	¥ 80,515
Segment assets	145,906	202,188	82,558	16,055	446,708	87,901	534,609
Depreciation and amortization	3,383	5,569	5,056	336	14,346	37	14,383
Investment in equity method companies	–	–	–	–	–	1,284	1,284
Capital expenditures	4,240	6,802	3,837	741	15,622	33	15,656

Thousands of U.S. dollars

	2026						
	Japan	North America	Europe	Asia	Total	Adjustments	Consolidated financial statement
Revenue recognized from contracts with customers	**$1,820,106**	**$1,510,856**	**$718,419**	**$ 79,656**	**$4,129,050**	**$ 394**	**$4,129,450**
Revenue recognized from other sources	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Sales to customers	**1,820,106**	**1,510,856**	**718,419**	**79,656**	**4,129,050**	**394**	**4,129,450**
Intersegment sales or transfers	**738**	**738**	**469**	**1,631**	**3,581**	**(3,581)**	**–**
Total sales	**$1,820,844**	**$1,511,600**	**$718,894**	**$ 81,288**	**$4,132,631**	**$ (3,181)**	**$4,129,450**
Segment income (loss)	**$ 244,169**	**$ 235,963**	**$ 13,613**	**$ 631**	**$ 494,388**	**$ (38)**	**$ 494,344**
Segment assets	**899,050**	**1,348,294**	**560,956**	**139,388**	**2,947,694**	**476,038**	**3,423,738**
Depreciation and amortization	**21,625**	**34,050**	**34,456**	**1,706**	**91,850**	**238**	**92,088**
Investment in equity method companies	**–**	**–**	**–**	**–**	**–**	**8,325**	**8,325**
Capital expenditures	**26,919**	**39,038**	**22,131**	**675**	**88,769**	**181**	**88,956**

Adjustments are as follows;

1. (1) Adjustments on segment sales mainly consist of adjustments of intersegment transactions and sales which are not included in the reportable segments.
   (2) Adjustments on segment income or loss mainly consist of adjustments of intersegment transaction and income or loss which are not included in the reportable segments.
   (3) Adjustments on segment assets mainly consist of the eliminations of investment balance and corporate assets.
   (4) Adjustments on depreciation and amortization consist of adjustments of depreciation and amortization to which are not included in the reportable segments.
   (5) Adjustments on investment in equity method companies consist of adjustments of investment in equity method companies to which are not included in the reportable segments.
   (6) Adjustments on capital expenditures consist of adjustments of capital expenditures to which are not included in the reportable segments.

2. Segment income or loss is reconciled primarily to operating profit on the consolidated statement of income.

3. Major countries in each region
   North America: USA, Canada, etc. Europe: Germany, France, Italy, Netherlands, UK, etc. Asia: China, Hong Kong, Taiwan, and Vietnam

(2) Related Information

a) Information on Products and Each Service

	Millions of yen				
	2026				
	Commercial	Residential	Maintenance/ Home improvement	Other	Consolidated
Sales to customers	**¥394,908**	**¥169,560**	**¥91,331**	**¥4,910**	**¥660,712**

	Millions of yen				
	2025				
	Commercial	Residential	Maintenance/ Home improvement	Other	Consolidated
Sales to customers	¥393,651	¥172,324	¥88,114	¥8,289	¥662,380

	Thousands of U.S. dollars				
	2026				
	Commercial	Residential	Maintenance/ Home improvement	Other	Consolidated
Sales to customers	**$2,468,175**	**$1,059,750**	**$570,819**	**$30,688**	**$4,129,450**

b) Information on Each Region

	Millions of yen				
	2026				
	Japan	North America	Europe	Asia	Total
Property, plant and equipment	**¥33,527**	**¥32,878**	**¥33,355**	**¥2,044**	**¥101,807**

	Millions of yen				
	2025				
	Japan	North America	Europe	Asia	Total
Property, plant and equipment	¥34,730	¥30,749	¥30,702	¥2,272	¥98,454

	Thousands of U.S. dollars				
	2026				
	Japan	North America	Europe	Asia	Total
Property, plant and equipment	**$209,544**	**$205,488**	**$208,469**	**$12,775**	**$636,294**

19. Information on Related Parties

Fiscal years ended March 31, 2026
Not applicable.

Fiscal years ended March 31, 2025
Transactions with related parties
Transactions between the consolidated subsidiaries of the Company and related parties
Officers and major shareholders (individuals only) of the Company, etc.

Category	Name of company, etc. or individual	Location	Stated capital or capital contribution (Millions of yen)	Business description or occupation	Voting rights ownership (owned) ratio (%)	Relationship with related party	Transaction details	Transaction amount (Millions of yen)	Account title	Ending balance (Millions of yen)
Officer	Masanaka Yokota	–	¥–	Director of the Company	(Owned) Direct 0.0%	Sales of subsidiary's products	Sales of products	¥22	–	¥–

20. Per Share Information

	Yen		U.S. dollars
	2026	2025	2026
Net assets per share	**¥1,660.39**	¥1,499.14	**$10.38**
Earnings per share	**281.61**	264.61	**1.76**
Diluted earnings per share	**281.48**	264.40	**1.76**

Note 1:The basis for calculation

1. Earnings per share

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Profit attributable to owners of parent	**¥59,776**	¥57,512	**$373,600**
Amount not attributable to common shareholders	**–**	–	**–**
Profit related to common shares attributable to owners of parent	**¥59,776**	¥57,512	**$373,600**

	Thousand shares	
	2026	2025
Average number of common shares during the period	**212,264**	217,348
Increase in common stock:		
Stock subscription rights	**100**	172

2. Net assets per share

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Total net assets	**¥350,984**	¥324,192	**$2,193,650**
Deductions from total net assets:			
Stock subscription rights	**68**	68	**425**
Non-controlling interests	**2,426**	2,049	**15,163**
Total net assets attributable to common stockholders	**¥348,490**	¥322,074	**$2,178,063**

	Thousand shares	
	2026	2025
Number of shares of common stock used in the calculation of net assets per share	**209,884**	214,839

21. Subsequent Events

(Cancellation of treasury shares)
At the Board of Directors meeting held on May 14, 2026, the Company resolved to cancel treasury shares in accordance with the provisions of Article 178 of the Companies Act, and the cancellation of treasury shares was implemented as follows.

1. Details of the resolution by the Board of Directors on the cancellation of treasury shares
   (1) Type of shares to be cancelled — The Company's common stock
   (2) Total number of shares to be cancelled — 2,000,000 shares
   (3) Scheduled cancellation date — Jun 12, 2026

2. Cancellation date
   Jun 12, 2026

3. The total number of shares outstanding after this cancellation will be 219,000,000.

(Acquisition of treasury shares)
At the Board of Directors meeting held on May 14, 2026, the Company resolved on matters related to the acquisition of treasury shares pursuant to Article 459-1 of the Companies Act and the Company's Articles of Incorporation.

1. Reason for acquiring treasury shares
   The Company will acquire treasury shares to strengthen shareholder returns, along with enhancing capital efficiency and implementing flexible capital policies.

2. Details of matters related to the acquisition
   (1) Type of shares to be acquired — The Company's common stock
   (2) Total number of shares to be acquired — Up to 3,650,000 shares
   (3) Total acquisition value of shares — Up to ¥10,000 million
   (4) Acquisition period — From May 21, 2026 to September 30, 2026
   (5) Acquisition method — Open market purchase on the Tokyo Stock Exchange

Independent Auditor's Report

To the Board of Directors Sanwa Holdings Corporation

Opinion

We have audited the accompanying consolidated financial statements of Sanwa Holdings Corporation and its consolidated subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as at March 31, 2026, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statement, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2026, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Revenue Recognition (Accuracy and Appropriateness of Periodical Allocation of Sales)	
Description of Key Audit Matter	How we addressed the matter in our audit
The Group's revenues consist of installation work, products, and services related to building materials such as shutters and doors. The Group recognizes revenue when or as it satisfies its performance obligation by transferring the goods or services subject to such installation work, etc., to a customer. At certain domestic subsidiaries, for those involving construction work, revenue is recognized as it satisfies its performance obligation when the progress toward satisfaction of the performance obligation can be reasonably measured. When the progress of a performance obligation cannot be reasonably measured but it is expected to recover the costs incurred in satisfying the performance obligation, the certain domestic subsidiaries recognize revenue on a cost recovery basis. When the performance obligation is satisfied at a point in time or when the duration of the construction work is very short, the certain domestic subsidiaries recognize revenue at the time of completion of the construction work or delivery of the product. For some properties, changes in construction work specifications and other factors may lead to changes in contract amounts, and it is anticipated that drawing up an accurate execution budget may be difficult. We, therefore, determined this to be a key audit matter to consider, as there is a risk of inappropriate allocation of the amounts of sales to a period at certain domestic subsidiaries due to the diversity of sales projects, and considering the significance of the matter to the financial statements and the characteristics of the sales projects.	To verify the validity of the revenue recognition, we primarily implemented the following audit procedures. • We assessed the effectiveness of the status of design and operation of internal controls over revenue recognition. • With regard to the construction work for which revenue is recognized as performance obligations are satisfied, we confirmed whether revenue was accurately recognized for the progress based on the input method, by comparing it with the calculation basis, contracts, execution budget, and other such documents. • We assessed the appropriateness of the allocation of sales amounts to a period and the accuracy of the amounts of sales recognized for sales transactions with large amounts near the end of the fiscal year, and sales transactions extracted at sales offices and branches that were rotated during the fiscal year, by matching them with the evidence related to the revenue recognition. • We obtained confirmation documents from customers at the end of the fiscal year and reconciled them to the balance of accounts receivable — trade.

Other Information

The other information comprises the information included in the Annual Report other than the consolidated and non-consolidated financial statements and our auditor's report thereon. Management is responsible for the preparation and disclosure of the other information. The Audit and Supervisory Committee is responsible for overseeing the Directors' performance of their duties with regard to the design and operation of the reporting process of the other information.

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

Our responsibility regarding the audit of consolidated financial statements 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 course of the audit, and to pay attention to any other indications of material misstatement in the other information.

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

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 the 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 required to going concern in accordance with accounting principles generally accepted in Japan.

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

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

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

As part of 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.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements in not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Plan and conduct the audit of the consolidated financial statements to obtain sufficient and appropriate audit evidence regarding the financial information of the Group that provides a basis for our opinion on the consolidated financial statements. We are responsible for the direction, supervision, and review of the audit of the consolidated financial statements. 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 the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit 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.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan
We have no interest in the Group which is required to be disclosed in accordance with the Certified Public Accountants Act of Japan.

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

Eishiro Komura
Representative Partner, Engagement Partner
Certified Public Accountant

Tomokazu Tanaka
Representative Partner, Engagement Partner
Certified Public Accountant

Kyoritsu Audit Corporation
Tokyo, Japan
June 18, 2026

Notes to the Reader of Independent Auditor's Report:
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and Kyoritsu Audit Corporation.

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