TECHNO RYOWA LTD. and Consolidated Subsidiaries

Consolidated Financial Statements for the Year Ended March 31, 2023, and Independent Auditor's Report

Deloitte Touche Tohmatsu LLC
Marunouchi Nijubashi Building
3-2-3 Marunouchi
Chiyoda-ku, Tokyo 100-8360
Japan

Tel: +81 (3) 6213 1000
Fax: +81 (3) 6213 1005
www2.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of TECHNO RYOWA LTD.:

Opinion

We have audited the consolidated financial statements of TECHNO RYOWA LTD. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

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

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside 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 provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was 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 the matter.

Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
Estimate of total construction costs. The Group mainly applies the method of recognizing revenue over time as it satisfies a performance obligation in the facility construction business. The Group recognized revenues of 61,030 million yen on the consolidated statement of income for the year ended March 31, 2023, which included 45,075 million yen of construction projects recognized using the method stated in Note 2.k. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Construction Contracts and Note 3. SIGNIFICANT ACCOUNTING ESTIMATES to the consolidated financial statements. Regarding progress towards complete satisfaction of performance obligations, the Group estimates total construction costs per contract, which needs to be approved by a construction manager, and then calculates construction revenues by determining the ratio between construction costs incurred for the contract as of year-end and estimates total construction costs for the contract. Consequently, construction revenues are highly dependent upon the accuracy of the estimated total construction cost for each contract. Additionally, in estimating total construction costs, there is no specific methodology that applies to every construction contract and as such, judgment is required by persons with expert knowledge and practical experience regarding construction contracts in the facility construction business, such as changes in market conditions for construction materials and outsourcing costs and changes due to price negotiations and fluctuations due to changes in specifications. As the estimate of total construction costs involves judgments made by management and construction managers, and as the total construction cost can fluctuate significantly due to unforeseen changes in design and specifications of the construction project, changes in market conditions for materials and outsourcing costs and the results of price negotiations as the construction progresses, we determined the estimate of total construction costs as a key audit matter.	In evaluating the reasonableness of total construction costs, we assigned audit team members with ample knowledge, skill and ability concerning the method of recognizing revenue over time as the Group satisfies a performance obligation, and performed the following audit procedures, among others: (1) We obtained an understanding and evaluated the design effectiveness of the controls over the estimation and approval of total construction costs by making inquiries of the construction managers and corroborating their responses with supporting documents. We also evaluated the operating effectiveness of the aforementioned controls by inspecting supporting documents and minutes of related meetings on selected construction contracts. (2) We determined whether the total construction costs were calculated in a timely and reasonable manner on selected specified construction contracts and performed the following audit procedures, among others: • We inquired of the persons responsible for the construction projects to understand the contents of the construction contract and the breakdown of total construction costs. We also inspected the contracts, budgets, construction schedules and other related documents to test whether their responses and those documents were consistent. • We compared total construction costs estimated in the prior year with either the actual costs incurred or the re-estimated costs to evaluate the reasonableness of the estimates. Additionally, we corroborated the reasonableness for differences identified, and considered whether there were any factors should be reflected in the estimated other total construction costs in the current year based on the differences identified between prior year's estimates and actual costs. • We compared profit ratios among construction contracts. For those construction contracts with significantly high or low profit ratios, we investigated further to understand the reasons why the applicable contracts had significantly high or low profit ratios compared to others. • We tested whether the total construction costs of each contract were updated appropriately and in a timely manner to reflect any changes in the contents of the contracts by comparing changes in the contracts with the revisions made to the estimated materials and outsourcing costs included in the estimated total construction costs.

Other Information

Other information comprises the information included in the Group's disclosure documents accompanying the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

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

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

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

The Audit and Supervisory Committee 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an 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. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of 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 whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Deloitte Touche Tohmatsu LLC

July 25, 2023

TECHNO RYOWA LTD. and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2023

ASSETS	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars (Note 1) 2023
CURRENT ASSETS:			
Cash and cash equivalents	¥12,341	¥13,969	$ 92,420
Short-term investments (Notes 4, 14 and 16)	909	902	6,804
Receivables (Note 16):			
Trade notes	5,687	6,265	42,589
Trade accounts	22,041	19,430	165,068
Unconsolidated subsidiaries	14	12	102
Allowance for doubtful receivables	(3)	(2)	(21)
Marketable securities (Note 4)	10		75
Inventories (Note 5)	186	199	1,394
Other current assets	1,093	1,467	8,193
Total current assets	42,278	42,242	316,624
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 6)	1,768	1,768	13,240
Buildings and structures	4,539	4,523	33,997
Machinery, equipment, tools, furniture and fixtures	1,394	1,396	10,440
Lease assets		9	
Total	7,701	7,696	57,677
Accumulated depreciation	(3,536)	(3,402)	(26,484)
Net property, plant and equipment	4,165	4,294	31,193
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 16)	9,441	9,733	70,708
Investments in unconsolidated subsidiaries (Note 16)	11	11	79
Assets for retirement benefits (Note 9)	5,310	5,113	39,766
Deferred tax assets (Note 11)	125	110	935
Allowance for doubtful receivables	(12)	(20)	(88)
Other assets	2,139	2,215	16,014
Total investments and other assets	17,014	17,162	127,414
TOTAL	¥63,457	¥63,698	$475,231

LIABILITIES AND EQUITY	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars (Note 1) 2023
CURRENT LIABILITIES:			
Current portion of long-term debt (Notes 7 and 16)	¥ 65	¥ 101	$ 487
Payables (Note 16):			
Trade notes	3,916	7,835	29,323
Trade accounts	7,733	6,456	57,913
Unconsolidated subsidiaries	16	28	122
Income taxes payable (Notes 11 and 16)	690	628	5,166
Advances received on construction work in progress (Note 8)	1,618	1,160	12,120
Accrued expenses	1,464	1,401	10,966
Allowance for loss on construction contracts	75	220	560
Other current liabilities	1,828	481	13,688
Total current liabilities	17,405	18,310	130,344
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7 and 16)		65	
Deferred tax liabilities (Note 11)	2,135	2,324	15,991
Deferred tax liabilities on revaluation surplus of land (Notes 6 and 11)	104	104	780
Liability for retirement benefits (Note 9)	275	265	2,063
Other long-term liabilities	163	168	1,217
Total long-term liabilities	2,677	2,926	20,051
EQUITY (Note 10):			
Common stock—authorized, 79,994,522 shares; issued, 22,888,604 shares in 2023 and 2022	2,747	2,747	20,571
Capital surplus	2,498	2,498	18,710
Retained earnings	34,744	33,188	260,194
Treasury stock—at cost, 1,117,200 shares in 2023 and 1,117,000 shares in 2022	(999)	(998)	(7,478)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	3,976	4,445	29,777
Land revaluation difference (Note 6)	(134)	(134)	(1,009)
Foreign currency translation adjustments	(3)	(3)	(18)
Defined retirement benefit plans	546	719	4,089
Total	4,385	5,027	32,839
Total equity	43,375	42,462	324,836
TOTAL	¥63,457	¥63,698	$475,231

See notes to consolidated financial statements.

TECHNO RYOWA LTD. and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
REVENUES:			
Construction projects	¥60,147	¥56,059	$ 450,441
Others	883	847	6,612
Total revenues	61,030	56,906	457,053
COST OF REVENUES:			
Construction projects	50,796	47,134	380,407
Others	695	695	5,205
Total cost of revenues	51,491	47,829	385,612
Gross profit	9,539	9,077	71,441
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 9 and 13)	6,363	6,064	47,658
Operating income	3,176	3,013	23,783
OTHER INCOME (EXPENSES):			
Interest and dividend income	217	207	1,626
Interest expense	(13)	(13)	(98)
Other—net	169	161	1,266
Other income—net	373	355	2,794
INCOME BEFORE INCOME TAXES	3,549	3,368	26,577
INCOME TAXES (Note 11):			
Current	1,093	934	8,183
Deferred	117	197	877
Total income taxes	1,210	1,131	9,060
NET INCOME	2,339	2,237	17,517
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 2,339	¥ 2,237	$ 17,517

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.n and 18):			
Basic net income	¥107.43	¥102.76	$0.80
Cash dividends applicable to the year	36.00	32.00	0.27

See notes to consolidated financial statements.

TECHNO RYOWA LTD. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
NET INCOME	¥2,339	¥2,237	$ 17,517
OTHER COMPREHENSIVE LOSS (Note 17):			
Unrealized loss on available-for-sale securities	(469)	(332)	(3,513)
Revaluation reserve for land		(70)	
Foreign currency translation adjustments		(3)	2
Defined retirement benefit plans	(173)	(112)	(1,298)
Total other comprehensive loss	(642)	(517)	(4,809)
COMPREHENSIVE INCOME	¥1,697	¥1,720	$ 12,708
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥1,697	¥1,720	$ 12,708
Non-controlling interests			

See notes to consolidated financial statements.

TECHNO RYOWA LTD. and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2023

	Thousands	Millions of Yen									
						Accumulated Other Comprehensive Income					
	Number of Shares of Common Stock Issued	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Land Revaluation Difference	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Total Equity
BALANCE, APRIL 1, 2021	22,889	¥2,747	¥2,498	¥31,491	¥(998)	¥4,777	¥ (64)		¥832	¥5,545	¥41,283
Net income attributable to owners of the parent				2,237							2,237
Cash dividends, ¥32 per share				(610)							(610)
Purchase of treasury stock											
Reversal of revaluation reserve for land				70							70
Net change during the year						(332)	(70)	¥(3)	(113)	(518)	(518)
BALANCE, MARCH 31, 2022	22,889	2,747	2,498	33,188	(998)	4,445	(134)	(3)	719	5,027	42,462
Net income attributable to owners of the parent				2,339							2,339
Cash dividends, ¥36 per share				(783)							(783)
Purchase of treasury stock					(1)						(1)
Net change during the year						(469)			(173)	(642)	(642)
BALANCE, MARCH 31, 2023	22,889	¥2,747	¥2,498	¥34,744	¥(999)	¥3,976	¥(134)	¥(3)	¥546	¥4,385	¥43,375

	Thousands of U.S. Dollars (Note 1)									
					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Land Revaluation Difference	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Total Equity
BALANCE, MARCH 31, 2022	$20,571	$18,710	$248,547	$(7,477)	$33,290	$(1,009)	$(20)	$5,387	$37,648	$317,999
Net income attributable to owners of the parent			17,517							17,517
Cash dividends, $0.27 per share			(5,870)							(5,870)
Purchase of treasury stock				(1)						(1)
Net change during the year					(3,513)		2	(1,298)	(4,809)	(4,809)
BALANCE, MARCH 31, 2023	$20,571	$18,710	$260,194	$(7,478)	$29,777	$(1,009)	$(18)	$4,089	$32,839	$324,836

See notes to consolidated financial statements.

TECHNO RYOWA LTD. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
OPERATING ACTIVITIES:			
Income before income taxes	¥ 3,549	¥ 3,368	$ 26,577
Adjustments for:			
Income taxes—paid	(1,098)	(549)	(8,221)
Depreciation and amortization	347	366	2,597
Changes in assets and liabilities, net of effects:			
Increase in trade accounts receivable	(2,026)	(1,559)	(15,178)
(Decrease) increase in trade accounts payable	(2,654)	516	(19,874)
Increase (decrease) in advances received on construction work in progress	458	(97)	3,436
Decrease in liability for retirement benefits	(214)	(331)	(1,601)
Other—net	1,481	(809)	11,088
Total adjustments	(3,706)	(2,463)	(27,753)
Net cash (used in) provided by operating activities	(157)	905	(1,176)
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(152)	(246)	(1,135)
Purchases of sales of securities	(445)	(242)	(3,330)
Net change in time deposits	(7)	139	(51)
Other—net	(22)	218	(168)
Net cash used in investing activities	(626)	(131)	(4,684)
FINANCING ACTIVITIES:			
Proceeds from long-term debt		150	
Repayments of long-term debt	(100)	(105)	(749)
Repurchase of treasury stock			(1)
Dividends paid	(783)	(611)	(5,865)
Net cash used in financing activities	(883)	(566)	(6,615)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	38	74	282
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,628)	282	(12,193)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,969	13,687	104,613
CASH AND CASH EQUIVALENTS, END OF YEAR	¥12,341	¥13,969	$ 92,420

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2022 consolidated financial statements to conform to the classifications used in 2023.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which TECHNO RYOWA LTD. (the "Company") which is parent company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133.53 to $1, the approximate rate of exchange at March 31, 2023. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation***—The consolidated financial statements as of March 31, 2023, include the accounts of the Company and its three significant domestic (three in 2022) subsidiaries and one significant overseas (one in 2022) subsidiary (together, the "Group").

Significant domestic subsidiaries	TOKYO DAIYA ENGINEERING CO., LTD. RYOWA AIRCON LTD. MATSUURA ELECTRIC SYSTEM LTD.
Significant overseas subsidiary	PT. TECHNO RYOWA ENGINEERING

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in three (three in 2022) unconsolidated subsidiaries are accounted for on a cost basis. The effect on the consolidated financial statements of not applying the equity method is immaterial.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

All domestic consolidated subsidiaries have a fiscal year ending on March 31, which is the same as the fiscal year of the Company. Overseas consolidated subsidiary has a fiscal year ending on December 31. In preparing the consolidated financial statements, the Company uses the financial statements of this company with a fiscal year ending December 31, as of their fiscal year ending.

For PT. TECHNO RYOWA ENGINEERING, which has a fiscal year ending December 31, certain adjustments are made, where appropriate, in preparing the consolidated financial statements to reflect material transactions during the period from their fiscal year end to March 31.

b. ***Cash Equivalents***—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits which mature or become due within three months of the date of acquisition.

c. ***Inventories***—Construction work in progress is stated at cost, determined using the specific identification method.

d. ***Marketable and Investment Securities***—Marketable and investment securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale equity securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

Effective April 1, 2021, the Company applied Accounting Standards Board of Japan ("ASBJ") Statement No. 30, "Accounting Standard for Fair Value Measurement" and ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement," and revised related ASBJ Statements and ASBJ Guidance (the "New Accounting Standards") under the New Accounting Standards, nonmarketable available-for-sale equity securities are stated at cost, while under the previous accounting standards, nonmarketable available-for-sale securities are stated at cost. The Company applied the New Accounting Standards prospectively. As a result, there is no impact on the consolidated financial statements.

In addition, in the note to "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES," the Company has decided to provide notes on items such as the breakdown of the fair value of financial instruments by level. However, in accordance with the transitional treatment prescribed in paragraph 7-4 of the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019) (2) the notes are not presented for the fiscal year ended March 31, 2021.

e. ***Property, Plant and Equipment***—Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998, and building improvements and structures acquired on or after April 1, 2016. The range of useful lives is from 15 to 50 years for buildings and structures, and from 4 to 17 years for machinery, equipment, tools, furniture, and fixtures. The useful lives for lease assets are the terms of the respective leases.

f. ***Allowance for Doubtful Accounts***—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

g. ***Retirement and Pension Plans***—The Company has contributory funded defined benefit pension plans and defined contribution pension plans covering its employees. Other domestic consolidated subsidiaries have unfunded retirement benefit plans.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 10 years, no longer than the expected average remaining service period of the employees. The discount rate is determined using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment.

h. ***Basis for Recognition of Revenue and Expenses***—In the equipment construction business (air conditioning and sanitation equipment construction business and electrical equipment construction business), the Group mainly design and construct equipment construction for customers in Japan and Southeast Asia.

As for the construction contract of the equipment construction business, the control of the promised goods or services is transferred to the customer for a certain period of time, so we apply the method of recognizing revenue for a certain period of time as the performance obligation is satisfied. The progress of fulfillment of performance obligations is measured based on the ratio of the construction cost incurred by the end of the fiscal year to the estimated total construction cost for each construction contract, which is the total expenditure required to complete the construction.

In addition, the cost recovery standard is applied to construction contracts for which the progress of fulfillment of performance obligations cannot be reasonably estimated. For construction contracts with a very short period from the transaction start date in the contract to the time when it is expected that the performance obligation will be fully satisfied, alternative treatment will be applied. Revenue will not be recognized over time, instead, it will be recognized upon performance obligation being fully fulfilled. The Group recognizes the profit when the above is satisfied.

i. ***Research and Development Costs***—Research and development costs are charged to income as incurred.

j. ***Bonuses to Directors***—Bonuses to directors are accrued at the end of the year to which such bonuses are attributable.

k. ***Construction Contracts***—The Group recognizes revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for satisfying performance obligations to transfer the goods or services promised in contracts with customers. The nature of performance obligations for each of the Group's major industry and when such obligations are satisfied are as follows:

In the equipment construction business (air conditioning and sanitation equipment construction business and electrical equipment construction business), the Group mainly designs and constructs equipment for customers in Japan and Southeast Asia.

As for the construction contract of the equipment construction business, the control of the promised goods or services is transferred to the customer for a certain period over time, so we apply the method of recognizing revenue for a certain period over time as the performance obligation is satisfied. The progress of fulfillment of performance obligations is measured based on the ratio of the construction cost incurred by the end of the fiscal year to the estimated total construction cost for each construction contract, which is the total expenditure required to complete the construction.

In addition, the cost recovery method is applied to construction contracts for which the progress of fulfillment of performance obligations cannot be reasonably estimated. For construction contracts with a very short period from the transaction start date in the contract to the time when it is expected that the performance obligation will be fully satisfied, alternative treatment will be applied. This treatment is that revenue will not be recognized over time, but will be recognized when the performance obligation will be fully satisfied at a point in time.

The revenues recorded over time as the performance obligation is satisfied for the years ended March 31, 2023 and 2022, were ¥45,075 million ($337,563 thousand) and ¥41,368 million, respectively.

l. ***Income Taxes***—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

m. ***Foreign Currency Transactions***—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

n. ***Per Share Information***—Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted net income per share is not disclosed because the Group did not have any convertible bonds, bonds with warrants, or stock options. Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

o. ***Accounting Changes and Error Corrections***—Under ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections," accounting treatments are required as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The items for which the amount was recorded in the consolidated financial statements for the current fiscal year based on accounting estimates that may have a significant impact on the financial statements for the next fiscal year are as follows:

(1) *Amount Recorded in the Consolidated Financial Statements for the Current Fiscal Year*

The construction revenues recognized by the method of recognizing revenue over time as the Group satisfies a performance obligation were ¥45,075 million ($337,563 thousand) and the allowance for loss on construction contracts was ¥75 million ($560 thousand).

(2) *Information on the Contents of the Accounting Estimates for the Identified Items*

The amount stated above is calculated by the method described in Note 2.k.

The construction revenues and allowance for loss on construction contracts are highly dependent upon the accuracy of the estimated total construction cost for each contract.

In estimating the total construction cost, there is no specific methodology that applies to every construction contract and as such, judgment is required by persons with expert knowledge and practical experience regarding construction contracts in the facility construction business, such as changes in market conditions for construction materials and outsourcing costs and changes due to price negotiations and fluctuations due to changes in specifications. As the total construction cost can fluctuate significantly due to unforeseen changes in design and specifications of the construction project, changes in market conditions for materials and outsourcing costs and the results of price negotiations as the construction progresses, a fluctuation in the total construction cost may have a significant effect on the amount of the method of recognizing revenue over time as the Group satisfies a performance obligation and the amount of allowance for loss on construction contracts in the financial statements for the next fiscal year.

4. SHORT-TERM INVESTMENTS, MARKETABLE AND INVESTMENT SECURITIES

Short-term investments, marketable and investment securities as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Current—Time deposits which mature beyond three months from acquisition	¥ 909	¥ 902	$ 6,804
Marketable securities	10		75
Non-current—Equity securities	9,441	9,733	70,708
Total	¥10,360	¥10,635	$77,587

The costs and aggregate fair values of investment securities at March 31, 2023 and 2022, were as follows:

	Millions of Yen			
March 31, 2023	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale—Equity securities	¥3,365	¥5,451	¥(4)	¥8,812
March 31, 2022				
Securities classified as available-for-sale—Equity securities	¥2,933	¥6,165	¥(5)	¥9,093

	Thousands of U.S. Dollars			
March 31, 2023	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale—Equity securities	$25,201	$40,824	$(29)	$65,996

The impairment losses on available-for-sale equity securities for the years ended March 31, 2023 and 2022, were ¥9 million ($65 thousand) and ¥59 million, respectively.

5. INVENTORIES

Inventories at March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Construction work in progress	¥182	¥194	$1,365
Merchandise			1
Materials and supplies	4	5	28
Total	¥186	¥199	$1,394

6. LAND REVALUATION

Under the "Law of Land Revaluation," the Company elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002. The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation excess account and related deferred tax liabilities.

7. LONG-TERM DEBT

Long-term debt at March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unsecured loans from banks, due serially to 2024 with an interest rate of 0.8% for 2023	¥65	¥165	$487
Obligations under finance leases		1	
Total	65	166	487
Less current portion	(65)	(101)	(487)
Long-term debt, less current portion		¥ 65	

Annual maturities of long-term debt at March 31, 2023, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2024	¥65	$487
Total	¥65	$487

8. ADVANCES RECEIVED ON CONSTRUCTION WORK IN PROGRESS

The Group normally receives payments from customers on a progressive basis in accordance with the terms of the respective construction contracts.

9. RETIREMENT AND PENSION PLANS

The Company and its three significant domestic subsidiaries have severance payment plans for employees. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

(1) The changes in defined benefit obligation for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥5,576	¥5,911	$41,758
Current service cost	234	199	1,750
Interest cost	39	41	292
Actuarial gains	(15)	55	(114)
Benefits paid	(252)	(630)	(1,885)
Balance at end of year	¥5,582	¥5,576	$41,801

(2) The changes in plan assets for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥10,689	¥10,586	$80,048
Expected return on plan assets	288	276	2,160
Actuarial gains	(42)	148	(318)
Contributions from the employer	209	309	1,562
Benefits paid	(252)	(630)	(1,885)
Balance at end of year	¥10,892	¥10,689	$81,567

(3) The changes in liability for retirement benefits, which have been calculated by a simplified method for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥265	¥251	$1,985
Net periodic benefit costs	25	30	188
Benefits paid	(15)	(16)	(110)
Balance at end of year	¥275	¥265	$2,063

(4) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Defined benefit obligation	¥ 5,582	¥ 5,576	$ 41,801
Plan assets	(10,892)	(10,689)	(81,567)
Total	(5,310)	(5,113)	(39,766)
Unfunded defined benefit obligation	275	265	2,063
Net asset arising from defined benefit obligation	¥ (5,035)	¥ (4,848)	$ (37,703)

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Liability for retirement benefits	¥ 275	¥ 265	$ 2,063
Assets for retirement benefits	(5,310)	(5,113)	(39,766)
Net asset arising from defined benefit obligation	¥(5,035)	¥(4,848)	$ (37,703)

(5) The components of net periodic benefit costs for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Service cost	¥ 234	¥ 199	$ 1,750
Interest cost	39	41	292
Expected return on plan assets	(288)	(276)	(2,159)
Recognized actuarial gains	(189)	(210)	(1,411)
Amortization of prior service cost	(34)	(46)	(256)
Others	25	30	188
Net periodic benefit costs	¥(213)	¥(262)	$ (1,596)

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Prior service cost	¥ (34)	¥ (46)	$ (256)
Actuarial losses	(216)	(116)	(1,615)
Total	¥(250)	¥(162)	$ (1,871)

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrecognized prior service cost		¥ 34	
Unrecognized actuarial losses	¥703	1,002	$5,264
Total	¥703	¥1,036	$5,264

(8) Plan assets

a. *Components of plan assets*

Plan assets as of March 31, 2023 and 2022, consisted of the following:

	2023	2022
Equity investments	51%	50%
Debt investments	39	38
Cash and cash equivalents	3	3
Other	7	9
Total	100%	100%

b. *Method of determining the expected rate of return on plan assets*

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(9) Assumptions used for the years ended March 31, 2023 and 2022, were set forth as follows:

	2023	2022
Discount rate	0.7%	0.7%
Expected rate of return on plan assets	3.0	3.0

(10) Defined contribution pension plan

The main contributions to the defined contribution plans of the Group for the years ended March 31, 2023 and 2022, were ¥57 million ($430 thousand) and ¥53 million, respectively.

10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if a company has prescribed so in its articles of incorporation. With respect to the third condition above, the Board of Directors of companies with an audit and supervisory committee (as implemented under the Companies Act effective May 1, 2015) may also declare dividends at any time because such companies, by nature, meet the criteria under the Companies Act. The Company is organized as a company with an audit and supervisory committee, effective July 6, 2017. However, the Company does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of a company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% for the years ended March 31, 2023 and 2022.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Deferred tax assets:			
Allowance for doubtful accounts	¥ 4	¥ 7	$ 33
Loss on devaluation of investment securities	422	413	3,161
Loss on devaluation of golf club memberships	28	28	209
Loss on devaluation of insurance	44	44	327
Allowance for loss on construction contracts	23	67	171
Liability for employee's retirement benefits	94	91	706
Other	387	350	2,900
Valuation allowance	(466)	(466)	(3,493)
Total	536	534	4,014
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(1,475)	(1,716)	(11,047)
Other	(1,071)	(1,032)	(8,024)
Total	(2,546)	(2,748)	(19,071)
Net deferred tax liabilities	¥(2,010)	¥(2,214)	$(15,057)

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2023, with the corresponding figures for 2022, was as follows:

	2023	2022
Normal effective statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	1.8	1.5
Income not taxable permanently for income tax purposes	(0.5)	(0.5)
Inhabitant tax	2.0	2.1
Valuation allowance		0.5
Other—net	(0.2)	(0.6)
Actual effective tax rate	34.0%	33.6%

12. REVENUE

(1) *Disaggregation of Revenue*

Revenues from contracts with customers on a disaggregated basis for the year ended March 31, 2023, were as follows:

	Millions of Yen		
	Reportable Segments		
	Equipment Construction	Others	Total
Equipment construction:			
Air conditioning:			
Industrial equipment	¥36,788		¥36,788
General building	21,434		21,434
Electrical equipment	1,925		1,925
Sales of cooling and heating equipment		¥784	784
Others		99	99
Revenues from contracts with customers	¥60,147	¥883	¥61,030
Sales to external customers	¥60,147	¥883	¥61,030

	Thousands of U.S. Dollars		
	Reportable Segments		
	Equipment Construction	Others	Total
Equipment construction:			
Air conditioning:			
Industrial equipment	$ 275,507		$ 275,507
General building	160,520		160,520
Electrical equipment	14,414		14,414
Sales of cooling and heating equipment		$5,868	5,868
Others		744	744
Revenues from contracts with customers	$ 450,441	$6,612	$ 457,053
Sales to external customers	$ 450,441	$6,612	$ 457,053

For the above equipment construction business, we mainly apply the method of recognizing revenue over time as the performance obligation is satisfied, and for others, we apply the method of recognizing revenue when the performance obligation is completely satisfied.

(2) *Basic Information to Understand Revenues from Contracts with Customers*

It is described in Note 2.k. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Construction Contracts.

(3) ***Contract Balances***

Receivables from contract with customers, contract assets and contract liabilities at the beginning and end of the year are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Receivables from contracts with customers:		
Balance at beginning of year	¥20,779	$ 155,612
Balance at end of year	21,535	161,278
Contract assets:		
Balance at beginning of year	4,929	36,911
Balance at end of year	6,207	46,481
Contract liabilities:		
Balance at beginning of year	1,167	8,736
Balance at end of year	1,631	12,218

Of the amount of revenue recognized in the current consolidated fiscal year, the amount included in the contract liability balance as of the beginning of the period was ¥1,167 million ($8,736 thousand).

(4) ***Transaction Prices Allocated to Remaining Performance Obligations***

The unsatisfied performance obligations of the Group were ¥48,230 million ($361,194 thousand) as of March 31, 2023.

The performance obligation relates to design and construction in the facility construction business and is expected to be recognized as revenue 86% within one year after the balance sheet date and the remaining 14% within two years.

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥333 million ($2,491 thousand) and ¥334 million for the years ended March 31, 2023 and 2022, respectively.

14. ASSETS PLEDGED

The carrying amounts of assets pledged as collateral at March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Short-term investments (time deposits)	¥220	¥220	$1,648

15. LEASES

The Group leases certain cars, office equipment and other assets.

16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) ***Group Policy for Financial Instruments***

The Group uses financial instruments, mainly bank loans, depending on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets. Short-term bank loans are used to fund ongoing operations. Derivatives are not used.

(2) *Nature and Extent of Risks Arising from Financial Instruments*

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. The Group thoroughly enforces credit risk management, which principally includes monitoring payment terms, balances, and credit standings.

Investment securities, mainly equity instruments, are exposed to the risk of market price fluctuations. The Group uses internal policies to recognize its fair values periodically.

Payment terms of payables, such as notes and trade accounts, are within one year.

Borrowings are exposed to market risks from changes in variable interest rates. Long-term debt has been raised at a fixed interest rate of less than 30 months repayment period.

(3) *Risk Management for Financial Instruments*

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables based on internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage. The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2023.

Market risk management (foreign exchange risk and interest rate risk)

Investment securities are managed by monitoring market values and the financial position of issuers on a regular basis.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on its maturity dates. The Group manages its liquidity risk by holding adequate volumes of liquid assets at the level of three months' settlement volume, along with adequate financial planning by the administration department of head office.

(4) *Fair Values of Financial Instruments*

Fair values of financial instruments are as follows: Investments in equity instruments that do not have a quoted market price in an active market are not included in the following table. The fair values of cash and cash equivalents are not disclosed because their maturities are short and the carrying values approximate fair value.

(a) *Fair value of financial instruments*

	Millions of Yen		
March 31, 2023	Carrying Amount	Fair Value	Unrealized Gain/Loss
Investment securities	¥8,812	¥8,812	
Total	¥8,812	¥8,812	
Long-term debt	¥ 65	¥ 65	
Total	¥ 65	¥ 65	

March 31, 2022	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain/Loss
Investment securities	¥9,093	¥9,093	
Total	¥9,093	¥9,093	
Long-term debt	¥ 166	¥ 165	
Total	¥ 166	¥ 165	

March 31, 2023	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Investment securities	$65,996	$65,996	
Total	$65,996	$65,996	
Long-term debt	$ 487	$ 487	
Total	$ 487	$ 487	

The note regarding "Cash and cash equivalents," "Receivables trade notes" and "Receivables trade accounts," "Payables trade notes" and" Payables trade accounts" and "Income tax payable" is omitted because the fair value of these accounts approximates the carrying amount.

Investment Securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments.

Long-Term Debt

The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

(b) *Carrying amount of financial instruments whose fair value cannot be reliably determined*

	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars 2023
Investments in equity instruments that do not have a quoted market price in an active market	¥650	¥650	$4,866

(5) *Maturity Analysis for Financial Assets and Securities with Contractual Maturities*

	Millions of Yen			
March 31, 2023	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Short-term investments	¥ 909			
Receivables	27,742			
Total	¥28,651			
March 31, 2022				
Short-term investments	¥ 902			
Receivables	25,707			
Total	¥26,609			

	Thousands of U.S. Dollars			
March 31, 2023	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Short-term investments	$ 6,804			
Receivables	207,759			
Total	$ 214,563			

Please see Note 7 for annual maturities of long-term debt.

(6) *Financial Instruments Categorized by Fair Value Hierarchy*

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is classified at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

	Millions of Yen			
March 31, 2023	Level 1	Level 2	Level 3	Total
Investment securities	¥8,295	¥517		¥8,812
Total	¥8,295	¥517		¥8,812
Long-term debt		¥ 65		¥ 65
Total		¥ 65		¥ 65

	Thousands of U.S. Dollars			
March 31, 2023	Level 1	Level 2	Level 3	Total
Investment securities	$62,124	$3,872		$65,996
Total	$62,124	$3,872		$65,996
Long-term debt		$ 487		$ 487
Total		$ 487		$ 487

17. OTHER COMPREHENSIVE LOSS

The components of other comprehensive loss for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrealized loss on available-for-sale securities:			
Losses arising during the year	¥(722)	¥(476)	$(5,404)
Reclassification adjustments to profit or loss	9		65
Amount before income tax effect	(713)	(476)	(5,339)
Income tax effect	244	144	1,826
Total	¥(469)	¥(332)	$(3,513)
Revaluation reserve for land		¥ (70)	
Foreign currency translation adjustments—			
Adjustments arising during the year		¥ (3)	$ 2
Defined retirement benefit plans:			
Adjustments arising during the year	¥ (27)	¥ 93	$ (204)
Reclassification adjustments to profit or loss	(223)	(255)	(1,667)
Amount before income tax effect	(250)	(162)	(1,871)
Income tax effect	77	50	573
Total	¥(173)	¥(112)	$(1,298)
Total other comprehensive loss	¥(642)	¥(517)	$(4,809)

18. NET INCOME PER SHARE

Basic net income per share ("EPS") for the years ended March 31, 2023 and 2022, was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2023	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥2,339	21,772	¥107.43	$0.80
Year Ended March 31, 2022				
Basic EPS—Net income available to common shareholders	¥2,237	21,772	¥102.76	

19. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Segment information about sales, profit (loss), assets, liabilities, and other items was not shown because the Group operates entirely in the equipment construction segment.

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