

KYOKUTO KOWA CORPORATION

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
KYOKUTO KOWA CORPORATION:

Opinion

We have audited the financial statements of KYOKUTO KOWA CORPORATION (the "Company"), which comprise the balance sheet as of March 31, 2023, and the statement of income and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2023, and its financial performance for the year then ended in accordance with the Companies Act of Japan and applicable regulations and 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 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 Financial Statements section of our report. We are independent of the Company 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.

Emphasis of Matter

As explained in Note 1 to the financial statements, the information provided in the notes to the financial statements is limited to that required by the Companies Act of Japan and applicable regulations. Statements of comprehensive income and cash flows are not required as a part of the basic financial statements under the Companies Act of Japan and applicable regulations and, accordingly, are not presented herein. Our opinion is not modified in respect of this matter.

Other Information

Other information comprises the information included in the disclosure documents accompanying the audited financial statements, but does not include the 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 Audit & Supervisory Board Member for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board member is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the financial statements are in accordance with the Companies Act of Japan and applicable regulations and accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit & Supervisory Board member 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.

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 Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

July 26, 2023

KYOKUTO KOWA CORPORATION
Balance Sheet
Year Ended March 31, 2023

<u>ASSETS</u>	<u>Millions of Yen</u> <u>2023</u>	<u>Thousands of</u> <u>U.S. Dollars</u> <u>(Note 1)</u> <u>2023</u>
CURRENT ASSETS:		
Cash and cash equivalents	¥ 172	\$ 1,291
Receivables:		
Trade notes (Note 4.b)	113	844
Electronically recorded monetary claims	363	2,717
Trade accounts	1,880	14,082
Contract assets	23,117	173,122
Parent company and affiliated companies (Note 11)	5	39
Other	1,778	13,316
Inventories (Note 4.a)	1,469	11,005
Prepaid expenses and other current assets	9	66
Total current assets	<u>28,906</u>	<u>216,482</u>
PROPERTY, PLANT AND EQUIPMENT:		
Land	926	6,935
Buildings and structures	2,794	20,922
Machinery and equipment	2,538	19,005
Tools, furniture and fixtures	1,134	8,495
Construction in progress	1	8
Total	<u>7,393</u>	<u>55,365</u>
Accumulated depreciation	<u>(5,105)</u>	<u>(38,230)</u>
Net property, plant and equipment	<u>2,288</u>	<u>17,135</u>
INVESTMENTS AND OTHER ASSETS:		
Investment securities (Note 9)	60	451
Deferred tax assets (Note 8)	113	843
Other assets (Note 11)	190	1,425
Allowance for doubtful accounts	<u>(18)</u>	<u>(136)</u>
Total investments and other assets	345	2,583
TOTAL	<u><u>¥ 31,539</u></u>	<u><u>\$ 236,200</u></u>

<u>LIABILITIES AND EQUITY</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars (Note 1)</u>
	<u>2023</u>	<u>2023</u>
CURRENT LIABILITIES:		
Short-term borrowings from parent company (Note 11)	¥ 10,771	\$ 80,667
Current portion of long-term borrowings from parent company (Note 11)	480	3,595
Payables:		
Trade notes	463	3,471
Electronically recorded obligations	2,055	15,393
Trade accounts	3,730	27,933
Parent company and affiliated companies (Note 11)	283	2,119
Other	112	838
Income taxes payable	57	425
Advances received on uncompleted construction contracts	1,402	10,497
Allowance for losses on construction contracts	13	100
Other current liabilities	335	2,502
Total current liabilities	<u>19,701</u>	<u>147,540</u>
LONG-TERM LIABILITIES:		
Long-term borrowings from parent company (Note 11)	3,520	26,361
Other	92	690
Total long-term liabilities	<u>3,612</u>	<u>27,051</u>
Total liabilities	23,313	174,591
CONTINGENT LIABILITIES (Note 4.b)		
EQUITY (Notes 6, 7, and 12):		
Common stock	1,600	11,982
Capital surplus:		
Additional paid-in capital	1,695	12,694
Other capital surplus	812	6,085
Retained earnings:		
Legal reserve	118	882
Unappropriated	3,998	29,945
Unrealized gain on available-for-sale securities	3	21
Total equity	<u>8,226</u>	<u>61,609</u>
TOTAL	<u><u>¥ 31,539</u></u>	<u><u>\$ 236,200</u></u>

See notes to financial statements.

KYOKUTO KOWA CORPORATION
Statement of Income
Year Ended March 31, 2023

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2023	2023
NET SALES (Note 5, 10, and 11)	¥ 29,201	\$ 218,685
COST OF SALES (Note 11)	26,166	195,958
Gross profit	3,035	22,727
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	1,840	13,776
Operating income	1,195	8,951
OTHER INCOME (EXPENSES) (Note 11):		
Interest and dividend income	2	14
Interest expense	(114)	(856)
Financing expenses	(6)	(45)
Other—net	30	226
Other income (expenses)—net	(88)	(661)
INCOME BEFORE INCOME TAXES	1,107	8,290
INCOME TAXES		
Current	328	2,458
Deferred	47	349
Total income taxes	375	2,807
NET INCOME	¥ 732	\$ 5,483
	Yen	U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 6 and 12):		
Basic net income	¥ 84.35	\$ 0.63
Cash dividends applicable to the year	55.00	0.41

See notes to financial statements.

KYOKUTO KOWA CORPORATION
Statement of Changes in Equity
Year Ended March 31, 2023

	Thousands		Millions of Yen					Total Equity
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus		Retained Earnings		Unrealized Gain on Available-for-Sale Securities	
			Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated		
BALANCE, MARCH 31, 2022	8,680	¥ 1,600	¥ 1,695	¥ 812	¥ 118	¥ 3,700	¥ 2	¥7,927
Net income						732		732
Cash dividends, ¥50 per share						(434)		(434)
Net change in the year							1	1
BALANCE, MARCH 31, 2023	<u>8,680</u>	<u>¥ 1,600</u>	<u>¥ 1,695</u>	<u>¥ 812</u>	<u>¥ 118</u>	<u>¥ 3,998</u>	<u>¥ 3</u>	<u>¥ 8,226</u>

	Thousands of U.S. Dollars (Note 1)							Total Equity
	Common Stock	Capital Surplus		Retained Earnings		Unrealized Gain on Available-for-Sale Securities		
		Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated			
BALANCE, MARCH 31, 2022	\$ 11,982	\$ 12,694	\$ 6,085	\$ 882	\$ 27,712	\$ 11	\$ 59,366	
Net income					5,483		5,483	
Cash dividends, \$0.37 per share					(3,250)		(3,250)	
Net change in the year						10	10	
BALANCE, MARCH 31, 2023	<u>\$ 11,982</u>	<u>\$ 12,694</u>	<u>\$ 6,085</u>	<u>\$ 882</u>	<u>\$ 29,945</u>	<u>\$ 21</u>	<u>\$ 61,609</u>	

See notes to financial statements.

KYOKUTO KOWA CORPORATION
Notes to Financial Statements
Year Ended March 31, 2023

1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared from the accounts maintained by KYOKUTO KOWA CORPORATION (the "Company"), in accordance with the provisions set forth in the Companies Act of Japan and applicable regulations and in accordance with accounting principles generally accepted in Japan. The information provided in the notes to the financial statements is limited to that required by the Companies Act of Japan and applicable regulations. Statements of comprehensive income and cash flows are not required as a part of the basic financial statements under the Companies Act of Japan and applicable regulations and, accordingly, are not presented herein.

In preparing these financial statements, certain reclassifications and rearrangements have been made to the Company's financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts are included 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. Inventories—Construction projects in progress, finished products, and work in process are stated at cost as determined by the specific identification method. Raw materials and supplies are stated at cost as determined by the moving-average method. The write-downs of inventories due to decreased profitability are reflected in the valuation of raw materials and supplies and the accompanying loss is recognized as cost of goods sold, in principle.

b. Property, Plant and Equipment—Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is applied to buildings, excluding building fixtures, acquired on or after April 1, 1998. The range of useful lives is principally from 12 to 38 years for buildings and structures and from 3 to 9 years for machinery and equipment and tools, furniture and fixtures.

c. Long-Lived Assets—The Company reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

d. Investment Securities

Securities with market price

Stated at fair value based on the market price at the end of the fiscal year (valuation differences are excluded from income and reported as a separate component of net assets. The cost of securities sold is calculated using the moving-average method.)

Securities without market price

Stated at cost using the moving-average method.

- e. **Allowance for Doubtful Accounts**—The allowance for doubtful accounts is provided for at an amount sufficient to cover possible losses on collection. It consists of the estimated uncollectible amount with respect to identified doubtful receivables and an amount calculated by applying the percentage of actual losses on collection experienced in the past to the remaining receivables.
- f. **Allowance for Losses on Construction Contracts**—To cover losses that have a high probability of occurring in the future upon work completion, an allowance for estimated losses is provided based on the amount of orders received and the estimated cost.
- g. **Standard for recording revenue**—The main performance obligations under contracts with customers in the main businesses and the usual points in time at which revenue is recognized are as follows:

Construction business

In the construction business, the Company offers critical services that integrate individual goods or services (inputs) into contracted construction projects (output), and these goods or services are judged to be a single performance obligation because individual goods and services stipulated in contracts with customers cannot be identified separately from other promises. Accordingly, the Company recognizes net sales over the construction period based on the degree of progress made in satisfying performance obligations measured at the end of the reporting period. In addition, the Company uses the input method (method that uses an amount according to the percentage of incurred costs to the total estimated costs at the end of the fiscal year) for estimating percentage of completion because it is possible to sum up the total construction costs and rationally estimate the percentage of the contract completed. However, if the total construction costs cannot be rationally measured, revenue equivalent to the amount of incurred costs expected to be recovered is recognized.

For contracts whose performance obligations are completed within a short period of time, revenue is recognized at a point in time, which is the day of the acceptance inspection.

Product sales business

In the product sales business, performance obligations consist of manufacturing and shipping products that meet customer specifications, and these are judged to be a single performance obligation because it is not possible to separately satisfy performance obligations for individual goods and services. The Company has an enforceable right to collect compensation for the portion of assets that cannot be used by other customers or for other purposes and whose performance obligations have been completed by the present time.

Therefore, net sales are recognized over the contract period based on the percentage of completion for performance obligations measured at the end of the reporting period. To estimate the percentage of completion, the output method (primarily recognize revenue based on the percentage of total goods and services that have been transferred) is used.

For contracts whose performance obligations are completed within a short period of time, revenue is recognized at a point in time, which is the delivery date.

- h. **Income Tax**—The provision for income taxes is computed based on the pretax income included in the 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.
- i. **Application of the group tax sharing system** — Starting from the fiscal year under review, the Company is applying the group tax sharing system. Additionally, the Company conducts accounting treatment of income tax and local income tax or accounting treatment of related tax effect accounting and the disclosure thereof in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No. 42, August 12, 2021).

- j. **Per Share Information**—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Cash dividends per share presented in the accompanying statement of income are dividends applicable to the fiscal year, including dividends accrued and paid after the end of the year.

3. SIGNIFICANT ACCOUNTING ESTIMATE

Revenue recognition in the construction business

- (i) Amounts recorded in the financial statements for the fiscal year under review

For the fiscal year under review, completed construction recognized based on the input method (method that uses the percentage of completion for construction at the end of the fiscal year based on the percentage of construction costs incurred for construction carried out by the end of the fiscal year to the total construction costs) and cost recovery method (if total construction costs cannot be rationally measured, revenue is recognized based on the amount of incurred cost of sales that are expected to be recovered) totaled ¥23,777million(\$178,065 thousand).

- (ii) Information on details of significant accounting estimates for identified items

Method for calculating

The Company recognizes net sales from construction contracts over the construction period based on the percentage of completion for performance obligations measured at the end of the reporting period. Furthermore, the Company uses the input method to estimate the percentage of completion because it is possible to sum up total construction costs and rationally estimate the percentage of completion for the contract, but if total construction costs cannot be rationally measured, revenue is recognized based on the amount of incurred cost of sales that are expected to be recovered.

As these estimates involve uncertainties, they may result in changes to the Company's earnings.

- (1) Unit of recognition.

For construction contracts, the Company generally uses the customer contract as the unit of recognition.

- (2) Percentage of completion

The Company uses the input method to estimate the percentage of completion because it is possible to sum up total construction costs and rationally estimate the percentage of the contract completed.

- (3) Estimate of portion due to changes in construction contracts

For changes in construction contracts, even if there is no revised contract, etc., the amount of the change in the construction contract is estimated and construction revenue is recognized if it is deemed that agreement regarding the changes in the contract and the construction contract amount was effectively reached with the customer based on work instructions from the customer or meeting minutes.

Important assumption

The following assumptions are made for revenue recognition for the construction business.

- (1) Percentage of completion

When applying the input method, it is assumed that incurred costs rationally reflect the percentage of completion at the end of the fiscal year because of its relationship with the total estimated construction costs.

- (2) Estimate of portion due to changes in construction contracts

If there are changes to contracts as construction progresses because of changes unexpected in initial conditions, it is assumed that information related to changes

in contracts is collected and that the total estimated construction costs and total construction revenue are timely revised.

Impact on non-consolidated financial statements for the following fiscal year

If it becomes necessary to revise the above assumptions and estimates for any of various reasons, including uncertain changes in contracts in the future, the changes may impact the amount of completed construction on the financial statements in the following fiscal year.

4. NOTES TO BALANCE SHEET

a. Inventories

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

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Construction projects in progress	¥ 326	\$ 2,438
Finished products	851	6,372
Work in process	126	949
Raw materials and supplies	166	1,246
Total	¥ 1,469	\$ 11,005

b. Contingent liabilities

At March 31, 2023, the company had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Guarantees to loans from banks of the parent company	¥ 4,800	\$ 35,947
Trade notes endorsed	151	1,130
Total	¥ 4,951	\$ 37,077

5. NOTES TO STATEMENT OF INCOME

For the year ended March 31, 2023

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Amount of net sales that is revenue from contracts with customers	¥ 29,201	\$ 218,685

6. NOTES TO STATEMENT OF CHANGES IN EQUITY

a. Type and number of outstanding shares

For the year ended March 31, 2023	Number of Shares			
	Balance at Beginning of Year	Increase in Shares During the Year	Decrease in Shares During the Year	Balance at End of Year
Type of shares				
Issued stock:				
Common stock	8,680,000	—	—	8,680,000

b. Dividends

(1) Dividends paid to shareholders

For the year ended March 31, 2023

Resolution Approved by	Type of Shares	Amount		Amount per Share		Record Date	Effective Date
		Millions of Yen	Thousands of U.S. Dollars	Yen	U.S. Dollars		
Annual General Meeting of Shareholders (June 17, 2022)	Common stock	¥217	\$1,625	¥25.0	\$0.19	March 31, 2022	June 20, 2022
Board of Directors (October 21, 2022)	Common stock	¥217	\$1,625	¥25.0	\$0.19	September 30, 2022	October 21, 2022

(2) Dividends with a record date during the fiscal year but an effective date subsequent to the fiscal year

For the year ended March 31, 2023

Resolution Approved by	Type of Shares	Amount		Amount per Share		Record Date	Effective Date
		Millions of Yen	Thousands of U.S. Dollars	Yen	U.S. Dollars		
Annual General Meeting of Shareholders (June 16, 2023)	Common stock	¥260	\$1,950	¥30.0	\$0.22	March 31, 2023	June 19, 2023

7. 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 general meeting of shareholders.

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 the company has prescribed so in its articles of incorporation. However, the Company does not meet all the above criteria.

Semi-annual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the 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.

8. INCOME TAXES

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

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Deferred tax assets:		
Allowance for losses on construction contracts	¥ 4	\$ 30
Share-based compensation expenses	61	460
Accrued enterprise tax	9	71
Retirement payments	28	210
Impairment loss	10	78
Other	19	133
Subtotal	131	982
Valuation allowance	(17)	(129)
Total	114	853
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	(1)	(10)
Total	(1)	(10)
Net deferred tax assets	¥ 113	\$ 843

9. FINANCIAL INSTRUMENTS

(1) Policy for financial instruments

The Company raises funds by borrowing from the parent company and banks. Also, the Company restricts temporary excess fund management to highly secure assets such as time deposits.

(2) Fair values of financial instruments

The carrying value, fair value, and difference between the two as of March 31, 2023, are as follows.

Cash and cash equivalents, Receivables, such as trade notes receivable, electronically recorded money claims and trade accounts receivables, Short-term borrowings from parent company, Payables such as trade notes payable, electronically recorded obligations, trade accounts payable, Income taxes payable and Advances received on uncompleted construction contracts have been omitted because they are cash or their carrying value approximates fair value as they are settled in a short time.

At March 31, 2023	Millions of Yen			Thousands of U.S. Dollars		
	Carrying Value	Fair Value	Difference	Carrying Value	Fair Value	Difference
Investment securities						
Investment securities	¥ 16	¥ 16	—	\$ 121	\$ 121	—
Long-term borrowings from parent company (including borrowings to be repaid within one year)	¥ 4,000	¥ 3,998	(¥ 2)	\$ 29,956	\$ 29,939	(\$16)

Note: Securities without market price are not included in “Investment securities.” The carrying amount of the financial instrument is as follows.

	Millions of Yen		Thousands of U.S. Dollars	
	2023		2023	
Non-listed stocks		¥ 44		\$ 330

10. NOTES ON REVENUE RECOGNITION

Basic information for understanding revenue from contracts with customers

Basic information for understanding revenue is given in “2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES h. Standard for recording revenue.”

11. RELATED PARTY DISCLOSURES

a. Parent company

Transactions with the parent company for the year ended March 31, 2023, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Fee for consulting and administrative services	¥ 109	\$ 819
Shared tax effects	21	155
Rental fees for land and office buildings	121	907
Interest expense	114	856
Guarantees to parent company's liabilities	4,800	35,947

The balances due to or from the parent company at March 31, 2023, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Receivables	¥ 3	\$ 26
Other assets	59	441
Short-term borrowings from parent company	10,771	80,667
Current portion of long-term borrowings from parent company	480	3,595
Payables	42	312
Long-term borrowings from parent company	3,520	26,361

Business terms:

1. Fee for consulting and administrative services are determined through negotiations with the parent company based on the amounts suggested by the parent company.
2. Rental fees for land and office buildings are determined through negotiations with the parent company on an arm's-length basis.
3. The parent company uses a Cash Management System (CMS) for its subsidiaries to control the cash surplus and spend money efficiently at the group level. The interest rates on loans within the CMS are generally decided based on the current market interest rates available.
As the loans within the group are made as needed, the amounts of the transactions are omitted from the table above.
4. Current portion of long-term borrowings from parent company and long-term borrowings from parent company were borrowed at the end of the fiscal year under review. Their interest rates have been rationally determined with market interest taken into consideration.
5. Guarantee fees are not received for guarantee obligations.
6. Shared tax effects are distributed based on calculations under the group tax sharing system.

b. Affiliated companies

Transactions with affiliated companies for the year ended March 31, 2023, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Net sales	¥ 221	\$ 1,653
Cost of sales	1,119	8,379
Selling, general and administrative expenses	20	153
Non-operating transactions	0	3

The balances due from / to affiliated companies at March 31, 2023, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Receivables	¥ 2	\$ 14
Payables	241	1,807

c. Officers and major individual shareholders

Type	Name	Voting rights (owned) (%)	Business activities or occupation	Business relationships	Description of transaction	Transaction amount (Millions of yen)	Transaction amount (Thousands of U.S. Dollars)
Officer	Kazuo Ishii	0.23 owned	Representative Director and Chairman of the Company	—	In-kind contribution for monetary remuneration claims	¥ 12	\$ 93
Officer	Takashi Yamane	0.28 owned	Representative Director and President of the Company	—	In-kind contribution for monetary remuneration claims	¥ 12	\$ 93

Note : In-kind contribution for monetary remuneration claims accompanies the restricted share remuneration plan.

12. PER SHARE INFORMATION

	Yen	U.S. Dollars
	2023	2023
Per share amounts:		
Net assets	¥ 947.77	\$ 7.1
Basic net income	84.35	0.63

Diluted net income per share is not presented since there are no dilutive shares of common stock issuable upon conversion of the convertible debt.