



NC HOLDINGS CO., LTD.

CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2022



# Independent auditor's report

To the Board of Directors of NC Holdings Co., Ltd.:

## Opinion

We have audited the accompanying consolidated financial statements of NC Holdings Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2022 and 2021, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

## Basis for Opinion

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

## Key Audit Matters

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

**Reasonableness of the estimate of total construction costs in recognizing revenue from construction contracts of Nippon Conveyor Co., Ltd.**

| The key audit matter   | How the matter was addressed in our audit   |
|--|---|
| <p>Nippon Conveyor Co., Ltd., a consolidated subsidiary of NC Holdings Co., Ltd., manufactures, installs, and constructs conveyor systems and mechanical parking equipment in the conveyor segment and the mechanical parking system segment, and concludes construction contracts with customers. As described in Note 2, “Summary of Significant Accounting Policies, (18) Significant Accounting Estimates”, the revenue from these construction contracts recognized over a certain period of time as performance obligations were satisfied amounted to ¥4,199,164 thousand for the current fiscal year, representing approximately 31.3% of total revenue in the consolidated financial statements.</p> <p>As described in Note 1, “Basis of Presenting Consolidated Financial Statements, 2. Summary of Significant Accounting policies, (14) Accounting for Significant Revenue and costs”, unless otherwise alternatively accounted for, revenue for a performance obligation satisfied over time is recognized based on the progress towards complete satisfaction of that performance obligation, which is calculated as the percentage of the accumulated costs incurred to total construction costs.</p> <p>Construction contracts adopt different design and process for each project, and its work may be changed due to changes in circumstances that occurred subsequent to the start of construction. Therefore, management’s determination of the following aspects of construction had a significant effect on the estimated total construction costs at the end of the fiscal year.</p> <ul style="list-style-type: none"> <li>● whether all the work necessary to fulfill the construction contract was identified and the estimated costs were included in</li> </ul> | <p>The primary procedures we performed to assess whether the estimate of total construction costs in recognizing revenue from construction contracts of Nippon Conveyor was reasonable included the following:</p> <p><b>(1) Internal control testing</b></p> <p>We tested the design and operating effectiveness of certain of the internal controls relevant to the process of preparing a project budget, which provided the basis for estimating total construction costs. In this assessment, we focused our testing on the following controls:</p> <ul style="list-style-type: none"> <li>● controls to ensure compliance with the internal rules for preparing a project budget, including how to accumulate work hours of each activity, what information and data to be used, and how to reflect the risk of any uncertainties within the budget; and</li> <li>● controls to reflect any changes in circumstances that occur after the start of construction within the project budget in a timely and appropriate manner.</li> </ul> <p><b>(2) Assessment of the reasonableness of the estimated total construction cost</b></p> <p>In order to assess the reasonableness of the estimate of total construction costs for a new project, we identified projects whose estimated total construction costs were relatively more uncertain based on our understanding of the construction work details, terms and conditions of construction contracts and the assumptions of the estimate. In order to assess the appropriateness of key assumptions adopted in preparing the project budget for the construction contract, which was used as the basis for estimating total construction costs of the projects identified, we inquired of the personnel responsible for cost management about the basis on which those assumptions were developed. In addition, we:</p> <ul style="list-style-type: none"> <li>● assessed whether all the activities agreed upon with the customer were included in the schedule of accumulated costs within the project budget by comparing it with the construction contract and the specification sheet;</li> </ul> |



| <p>the project budget; and</p> <ul style="list-style-type: none"> <li>● whether any changes in work due to changes in circumstances that occurred subsequent to the start of construction were reflected within the project budget in a timely and appropriate manner.</li> </ul> <p>We, therefore, determined that our assessment of the reasonableness of the estimate of total construction costs in recognizing revenue from construction contracts of Nippon Conveyor was one of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p> | <ul style="list-style-type: none"> <li>● agreed the estimated costs of each activity included in the project budget with the supporting worksheet that calculated the accumulated costs and compared them with actual costs of similar activities in the past;</li> </ul> <p>In order to evaluate the accuracy of the estimate of total construction costs, we compared the actual total cost of constructions completed in the current fiscal year with their initial project budget and examined variances between the two.</p> <p>In order to assess the completeness of changes in the estimated total construction costs, we inspected materials for management meetings and identified projects whose estimated total construction costs were relatively more uncertain based on changes in circumstances that occur after the start of each construction. We inquired of the personnel responsible for cost management about their judgment on whether to update the budget for the projects identified, compared the actual total cost with their initial project budget, and assessed the consistency of their responses with each other's.</p> <p>For the in-process project, we compared the progress based on the number of days passed since the start of the project with standard progress toward completion of the construction projects in the past. If there are significant variances between the two, we considered the causes of those variances, observed certain of the construction sites and understood the progress status of the construction.</p> |
|--|---|
| Reasonableness of the repurchase of shares from the related party  |   |
| The key audit matter   | How the matter was addressed in our audit   |
| <p>As described in Note 23, "Related Party Information", NC Holdings Co., Ltd. repurchased shares of 1,904,877 thousand from the related party (other associated company) through a tender offer bit for treasury shares on October 26, 2021.</p> <p>The repurchase of shares from the related party involves a potential risk that inappropriate accounting treatment is performed if the terms and conditions of the transaction including purchase price are not</p>  | <p>The primary procedures we performed to assess the reasonableness of the repurchase of shares from the related party, in addition to inquiring of management and the officer responsible for business planning, included the following:</p> <p><b>(1) Internal control testing</b></p> <p>We tested the design and operating effectiveness of certain of NC Holdings' internal controls relevant to assessment of the reasonableness of the transactions with related parties.</p>  |

reasonably determined. The purchase price of the treasury shares incorporated external specialists' calculation performed based on the method of using the market price of common stock of NC Holdings Co., Ltd. (the market price method) and the method of calculating the discounted present value of future cash flows (the DCF method).

The future cash flows used as the basis for the calculation using the DCF method is based on the business plan developed by management. In addition, projected sales increase related to conveyor systems and parking systems included in the business plan involved uncertainty, and management's judgment thereon had a significant effect on the estimated future cash flows.

In addition, selecting appropriate models and input data for estimating the discount rate used to calculate the discounted present value in use requires a high degree of expertise in valuation.

We, therefore, determined that our assessment of the reasonableness of the repurchase of shares from the related party was one of the most significant in our audit of the financial statements for the current fiscal year, and accordingly, a key audit matter.

## **(2) Assessment of the reasonableness of the estimated future cash flows**

- To understand the background of the transaction and the process of reviewing the terms and conditions of the transaction, we inspected the minutes of the Board of Directors Meeting, the tender offer agreement, and the report by the capital policy review committee established by NC Holdings Co., Ltd.
- For the reasonableness of the business plan used to calculate the value of shares, we assessed the appropriateness of the assumptions for the sales increase included in the business plan by obtaining the full statements of prospective orders and comparing them with the historical actual order rates.
- We engaged valuation specialists within our domestic network firms to assist in our assessment of the appropriateness of the models and input data for estimating the discount rate and other parameters used to calculate the discounted present value.
- To confirm the fact of the repurchase of shares, we inspected the brokerage account statement issued by a securities company and the relevant disbursement voucher.

## **Other Information**

The other information comprises the information included in the disclosure documents that contain or accompany the audited financial statements, but does not include the financial statements and our auditor's report thereon.

We do not perform any work on the other information as we determine such information does not exist.

## **Responsibilities of Management and The audit and supervisory committee for the Consolidated Financial Statements**

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



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

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

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

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

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

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

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

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

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

### Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

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

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

Hiroyuki Matano

Designated Engagement Partner  
Certified Public Accountant

俣野 広行

Hiroshi Kubota

Designated Engagement Partner  
Certified Public Accountant

久保田 裕

KPMG AZSA LLC

Osaka Office, Japan

October 31, 2022

**Consolidated Balance Sheet**

As of March 31, 2022

| ASSETS  | Thousands of yen   |                    | Thousands of<br>U.S. dollars<br>(Note 1) |
|---|--------------------|--------------------|--|
|   | 2022               | 2021               | 2022                                     |
| <b>Current assets:</b>  |                    |                    |  |
| Cash and bank deposits (Notes 4 and 20)                               | ¥5,720,852         | ¥6,089,177         | \$46,735                                 |
| Trade notes and accounts receivable (Notes 5, 20 and 21)              | 1,357,923          | 1,627,159          | 11,093                                   |
| Electronically recorded monetary claims - operating (Notes 20 and 21) | 157,937            | 215,621            | 1,290                                    |
| Contract assets (Note 21)   | 2,202,140          | 1,659,014          | 17,990                                   |
| Inventories (Note 7)  | 1,789,404          | 1,744,052          | 14,618                                   |
| Other   | 421,846            | 220,662            | 3,446                                    |
| Less allowance for doubtful accounts                                  | (17,319)           | (16,131)           | (141)                                    |
| Total current assets  | 11,632,783         | 11,539,554         | 95,031                                   |
| <b>Property, plant and equipment:</b>                                 |                    |                    |  |
| Land (Note 12)  | 586,775            | 586,775            | 4,794                                    |
| Buildings and structures (Note 8)                                     | 849,027            | 819,587            | 6,936                                    |
| Machinery, equipment and vehicles                                     | 897,517            | 862,181            | 7,332                                    |
| Leased assets (Note 19)   | 326,719            | 322,810            | 2,669                                    |
| Construction in progress  | 18,121             | 7,066              | 148                                      |
| Other   | 117,069            | 100,995            | 956                                      |
|   | 2,795,227          | 2,699,414          | 22,835                                   |
| Less accumulated depreciation   | (1,739,423)        | (1,859,301)        | (14,210)                                 |
| Total property, plant and equipment                                   | 1,055,805          | 840,113            | 8,625                                    |
| <b>Intangible assets:</b>   |                    |                    |  |
| Goodwill  | 148,048            | 201,883            | 1,209                                    |
| Leased assets (Note 19)   | 2,056              | 6,944              | 17                                       |
| Other   | 87,613             | 120,649            | 716                                      |
| Total intangible assets   | 237,717            | 329,476            | 1,942                                    |
| <b>Investments and other assets:</b>                                  |                    |                    |  |
| Investment securities (Notes 6 and 20)                                | 810,425            | 1,936,013          | 6,621                                    |
| Investments in unconsolidated subsidiaries (shares) (Note 20)         | 20,257             | 13,868             | 165                                      |
| Investments in unconsolidated subsidiaries (capital) (Note 20)        | 15,094             | 15,094             | 123                                      |
| Long-term loans   | 11,157             | 12,985             | 91                                       |
| Deferred tax assets (Note 16)   | 498,894            | 408,702            | 4,076                                    |
| Other   | 411,352            | 391,226            | 3,360                                    |
| Less allowance for doubtful accounts                                  | (79,742)           | (80,806)           | (651)                                    |
| Total investments and other assets                                    | 1,687,437          | 2,697,082          | 13,785                                   |
| <b>Total assets</b>   | <b>¥14,613,742</b> | <b>¥15,406,225</b> | <b>\$119,383</b>                         |

The accompanying notes are an integral part of these consolidated financial statements.



**Consolidated Balance Sheet**

As of March 31, 2022

| LIABILITIES AND NET ASSETS  | Thousands of yen   |                    | Thousands of<br>U.S. dollars<br>(Note 1) |
|---|--------------------|--------------------|--|
|   | 2022               | 2021               | 2022                                     |
| <b>Current liabilities:</b>   |                    |                    |  |
| Short-term bank loans (Notes 9 and 20)  | ¥900,000           | ¥400,000           | \$7,352                                  |
| Current portion of bonds payable (Notes 9 and 20)                                   | 10,000             | 10,000             | 82                                       |
| Current portion of long-term bank loans (Notes 9 and 20)                            | 199,992            | 211,128            | 1,634                                    |
| Trade notes and accounts payable (Note 20)  | 2,233,085          | 2,216,908          | 18,243                                   |
| Electronically recorded payables (Note 20)  | 572,154            | -                  | 4,674                                    |
| Lease obligations (Notes 9 and 20)  | 43,374             | 50,547             | 354                                      |
| Accrued income taxes  | 97,762             | 276,789            | 799                                      |
| Contract liabilities (Note 21)  | 740,751            | 133,347            | 6,051                                    |
| Reserve for bonuses   | 153,544            | 153,162            | 1,254                                    |
| Reserve for warranties on completed construction                                    | 87,000             | 116,000            | 711                                      |
| Reserve for losses on construction (Note 7)   | 209,086            | 144,076            | 1,708                                    |
| Reserve for losses on relocation  | 26,561             | 26,561             | 217                                      |
| Other   | 377,891            | 363,450            | 3,087                                    |
| Total current liabilities   | 5,651,200          | 4,101,968          | 46,166                                   |
| <b>Long-term liabilities:</b>   |                    |                    |  |
| Bonds payable (Notes 9 and 20)  | -                  | 10,000             | -  |
| Long-term bank loans (Notes 9 and 20)   | 322,533            | 522,525            | 2,635                                    |
| Long-term lease obligations (Notes 9 and 20)  | 184,234            | 219,640            | 1,505                                    |
| Deferred tax liabilities on revaluation (Note 16)                                   | 17,877             | 17,877             | 146                                      |
| Net defined benefit liability (Note 10)   | 920,784            | 888,323            | 7,522                                    |
| Reserve for directors' retirement allowance   | 68,961             | 68,961             | 563                                      |
| Reserve for losses on relocation  | 166,271            | 193,178            | 1,358                                    |
| Asset retirement obligations  | 17,200             | 17,200             | 141                                      |
| Other   | 21,900             | 143,150            | 179                                      |
| Total long-term liabilities   | 1,719,760          | 2,080,854          | 14,049                                   |
| <b>Total liabilities</b>  | <b>7,370,960</b>   | <b>6,182,822</b>   | <b>60,215</b>                            |
| <b>Net assets (Notes 11 and 18):</b>  |                    |                    |  |
| Shareholders' equity  |                    |                    |  |
| Common stock  |                    |                    |  |
| Authorized: 17,600,000 shares   |                    |                    |  |
| Issued 4,685,745 shares at March 31, 2022 and<br>6,416,046 shares at March 31, 2021 | 3,800,000          | 3,800,000          | 31,043                                   |
| Capital surplus   | -                  | 1,214,960          | -  |
| Retained earnings   | 3,554,274          | 3,553,684          | 29,036                                   |
| Less: Treasury stock, at cost   |                    |                    |  |
| 400,022 shares at March 31, 2022 and 42,749 shares at<br>March 31, 2021             | (358,015)          | (25,197)           | (2,925)                                  |
| Total shareholders' equity  | 6,996,259          | 8,543,447          | 57,154                                   |
| Accumulated other comprehensive income:   |                    |                    |  |
| Unrealized gain on available-for-sale securities                                    | 207,214            | 640,647            | 1,693                                    |
| Land revaluation surplus (Note 12)  | 39,309             | 39,309             | 321                                      |
| Total accumulated other comprehensive income  | 246,523            | 679,956            | 2,014                                    |
| <b>Total net assets</b>   | <b>7,242,782</b>   | <b>9,223,403</b>   | <b>59,168</b>                            |
| <b>Total liabilities and net assets</b>   | <b>¥14,613,742</b> | <b>¥15,406,225</b> | <b>\$119,383</b>                         |

The accompanying notes are an integral part of these consolidated financial statements.

**Consolidated Statement of Income**

Year ended March 31, 2022

|   | Thousands of yen |             | Thousands of<br>U.S. dollars<br>(Note 1) |
|---|------------------|-------------|--|
|   | 2022             | 2021        | 2022                                     |
| <b>Net sales (Notes 21 and 22)</b>  | ¥13,413,266      | ¥13,689,270 | \$109,577                                |
| Cost of sales (Notes 13, 14 and 21)   | 10,591,468       | 10,557,454  | 86,525                                   |
| Gross profit  | 2,821,798        | 3,131,816   | 23,052                                   |
| Selling, general and administrative expenses (Note 14)                                      | 2,205,059        | 2,312,022   | 18,014                                   |
| Operating income  | 616,739          | 819,794     | 5,038                                    |
| <b>Other income (expenses):</b>   |                  |             |  |
| Interest and dividend income  | 51,781           | 61,724      | 423                                      |
| Interest expenses   | (9,563)          | (7,082)     | (78)                                     |
| Net gain on sales of marketable securities (Note 6)   | 13,688           | 12,262      | 112                                      |
| Commissions paid  | (9,191)          | (1,954)     | (75)                                     |
| Insurance received  | 15,402           | 4,567       | 126                                      |
| Subsidies for employment adjustment   | -                | 16,024      | -  |
| Gain on liquidation by settlement   | 23,000           | -           | 188                                      |
| Share of profit of entities accounted for using the equity method                           | 7,641            | -           | 62                                       |
| Net foreign exchange loss   | (1,822)          | (352)       | (15)                                     |
| Net gain (loss) on disposal or sale of property, plant and equipment (Note 15)              | (10,304)         | 22,902      | (84)                                     |
| Net gain on sale of investments in unconsolidated subsidiaries (shares) (Notes 3, 4 and 15) | -                | 28,691      | -  |
| Net gain on sale of investment securities (Notes 6 and 15)                                  | 648,347          | 26,545      | 5,296                                    |
| Gain on reversal of reserve for losses on relocation (Note 15)                              | -                | 294,974     | -  |
| Loss on impairment of investments in unconsolidated subsidiaries (shares)                   | -                | (6,939)     | -  |
| Loss on valuation of investment securities (Note 6)   | -                | (18,895)    | -  |
| Loss on impairment of property, plant and equipment (Note 15)                               | -                | (14,063)    | -  |
| Loss on valuation of membership   | (187)            | (1,850)     | (1)                                      |
| Advisory fees (Note 15)   | (577,164)        | -           | (4,715)                                  |
| Idle asset expenses   | -                | (7,288)     | -  |
| Litigation expenses   | (10,600)         | (10,000)    | (87)                                     |
| Settlement package  | -                | (24,712)    | -  |
| Other, net  | 8,299            | 16,279      | 68                                       |
| Total other income (expenses)   | 149,327          | 390,833     | 1,220                                    |
| Income before income taxes  | 766,066          | 1,210,627   | 6,258                                    |
| <b>Income taxes (Note 16)</b>   |                  |             |  |
| Current   | 251,903          | 354,945     | 2,058                                    |
| Deferred  | 99,371           | (177,245)   | 811                                      |
|   | 351,274          | 177,700     | 2,869                                    |
| <b>Profit</b>   | 414,792          | 1,032,927   | 3,389                                    |
| <b>Profit attributable to owners of parent (Note 18)</b>                                    | ¥414,792         | ¥1,032,927  | \$3,389                                  |
| <b>Per share amounts:</b>   |                  |             |  |
| Earnings per share (Note 18)  | ¥76.54           | ¥162.96     | \$0.63                                   |
| Cash dividends  | 15.00            | 15.00       | 0.12                                     |

The accompanying notes are an integral part of these consolidated financial statements.

**Consolidated Statement of Comprehensive Income**

Year ended March 31, 2022

|   | Thousands of yen |            | Thousands of<br>U.S. dollars<br>(Note 1) |
|---|------------------|------------|--|
|   | 2022             | 2021       | 2022                                     |
| Profit  | ¥414,792         | ¥1,032,927 | \$3,389                                  |
| Other comprehensive income (loss) (Note 17):            |                  |            |  |
| Unrealized gain (loss) on available-for-sale securities | (433,433)        | 450,550    | (3,541)                                  |
| Total other comprehensive income (loss)                 | (433,433)        | 450,550    | (3,541)                                  |
| Comprehensive income (loss) for the year                | ¥(18,641)        | ¥1,483,477 | \$(152)                                  |
| Comprehensive income (loss) attributable to:            |                  |            |  |
| Owners of parent  | ¥(18,641)        | ¥1,483,477 | \$(152)                                  |

The accompanying notes are an integral part of these consolidated financial statements.



## Year ended March 31, 2022

Year ended March 31, 2022

[illegible]

**Consolidated Statement of Cash Flows**

Year ended March 31, 2022

|   | Thousands of yen |             | Thousands of<br>U.S. dollars<br>(Note 1) |
|---|------------------|-------------|--|
|   | 2022             | 2021        | 2022                                     |
| <b>Cash flows from operating activities:</b>  |                  |             |  |
| Income before income taxes  | ¥766,066         | ¥1,210,627  | \$6,258                                  |
| Adjustments to reconcile income before income taxes to net cash provided by operating activities:   |                  |             |  |
| Depreciation  | 101,524          | 110,187     | 829                                      |
| Amortization of goodwill  | 53,836           | 53,836      | 440                                      |
| Loss on impairment of property, plant and equipment   | —                | 14,063      | —  |
| Increase (decrease) in allowance for doubtful accounts  | 123              | 11,762      | 1  |
| Increase (decrease) in reserve for warranties on completed construction                             | (29,000)         | 12,000      | (237)                                    |
| Increase (decrease) in accrued bonuses  | 382              | (14,972)    | 3  |
| Increase (decrease) in reserve for losses on construction   | 65,010           | 39,068      | 531                                      |
| Increase (decrease) in reserve for losses on relocation   | (26,907)         | (356,460)   | (220)                                    |
| Increase (decrease) in liability for employees' retirement benefits                                 | 32,460           | 54,007      | 265                                      |
| Loss (gain) on sales of marketable securities   | (13,688)         | (12,262)    | (112)                                    |
| Loss (gain) on sale of investment securities  | (648,347)        | (26,545)    | (5,296)                                  |
| Loss (gain) on sale of investments in unconsolidated subsidiaries (shares)                          | —                | (28,691)    | —  |
| Dividends and interest income   | (51,781)         | (61,724)    | (423)                                    |
| Interest expense  | 9,563            | 7,082       | 78                                       |
| Share of loss (profit) of entities accounted for using the equity method                            | (7,641)          | —           | (62)                                     |
| Foreign exchange loss (gain)  | (194)            | 24          | (1)                                      |
| Loss (gain) on disposal or sale of property, plant and equipment                                    | 10,304           | (22,902)    | 84                                       |
| Loss on revaluation of investment securities  | —                | 18,895      | —  |
| Loss on impairment of investments in unconsolidated subsidiaries (shares)                           | —                | 6,939       | —  |
| Loss on valuation of membership   | 187              | 1,850       | 1  |
| Decrease (increase) in trade receivables  | 328,736          | (264,612)   | 2,686                                    |
| Decrease (increase) in contract assets  | (543,125)        | 560,741     | (4,437)                                  |
| Decrease (increase) in inventories  | (45,037)         | 91,260      | (368)                                    |
| Increase (decrease) in trade payables   | 535,861          | (334,043)   | 4,378                                    |
| Increase (decrease) in contract liabilities   | 607,405          | (826,632)   | 4,962                                    |
| Increase (decrease) in consumption taxes payable  | (26,780)         | (108,115)   | (219)                                    |
| Other, net  | (211,983)        | 507,898     | (1,732)                                  |
| Subtotal  | 906,974          | 643,281     | 7,409                                    |
| Dividends and interest income received  | 51,781           | 61,706      | 423                                      |
| Interest paid   | (9,624)          | (7,041)     | (78)                                     |
| Income taxes refund (paid)  | (480,584)        | (225,062)   | (3,926)                                  |
| Settlement package received   | 23,000           | —           | 188                                      |
| Settlement package paid   | —                | (8,000)     | —  |
| Net cash provided by operating activities   | 491,547          | 464,884     | 4,016                                    |
| <b>Cash flows from investing activities:</b>  |                  |             |  |
| Increase in time deposits   | (55,612)         | (82,865)    | (454)                                    |
| Proceeds from withdrawal of time deposits   | 34,800           | 24,000      | 284                                      |
| Payments for purchases of investments in securities   | (154,687)        | (196,442)   | (1,264)                                  |
| Proceeds from sales of investments in securities  | 1,318,116        | 350,417     | 10,768                                   |
| Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation (Note 4) | —                | 239,125     | —  |
| Payments for purchases of investments in unconsolidated subsidiaries (shares)                       | —                | (10,000)    | —  |
| Payments for purchases of property, plant and equipment   | (233,907)        | (30,562)    | (1,911)                                  |
| Proceeds from sale of property, plant and equipment   | 689              | 64,204      | 6  |
| Payments for purchases of intangible fixed assets   | —                | (78,030)    | —  |
| Payments of loans receivable  | (15,400)         | —           | (126)                                    |
| Collection of loans   | 2,228            | 2,468       | 18                                       |
| Payment for insurance fund  | (14,101)         | (16,119)    | (115)                                    |
| Proceeds from refund of insurance fund  | 66,779           | 7,656       | 546                                      |
| Other, net  | (59,382)         | 8,422       | (485)                                    |
| Net cash provided by investing activities   | 889,523          | 282,274     | 7,267                                    |
| <b>Cash flows from financing activities:</b>  |                  |             |  |
| Proceeds from short-term bank loans   | 7,900,000        | 4,000,000   | 64,537                                   |
| Repayment of short-term bank loans  | (7,400,000)      | (4,000,000) | (60,453)                                 |
| Redemption of bonds payable   | (10,000)         | (10,000)    | (82)                                     |
| Repayment of long-term bank loans   | (211,128)        | (216,648)   | (1,725)                                  |
| Payments for purchases of treasury stock  | (1,905,364)      | (30,787)    | (15,565)                                 |
| Dividends paid  | (96,358)         | (62,547)    | (787)                                    |
| Repayment on lease obligations  | (47,527)         | (52,303)    | (388)                                    |
| Net cash used in financing activities   | (1,770,377)      | (372,285)   | (14,463)                                 |
| Effect of exchange rate changes on cash and cash equivalents  | 170              | (53)        | 1  |
| Net increase (decrease) in cash and cash equivalents  | (389,137)        | 374,820     | (3,179)                                  |
| Cash and cash equivalents at beginning of year  | 5,588,403        | 5,213,583   | 45,653                                   |
| Cash and cash equivalents at end of year (Note 4)   | ¥5,199,266       | ¥5,588,403  | \$42,474                                 |

The accompanying notes are an integral part of these consolidated financial statements.

**NC Holdings Co., Ltd. and Consolidated Subsidiaries**  
**Notes to Consolidated Financial Statements**  
Year ended March 31, 2022

**1. Basis of Presenting Consolidated Financial Statements**

The accompanying consolidated financial statements of NC Holdings Co., Ltd. (the "Company") and its consolidated subsidiaries (the "Group") have been prepared based on the statutory Japanese consolidated financial statements prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

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 that is more familiar to readers outside Japan.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate as of March 31, 2022, which was ¥122.41 to U.S. \$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

**2. Summary of Significant Accounting Policies**

**(1) Consolidation**

The consolidated financial statements include the accounts of the Company and its significant subsidiaries, the management of which is controlled by the Company. For the year ended March 31, 2022, the accounts of the following four subsidiaries have been included in the consolidated financial statements.

Nippon Conveyor Co., Ltd.

NH Service Co., Ltd.

Kansai Denki Kogyo Co., Ltd.

Tanna Agri-Solar Energy Limited Liability Company

The fiscal closing date for all the consolidated subsidiaries is March 31.

There was one unconsolidated subsidiary as of March 31, 2022. The subsidiary, Nippon Conveyor Vietnam Co., Ltd. was excluded from the scope of consolidation because the effect on the consolidated financial statements of its inclusion would not have been material in terms of total assets, net sales, profit (loss) or retained earnings. The investment was stated at cost as it was immaterial to the consolidated financial statements.

Intercompany transactions and accounts have been eliminated. In the elimination of investments in consolidated subsidiaries, assets and liabilities of the subsidiaries, including the portion attributable to noncontrolling shareholders, are evaluated using the fair value at the time the Company acquired control over the respective subsidiary. All the consolidated subsidiaries close their fiscal accounts on March 31. There was an affiliate accounted for using the equity method, Japan Parking Service Co., Ltd. The affiliate has been accounted for using the equity method since the year ended March 31, 2022 as it increased its effect on the consolidated financial statements.

There was one unconsolidated subsidiary and one affiliate not accounted for using the equity method as of March 31, 2022. Nippon Conveyor Vietnam Co., Ltd. (an unconsolidated subsidiary) and NH Parking Systems Taiwan Co., Ltd. (an affiliate) were not accounted for using the equity method since the effect on the consolidated financial statements of doing so would not have been material in terms of profit (loss) or retained earnings and there was no materiality as a whole.



Goodwill, except for immaterial amounts, that represents the excess of the cost of acquisition over the fair value of the net assets of the acquired subsidiaries at the date of acquisition is amortized over a period of 5 years using the straight-line method.

(2) Securities

The Group classifies and accounts for securities as follows:

The Group held neither trading securities nor held-to-maturity debt securities for the year ended March 31, 2022. Investments in unconsolidated subsidiaries (shares and capital) are stated at cost using the moving average method. Available-for-sale securities, which are not classified as either of the aforementioned securities, and securities other than shares that do not have a market value, shares that do not have a market value, which do not have a market price are stated at fair value with unrealized gain (loss), net of applicable taxes, reported in net assets. Unrealized gain (loss), net of applicable income taxes, is reported as a separate component of accumulated other comprehensive income in net assets. Realized gain and loss on the sale of such securities are computed using the moving average method. Equity securities, etc., which do not have a market price are reported at acquisition cost determined by the moving average method.

(3) Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined principally by the moving average method for raw materials and by the specific identification method for finished goods, work-in-process and development projects in progress. Supplies are stated using the last purchase price method.

(4) Depreciation and Amortization

Depreciation of property, plant and equipment, except for leased assets, is provided principally by the declining balance method. However, buildings, excluding facilities attached to buildings acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated using the straight-line method. The useful lives of major assets are principally as follows:

|                                   |                |
|-----------------------------------|----------------|
| Buildings and structures          | 10 to 35 years |
| Machinery, equipment and vehicles | 5 to 13 years  |

Depreciation of leased assets under finance leases which do not transfer ownership of the leased assets to the lessee is provided by the straight-line method over the lease term as the useful life with no salvage value. Intangible assets are amortized over the useful life using the straight-line method. Software cost for internal use is amortized over the useful life of five years.

(5) Allowance for Doubtful Accounts

The Group provides for doubtful accounts principally at an amount based on the actual ratio of bad debts in the past plus the estimated uncollectible amounts of certain individual receivables.

(6) Reserve for Bonuses

The reserve for bonuses payable to employees is provided based on the estimated amount to be paid to the employees for the fiscal year.

(7) Reserve for Warranties on Completed Construction

The reserve for warranties on completed construction projects is provided for the estimated costs of repair to be incurred in connection with warranties on completed construction projects based on the actual ratio for the past two years.

(8) Reserve for Losses on Construction

The reserve for losses on construction is provided with respect to uncompleted construction contracts for which the estimated total costs are expected to exceed the contract amount and the related loss can be reasonably estimated.

(9) Reserve for Directors' Retirement Allowances

The reserve for directors' retirement allowances is provided based on the amount that would be required if all the directors retired on the balance sheet date in accordance with the rules for directors' retirement allowances to provide for the payment of retirement allowances for directors of consolidated subsidiaries.

(10) Reserve for Losses on Relocation

The reserve for losses on relocation is provided for the estimated losses to be incurred during the noncancellable period defined in the real estate rental agreements in connection with losses due to the relocation of consolidated subsidiaries' offices.

(11) Employees' Retirement Benefits

In order to provide for employees' retirement benefits, the reserve for retirement benefits is recorded based on the estimated amount of retirement benefit obligations at the fiscal year-end. In determining the net defined benefit liability and retirement benefit expense, the Group has adopted a simplified method by which the retirement benefit obligation is deemed to be the amount required to be paid if all employees retired on a voluntary basis as of the fiscal year-end.

(12) Income Taxes

The Group applies deferred tax accounting to recognize the tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting purposes.

The Group had adopted the consolidated taxation system. The Company and its domestic consolidated subsidiaries plan to adopt a group tax sharing system, but have notified the authorities that they would not transition to the group tax sharing system in the year ending March 31, 2023. The amounts of deferred tax assets and deferred tax liabilities as of March 31, 2022 are, therefore, presented based on the non-consolidated taxation system.

(13) Per Share Data

Dividends per share shown in the Consolidated Statement of Income have been presented on an accrual basis and include in each fiscal period dividends approved after each balance sheet date but applicable to the fiscal period then ended. Earnings (loss) per share are based on the weighted average number of outstanding shares of common stock.

(14) Accounting for Significant Revenue and Costs

Under construction contracts, the Group has an obligation to perform construction in accordance with the contracts with customers and recognizes construction revenue over time as the performance obligation is satisfied. The percentage of progress of construction is estimated principally by an input method based on incurred costs under which the proportion of costs incurred by the fiscal closing date to total costs of the construction contract is estimated. In addition, for contracts whose progress cannot be reasonably estimated, an amount equivalent to the amount expected to be recovered out of the total cost incurred is recognized as revenue. However, if the Group has only an extremely short period of time from the commencement of the transactions under the contract until the time when the performance obligation is expected to be completely satisfied, the Group applies an alternative treatment to recognize revenue when the performance obligation is completely satisfied instead of recognizing it over a certain period.

For contracts to sell products, except equipment parts or standard products, revenue is recognized upon shipment (lading in case of exports) if the shipment or arrival of such goods is defined as a delivery condition. The Group is engaged in manufacturing belt conveyors, parking systems, equipment related to renewable energy and solar power generating equipment and providing installation services and related works. Its performance obligation is to deliver completed products and parts to customers and to provide related services.

(15) Cash and Cash Equivalents

In preparing the consolidated statement of cash flows, cash on hand, readily available deposits and short-term highly liquid and low risk investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(16) Foreign Currency Translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing on the respective balance sheet dates, and the resulting exchange gains and losses are included in profit or loss for the fiscal year.

(17) Adoption of Deferred Tax Accounting Associated with the Transfer from the Consolidated Taxation System to the Individual Taxation System

The Company and its domestic consolidated subsidiaries have notified the authorities that they would not transition to the group tax sharing system in the year ending March 31, 2023. The amounts of deferred tax assets and deferred tax liabilities as of March 31, 2022 are, therefore, presented based on the non-consolidated taxation system.

(18) Significant Accounting Estimates

Revenue recognition from construction contracts

- (i) Amount recorded in the consolidated financial statements for the years ended March 31, 2022 and 2021

|                                    | Thousands of yen |            | Thousands of<br>U.S. dollars |
|------------------------------------|------------------|------------|------------------------------|
|                                    | 2022             | 2021       | 2022                         |
| Net sales (completed construction) | ¥4,199,164       | ¥4,940,256 | \$34,304                     |

- (ii) Information about the contents of significant accounting estimates related to identified items

a. Method for calculating estimated amounts

For construction contracts, the Company applies a method of recognizes revenue over times as its performance obligation are satisfied. The amount recorded for completed construction contracts is recorded based on estimates of total construction revenue, total costs of construction contracts and percentage of completion as of the fiscal closing date. The estimated percentage of completion as of the fiscal closing date is determined principally using an input method based on the incurred costs, which is the proportion of the construction costs incurred by the fiscal closing date to the total costs of construction contracts.

b. Main assumptions used for estimates

The total amount of construction cost includes the estimated cost of all the work required for the performance of the construction contract. For changes in the working contents due to the changes in circumstances after the commencement of performance, such as changes in content of the work due to changes contracts based on an updated agreement between the parties, a revision of the working methods, etc., the changes are timely and properly estimated and reflected in the total amount of construction cost.

c. Effects on the consolidated financial statements for the following year

Estimating of the total amount of construction revenue and total construction costs is includes an analysis of the subcontract costs, headcount and the period to completion in order to meet the customers' requests. In addition, any changes in circumstances surrounding the contract which might result in the changes in subcontract costs and the design may affect the estimates. Accordingly, such estimates involve uncertainties and the discrepancies between estimates and actual results, if any, might possibly affect the estimate for the following fiscal year.



## (19) Changes in Accounting Policies

(Adoption of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") and other standards from the beginning of the year ended March 31, 2022. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

As a result, for construction contracts, construction revenue, which used to be recognized by the percentage-of-completion method if the progress of a construction contract could be estimated reliably, is now recognized over time as the performance obligation of transferring goods or services to the customer is satisfied if the control of the goods or services is transferred to a customer over time. Measurement of the progress of satisfaction of a performance obligation is based on the proportion of the construction costs incurred by the fiscal closing date to the estimated total costs of the construction contract. In addition, if the progress toward the satisfaction of the performance obligation cannot be reasonably estimated at the inception of the contract, but the costs incurred are expected to be recovered, the Company recognizes revenue to the extent of the costs incurred. If the Company has only an extremely short period of time from the commencement of the transactions until the time when the performance obligation is expected to be completely satisfied, the Company applies an alternative treatment to recognize revenue when the performance obligation is completely satisfied instead of recognizing it over a certain period. The change in the accounting policy is retroactively applied in principle, and the consolidated financial statements for the year ended March 31, 2021 have been restated by retroactively applying the standard. However, the following method provided for by Paragraph 85 of Revenue Recognition Standard is applied:

- To retroactively restate the comparative information by accounting for changes in contracts performed prior to the beginning of the year ended March 31, 2021 in accordance with the new contract terms and conditions reflecting all the contractual changes

As a result, for the consolidated balance sheet at March 31, 2021, trade accounts receivable, work in process and advances received decreased by ¥1,466,404 thousand, ¥470,719 thousand and ¥368,532 thousand, respectively, and contract assets and contract liabilities increased by ¥1,659,014 thousand and ¥133,347 thousand, respectively, from the amount that would have been reported without the change.

For the consolidated statement of income for the year ended March 31, 2021, compared with the amount that would have been reported without the change and cost of sales increased by ¥235,767 thousand and ¥236,360 thousand, respectively, and operating income and income before income taxes decreased by ¥593 thousand each. In addition, the beginning balance of retained earnings increased by ¥593 thousand as the cumulative effects were reflected in net assets at April 1, 2020.

For the consolidated statement of cash flows for the year ended March 31, 2021, income before income taxes, decrease in trade receivables, decrease in contract assets, advances received, contract liabilities, increase in inventories and increase in reserve for losses on construction decreased by ¥593 thousand, ¥679,701 thousand, ¥560,741 thousand, ¥709,826 thousand, ¥826,632 thousand, ¥269,291 thousand and ¥32,932 thousand, respectively.

The impact of the change on earnings per share information is described in Note 18.

As the Company adopted the Revenue Recognition Accounting Standard, etc., "Trade notes and accounts receivable," which were presented under "Current assets" in the consolidated balance sheet at March 31, 2021, have been presented under "Trade notes and accounts receivable" and "Contract assets." "Advances received," which were presented under "Current liabilities," has been presented under "Contract liabilities." Furthermore, some accounts for the year ended March 31, 2021 have been reclassified based on the new presentation method. In accordance with the transitional measures set forth in Paragraph 89-3 of the Revenue Recognition Standard, notes on revenue recognition for the year ended March 31, 2021 are not presented.

(Adoption of the Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard") and other standards from the beginning of the year ended March 31, 2022 and begun prospectively applying the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This does not affect the consolidated financial statements.

In addition, the Company will include notes on fair value information by level within the fair value hierarchy in the notes on financial instruments. However, in accordance with the transitional treatment provided in Paragraph 7-4 of the Implementation Guidance on Disclosures about Fair Value of Financial (ASBJ Guidance No. 19, July 4, 2019), notes pertaining to the previous period are not presented.

(20) Additional Information

(Accounting estimates for the impacts of the spread of COVID-19)

The Group presented the accounting estimates for the impact of COVID-19 on the assumption that the effects of COVID-19 would continue at least one year. However, predicting the effects of COVID-19 contains lots of uncertainties and may impact the financial position and operating results of the Group for the year ending March 31, 2023.

### 3. Business Divestiture

Year ending March 31, 2022;  
Not applicable

Year ending March 31, 2021;  
The Company sold all the shares of NC System Solutions Co., Ltd., which was a consolidated subsidiary, on December 31, 2020. Accordingly, the company was excluded from the scope of consolidation.

#### 1. Outline of the business divestiture

##### (1) Name of the acquirer

Name of the acquirer: INTERNETWARE CO., LTD.

##### (2) Contents of the spin-off business

Information services

##### (3) Major reason for business divestiture

The Group has made efforts to improve the corporate character commensurate with its business size and to enhance the management base with a basic management policy of focusing on profit as well as securing sales. Based on the impacts of COVID-19, taking into consideration the future market trends, the Group determined that the transfer of shares to an external company that can be expected to generate business synergies would contribute to concentration of management resources, improvement of investment efficiency and enhancement of the corporate value for customers, rather than continuing investment in the information service business.

##### (4) Date of the business divestiture

December 31, 2020

##### (5) Other matters regarding the transaction, including legal form

Transfer of shares in consideration for cash only

#### 2. Outline of accounting treatment implemented

##### (1) Gain on transfer

Net gain on sale of investments in unconsolidated subsidiaries (shares): ¥28,691 thousand

##### (2) Carrying amounts and major components of assets and liabilities related to the transferred business

|                       | <u>Thousands of yen</u> |
|-----------------------|-------------------------|
| Current assets        | ¥166,314                |
| Fixed assets          | <u>200,149</u>          |
| Total assets          | ¥366,463                |
| Current liabilities   | ¥36,886                 |
| Long-term liabilities | <u>12,078</u>           |
| Total liabilities     | ¥48,964                 |

##### (3) Accounting treatment

The difference between the consolidated carrying amount of the transferred shares and sales proceeds is recorded as "Net gain on sale of investments in unconsolidated subsidiaries (shares)" under "Other income."

#### 3. Reportable segment in which the spin-off business was included

"Information Service" segment

4. Estimated amount of profit or loss of the spin-off business recorded in the consolidated statement of income for the year ended March 31, 2021

| For the cumulative period | Thousands of yen |
|---------------------------|------------------|
| Net sales                 | ¥274,056         |
| Operating loss            | (43,789)         |

#### 4. Cash and Cash Equivalents

The reconciliation of "Cash and cash equivalents" in the consolidated statement of cash flows at end of the fiscal year and "Cash and bank deposits" in the consolidated balance sheets as of March 31, 2022 and 2021 was as follows:

|  | Thousands of yen |            | Thousands of U.S. dollars |
|--|------------------|------------|---------------------------|
|  | 2022             | 2021       | 2022                      |
| Cash and bank deposits                   | ¥5,720,852       | ¥6,089,177 | \$46,735                  |
| Time deposits maturing over 3 months     | (521,586)        | (500,774)  | (4,261)                   |
| Cash and cash equivalents at end of year | ¥5,199,266       | ¥5,588,403 | \$42,474                  |

Major components of assets and liabilities of the company that ceased to be a consolidated subsidiary due to sales of shares:

Year ended March 31, 2022

Not applicable

Year ended March 31, 2021

The components of assets and liabilities, sales amount of shares and net proceeds from sales at the time of sales of shares, which resulted in exclusion of NC System Solutions Co., Ltd. from the scope of consolidation, were as follows:

|  | Thousands of yen |
|--|------------------|
| Current assets                                   | ¥166,314         |
| Fixed assets                                     | 200,149          |
| Current liabilities                              | (36,886)         |
| Long-term liabilities                            | (12,078)         |
| Retained earnings                                | 11,343           |
| Unrealized gain on available-for-sale securities | (20,941)         |
| Gain on sales of shares                          | 28,691           |
| Sales amount of shares                           | ¥336,592         |
| Cash and cash equivalents                        | (97,467)         |
| Net proceeds from sales                          | ¥239,125         |

## 5. Trade Notes Receivable Transferred by Endorsement

|   | Thousands of yen |          | Thousands of<br>U.S. dollars |
|---|------------------|----------|------------------------------|
|   | 2022             | 2021     | 2022                         |
| Trade notes receivable transferred by endorsement | ¥ 36,010         | ¥ 75,793 | \$294                        |

## 6. Marketable and Investment Securities

The following table summarizes carrying amounts, acquisition costs and unrealized gains (losses) on available-for-sale securities whose fair values were available as of March 31, 2022 and 2021.

| March 31, 2022   | Thousands of yen |                  |                        |
|--|------------------|------------------|------------------------|
|  | Carrying amount  | Acquisition cost | Unrealized gain (loss) |
| Securities with carrying amount exceeding acquisition cost     |                  |                  |                        |
| (1) Equity securities  | ¥549,632         | ¥249,057         | ¥300,575               |
| (2) Other  | 80,035           | 59,674           | 20,361                 |
| Subtotal   | ¥629,667         | ¥308,731         | ¥320,936               |
| Securities with carrying amount not exceeding acquisition cost |                  |                  |                        |
| (1) Equity securities  | ¥125,745         | ¥143,681         | ¥(17,936)              |
| (2) Other  | 9,911            | 10,300           | (389)                  |
| Subtotal   | ¥135,656         | ¥153,981         | ¥(18,325)              |
| Total  | ¥765,323         | ¥462,712         | ¥302,611               |

| March 31, 2021   | Thousands of yen |                  |                        |
|--|------------------|------------------|------------------------|
|  | Carrying amount  | Acquisition cost | Unrealized gain (loss) |
| Securities with carrying amount exceeding acquisition cost     |                  |                  |                        |
| (1) Equity securities  | ¥1,657,684       | ¥744,659         | ¥913,025               |
| (2) Other  | 77,444           | 59,934           | 17,510                 |
| Subtotal   | ¥1,735,128       | ¥804,593         | ¥930,535               |
| Securities with carrying amount not exceeding acquisition cost |                  |                  |                        |
| (1) Equity securities  | ¥147,184         | ¥152,875         | ¥(5,691)               |
| (2) Other  | 8,599            | 8,896            | (297)                  |
| Subtotal   | ¥155,783         | ¥161,771         | ¥(5,988)               |
| Total  | ¥1,890,911       | ¥966,364         | ¥924,547               |



| March 31, 2022   | Thousands of U.S. dollars |                  |                        |
|--|---------------------------|------------------|------------------------|
|  | Carrying amount           | Acquisition cost | Unrealized gain (loss) |
| Securities with carrying amount exceeding acquisition cost     |                           |                  |                        |
| (1) Equity securities  | \$4,490                   | \$2,034          | \$2,456                |
| (2) Other  | 654                       | 488              | 166                    |
| Subtotal   | \$5,144                   | \$2,522          | \$2,622                |
| Securities with carrying amount not exceeding acquisition cost |                           |                  |                        |
| (1) Equity securities  | \$1,027                   | \$1,174          | \$(147)                |
| (2) Other  | 81                        | 84               | (3)                    |
| Subtotal   | \$1,108                   | \$1,258          | \$(150)                |
| Total  | \$6,252                   | \$3,780          | \$2,472                |

Notes:

1. "Acquisition cost" in the above table represents book value after deducting loss on impairment.
2. The Company recognized loss on impairment of available-for-sale securities in the amount of nil and ¥18,895 thousand for the years ended March 31, 2022 and 2021, respectively.  
Loss on impairment of available-for-sale securities is recognized when the fair value declines by more than 50% of the acquisition cost as of the fiscal year-end. In addition, if the fair value declines between 30% and 50%, loss on impairment is recognized for those securities whose decline in value is considered to be unrecoverable.

Proceeds from the sale of available-for-sale securities and the realized gain (loss) for the years ended March 31, 2022 and 2021 were as follows:

|                | Thousands of yen |          | Thousands of U.S. dollars |
|----------------|------------------|----------|---------------------------|
|                | 2022             | 2021     | 2022                      |
| Sales proceeds | ¥1,319,804       | ¥349,199 | \$10,782                  |
| Realized gain  | 665,556          | 47,782   | 5,437                     |
| Realized loss  | 3,521            | 8,975    | 29                        |

## 7. Inventories

Inventories as of March 31, 2022 and 2021 consisted of the following:

|                                  | Thousands of yen |            | Thousands of U.S. dollars |
|----------------------------------|------------------|------------|---------------------------|
|                                  | 2022             | 2021       | 2022                      |
| Finished products                | ¥419,397         | ¥258,016   | \$3,426                   |
| Raw materials and supplies       | 521,261          | 524,053    | 4,258                     |
| Work-in-process                  | 408,298          | 249,542    | 3,336                     |
| Development projects in progress | 440,448          | 712,441    | 3,598                     |
| Total                            | ¥1,789,404       | ¥1,744,052 | \$14,618                  |

Inventories on which losses are expected are presented on a gross basis without offsetting against the reserve for losses on construction. Inventories on which losses were expected and were covered by the reserve for losses on construction was ¥22,962 thousand (\$188 thousand) and ¥74,550 thousand as of March 31, 2022 and 2021, respectively.

## 8. State Subsidies

Amounts deducted from the acquisition costs of property, plant and equipment due to the reduction entry of state subsidies as of March 31, 2022 and 2021 were as follows:

|           | Thousands of yen |        | Thousands of U.S. dollars |
|-----------|------------------|--------|---------------------------|
|           | 2022             | 2021   | 2022                      |
| Buildings | ¥5,422           | ¥5,422 | \$44                      |

## 9. Short-term Bank Loans, Long-term Debt and Lease Obligations

The average annual interest rate applicable to short-term bank loans was 0.50% as of March 31, 2022 and 2021.

The average annual interest rate on long-term bank loans, excluding the current portion, was 0.50% as of March 31, 2022. The final due date is December 13, 2024.

The average annual interest rate on long-term lease obligations, excluding the current portion, was 1.30% and 1.20% as of March 31, 2022 and 2021, respectively. The final due date is April 30, 2029.

Annual maturities of long-term bank loans and long-term lease obligations, including the current portions, as of March 31, 2022 were as follows:

|                      | Thousands of yen     |                             | Thousands of U.S. dollars |                             |
|----------------------|----------------------|-----------------------------|---------------------------|-----------------------------|
|                      | Long-term bank loans | Long-term lease obligations | Long-term bank loans      | Long-term lease obligations |
| Year ending March 31 |                      |                             |                           |                             |
| 2023                 | ¥199,992             | ¥43,374                     | \$1,634                   | \$354                       |
| 2024                 | 197,533              | 35,876                      | 1,614                     | 293                         |
| 2025                 | 125,000              | 34,958                      | 1,021                     | 286                         |
| 2026                 | —                    | 28,266                      | —                         | 231                         |
| 2027                 | —                    | 26,740                      | —                         | 218                         |
| 2028 and thereafter  | —                    | 58,394                      | —                         | 477                         |
| Total                | ¥522,525             | ¥227,608                    | \$4,269                   | \$1,859                     |

In addition to the above, Kansai Denki Kogyo Co., Ltd., which became a consolidated subsidiary (deemed acquisition date December 31, 2019) in the year ended March 31, 2020, has unsecured bonds payable issued on March 15, 2018 in the amount of ¥10,000 thousand (\$82 thousand) outstanding as of March 31, 2022 with an interest rate of 0.217% maturing on March 15, 2023. The bonds will mature in 2023 in the amount of ¥10,000 thousand (\$82 thousand).

As is customary in Japan, the Company maintains substantial deposit balances with banks with which it has loans. The deposit balances are not legally or contractually restricted concerning withdrawal.

## 10. Employees' Retirement Benefits

### a. Overview of retirement benefit plans

The Group has defined contribution retirement pension plans and lump-sum payment plans.

Under the defined contribution retirement pension plans and lump-sum payment plans held by the Company and its consolidated subsidiaries, a simplified method is used to compute the net defined benefit liability and retirement benefit expense.

### b. Retirement benefit plans

- (1) The changes in the net defined benefit liability under the plans to which a simplified method is applied during the years ended March 31, 2022 and 2021

|   | Thousands of yen |          | Thousands of U.S. dollars |
|---|------------------|----------|---------------------------|
|   | 2022             | 2021     | 2022                      |
| Beginning balance of net defined benefit liability    | ¥888,323         | ¥845,106 | \$7,257                   |
| Retirement benefit expenses                           | 153,491          | 100,241  | 1,254                     |
| Retirement benefits paid                              | (121,030)        | (46,234) | (989)                     |
| Decrease due to decrease in consolidated subsidiaries | —                | (10,790) | —                         |
| Ending balance of net defined benefit liability       | ¥920,784         | ¥888,323 | \$7,522                   |

- (2) Reconciliation between the ending balance of the retirement benefit obligation and the net defined benefit liability in the consolidated balance sheet

|  | Thousands of yen |          | Thousands of U.S. dollars |
|--|------------------|----------|---------------------------|
|  | 2022             | 2021     | 2022                      |
| Unfunded retirement benefit obligation                   | ¥920,784         | ¥888,323 | \$7,522                   |
| Net liability recorded in the consolidated balance sheet | 920,784          | 888,323  | 7,522                     |
| Net defined benefit liability                            | 920,784          | 888,323  | 7,522                     |
| Net liability recorded in the consolidated balance sheet | ¥920,784         | ¥888,323 | \$7,522                   |

- (3) Retirement benefit expense

Retirement benefit expense computed using a simplified method was ¥153,491 thousand (\$1,254 thousand) and ¥100,241 thousand for the years ended March 31, 2022 and 2021, respectively.

### c. Defined contribution retirement pension plans

The amount required to be contributed to the defined contribution retirement pension plans of the Group was ¥39,065 thousand (\$319 thousand) and ¥37,726 thousand for the years ended March 31, 2022 and 2021, respectively.

## 11. Net Assets

Net assets consists of shareholders' equity, accumulated other comprehensive income and noncontrolling interests.

The Japanese Companies Act (the "Act") became effective on May 1, 2006, replacing the Japanese Commercial Code. Under the Act, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is a component of capital surplus.

Under the Act, an amount equal to 10% of dividends must be appropriated as legal reserve (a component of retained earnings) or as additional paid-in capital depending on the equity account charged upon the payment of such dividends until the total aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

The Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders' meeting. In addition, legal reserve and capital surplus can be used to eliminate or reduce a deficit or can be capitalized by a resolution of the shareholders' meeting. This type of appropriation is recognized in the period in which it is approved by the shareholders.

## 12. Land Revaluation Surplus

In accordance with the Law Concerning Revaluation of Land (No. 34, March 31, 1998), land used for business operations of the Group was revalued as of March 31, 2000. The excess of the revalued amount over the carrying value at the time of revaluation, net of income taxes corresponding to the excess, and recognized as "Deferred tax liabilities on revaluation," is stated as "Land revaluation surplus" under "Accumulated other comprehensive income" in net assets.

Method of revaluation of land:

Fair value was determined based on the real estate tax assessment value stipulated by the Article 2-3 of "the Order for Enforcement on the Law Concerning Revaluation of Land" (No. 119, March 31, 1998).

Date of revaluation: March 31, 2000

The difference after revaluation between the total revaluated fair value and the book value of land as of March 31, 2022 and 2021 is not disclosed since the former exceeded the latter.

## 13. Cost of Sales

Cost of sales for the years ended March 31, 2022 and 2021 included the following costs:

|   | Thousands of yen |         | Thousands of<br>U.S. dollars |
|---|------------------|---------|------------------------------|
|   | 2022             | 2021    | 2022                         |
| Write-down of inventories due to a decline in profitability | ¥8,419           | ¥73,355 | \$69                         |
| Provision of reserve for losses on construction             | 65,010           | 39,068  | 531                          |

#### 14. Selling, General and Administrative Expenses

The major components of selling, general and administrative expenses for the years ended March 31, 2022 and 2021 were as follows:

|                                  | Thousands of yen |          | Thousands of<br>U.S. dollars |
|----------------------------------|------------------|----------|------------------------------|
|                                  | 2022             | 2021     | 2022                         |
| Salaries and wages               | ¥703,051         | ¥767,134 | \$5,743                      |
| Provision of reserve for bonuses | 41,407           | 42,934   | 338                          |
| Retirement benefit expenses      | 49,343           | 44,565   | 403                          |
| Commissions                      | 306,398          | 316,905  | 2,503                        |
| Amortization of goodwill         | 53,836           | 53,836   | 440                          |

#### Research and Development Costs

Research and development costs are charged to selling, general and administrative expenses and manufacturing costs as incurred. Research and development costs amounted to ¥100,912 thousand (\$824 thousand) and ¥142,259 thousand for the years ended March 31, 2022 and 2021, respectively.

#### 15. Other Income (Expenses)

##### Net gain (loss) on disposal or sale of property, plant and equipment

Net gain (loss) on disposal or sale of property, plant and equipment consisted of the following:

|  | Thousands of yen |          | Thousands of<br>U.S. dollars |
|--|------------------|----------|------------------------------|
|  | 2022             | 2021     | 2022                         |
| Gain on sale of property, plant and equipment:                       |                  |          |                              |
| Land   | ¥ —              | ¥ 17,460 | \$ —                         |
| Buildings and structures   | —                | 4,696    | —                            |
| Other  | 100              | 1,000    | 1                            |
| Subtotal   | ¥ 100            | ¥ 23,157 | \$ 1                         |
| Loss on disposal or sale of property, plant and equipment:           |                  |          |                              |
| Buildings and structures   | ¥ (6,937)        | ¥ (202)  | \$ (57)                      |
| Other  | (3,467)          | (53)     | (28)                         |
| Subtotal   | ¥ (10,404)       | ¥ (255)  | \$ (85)                      |
| Net gain (loss) on disposal or sale of property, plant and equipment | ¥ (10,304)       | ¥ 22,902 | \$ (84)                      |

##### Net gain on sale of investments in unconsolidated subsidiaries (shares)

Year ended March 31, 2022

Not applicable

Year ended March 31, 2021

Net gain on sale of investments in unconsolidated subsidiaries (shares) is recorded in connection with sales of all the shares of NC System Solutions Co., Ltd.

##### Loss on impairment of property, plant and equipment

Year ended March 31, 2022

Not applicable



Year ended March 31, 2021

The Group recognized a loss on impairment in an amount of ¥14,063 thousand on the following group of assets for the year ended March 31, 2021:

| Use   | Location                | Type of assets             | Loss on impairment |
|---|-------------------------|----------------------------|--------------------|
|   |                         |                            | Thousands of yen   |
| Nippon Conveyor Co., Ltd.<br>Idle assets    | Daito City, Osaka Pref. | Land                       | ¥2,000             |
| Kansai Denki Kogyo Co., Ltd.<br>Idle assets | Daito City, Osaka Pref. | Machinery and<br>equipment | 12,063             |
| Total                                       |                         |                            | ¥14,063            |

A loss on impairment was recognized under “Other income (expenses)” for the land of the previous Osaka head office, as its use was no longer expected due to the relocation of the Osaka head office of Nippon Conveyor Co., Ltd.

For the machinery of the agricultural cooperative of Kansai Denki Kogyo Co., Ltd., a loss on impairment for the total carrying amount was recognized under “Other income (expenses),” as the withdrawal from the business was decided.

In principle, the Group groups its business assets according to the type of business, while grouping idle assets by individual asset.

The recoverable value is determined based on the net selling value. The net selling value is based on the real estate appraisal value by a real estate appraiser or reasonable estimates considering the market value.

#### **Gain on reversal of reserve for losses on relocation**

Year ended March 31, 2022

Not applicable

Year ended March 31, 2021

Nippon Conveyor Co., Ltd., which is a consolidated subsidiary of the Company, decided to sublease the building of the previous Osaka head office, which was used under the term tenant contract until October 2018, to a third party from the year ended March 31, 2021. Accordingly, part of the reserve for losses on relocation, which was provided in the year ended March 31, 2018, was reversed.

#### **Net gain on sale of investment securities**

Year ended March 31, 2022

Net gain on the sale of investment securities resulted from the sale of equity securities of two Japanese listed companies held by Nippon Conveyor Co., Ltd., a consolidated subsidiary of the Company.

Year ended March 31, 2021

Net gain on the sale of investment securities resulted from the sale of equity securities of two Japanese listed companies held by Nippon Conveyor Co., Ltd., a consolidated subsidiary of the Company.

#### **Advisory fees**

Year ended March 31, 2022

Advisory fees were paid for the general meeting of shareholders and the Company's tender offer to repurchase shares.

Year ended March 31, 2021

Not applicable

## 16. Income Taxes

Income taxes in Japan applicable to the Company and its consolidated domestic subsidiaries consist of corporation tax (national tax), enterprise tax and inhabitants tax (local tax), which, in the aggregate, resulted in a effective tax rate of approximately 30.62% for the years ended March 31, 2022 and 2021.

Major components of the Group's deferred tax assets and liabilities as of March 31, 2022 and 2021 were as follows:

|  | Thousands of yen |           | Thousands of<br>U.S. dollars |
|--|------------------|-----------|------------------------------|
|  | 2022             | 2021      | 2022                         |
| Deferred tax assets:   |                  |           |                              |
| Allowance for doubtful accounts                              | ¥36,827          | ¥34,208   | \$301                        |
| Reserve for bonuses  | 47,022           | 46,906    | 384                          |
| Reserve for losses on construction                           | 63,700           | 57,268    | 520                          |
| Reserve for warranties on completed construction             | 26,644           | 35,525    | 218                          |
| Reserve for directors' retirement allowances                 | 22,313           | 21,119    | 182                          |
| Reserve for losses on relocation                             | 59,054           | 67,294    | 482                          |
| Net defined benefit liability                                | 281,988          | 272,047   | 2,304                        |
| Loss on impairment   | 126,120          | 133,997   | 1,030                        |
| Devaluation loss on inventories                              | 36,736           | 64,786    | 300                          |
| Tax loss carryforwards (Note 2)                              | 47,228           | —         | 386                          |
| Other  | 95,932           | 140,413   | 784                          |
| Subtotal   | 843,564          | 873,563   | 6,891                        |
| Valuation allowance for tax loss carryforwards (Note 2)      | (47,228)         | —         | (386)                        |
| Valuation allowance for deductible temporary differences     | (187,590)        | (165,424) | (1,532)                      |
| Subtotal (Note 1)  | (234,818)        | (165,424) | (1,918)                      |
| Total deferred tax assets                                    | ¥608,746         | ¥708,139  | \$4,973                      |
| Deferred tax liabilities:                                    |                  |           |                              |
| Fair value measurement variance of consolidated subsidiaries | ¥16,679          | ¥16,679   | \$136                        |
| Deferred gain on fixed assets                                | 314              | 336       | 3                            |
| Unrealized gain on available-for-sale securities             | 92,859           | 282,422   | 758                          |
| Total deferred tax liabilities                               | ¥109,852         | ¥299,437  | \$897                        |
| Net deferred tax assets                                      | ¥498,894         | ¥408,702  | \$4,076                      |
| Deferred tax assets on revaluation:                          |                  |           |                              |
| Land revaluation surplus                                     | ¥367             | ¥367      | \$ 3                         |
| Valuation allowance  | (367)            | (367)     | (3)                          |
| Total deferred tax assets on revaluation                     | ¥ —              | ¥ —       | \$ —                         |
| Deferred tax liabilities on revaluation:                     |                  |           |                              |
| Land revaluation surplus                                     | ¥17,877          | ¥17,877   | \$146                        |
| Total deferred tax liabilities on revaluation                | ¥17,877          | ¥17,877   | \$146                        |

Notes:

1. Valuation allowance increased by ¥69,394 thousand (\$567 thousand). The increase was mainly because a valuation allowance for the tax loss carryforwards of NC System Solutions, Co., Ltd. in the amount of ¥47,228 thousand (\$386 thousand) was recognized.
2. Maturity of tax loss carryforwards and its related deferred tax assets  
At March 31, 2021, there were no tax loss carryforwards.

| At March 31, 2022          | Thousands of yen |                                |                                   |                                    |                                   |                 |          |
|----------------------------|------------------|--------------------------------|-----------------------------------|------------------------------------|-----------------------------------|-----------------|----------|
|                            | Within one year  | Over one year within two years | Over two years within three years | Over three years within four years | Over four years within five years | Over five years | Total    |
| Tax loss carryforwards (a) | ¥ —              | ¥ —                            | ¥ —                               | ¥ —                                | ¥ —                               | ¥47,228         | ¥47,228  |
| Valuation allowance        | —                | —                              | —                                 | —                                  | —                                 | (47,228)        | (47,228) |
| Deferred tax assets        | —                | —                              | —                                 | —                                  | —                                 | —               | (b) —    |

| At March 31, 2022          | Thousands of U.S. dollars |                                |                                   |                                    |                                   |                 |       |
|----------------------------|---------------------------|--------------------------------|-----------------------------------|------------------------------------|-----------------------------------|-----------------|-------|
|                            | Within one year           | Over one year within two years | Over two years within three years | Over three years within four years | Over four years within five years | Over five years | Total |
| Tax loss carryforwards (a) | \$ —                      | \$ —                           | \$ —                              | \$ —                               | \$ —                              | \$386           | \$386 |
| Valuation allowance        | —                         | —                              | —                                 | —                                  | —                                 | (386)           | (386) |
| Deferred tax assets        | —                         | —                              | —                                 | —                                  | —                                 | —               | (b) — |

- (a) The tax loss carryforwards presented above are the amounts multiplied by the effective tax rate.
- (b) The ¥47,228 thousand (\$386 thousand) of deferred tax assets arose from the net loss before income taxes recorded by NC Holdings, Co., Ltd. for the year ended March 31, 2022 and are judged by the Company to be unrecoverable based on the prospect of future taxable income. Thus, a valuation allowance is recognized.

The reconciliation between the statutory effective tax rate and the effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2022 and 2021 was as follows:

|   | 2022   |   | 2021    |   |
|---|--------|---|---------|---|
| Statutory tax rate                              | 30.62  | % | 30.62   | % |
| Expenses not deductible for income tax purposes | 0.24   |   | 0.08    |   |
| Nontaxable income                               | (0.38) |   | (0.93)  |   |
| Amortization of goodwill                        | 2.15   |   | 1.36    |   |
| Increase (decrease) in valuation allowance      | 9.06   |   | (19.67) |   |
| Per capita inhabitants tax                      | 2.48   |   | 1.61    |   |
| Tax deduction                                   | —      |   | (0.53)  |   |
| Other   | 1.69   |   | 2.13    |   |
| Effective tax rate                              | 45.85  | % | 14.67   | % |

## 17. Other Comprehensive Income (loss)

Amounts reclassified to profit or loss in the current period that were recognized in other comprehensive income (loss) in the current or previous periods and the tax effects for each component of other comprehensive income (loss) were as follows:

|   | Thousands of yen |           | Thousands of U.S. dollars |
|---|------------------|-----------|---------------------------|
|   | 2022             | 2021      | 2022                      |
| Unrealized gain (loss) on available-for-sale securities |                  |           |                           |
| Incurred during the year                                | ¥39,789          | ¥703,801  | \$325                     |
| Reclassification adjustments                            | (662,785)        | (55,575)  | (5,414)                   |
| Subtotal, before tax                                    | (622,996)        | 648,226   | (5,089)                   |
| Tax effect  | 189,563          | (197,677) | 1,548                     |
| Subtotal, net of tax                                    | (433,433)        | 450,550   | (3,541)                   |
| Total other comprehensive income (loss)                 | ¥(433,433)       | ¥450,550  | \$(3,541)                 |

## 18. Per Share Information

|                      | Yen       |           | U.S. dollars |
|----------------------|-----------|-----------|--------------|
|                      | 2022      | 2021      | 2022         |
| March 31,            |           |           |              |
| Net assets per share | ¥1,689.98 | ¥1,447.19 | \$13.81      |

  

|                      | Yen    |         | U.S. dollars |
|----------------------|--------|---------|--------------|
|                      | 2022   | 2021    | 2022         |
| Year ended March 31, |        |         |              |
| Earnings per share   | ¥76.54 | ¥162.96 | \$0.63       |

(Notes) 1. Diluted earnings per share were not presented because there were no potential dilutive shares for the years ended March 31, 2022 and 2021.

2. As stated in Note 2 (19) "Changes in Accounting Policies," the Company has applied the Accounting Standard for Revenue Recognition, etc. As a result, earnings per share decreased by ¥0.09 for the year ended March 31, 2021, from the amount that would have been reported without the change.

Earnings per share is calculated based on the following:

|   | Thousands of yen |            | Thousands of U.S. dollars |
|---|------------------|------------|---------------------------|
|   | 2022             | 2021       | 2022                      |
| Year ended March 31,  |                  |            |                           |
| Profit attributable to owners of parent                         | ¥414,792         | ¥1,032,927 | \$3,389                   |
| Profit attributable to owners of parent related to common stock | 414,792          | 1,032,927  | 3,389                     |

  

|  | Number of shares |           |
|--|------------------|-----------|
|  | 2022             | 2021      |
| Year ended March 31,                                     |                  |           |
| Average number of shares of common stock during the year | 5,419,323        | 6,338,538 |

## 19. Leases

Finance leases which do not transfer ownership of the leased assets to the lessee are capitalized. The Group leases computer hardware and software for accounting systems for the Osaka office of Nippon Conveyor Co., Ltd. Depreciation of leased assets is computed by the straight-line method over the lease term as the useful life with no salvage value.

## **20. Financial Instruments**

### ***a. Policy for Financial Instruments***

The Group raises its working capital and meets its capital investment finance needs with bank loans and bonds. Temporary cash surpluses, if any, are invested in low risk financial assets.

### ***b. Nature and Related Risks Arising from Financial Instruments***

Trade receivables such as notes and accounts receivable and electronically recorded monetary claims – operating are exposed to customer credit risk. Trade receivables denominated in foreign currencies are exposed to the risk of changes in foreign currency exchange rates. This risk is hedged by assigning receivables to offset trade payables denominated in foreign currencies.

Marketable and investment securities consist mainly of investment trusts, equities for net investment and strategic equity securities and are exposed to the risk of market price fluctuations.

Payment terms for trade payables such as notes and accounts payable and electronically recorded payables are less than one year. Certain payables arising from importing manufactured goods are denominated in foreign currencies and are exposed to the risk of changes in foreign currency exchange rates. These payables, however, are substantially covered by assets denominated in the same foreign currencies.

Long-term debt and lease obligations under finance lease arrangements are used principally to finance capital investment and are repayable at a maximum of seven years and one month subsequent to the balance sheet date.

### ***c. 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 by monitoring the financial position of major customers on a regular basis and the payment terms and balances of receivables by customer and by identifying doubtful accounts arising from deteriorated financial positions at an early stage.

The Group enters into derivative transactions only with financial institutions with high credit ratings to reduce counterparty risks.

The maximum amounts of credit risk at the current balance sheet date are represented by the balance sheet carrying amounts of the financial assets exposed to such risks.

#### ***Market Risk Management***

Market risk is the risk of economic loss arising from changes in foreign currency exchange rates and interest rates. The Group may use interest rate swap transactions in order to mitigate the risk arising from changes in interest rates on long-term debt.

The Group manages the market risk of marketable and investment securities by identifying the fair value of the instruments and the financial positions of the issuers on a regular basis and by reviewing its holding status, taking into account relationships with the trading counterparties.

Derivative contracts are entered into by the Control Department of consolidated subsidiaries in accordance with the Market Risk Control Rule. In addition, the Control Manager of the consolidated subsidiaries submits financial reports, including derivative transactions, to the Board of Directors. Since a significant portion of the borrowing and debt is subject to resolution by the Board of Directors of the consolidated subsidiaries, the related interest rate swap contracts are also subject to resolution by the Board of Directors at the same time.

#### ***Liquidity Risk Management***

Liquidity risk is the risk of failure to repay by the payment due date. The Group manages liquidity risk by



preparing and updating statements of cash receipts and disbursements on a timely basis based on reports from each department and maintaining an appropriate degree of liquidity.

#### **d. Supplemental Information on Fair Values**

The fair value of financial instruments is based on quoted prices in active markets. If a quoted market price is not available, alternative valuation techniques are used. The results of such valuations may differ because the valuation techniques include assumptions and variable factors.

#### **Fair Value of Financial Instruments**

Carrying amounts of financial instruments included in the consolidated balance sheets, their fair values and unrealized gain (loss) as of March 31, 2022 and 2021 were as follows.

##### March 31, 2022

Equity securities, etc., (carrying amount of ¥80,453 thousand (\$657 thousand)) which do not have a market price are not included in (1) Investment securities in the table. Cash and bank deposits, trade notes and accounts receivable, electronically recorded monetary claims – operating, trade notes and accounts payable, electronically recorded payables, short-term bank loans (excluding the current portion of long-term bank loans) and the current portion of corporate bonds are omitted because their maturities are short and the fair value approximates the carrying amount.

| March 31, 2022                | Thousands of yen |            | Unrealized gain<br>(loss) |
|-------------------------------|------------------|------------|---------------------------|
|                               | Carrying amount  | Fair value |                           |
| (1) Investment securities:    |                  |            |                           |
| Available-for-sale securities | ¥765,323         | ¥765,323   | ¥—                        |
| Total assets                  | ¥765,323         | ¥765,323   | ¥—                        |
| (1) Long-term bank loans*1    | ¥522,525         | ¥521,919   | ¥(606)                    |
| (2) Lease obligations*2       | 227,608          | 217,067    | (10,541)                  |
| Total liabilities             | ¥750,133         | ¥738,986   | ¥(11,147)                 |

| March 31, 2022                | Thousands of U.S. dollars |            | Unrealized gain<br>(loss) |
|-------------------------------|---------------------------|------------|---------------------------|
|                               | Carrying amount           | Fair value |                           |
| (1) Investment securities:    |                           |            |                           |
| Available-for-sale securities | \$6,252                   | \$6,252    | \$—                       |
| Total assets                  | \$6,252                   | \$6,252    | \$—                       |
| (1) Long-term bank loans*1    | \$4,269                   | \$4,264    | \$(5)                     |
| (2) Lease obligations*2       | 1,859                     | 1,773      | (86)                      |
| Total liabilities             | \$6,128                   | \$6,037    | \$(91)                    |

\*1 The current portion of long-term bank loans is included in the amount.

\*2 The amount of "Lease obligations" is the sum of short-term lease obligations and long-term lease obligations.

##### March 31, 2021

| March 31, 2021                | Thousands of yen |            | Unrealized gain<br>(loss) |
|-------------------------------|------------------|------------|---------------------------|
|                               | Carrying amount  | Fair value |                           |
| (1) Investment securities:    |                  |            |                           |
| Available-for-sale securities | ¥1,890,911       | ¥1,890,911 | ¥—                        |
| Total assets                  | ¥1,890,911       | ¥1,890,911 | ¥—                        |
| (1) Bonds payable*3           | 20,000           | 20,000     | —                         |
| (2) Long-term bank loans*4    | 733,653          | 732,507    | (1,146)                   |
| (3) Lease obligations*5       | 270,187          | 256,985    | (13,202)                  |
| Total liabilities             | ¥1,023,840       | ¥1,009,492 | ¥(14,348)                 |

\*1 Cash and bank deposits, trade notes and accounts receivable, electronically recorded monetary claims – operating, trade notes and accounts payable, electronically recorded payables and short-term bank loans (excluding the current

portion of long-term bank loans) are omitted because they are settled within a short-time period and the fair value approximates the carrying amount.

\*2 Financial instruments whose fair values are difficult to determine were as follows:

|  | Thousands of yen |
|--|------------------|
| March 31, 2021                                       | Carrying amount  |
| Unlisted equity securities                           | ¥45,102          |
| Investments in unconsolidated subsidiaries (shares)  | 13,868           |
| Investments in unconsolidated subsidiaries (capital) | 15,094           |

The above items were not included in "(1) Investment securities" since market prices were not available, and it was extremely difficult to determine the fair value.

\*3 The current portion of bonds payable is included in the amount.

\*4 The current portion of long-term bank loans is included in the amount.

\*5 The amount of "Lease obligations" is the sum of short-term lease obligations and long-term lease obligations.

Note (i) Annual maturities of monetary receivables and securities with maturities subsequent to March 31, 2022 were as follows:

|   | Thousands of yen    |                                       |  |                     |
|---|---------------------|---------------------------------------|--|---------------------|
|   | Due within one year | Due after one year through five years | Due after five years through ten years | Due after ten years |
| March 31, 2022                                      |                     |                                       |  |                     |
| Cash and bank deposits                              | ¥5,720,852          | ¥—                                    | ¥—                                     | ¥—                  |
| Trade notes and accounts receivable                 | 1,357,923           | —                                     | —                                      | —                   |
| Electronically recorded monetary claims - operating | 157,937             | —                                     | —                                      | —                   |

|   | Thousands of U.S. dollars |                                       |  |                     |
|---|---------------------------|---------------------------------------|--|---------------------|
|   | Due within one year       | Due after one year through five years | Due after five years through ten years | Due after ten years |
| March 31, 2022                                      |                           |                                       |  |                     |
| Cash and bank deposits                              | \$46,735                  | \$—                                   | \$—                                    | \$—                 |
| Trade notes and accounts receivable                 | 11,093                    | —                                     | —                                      | —                   |
| Electronically recorded monetary claims - operating | 1,290                     | —                                     | —                                      | —                   |

Note (ii) Concerning annual maturities of bonds payable, long-term loans payable and lease obligations subsequent to March 31, 2022:

See Note 9, "Short-term Bank Loans, Long-term Debt and Lease Obligations."

### 3. Fair value by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure the fair value.

Level 1: Fair value measured using observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2: Fair value measured using observable inputs other than Level 1 inputs.

Level 3: Fair value measured using significant unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

#### (1) Financial instruments measured at fair value

| March 31, 2022                | Thousands of yen |         |         |          |
|-------------------------------|------------------|---------|---------|----------|
|                               | Fair value       |         |         |          |
|                               | Level 1          | Level 2 | Level 3 | Total    |
| Investment securities         |                  |         |         |          |
| Available-for-sale securities |                  |         |         |          |
| Equity securities             | ¥675,377         | ¥—      | ¥—      | ¥675,377 |
| Other                         | 89,946           | —       | —       | 89,946   |
| Total assets                  | ¥765,323         | ¥—      | ¥—      | ¥765,323 |

| March 31, 2022                | Thousands of U.S. dollars |         |         |         |
|-------------------------------|---------------------------|---------|---------|---------|
|                               | Fair value                |         |         |         |
|                               | Level 1                   | Level 2 | Level 3 | Total   |
| Investment securities         |                           |         |         |         |
| Available-for-sale securities |                           |         |         |         |
| Equity securities             | \$5,517                   | \$—     | \$—     | \$5,517 |
| Other                         | 735                       | —       | —       | 735     |
| Total assets                  | \$6,252                   | \$—     | \$—     | \$6,252 |

#### (2) Financial instruments other than those measured at fair value

| March 31, 2022       | Thousands of yen |          |         |          |
|----------------------|------------------|----------|---------|----------|
|                      | Fair value       |          |         |          |
|                      | Level 1          | Level 2  | Level 3 | Total    |
| Long-term bank loans | ¥—               | ¥521,919 | ¥—      | ¥521,919 |
| Lease obligations    | —                | 217,067  | —       | 217,067  |
| Total liabilities    | ¥—               | ¥738,986 | ¥—      | ¥738,986 |

| March 31, 2022       | Thousands of U.S. dollars |         |         |         |
|----------------------|---------------------------|---------|---------|---------|
|                      | Fair value                |         |         |         |
|                      | Level 1                   | Level 2 | Level 3 | Total   |
| Long-term bank loans | \$—                       | \$4,264 | \$—     | \$4,264 |
| Lease obligations    | —                         | 1,773   | —       | 1,773   |
| Total liabilities    | \$—                       | \$6,037 | \$—     | \$6,037 |

(Note) A description of the valuation technique(s) and inputs used in the fair value measurements

#### Marketable securities and investment securities

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

#### Corporate bonds

The fair value of corporate bonds with floating interest rates is determined based on the sum of the principal and interest and the floating interest rate. This item is not subject to classification by level because they are settled in a short-time period. The fair value approximates the carrying amount.

#### Long-term bank loans

The fair value of long-term bank loans with fixed interest rate is determined by the present value obtained by discounting the sum of the principal and interest of the long-term bank loans for a certain period at the interest rate reflecting the remaining maturities and credit risk. The fair value is classified at Level 2.

#### Lease obligations

The fair value of lease obligations is determined based on the sum of the principal and interest and the interest rate reflecting the remaining maturities and credit risk. The fair value is classified as Level 2.

## **21. Revenue Recognition**

### **1. Disaggregation of revenue from contracts with customers**

| March 31, 2022  | Thousands of yen    |                 |                  |             |                |              |
|---|---------------------|-----------------|------------------|-------------|----------------|--------------|
|   | Reportable segments |                 |                  |             | Reconciliation |              |
|   | Conveyor Systems    | Parking Systems | Renewable Energy | Total       | (Note)         | Consolidated |
| Conveyor equipment  | ¥4,448,242          | ¥—              | ¥—               | ¥4,448,242  | ¥—             | ¥4,448,242   |
| Conveyor equipment parts  | 587,610             | —               | —                | 587,610     | —              | 587,610      |
| Parking equipment   | —                   | 1,098,151       | —                | 1,098,151   | —              | 1,098,151    |
| Parking equipment maintenance                                       | —                   | 2,375,275       | —                | 2,375,275   | —              | 2,375,275    |
| Maintenance parts and maintenance construction of parking equipment | —                   | 1,982,750       | —                | 1,982,750   | —              | 1,982,750    |
| Solar power generation equipment                                    | —                   | —               | 89,000           | 89,000      | —              | 89,000       |
| Solar power generation equipment parts                              | —                   | —               | 2,821,108        | 2,821,108   | —              | 2,821,108    |
| Sales of electricity  | —                   | —               | 11,130           | 11,130      | —              | 11,130       |
| Revenue from contracts with customers                               | ¥5,035,852          | ¥5,456,176      | ¥2,921,238       | ¥13,413,266 | ¥ —            | ¥13,413,266  |
| Revenue from other sources  | —                   | —               | —                | —           | —              | —            |
| Sales to external customers   | ¥5,035,852          | ¥5,456,176      | ¥2,921,238       | ¥13,413,266 | ¥ —            | ¥13,413,266  |

| March 31, 2022  | Thousands of U.S. dollars |                    |                     |           |                          |              |
|---|---------------------------|--------------------|---------------------|-----------|--------------------------|--------------|
|   | Reportable segments       |                    |                     | Total     | Reconciliation<br>(Note) | Consolidated |
|   | Conveyor<br>Systems       | Parking<br>Systems | Renewable<br>Energy |           |                          |              |
| Conveyor equipment  | \$36,339                  | \$ —               | \$ —                | \$36,339  | \$ —                     | \$36,339     |
| Conveyor equipment parts  | 4,800                     | —                  | —                   | 4,800     | —                        | 4,800        |
| Parking equipment   | —                         | 8,971              | —                   | 8,971     | —                        | 8,971        |
| Parking equipment maintenance   | —                         | 19,404             | —                   | 19,404    | —                        | 19,404       |
| Maintenance parts and<br>maintenance construction of<br>parking equipment | —                         | 16,198             | —                   | 16,198    | —                        | 16,198       |
| Solar power generation equipment  | —                         | —                  | 727                 | 727       | —                        | 727          |
| Solar power generation equipment<br>parts                                 | —                         | —                  | 23,047              | 23,047    | —                        | 23,047       |
| Sales of electricity  | —                         | —                  | 91                  | 91        | —                        | 91           |
| Revenue from contracts with<br>customers                                  | \$41,139                  | \$44,573           | \$23,865            | \$109,577 | \$ —                     | \$109,577    |
| Revenue from other sources  | —                         | —                  | —                   | —         | —                        | —            |
| Sales to external customers   | \$41,139                  | \$44,573           | \$23,865            | \$109,577 | \$ —                     | \$109,577    |

(Note) The promised consideration is paid within approximately 6 months after satisfaction of the performance obligations and does not include significant financial factors.

## 2. Understanding revenue from contracts with customers

Useful information in understanding revenue from contracts with customers is as presented in (14) "Accounting for Significant Revenue and Costs" under Note 2, "Summary of Significant Accounting Policies."

## 3. Reconciliation of satisfaction of performance obligations within contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue arising from customers existing at the end of the reporting period expected to be recognized in and after the following reporting period

### (1) Balance of contract assets and liabilities

| March 31, 2022  | Thousands<br>of yen | Thousands of<br>U.S. dollars |
|---|---------------------|------------------------------|
| Receivables from contracts with customers beginning balance | ¥1,842,780          | \$15,054                     |
| Receivables from contracts with customers ending balance    | 1,515,860           | 12,383                       |
| Contract assets beginning balance                           | 1,659,014           | 13,553                       |
| Contract assets ending balance                              | 2,202,140           | 17,990                       |
| Contract liabilities beginning balance                      | 133,347             | 1,089                        |
| Contract liabilities ending balance                         | 740,751             | 6,051                        |

Contract assets and contract liabilities of the Company and its consolidated subsidiaries as of March 31, 2022 are presented as contract assets and contract liabilities in the consolidated balance sheet.

Trade notes and accounts receivable and electronically recorded monetary claims – operating all arise from contract with customers.

The change in the balance of contract assets was due principally to the recognition of revenue and transfers to receivables.

The change in the balance of contract liabilities was due principally to a decrease in advances received and recognition of revenue.

Revenue recognized in the year ended March 31, 2022, which was included in the beginning balance of contract liabilities, amounted to ¥78,347 thousand (\$640 thousand). The amount of revenue recognized



in the year ended March 31, 2022 from performance obligations that were satisfied (or partially satisfied) in the previous years was ¥505,912 thousand (\$4,133 thousand).

(2) Transaction price allocated to remaining performance obligations

The Company and its consolidated subsidiaries have applied the practical expedient to the notes on transaction prices allocated to the remaining performance obligations and do not disclose contracts with an original expected duration of one year or less. The aggregated amount of transaction price allocated to the remaining performance obligations that were unsatisfied (or partially unsatisfied) was ¥8,700,208 thousand (\$71,074 thousand) as of March 31, 2022. The Company expected to recognize approximately 80% of this revenue within one year from the end of the period, 15% within two years and the remaining 5 % within five years. In addition, there was no significant amount of variable consideration not included in the transaction price in the consideration received from customers.

## 22. Segment Information

### 1. Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Group's management is performed in order to decide how resources are allocated among the Group. Within the Group, Nippon Conveyor Co., Ltd. is engaged in the conveyor business, the parking systems business and renewable energy business. The Group develop comprehensive strategies about its products and services in domestic and overseas markets and conducts operating activities. During the year ended March 31, 2021, the Company sold all its shares in NC System Solutions Co., Ltd. and withdrew from the information services business.

Accordingly, the Group consists of reportable segments by product and service and has three reportable segments, which are the "Conveyor Systems," "Parking Systems" and "Renewable Energy" segments.

The "Conveyor Systems" segment produces, installs and distributes belt conveyors and related equipment. The "Parking Systems" segment produces and distributes parking systems and offers related construction, maintenance and inspection services. The "Renewable Energy" segment engages in the sale of solar power plants as well as the sale and installation of solar power generation system equipment.

### 2. Methods of measurement for sales, income or loss, assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies." Reportable segments profits are based on operating income. Intersegment sales and transfers are determined based on market prices.

As stated in Note 2 (19), "Summary of Significant Accounting policies - Changes in Accounting Policies," the Company has applied the Accounting Standard for Revenue Recognition, etc. since the beginning of the year ended March 31, 2022 and changed the accounting treatment for revenue recognition. Accordingly, the method used to calculate business segment profit or loss was changed as well.

3. Information about sales, income or loss, assets and other items is as follows.

|  | Thousands of yen    |                    |                     |             |                          |              |
|--|---------------------|--------------------|---------------------|-------------|--------------------------|--------------|
|  | Reportable segments |                    |                     |             | Reconciliation<br>(Note) | Consolidated |
|  | Conveyor<br>Systems | Parking<br>Systems | Renewable<br>Energy | Total       |                          |              |
| March 31, 2022   |                     |                    |                     |             |                          |              |
| Sales to external customers  | ¥5,035,852          | ¥5,456,176         | ¥2,921,238          | ¥13,413,266 | ¥—                       | ¥13,413,266  |
| Intersegment sales and transfers                                   | —                   | —                  | —                   | —           | —                        | —            |
| Total  | ¥5,035,852          | ¥5,456,176         | ¥2,921,238          | ¥13,413,266 | ¥—                       | ¥13,413,266  |
| Segment income   | ¥546,987            | ¥686,982           | ¥224,113            | ¥1,458,082  | ¥(841,343)               | ¥616,739     |
| Segment assets   | ¥3,606,688          | ¥3,767,787         | ¥2,605,902          | ¥9,980,377  | ¥4,633,365               | ¥14,613,742  |
| Other:   |                     |                    |                     |             |                          |              |
| Depreciation   | 14,699              | 14,667             | 9,585               | 38,951      | 62,573                   | 101,524      |
| Increase in property, plant and<br>equipment and intangible assets | 147,854             | 87,408             | 18,690              | 253,952     | 49,890                   | 303,842      |

|  | Thousands of yen    |                    |                        |                     |                          |              |
|--|---------------------|--------------------|------------------------|---------------------|--------------------------|--------------|
|  | Reportable segments |                    |                        |                     | Reconciliation<br>(Note) | Consolidated |
|  | Conveyor<br>Systems | Parking<br>Systems | Information<br>Service | Renewable<br>Energy | Total                    |              |
| March 31, 2021   |                     |                    |                        |                     |                          |              |
| Sales to external customers  | ¥4,794,649          | ¥5,876,720         | ¥273,744               | ¥2,744,157          | ¥13,689,270              | ¥—           |
| Intersegment sales and transfers                                   | —                   | —                  | 312                    | —                   | 312                      | (312)        |
| Total  | ¥4,794,649          | ¥5,876,720         | ¥274,056               | ¥2,744,157          | ¥13,689,582              | ¥(312)       |
| Segment income (loss)  | ¥445,455            | ¥1,035,659         | ¥(43,789)              | ¥257,063            | ¥1,694,388               | ¥(874,594)   |
| Segment assets   | ¥4,330,528          | ¥4,765,747         | ¥—                     | ¥2,567,655          | ¥11,663,930              | ¥3,742,295   |
| Other:   |                     |                    |                        |                     |                          |              |
| Depreciation   | 21,305              | 8,974              | 624                    | 13,890              | 44,793                   | 65,394       |
| Increase in property, plant and<br>equipment and intangible assets | 2,859               | 9,346              | 1,686                  | 9,143               | 23,034                   | 118,434      |

|  | Thousands of U.S. dollars |                    |                     |           |                          |              |
|--|---------------------------|--------------------|---------------------|-----------|--------------------------|--------------|
|  | Reportable segments       |                    |                     |           | Reconciliation<br>(Note) | Consolidated |
|  | Conveyor<br>Systems       | Parking<br>Systems | Renewable<br>Energy | Total     |                          |              |
| March 31, 2022   |                           |                    |                     |           |                          |              |
| Sales to external customers  | \$41,139                  | \$44,573           | \$23,865            | \$109,577 | \$—                      | \$109,577    |
| Intersegment sales and transfers                                   | —                         | —                  | —                   | —         | —                        | —            |
| Total  | \$41,139                  | \$44,573           | \$23,865            | \$109,577 | \$—                      | \$109,577    |
| Segment income   | \$4,468                   | \$5,612            | \$1,831             | \$11,911  | \$(6,873)                | \$5,038      |
| Segment assets   | \$29,464                  | \$30,780           | \$21,288            | \$81,532  | \$37,851                 | \$119,383    |
| Other:   |                           |                    |                     |           |                          |              |
| Depreciation   | 120                       | 120                | 78                  | 318       | 511                      | 829          |
| Increase in property, plant and<br>equipment and intangible assets | 1,208                     | 714                | 153                 | 2,075     | 407                      | 2,482        |

Notes: Reconciliations are as follows:

(1) Reconciliation of segment income (loss) represents corporate expenses not allocated to each reportable segment.

Corporate expenses consist mainly of general and administrative expenses which are not attributable to any reportable segment.

- (2) Reconciliation of segment assets represents mainly corporate assets not allocated to each reportable segment. Corporate assets consist mainly of cash and cash equivalents and deferred tax assets which are not attributable to any reportable segment.
- (3) Reconciliation of depreciation represents corporate expenses not allocable to each reportable segment and reconciliation of increase in property, plant and equipment and intangible assets represent corporate assets not allocable to each reportable segment.

**Related information:**

## 1. Information by product and service

This information is omitted because the division of business operations by products and services would be the same as that for reportable segments.

## 2. Information by geographic segment

| Thousands of yen |             |                |             |        |       |             |
|------------------|-------------|----------------|-------------|--------|-------|-------------|
| March 31, 2022   | Japan       | Southeast Asia | Middle East | Africa | Other | Total       |
| Net sales        | ¥13,379,159 | ¥21,750        | ¥12,357     | ¥—     | ¥—    | ¥13,413,266 |

| Thousands of yen |             |                |             |         |       |             |
|------------------|-------------|----------------|-------------|---------|-------|-------------|
| March 31, 2021   | Japan       | Southeast Asia | Middle East | Africa  | Other | Total       |
| Net sales        | ¥13,604,789 | ¥46,253        | ¥8,847      | ¥29,381 | ¥—    | ¥13,689,270 |

| Thousands of U.S. dollars |           |                |             |        |       |           |
|---------------------------|-----------|----------------|-------------|--------|-------|-----------|
| March 31, 2022            | Japan     | Southeast Asia | Middle East | Africa | Other | Total     |
| Net sales                 | \$109,298 | \$178          | \$101       | \$—    | \$—   | \$109,577 |

Note: Sales are classified in countries and regions based on the location of customers.

## 3. Information by major customer

Information by major customer for the year ended March 31, 2022 is not applicable since there were no customers accounting for 10% or more of total net sales.

Information by major customer for the year ended March 31, 2021 is as follows:

| Name               | Net sales        | Related segment  |
|--------------------|------------------|------------------|
|                    | Thousands of yen |                  |
| ICHIKAWA Co., LTD. | ¥2,492,335       | Conveyor systems |

**Information about loss on impairment of fixed assets by reportable segment:**

There was no applicable information for the year ended March 31, 2022.

Year ended March 31, 2021

| Thousands of yen   |                     |                 |                     |                  |         |                 |              |
|--------------------|---------------------|-----------------|---------------------|------------------|---------|-----------------|--------------|
| March 31, 2021     | Reportable segments |                 |                     |                  | Total   | Reconciliation* | Consolidated |
|                    | Conveyor Systems    | Parking Systems | Information Service | Renewable Energy |         |                 |              |
| Loss on impairment | ¥—                  | ¥—              | ¥—                  | ¥12,063          | ¥12,063 | ¥2,000          | ¥14,063      |

\*"Reconciliation" refers to amounts not allocated to each reportable segment or intersegment eliminations.

**Information about amortization of goodwill and unamortized balance of goodwill by reportable segment:**

| March 31, 2022            | Thousands of yen    |                 |                  |         |                |              |
|---------------------------|---------------------|-----------------|------------------|---------|----------------|--------------|
|                           | Reportable segments |                 |                  |         | Reconciliation | Consolidated |
|                           | Conveyor Systems    | Parking Systems | Renewable Energy | Total   |                |              |
| Amortization for the year | ¥—                  | ¥—              | ¥53,836          | ¥53,836 | ¥—             | ¥53,836      |
| Unamortized balance       | —                   | —               | 148,048          | 148,048 | —              | 148,048      |

| March 31, 2021            | Thousands of yen    |                 |                     |                  |                |              |
|---------------------------|---------------------|-----------------|---------------------|------------------|----------------|--------------|
|                           | Reportable segments |                 |                     |                  | Reconciliation | Consolidated |
|                           | Conveyor Systems    | Parking Systems | Information Service | Renewable Energy | Total          |              |
| Amortization for the year | ¥—                  | ¥—              | ¥—                  | ¥53,836          | ¥53,836        | ¥—           |
| Unamortized balance       | —                   | —               | —                   | 201,883          | 201,883        | —            |

| March 31, 2022            | Thousands of U.S. dollars |                 |                  |       |                |              |
|---------------------------|---------------------------|-----------------|------------------|-------|----------------|--------------|
|                           | Reportable segments       |                 |                  |       | Reconciliation | Consolidated |
|                           | Conveyor Systems          | Parking Systems | Renewable Energy | Total |                |              |
| Amortization for the year | \$—                       | \$—             | \$440            | \$440 | \$—            | \$440        |
| Unamortized balance       | —                         | —               | 1,209            | 1,209 | —              | 1,209        |

## 23. Related Party Information

Transactions between the Company and related parties were as follows:

For the year ended March 31, 2022

|                                    |   |
|------------------------------------|---|
| Type of related party:             | Other affiliate   |
| Name of the related party:         | TCS HOLDINGS CO., LTD.                                      |
| Location:                          | Chuo-ku, Tokyo  |
| Capital:                           | ¥100,000 thousand (\$817 thousand)                          |
| Business:                          | Rental of real estate, holding and administration of shares |
| Ownership of voting rights:        | 1.3% directly and 32.0% indirectly owned                    |
| Relationship with related parties: | Management advisory and interlocking directors              |
| Nature of transactions:            | Share repurchase:   |
| Amount of transactions:            | ¥1,904,877 thousand (\$15,561 thousand)                     |
| Account title:                     | —   |
| Balance at fiscal year-end:        | ¥— thousand (\$— thousand)                                  |

Notes:

- The amount of transactions with TCS HOLDINGS CO., LTD. includes transactions with 22 companies that jointly held shares, Yoshiyuki Takayama, president & CEO of TCS HOLDINGS CO., LTD., Masahiro Takayama, director of TCS HOLDINGS CO., LTD. and TCS BUSINESS ASSOCIE CO., LTD., a firm where Masahiro Takayama serves as president.
- As a result of changes in the major shareholders of the Company on October 26, 2021, TCS HOLDINGS CO., LTD. is no longer a related party of the Company. The "Ownership of voting rights" above represents the ownership immediately before the changes in the major shareholders.

3. Trading conditions and policies for deciding such conditions:

Based on a decision by its Board of Directors on September 1, 2021, the Company made a tender offer to repurchase shares at ¥900 (\$7.35) per share.

For the year ended March 31, 2021

|                                    |  |
|------------------------------------|--|
| Type of related party:             | Subsidiary of other affiliate  |
| Name of the related party:         | INTERNETWARE CO., LTD.   |
| Location:                          | Chuo-ku, Tokyo   |
| Capital:                           | ¥80,000 thousand   |
| Business:                          | IT consulting business   |
| Ownership of voting rights:        | 2.0% directly owned  |
| Relationship with related parties: | None   |
| Nature of transactions:            | Sales of securities  |
| Transaction amount:                | Sales proceeds: ¥336,593 thousand<br>Gain on sales: ¥28,691 thousand |
| Account title:                     | —  |
| Balance at fiscal year-end:        | ¥— thousand  |

Notes:

1. The above transaction amounts do not include consumption taxes.
2. Trading conditions and policies for deciding such conditions:  
Selling price of securities was determined based on the appraisal statement of securities and the payment condition is a lump-sum payment.

## 24. Subsequent Events

(Disposal of treasury stock as restricted stock compensation)

At the Board of Directors' meeting held on June 27, 2022, the Company resolved to dispose of treasury stock as restricted stock compensation to the employees of the Company and its subsidiaries as follows:

### 1. Purpose and reason for disposal

At the Board of Directors' meeting held on April 23, 2019, the Company resolved to introduce a restricted stock compensation plan (hereinafter referred to as the "Plan") as a new compensation system for directors of the Company (excluding directors who are audit committee members) aiming to incentivize them to seek sustainable improvement of the Company's corporate value and to promote further value sharing with shareholders. In addition, at the third general shareholders' meeting held on June 25, 2019, proposals were approved to provide the Company's directors with monetary compensation claims within ¥100 million (\$817 thousand) per annum as investment in kind related to granting restricted shares under the Plan, separately from the existing monetary compensation, and to set the transfer restricted period for the restricted shares from the payment due date through the date of forfeiture of the position as a director of the Company or its subsidiary.

At the Board of Directors' meeting held on July 22, 2019, the Company resolved to introduce a restricted stock compensation plan similar to the Plan for the employees of the Company and directors and employees of the subsidiaries of the Company, although the transfer restricted period for the restricted shares granted to the employees of the Company and its subsidiaries was set at three years.

### 2. Outline of the disposal of treasury stock

|  |  |
|--|--|
| Payment due date   | July 26, 2022  |
| Type and number of shares to be disposed of                          | 63,753 shares of common stock of the Company   |
| Disposal value   | ¥2,088 (\$17.06) per share   |
| Total disposal value   | ¥133,116,264 (\$1,087,462)   |
| Method of offering or allotment                                      | To allot specified restricted shares   |
| Contribution method  | In kind contribution of monetary compensation claims   |
| Recipients, numbers thereof, and numbers of shares to be disposed of | 3 directors of the Company: 37,357 shares<br>1 employee of the Company: 146 shares<br>6 directors of the subsidiaries: 6,381 shares<br>4 executive officers of the subsidiaries: 3,520 shares<br>63 employees of the subsidiaries: 16,349 shares |
| Other  | A securities registration statement regarding the disposal of treasury stock has been submitted pursuant to the Japanese Financial Instruments and Exchange Act.   |

