
TVE Co., Ltd.

*Consolidated Financial Statements and
Related Notes to the Year Ended September 30, 2023
and Independent Auditor's Report*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of TVE Co., Ltd.:

Opinion

We have audited the consolidated financial statements of TVE Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as of September 30, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 2.u to the consolidated financial statements, the accompanying consolidated financial statements have been restated. Our opinion is not modified in respect of this matter.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Appropriateness of total estimated costs when providing for losses on contracts	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>The allowance for losses on contracts of ¥389 million was recognized on the consolidated balance sheet as of September 30, 2023. As described in Note 3 to the consolidated financial statements, the Group records expected losses on contracts if the amounts can be reasonably estimated at the end of the fiscal year.</p> <p>As described in Note 3 to the consolidated financial statements, allowance for losses on contracts is provided for the excess of the estimated costs of the projects over the contract prices. Therefore, the total estimated costs affect the amount of allowance for losses on contracts. The total estimated costs are determined based on order specifications from customers with reference to similar projects in the past in accordance with the Group's accounting policy for the estimation of the costs. The total estimated costs involve uncertainty, such as fluctuations in the estimated elements due to the impact of changes in order specifications from customers until the project is completed.</p> <p>We determined that the appropriateness of total estimated costs when providing for losses on contracts was a key audit matter because auditing the total estimated costs of projects for orders received required consideration of various factors related to estimation for each project and involved high degree of uncertainty.</p>	<p>In examining the appropriateness of total estimated costs when providing for losses on contracts, we performed the following audit procedures, among others:</p> <p>We obtained an understanding of the Group's monitoring activities for the project costs incurred against the budgets and estimating total projects costs and evaluated the design and operating effectiveness of the relevant internal controls, including the approval of initial and revised total estimated costs.</p> <p>We performed the following procedures for the projects selected considering the estimated losses exceeding certain threshold amount and qualitative risks such as project delays.</p> <ul style="list-style-type: none"> ▪ We identified the significant factors impacting total estimated costs and evaluated management's judgment on the impact of uncertainty in the estimated elements, including those related to customer specifications on goods and the timing of delivery, by making inquiries of management of sales division, technical division, maintenance division and accounting department and examining project budgets and cost accounting information. ▪ We compared the estimated man-hours of each project with actual man-hours of similar projects in terms of each cost item. ▪ We evaluated management's judgment in determining whether to revise total estimated costs, considering the facts and circumstances of each project based on our understanding obtained by making inquiries of management and examining project budgets and cost accounting information. ▪ We assessed the accuracy of total estimated costs by comparing the total estimated costs in the initial estimates and subsequent updates at the prior-period end with the actual total costs for the projects completed during the year.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

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

Deloitte Touche Tohmatsu LLC

February 8, 2024

TVE Co., Ltd. and Subsidiaries

**Consolidated Balance Sheet
September 30, 2023**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)		Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022 As Restated (Note 2.u)	2023		2023	2022 As Restated (Note 2.u)	2023
ASSETS				LIABILITIES AND EQUITY			
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents (Note 15)	¥ 4,707	¥ 4,126	\$ 31,382	Short-term bank loans	¥ 100	¥ 450	\$ 667
Receivables (Note 15):				Current portion of long-term debts (Notes 8, 14, and 15)	215	138	1,438
Trade notes	126	147	845	Payables:			
Electronically recorded claims	413	583	2,757	Trade notes	63	89	421
Trade accounts	1,825	1,614	12,172	Electronically recorded obligations	240	214	1,606
Contract assets	83	31	557	Trade accounts	331	346	2,208
Other	248	312	1,656	Other	387	481	2,583
Inventories (Note 7)	2,345	2,055	15,635	Contract liabilities (Note 12)	640	138	4,272
Prepaid expenses and other current assets	139	173	930	Income taxes payable	9	188	60
				Allowance for losses on contracts (Note 3)	389	349	2,599
Total current assets	<u>9,890</u>	<u>9,043</u>	<u>65,934</u>	Accrued expenses	502	420	3,353
				Other current liabilities	66	19	444
				Total current liabilities	<u>2,947</u>	<u>2,837</u>	<u>19,651</u>
PROPERTY, PLANT, AND EQUIPMENT (Note 8):							
Land	466	466	3,113	LONG-TERM LIABILITIES:			
Buildings and structures	1,048	862	6,990	Long-term debts (Notes 8, 14, and 15)	305	107	2,033
Machinery and equipment	596	560	3,976	Deferred tax liabilities (Note 11)	58		387
Furniture and fixtures	53	44	355	Net defined benefit liability (Note 9)	774	710	5,163
Leased assets	48	36	326	Other long-term liabilities	14	10	97
Construction in progress	36	145	244	Total long-term liabilities	<u>1,152</u>	<u>828</u>	<u>7,680</u>
Total property, plant, and equipment	<u>2,250</u>	<u>2,116</u>	<u>15,004</u>				
				COMMITMENTS AND CONTINGENT LIABILITIES (Note 14)			
INVESTMENTS AND OTHER ASSETS:				EQUITY (Note 10):			
Investment securities (Notes 6 and 15)	1,265	1,140	8,440	Common stock – authorized, 10,040,000 shares; issued, 2,678,600 shares in 2023 and 2022	1,739	1,739	11,597
Software	151	176	1,009	Capital surplus	1,663	1,663	11,092
Leased assets	71	41	479	Retained earnings	6,126	5,784	40,841
Goodwill	55	62	370	Treasury stock – at cost, 123,967 shares in 2023 and 127,547 shares in 2022	(203)	(211)	(1,360)
Customer-related assets	111	134	740	Accumulated other comprehensive income:			
Deferred tax assets (Note 11)	16	94	113	Unrealized gain on available-for-sale securities	673	335	4,492
Other assets	252	164	1,682	Foreign currency translation adjustments	89	62	599
Total investments and other assets	<u>1,924</u>	<u>1,814</u>	<u>12,833</u>	Defined retirement benefit plans	(123)	(64)	(821)
				Total	<u>9,965</u>	<u>9,308</u>	<u>66,440</u>
				Non-controlling interests		0	
				Total equity	<u>9,965</u>	<u>9,308</u>	<u>66,440</u>
TOTAL	<u>¥ 14,065</u>	<u>¥ 12,974</u>	<u>\$ 93,771</u>	TOTAL	<u>¥ 14,065</u>	<u>¥ 12,974</u>	<u>\$ 93,771</u>

See notes to consolidated financial statements.

TVE Co., Ltd. and Subsidiaries

Consolidated Statement of Operations Year Ended September 30, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2023</u>	<u>2022</u>	<u>2023</u>
SALES (Notes 12 and 18)	¥9,396	¥8,514	\$ 62,642
COST OF SALES	<u>6,956</u>	<u>6,756</u>	<u>46,376</u>
Gross profit	<u>2,439</u>	<u>1,757</u>	<u>16,266</u>
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 13)	<u>1,963</u>	<u>1,844</u>	<u>13,092</u>
Operating income	<u>476</u>	<u>(86)</u>	<u>3,174</u>
OTHER INCOME (EXPENSES):			
Interest and dividend income	47	44	319
Interest expense	(4)	(11)	(32)
Loss on disposal of property, plant, and equipment	(22)	(10)	(153)
Exchange gain (loss)	(15)	18	(103)
Subsidy income	6	37	45
Rent received	10	9	68
Profits on sales of scrap work	6	6	42
Gain on sales of securities	79	4	531
Other – net	<u>13</u>	<u>6</u>	<u>89</u>
Other income – net	<u>120</u>	<u>103</u>	<u>806</u>
INCOME BEFORE INCOME TAXES	<u>597</u>	<u>16</u>	<u>3,980</u>
INCOME TAXES (Note 11):			
Current	175	216	1,170
Deferred	<u>(13)</u>	<u>(138)</u>	<u>(92)</u>
Total income taxes	<u>161</u>	<u>77</u>	<u>1,078</u>
NET INCOME	<u>435</u>	<u>(60)</u>	<u>2,902</u>
NET INCOME (LOSS) ATTRIBUTABLE TO NON- CONTROLLING INTERESTS	<u> </u>	<u>(0)</u>	<u> </u>
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>¥ 435</u>	<u>¥ (60)</u>	<u>\$ 2,902</u>
	Yen		U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
PER SHARE OF COMMON STOCK (Notes 2.q and 17):			
Basic net income	¥186	¥(26)	\$1.24
Cash dividends applicable to the year	40	50	0.27

See notes to consolidated financial statements.

TVE Co., Ltd. and Subsidiaries

Consolidated Statement of Comprehensive Income Year Ended September 30, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022 As Restated (Note 2.u)	2023
NET INCOME	<u>¥435</u>	<u>¥(60)</u>	<u>\$2,902</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 16):			
Unrealized gain on available-for-sale securities	338	51	2,256
Foreign currency translation adjustments	27	44	180
Defined retirement benefit plans	<u>(58)</u>	<u>(64)</u>	<u>(389)</u>
Net other comprehensive (loss) income	<u>307</u>	<u>30</u>	<u>2,047</u>
COMPREHENSIVE INCOME	<u>¥742</u>	<u>¥(29)</u>	<u>\$4,949</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥742	¥(29)	\$4,949
Non-controlling interests		(0)	

See notes to consolidated financial statements.

TVE Co., Ltd. and Subsidiaries
**Consolidated Statement of Changes in Equity
Year Ended September 30, 2023**

	Shares/Millions of Yen				Millions of Yen							
	Common Stock Issued		Treasury Stock		Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income			Non-controlling Interests	Total Equity	
	Shares	Amount	Shares	Amount			Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			Total
BALANCE, OCTOBER 1, 2021	2,678,600	¥1,739	384,622	¥(638)	¥2,015	¥5,948	¥284	¥18	¥0	¥9,366	¥0	¥9,366
AS RESTATED (Note 2.u)												
Net income attributable to owners of the parent						(60)				(60)		(60)
Cash dividends, ¥50 per share						(103)				(103)		(103)
Purchase of treasury stock			200									
Disposal of treasury stock			(40,275)	66	8					75		75
Cancellation of treasury shares	(217,000)		(217,000)	360	(360)							
Change in unrealized loss on available-for-sale securities							51			51		51
Change in foreign currency translation adjustments								44		44		44
Change in defined retirement benefit plans as restated (Note 2.u)									(64)	(64)		(64)
Change in non-controlling interests											(0)	(0)
BALANCE, OCTOBER 1, 2022	2,461,600	1,739	127,547	(211)	1,663	5,784	335	62	(64)	9,308	0	9,308
Net income attributable to owners of the parent						435				435		435
Cash dividends, ¥40 per share						(93)				(93)		(93)
Change in ownership interest of parent due to transactions with non-controlling interests					(0)					(0)		(0)
Purchase of treasury stock			1,050	(0)						(0)		(0)
Disposal of treasury stock			(4,630)	7	0					8		8
Cancellation of treasury shares												
Change in unrealized loss on available-for-sale securities							338			338		338
Change in foreign currency translation adjustments								27		27		27
Change in defined retirement benefit plans									(58)	(58)		(58)
Change in non-controlling interests											(0)	(0)
BALANCE, SEPTEMBER 30, 2023	<u>2,461,600</u>	<u>¥1,739</u>	<u>123,967</u>	<u>¥(203)</u>	<u>¥1,663</u>	<u>¥6,126</u>	<u>¥673</u>	<u>¥89</u>	<u>¥(123)</u>	<u>¥9,965</u>	<u>¥</u>	<u>¥9,965</u>

TVE Co., Ltd. and Subsidiaries

**Consolidated Statement of Changes in Equity
Year Ended September 30, 2023**

	Thousands of U.S. Dollars (Note 1)									
	Common Stock Issued	Treasury Stock	Accumulated Other Comprehensive Income					Non-controlling Interests	Total Equity	
			Capital Surplus	Retained Earnings	Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			Total
Amount	Amount									
BALANCE, OCTOBER 1, 2022	\$ 11,597	\$(1,410)	\$ 11,087	\$ 38,562	\$ 2,236	\$ 419	\$(432)	\$ 62,059	\$ 1	\$ 62,060
Net income attributable to owners of the parent				2,902				2,902		2,902
Cash dividends, \$0.27 per share				(623)				(623)		(623)
Change in ownership interest of parent due to transactions with non-controlling interests			(2)					(2)		(2)
Purchase of treasury stock		(1)						(1)		(1)
Disposal of treasury stock		51	7					58		58
Cancellation of treasury shares										
Change in unrealized loss on available-for-sale securities					2,256			2,256		2,256
Change in foreign currency translation adjustments						180		180		180
Change in defined retirement benefit plans							(389)	(389)		(389)
Change in non-controlling interests									(1)	(1)
BALANCE, SEPTEMBER 30, 2023	<u>\$ 11,597</u>	<u>\$(1,360)</u>	<u>\$ 11,092</u>	<u>\$ 40,841</u>	<u>\$ 4,492</u>	<u>\$ 599</u>	<u>\$(821)</u>	<u>\$ 66,440</u>	<u>\$</u>	<u>\$ 66,440</u>

See notes to consolidated financial statements.

TVE Co., Ltd. and Subsidiaries

Consolidated Statement of Cash Flows Year Ended September 30, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2023</u>	<u>2022</u>	<u>2023</u>
OPERATING ACTIVITIES:			
Income before income taxes	¥ 597	¥ 16	\$ 3,980
Adjustments for:			
Income taxes – paid	(634)	(268)	(4,230)
Depreciation and amortization	368	330	2,457
Changes in assets and liabilities:			
(Increase) decrease in trade receivables and contract assets	(73)	400	(488)
(Increase) decrease in inventories	(284)	(366)	(1,898)
(Decrease) increase in trade payables	(15)	117	(106)
(Decrease) increase in allowance for losses on contracts	40	46	272
Increase (decrease) in contract liabilities	500	(58)	3,338
Other – net	613	(601)	4,088
Net cash (used in) provided by operating activities	<u>1,111</u>	<u>(382)</u>	<u>7,413</u>
INVESTING ACTIVITIES:			
Decrease in time deposit	(100)		(667)
Payments for purchases of property, plant, and equipment	(572)	(359)	(3,819)
Payments for purchases of intangible assets	(52)	(79)	(351)
Proceeds from maturity of insurance funds		656	
Proceeds from sales of securities and investment securities	442		2,950
Purchase of shares of subsidiaries resulting in change in scope of consolidation		(1,021)	
Other	(15)	(3)	(101)
Net cash used in investing activities	<u>(298)</u>	<u>(806)</u>	<u>(1,988)</u>
FINANCING ACTIVITIES:			
(Decrease) increase in short-term bank loans-net	(350)	450	(2,333)
Proceeds from issuance of long-term debt	400		2,667
Repayments of long-term debt	(171)	(98)	(1,146)
Dividends paid	(93)	(103)	(624)
Other	(45)	(34)	(302)
Net cash provided by (used in) financing activities	<u>(260)</u>	<u>214</u>	<u>(1,738)</u>
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS			
	<u>27</u>	<u>45</u>	<u>186</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	580	(929)	3,873
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,126</u>	<u>5,055</u>	<u>27,509</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥4,707</u>	<u>¥ 4,126</u>	<u>\$ 31,382</u>

See notes to consolidated financial statements.

TVE Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

As of and for the Years Ended September 30, 2023 and 2022

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

The consolidated financial statements are stated in Japanese yen, the functional and presentation currency of TVE Co., Ltd. (the "Company"). The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥150 to \$1, the approximate rate of exchange at September 30, 2023. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Japanese yen figures less than a million yen are rounded down to the nearest million yen, except for per share data.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation – The consolidated financial statements as of September 30, 2023 and 2022, include the accounts of the Company and all of its subsidiaries (together, the "Group").

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

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

Cash equivalents include time deposits, certificates of deposit, commercial paper, and bond funds, all of which mature or become due within three months of the date of acquisition.

c. Inventories – Inventories are stated at the lower of cost or net selling value. Cost is determined by the specific identification method for finished products and work in process and by the average cost method for raw materials and supplies.

d. Marketable and Investment Securities – Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at amortized cost and (2) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

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

- e. Property, Plant, and Equipment** – Property, plant, and equipment are stated at cost. Depreciation of property, plant, and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method based on the estimated useful lives of the assets, except for a foreign subsidiary which uses the straight-line method. Additionally, the straight-line method is applied to buildings acquired after April 1, 1998, lease assets, and building improvements and structures acquired on or after April 1, 2016. The range of useful lives is principally from 28 to 45 years for buildings and structures, from 4 to 12 years for machinery and equipment, and from 2 to 20 years for furniture and fixtures. The useful lives for lease assets are the terms of the respective leases.
- f. Long-Lived Assets** – The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
- g. Retirement and Pension Plans** – The Company and certain consolidated subsidiaries have severance payment plans for employees. They are contributory funded defined benefit pension plans and defined contribution pension plans.

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

- h. Allowance for Losses on Contracts** – To account for losses on contracts for orders received, an amount is estimated equal to the amount of foreseeable losses that can be reasonably estimated at the end of the fiscal year.
- i. Asset Retirement Obligations** – Asset retirement obligations are recorded for future liabilities, of an uncertain timing or amount, which relate to legal or constructive obligations to decommission or retire an asset. Such obligations typically arise following the acquisition, construction, development, or normal operation of a tangible fixed asset. The valuation of the asset retirement obligation is calculated as the sum of the discounted cash flows required for completing future asset retirement activities and is first recognized in the period in which the obligation arises, provided that a reasonable estimate can be made. If a reasonable estimate of the timing and amount of the asset retirement obligation cannot be made in the same period it arises, the liability is recognized in the first period in which a reliable estimate can be made. Upon initial recognition of an asset retirement obligation, the income statement expense is capitalized, thereby increasing the value of the underlying fixed asset. The capitalized expense is subsequently charged to the income statement via depreciation, thereby matching the useful economic life of the asset. Over time, the liability is accreted to its present value each period, with a finance cost recognized in the income statement. Any subsequent revisions to the timing or amount of the cash flows are recorded as adjustments to the book value of the asset retirement liability and the corresponding asset.

- j. Revenue Recognition** – The Group's principal businesses include development, manufacture and sale of various industrial valves, maintenance, and electrical equipment related businesses. Performance obligation under a sales contract for products is satisfied upon delivery of the products to the customer because the legal ownership, physical possession and significant risks and economic value associated with the ownership of the products are transferred to the customer at that time and the Group is deemed to be entitled to receive payment for the transaction from our customers. However, revenue is recognized at the time of shipment for domestic sales. In addition, the group performance obligations for sales contracts of products to overseas customers are satisfied based on the trade terms established by Incoterms when control and risk are transferred to customers. Upon satisfaction of performance obligations, the Group recognizes revenue.

For repair and inspection of various industrial valves, maintenance services are provided to the valves, hence, provision of maintenance is a performance obligation where revenue is recognized when the maintenance is completed. For electrical equipment related business, the inspection of measuring instruments is a performance obligation. Revenue recognition is over time as the performance obligation is based on the percentage of completion which is fulfilled over a period of time, except for when the service is excepted to be performed within a short period of time. When accrued costs could not be reasonably estimated to calculate the percentage of completion, cost recovery method is used when costs can be recovered. If the performance obligation is point in time, revenue is recognized when the service is provided.

- k. Research and Development Costs** – Research and development costs are charged to the income statement as they are incurred.
- l. Leases** – Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the balance sheet.
- m. Bonuses to Directors** – Bonuses to directors are accrued for at the end of the year to which the Directors' services relate.
- n. Income Taxes** – The provision for income taxes is calculated based on the 'income before taxes' included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.
- o. Foreign Currency Transactions** – All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.
- p. Foreign Currency Financial Statements** – The balance sheet accounts of the consolidated foreign subsidiary are translated into Japanese yen at the current exchange rate at the balance sheet date, except for equity accounts, which are translated at the historical rate. Differences arising on translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Income and expense accounts of the foreign subsidiary are translated into yen at the average exchange rate during the year.
- q. Per Share Information** – Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period.

Cash dividends per share presented in the accompanying consolidated income statement are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

The weighted-average number of common shares outstanding for the years ended September 30, 2023 and 2022, were 2,336,704, and 2,308,415, respectively.

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

s. Additional Information – Accounting estimates associated with novel coronavirus disease (COVID-19).

The Group is making accounting estimates for recoverability of deferred tax assets, etc. based on the assumption that the impact of COVID-19 will continue for fiscal year ending September 30, 2024.

t. New Accounting Pronouncements –

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

(1) Summary The "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, Accounting Standards Board of Japan), etc. was released in February 2018, completing the transfer of management of practical guidance on tax effect accounting from the Japanese Institute of Certified Public Accountants to the Accounting Standards Board of Japan. In the related deliberation process, the following two points were scheduled for reconsideration after the release of ASBJ Statement No. 28. These accounting standards represent the announcement of deliberation on these points.

- The accounting classification for tax expenses (tax on other comprehensive income)
- The tax effect associated with the sale of shares of subsidiaries, etc. (subsidiaries and affiliates) in cases where the group tax sharing system is applied

(2) Scheduled date of application

It is scheduled to be applied from the beginning of the fiscal year ending September 30, 2025.

(3) Effect of application of the aforementioned accounting standards, etc.

The effect of application of the "Accounting Standard for Current Income Taxes," etc. on the consolidated financial statements is currently under review.

u. Restatement for the Year Ended September 30, 2022

The Company identified an error related to retirement benefits liability during the fiscal year ended September 30, 2022. As a result, the Company has restated its previously issued consolidated financial statements disclosed in the Annual Securities Report, and revised figures are presented on its consolidated financial statements for the fiscal year ended September 30, 2022.

The following is a summary of the corrections applied on the consolidated financial statements for the fiscal year ended September 30, 2022:

	Millions of Yen		
	As Previously Reported	Adjustments	As Restated
Consolidated balance sheet:			
Liability for retirement benefits	¥ 630	¥ 80	¥ 710
Defined retirement benefit plans	15	(80)	(64)
Total liabilities and equity	¥ 12,974	¥	¥ 12,974

3. SIGNIFICANT ACCOUNTING ESTIMATE

Allowance for Losses on Contracts

(1) *Carrying amounts*

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Allowance for losses on contracts	¥389	¥349	\$2,599

(2) *Information on the significant accounting estimate*

Calculation method of estimation

The Group records allowance for losses on contracts if the future losses are expected and the amounts can be reasonably estimated at the end of the fiscal year. Losses on contracts provided for the excess of the estimated costs of the projects over the contract prices.

Key assumptions for the estimation

The total estimated costs are calculated based on order specifications from customers with reference to similar projects in the past in accordance with the Company's accounting policy for the estimation of the costs.

Impact on the next fiscal year's consolidated financial statements

The total estimated costs involve uncertainty, such as fluctuations in the estimated elements due to the impact of changes in order specifications from customers until the project is completed.

4. ACCOUNTING CHANGE

Fair Value Measurement – Effective from the beginning of the year ended September 30, 2023, the Company applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; the "Fair Value Measurement Guidance"). The new accounting policies will be prospectively applied as stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. The application has no impact on the consolidated financial statements. The Company does not present notes pertaining to the previous period on investment trusts in fair value information by level within the fair value hierarchy in the notes on financial instruments in accordance with Paragraph 27-3 of the Fair Value Measurement Guidance.

5. CHANGES IN PRESENTATION

"Contract liabilities" which was included in "Other current liabilities" in the previous fiscal year, were presented separately in the current fiscal year due to an increase in quantitative materiality. To reflect this change in presentation method, in the consolidated statements of income for the previous fiscal year, ¥158 million (\$4,716 thousand) that had been presented as "Other current liabilities" was reclassified as ¥19 million (\$444 thousand) in "Other current liabilities" and ¥138 million (\$4,272 thousand) in "Contract liabilities."

6. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of September 30, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Non-current:			
Equity securities	¥1,232	¥1,110	\$8,216
Trust fund investments and other	<u>33</u>	<u>30</u>	<u>224</u>
Total	<u>¥1,265</u>	<u>¥1,140</u>	<u>\$8,440</u>

The costs and aggregate fair values of marketable and investment securities at September 30, 2023 and 2022, were as follows:

	Millions of Yen			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
<u>September 30, 2023</u>				
Securities classified as:				
Available-for-sale:				
Equity securities	¥269	¥959	¥0	¥1,229
Other	26	7	0	33
	Millions of Yen			
<u>September 30, 2022</u>	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Securities classified as:				
Available-for-sale:				
Equity securities	¥632	¥485	¥(10)	¥1,107
Other	26	4	(0)	30
	Thousands of U.S. Dollars			
<u>September 30, 2023</u>	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Securities classified as:				
Available-for-sale:				
Equity securities	\$1,801	\$6,398	\$0	\$8,199
Other	177	47	0	224

Investments in equity instruments that do not have a quoted market price were ¥2 million (\$17 thousand) and ¥2 million as of September 30, 2023 and 2022, respectively.

7. INVENTORIES

Inventories at September 30, 2023 and 2022, consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2023</u>	<u>2022</u>	<u>U.S. Dollars</u>
			<u>2023</u>
Finished products	¥ 171	¥ 157	\$ 1,146
Work in process	1,721	1,452	11,477
Raw materials and supplies	<u>451</u>	<u>444</u>	<u>3,012</u>
Total	<u>¥2,345</u>	<u>¥2,055</u>	<u>\$ 15,635</u>

8. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at September 30, 2023, consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.35% to 0.50% at September 30, 2023.

Long-term debt at September 30, 2023 and 2022, consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2023</u>	<u>2022</u>	<u>U.S. Dollars</u>
			<u>2023</u>
Loans from banks and other financial institutions, due serially to 2025 with interest rates ranging from 0.25% to 0.8% (2023) and from 0.47% to 0.6% (2022):			
Collateralized	¥ 355	¥ 90	\$ 2,367
Unsecured	36	73	244
Lease obligations	<u>129</u>	<u>82</u>	<u>860</u>
Total	520	245	3,471
Less current portion	<u>(215)</u>	<u>(138)</u>	<u>(1,438)</u>
Long-term debt, less current portion	<u>¥ 305</u>	<u>¥ 107</u>	<u>\$ 2,033</u>

Annual maturities of long-term debt at September 30, 2023, were as follows:

<u>Years Ending September 30</u>	<u>Millions of</u>	<u>Thousands of</u>
	<u>Yen</u>	<u>U.S. Dollars</u>
2024	¥215	\$1,438
2025	137	915
2026	122	820
2027	43	288
2028	<u>1</u>	<u>10</u>
Total	<u>¥518</u>	<u>\$3,471</u>

The carrying amounts of assets pledged as collateral for the collateralized long-term debt at September 30, 2023, were as follows:

	<u>Millions of</u>	<u>Thousands of</u>
	<u>Yen</u>	<u>U.S. Dollars</u>
Property, plant, and equipment – net of accumulated depreciation	¥521	\$3,477

General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances if requested by such banks and that certain banks have the right to offset cash deposited with them against any long-term or short-term debt or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the banks. The Company has never been requested to provide any additional collateral.

9. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees. They are contributory funded defined benefit pension plans and defined contribution pension plans.

Under most circumstances, employees of the Company terminating their employment are entitled to retirement benefits determined based on post, grade, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company and a lump-sum severance payment or annuity payments from a trustee and specified retirement allowance mutual aid.

Employees of certain consolidated subsidiaries are also entitled to retirement benefits under most circumstances. Such retirement benefits are made in the form of a lump-sum severance payment from the subsidiaries and a lump-sum severance payment or annuity payments from smaller enterprise retirement allowance mutual aid.

Years Ended September 30, 2023 and 2022

- (1) The changes in defined benefit obligation for the years ended September 30, 2023 and 2022 were as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2023</u>	<u>2022</u> As Restated (Note 2.u)	<u>U.S. Dollars</u> <u>2023</u>
Balance at beginning of year (as restated)	¥1,700	¥1,724	\$ 11,339
Current service cost	94	94	629
Interest cost	10	10	71
Actuarial losses	57	37	380
Benefits paid	<u>(109)</u>	<u>(166)</u>	<u>(733)</u>
Balance at end of year	<u>¥1,752</u>	<u>¥1,700</u>	<u>\$ 11,686</u>

- (2) The changes in plan assets for the years ended September 30, 2023 and 2022 were as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2023</u>	<u>2022</u>	<u>U.S. Dollars</u> <u>2023</u>
Balance at beginning of year	¥ 990	¥1,045	\$6,601
Expected return on plan assets	14	15	99
Actuarial losses	(6)	(23)	(44)
Contributions from the employer	51	52	341
Benefits paid	<u>(71)</u>	<u>(99)</u>	<u>(474)</u>
Balance at end of year	<u>¥978</u>	<u>¥ 990</u>	<u>\$6,523</u>

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

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u> As Restated (Note 2.u)	<u>2023</u>
Defined benefit obligation	¥1,213	¥1,138	\$ 8,092
Plan assets	<u>(978)</u>	<u>(990)</u>	<u>(6,523)</u>
Total	235	147	1,569
Unfunded defined benefit obligation	<u>538</u>	<u>562</u>	<u>3,594</u>
Net liability arising from defined benefit obligation	<u>¥ 774</u>	<u>¥ 710</u>	<u>\$ 5,163</u>

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u> As Restated (Note 2.u)	<u>2023</u>
Liability for retirement benefits	<u>¥774</u>	<u>¥710</u>	<u>\$5,163</u>
Net liability arising from defined benefit obligation	<u>¥774</u>	<u>¥710</u>	<u>\$5,163</u>

- (4) The components of net periodic benefit costs for the years ended September 30, 2023 and 2022 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Service cost	¥ 94	¥ 94	\$ 629
Interest cost	10	10	71
Expected return on plan assets	(14)	(15)	(99)
Recognized actuarial losses	<u>5</u>	<u>(3)</u>	<u>34</u>
Net periodic benefit costs	<u>¥ 95</u>	<u>¥ 85</u>	<u>\$ 635</u>

- (5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended September 30, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u> As Restated (Note 2.u)	<u>2023</u>
Actuarial (gains) losses	<u>¥(58)</u>	<u>¥(64)</u>	<u>\$ (389)</u>
Total	<u>¥(58)</u>	<u>¥(64)</u>	<u>\$ (389)</u>

- (6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of September 30, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022 As Restated (Note 2.u)	2023
Unrecognized actuarial losses	¥ 123	¥ 64	\$ 821
Total	<u>¥ 123</u>	<u>¥ 64</u>	<u>\$ 821</u>

- (7) Plan assets

a. Components of plan assets

Plan assets as of September 30, 2023 and 2022, consisted of the following:

	2023	2022
General account	71 %	71 %
Special account:		
Domestic bonds	25	25
Domestic stocks	<u>4</u>	<u>4</u>
Total	<u>100 %</u>	<u>100 %</u>

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

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

- (8) Assumptions used for the years ended September 30, 2023 and 2022, were as follows:

	2023	2022
Discount rate	0.6 %	0.6 %
Expected rate of return on plan assets	1.5 %	1.5 %

- (9) Defined contribution pension plan

Required contributions to the defined contribution pension plan of the Company and certain consolidated subsidiaries were ¥28 million (\$190 thousand) and ¥24 million as at September 30, 2023 and 2022, respectively.

10. EQUITY

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

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a board of directors, (2) having independent auditors, (3) having an audit and supervisory board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by their articles of incorporation, the board of directors may declare dividends (except for dividends in kind) at any time during the fiscal year if a company has prescribed so in its articles of incorporation. With respect to the third condition above, the board of directors of companies with (a) board committees (namely, appointment committee, compensation committee, and audit committee) or (b) an audit and supervisory committee (as implemented under the Companies Act effective May 1, 2015) may also declare dividends at any time because such companies, by nature, meet the criteria under the Companies Act. The Company was organized as a company with an audit and supervisory committee effective December 22, 2016, however, the Company cannot do so because it does not meet the above criteria.

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

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

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

c. Treasury Stock and Treasury Stock Acquisition Rights

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

11. INCOME TAXES

The Company and its consolidated domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rate of approximately 30.6% for the years ended September 30, 2023 and 2022.

The tax effects of significant temporary differences and tax losses carried forward, which resulted in deferred tax assets and liabilities at September 30, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022 As Restated (Note 2.u)	2023
Deferred tax assets:			
Accrued bonuses	¥ 113	¥ 98	\$ 758
Allowance for losses on contracts	120	109	803
Liability for retirement benefits	237	217	1,582
Property, plant, and equipment	125	130	835
Inventories	58	52	388
Tax loss carryforwards	85	151	573
Other	51	40	343
Total of tax loss carryforwards and temporary difference	792	799	5,282
Less valuation allowance for tax loss carryforwards	(85)	(120)	(573)
Less valuation allowance for temporary differences	(453)	(439)	(3,025)
Total valuation allowance	(539)	(560)	(3,598)
Deferred tax assets	<u>252</u>	<u>238</u>	<u>1,684</u>
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(293)	(143)	(1,958)
Total	<u>(293)</u>	<u>(143)</u>	<u>(1,958)</u>
Net deferred tax assets	<u>¥ (41)</u>	<u>¥ 94</u>	<u>\$ (274)</u>

The expiration of tax losses carried forward, the related valuation allowances and the resulting net deferred tax assets as of September 30, 2023 and 2022, were as follows:

	Millions of Yen						Total
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	
<u>September 30, 2023</u>							
Deferred tax assets relating to tax loss carryforwards				¥ 0		¥ 85	¥ 85
Less valuation allowances for tax loss carryforwards				(0)		(85)	(85)
Net deferred tax assets relating to tax loss carryforwards							
<u>September 30, 2022</u>							
Deferred tax assets relating to tax loss carryforwards				¥ 0	¥ 2	¥ 149	¥ 151
Less valuation allowances for tax loss carryforwards				(0)	(2)	(118)	(120)
Net deferred tax assets relating to tax loss carryforwards						31	31

	Thousands of U.S. Dollars						Total
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	
<u>September 30, 2023</u>							
Deferred tax assets relating to tax loss carryforwards				\$ 6		\$ 567	\$ 573
Less valuation allowances for tax loss carryforwards				(6)		(567)	(573)
Net deferred tax assets relating to tax loss carryforwards							

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the consolidated income statement for the year ended September 30, 2023, with the corresponding figures for 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Normal effective statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	2.6	42.0
Change in valuation allowance for deferred tax assets	73.1	333.6
Inhabitant tax on per capita basis	2.6	91.7
Difference in tax rates between foreign subsidiaries	(1.6)	(36.2)
Other – net	<u>(80.2)</u>	<u>(3.8)</u>
Actual effective tax rate	<u>27.1%</u>	<u>457.9%</u>

12. REVENUE

(1) *Disaggregation of Revenue*

Disaggregation of revenue is described in Note 18 to the consolidated financial statements.

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

Basic information to understand revenues from contracts with customers is described in Note 2.j. to the consolidated financial statements.

(3) *Contract Balances*

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

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2023</u>	<u>2022</u>	<u>U.S. Dollars</u>
Receivables from contracts with customers:			
Balance at beginning of year	¥2,344	¥2,556	\$ 15,633
Balance at end of year	2,366	2,344	15,774
Contract assets:			
Balance at beginning of year	31		210
Balance at end of year	83	31	557
Contract liabilities:			
Balance at beginning of year	138	93	924
Balance at end of year	640	138	4,272

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

The Group applies the practical expedient not to allocate the transaction prices to the remaining performance obligations that are over one year since the amount is considered immaterial. For significant contracts, the amounts of consideration arising from the contracts with the customers are included in the transaction price.

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs expensed to the income statement were ¥127 million (\$852 thousand) and ¥217 million for the years ended September 30, 2023 and 2022, respectively.

14. LEASES

The Group leases certain computer equipment and software.

Total lease payments under finance leases for the years ended September 30, 2023 and 2022, were ¥44 million (\$295 thousand) and ¥33 million, respectively.

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

The Group mainly consists of two businesses. One area is the maintenance of valves, for which the average receivable collection period is a few months. The other area of business is the manufacture and sale of valves for which the average receivable collection period is comparatively longer than for valve maintenance revenue. The Group's investment and financing operations are governed by the board ratified business plans.

Cash surpluses, if any, are invested in low-risk and highly liquid financial assets. Short-term bank loans are used to finance current operations. Long-term bank loans and leases are used for both current operations and capital investment. The Group sometimes hedges the risk of floating interest rates of long-term bank loans via interest rate swaps.

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

Trade notes and trade accounts receivable are exposed to customer credit risk. However, the Group trades almost half of its products and services through Japanese major 'sōgō shōsha' (approximate translation is a 'general trading company') which are diversified, stable and are easily able to trade on credit. The group trades the other half of its products and services with financially stable, non-sōgō shōsha companies, such as Japanese plant makers.

Most of the companies the Group trades with are long-term customers whom the Group has established as having relatively low credit risk. The Group conducts effective credit exposure management with a focus on newer customers. Furthermore, the Group frequently makes use of letters of credit when trading with customers based outside of Japan.

Marketable and investment securities are exposed to market price fluctuations. Marketable securities are low-risk and highly liquid money market funds and corporate bonds that will be redeemed in less than one year. Investment securities consist mainly of equity securities of companies related to the Group's business.

Payment terms of trade notes payable, trade accounts payable, and income taxes payable are less than one year. Short-term bank loans are used to fund current operations and the interest rate is fixed. Long-term bank loans are used for current operations and equipment investment, and interest rates are fixed and floating. Payables, short-term bank loans, and long-term bank loans with fixed interest rates are exposed to liquidity risk, which the Group manages by making monthly collection forecasts and holding a cash surplus.

(3) *Fair Values of Financial Instruments*

Fair values of financial instruments are as follows:

Investments in equity instruments that do not have a quoted market price in an active market are not included in the following table. The fair values of cash and cash equivalents, receivables-trade, payables-trade, and short-term borrowings are not disclosed because their maturities are short and the carrying values approximate fair value.

(a) Fair value of financial instruments

	Millions of Yen		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gain/Loss</u>
<u>September 30, 2023</u>			
Marketable and investment securities	<u>¥1,263</u>	<u>¥1,263</u>	—
Total assets	<u>¥1,263</u>	<u>¥1,263</u>	—
Lease obligations	¥ 129	¥ 129	¥ 0
Long-term debt	<u>391</u>	<u>383</u>	<u>(7)</u>
Total liabilities	<u>¥ 520</u>	<u>¥ 512</u>	<u>¥(7)</u>

	Millions of Yen		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gain/Loss</u>
<u>September 30, 2022</u>			
Marketable and investment securities	<u>¥1,138</u>	<u>¥1,138</u>	—
Total assets	<u>¥1,138</u>	<u>¥1,138</u>	—
Lease obligations	¥ 82	¥ 82	¥ 0
Long-term debt	<u>163</u>	<u>156</u>	<u>(7)</u>
Total liabilities	<u>¥ 245</u>	<u>¥ 238</u>	<u>¥(6)</u>

	Thousands of U.S. Dollars		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gain/Loss</u>
<u>September 30, 2023</u>			
Marketable and investment securities	<u>\$8,422</u>	<u>\$8,422</u>	—
Total assets	<u>\$8,422</u>	<u>\$8,422</u>	—
Lease obligations	\$ 860	\$ 860	\$ 0
Long-term debt	<u>2,611</u>	<u>2,558</u>	<u>(53)</u>
Total liabilities	<u>\$3,471</u>	<u>\$3,418</u>	<u>\$(53)</u>

(b) Carrying amount of investments in equity instruments that do not have a quoted market price in an active market

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Unlisted equity instruments	¥2	¥2	\$17

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

	Millions of Yen			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
<u>September 30, 2023</u>				
Cash and cash equivalents	¥4,707	¥	¥	¥
Receivables:				
Trade notes	126			
Electronically recorded claims	413			
Trade accounts	1,825			
Contract asset	83			
	<u>¥7,156</u>	<u>¥</u>	<u>¥</u>	<u>¥</u>
Total				

	Millions of Yen			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
<u>September 30, 2022</u>				
Cash and cash equivalents	¥4,126	¥	¥	¥
Receivables:				
Trade notes	147			
Electronically recorded claims	583			
Trade accounts	1,614			
Contract asset	31			
	<u>¥6,502</u>	<u>¥</u>	<u>¥</u>	<u>¥</u>
Total				

	Thousands of U.S. Dollars			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
<u>September 30, 2023</u>				
Cash and cash equivalents	\$ 31,382	\$	\$	\$
Receivables:				
Trade notes	845			
Electronically recorded claims	2,757			
Trade accounts	12,172			
Contract asset	557			
	<u>\$ 47,713</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total				

Please see Note 8 for annual maturities of long-term debt.

(5) Financial Instruments Categorized by Fair Value Hierarchy

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

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

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

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

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

(1) The financial assets and liabilities measured at the fair values in the consolidated balance sheet

<u>September 30, 2023</u>	Millions of Yen			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable and investment securities	¥1,229			¥1,229
Mutual funds		¥33		33
Total assets	<u>¥1,229</u>	<u>¥33</u>		<u>¥1,263</u>

<u>September 30, 2022</u>	Millions of Yen			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable and investment securities	¥1,107			¥1,107
Mutual funds				
Total assets	<u>¥1,107</u>			<u>¥1,107</u>

<u>September 30, 2023</u>	Thousands of U.S. Dollars			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable and investment securities	\$8,198			\$8,198
Mutual funds		\$224		224
Total assets	<u>\$8,198</u>	<u>\$224</u>		<u>\$8,422</u>

(2) The financial assets and liabilities not measured at the fair values in the consolidated balance sheet

<u>September 30, 2023</u>	Millions of Yen			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Lease obligations		¥129		¥129
Long-term debt		383		383
Total liabilities		<u>¥512</u>		<u>¥512</u>

<u>September 30, 2022</u>	Millions of Yen			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable and investment securities		¥ 82		¥ 82
Mutual funds		156		156
Total assets		<u>¥ 238</u>		<u>¥ 238</u>

<u>September 30, 2023</u>	Thousands of U.S. Dollars			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Lease obligations		\$ 861		\$ 861
Long-term debt		2,558		2,558
Total liabilities		<u>\$ 3,419</u>		<u>\$ 3,419</u>

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price on the stock exchange. Since listed equity securities are traded in active markets, the fair values of listed equity securities are categorized as Level 1.

Long-term debt and lease obligations

The fair values of long-term debt and lease obligations are calculated by discounting the cash flows related to the debt by the Group's assumed corporate borrowing rate for the fiscal year ended September 30, 2023, and are categorized as Level 2.

16. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended September 30, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of
	<u>2023</u>	<u>2022</u> As Restated (Note 2.u)	<u>U.S. Dollars</u> <u>2023</u>
Unrealized (loss) gain on available-for-sale securities:			
(Losses) gains arising during the year	¥ 567	¥ 73	\$ 3,782
Recycling	(79)	0	(531)
Amount before income tax effect	487	73	3,251
Income tax effect	(149)	(22)	(994)
Total	<u>338</u>	<u>51</u>	<u>2,256</u>
Foreign currency translation adjustments:			
Adjustments arising during the year	<u>27</u>	<u>44</u>	<u>180</u>
Defined retirement benefit plans:			
Adjustments arising during the year	(63)	(61)	(424)
Reclassification adjustments to profit or loss	5	(3)	34
Amount before income tax effect	(58)	(64)	(389)
Total	<u>(58)</u>	<u>(64)</u>	<u>(389)</u>
Total other comprehensive income	<u>¥ 307</u>	<u>¥ 30</u>	<u>\$ 2,047</u>

17. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended September 30, 2023 and 2022, is as follows:

	<u>Millions of Yen</u>	<u>Thousands of Shares</u>	<u>Yen</u>	<u>U.S. Dollars</u>
<u>Year Ended September 30, 2023</u>	<u>Net Income Attributable to Owners of the Parent</u>	<u>Weighted- Average Shares</u>	<u>EPS</u>	
Basic EPS—Net income available to common shareholders	¥ 435	2,336	<u>¥ 186</u>	<u>\$ 1.242</u>
<u>Year Ended September 30, 2022</u>				
Basic EPS—Net income available to common shareholders	¥ (60)	2,308	<u>¥ (26)</u>	

18. 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 Company's management is performed in order to decide how resources are allocated among the Group.

The main business of the Group is to manufacture and sell valves and their parts, to repair and maintain valves, and to manufacture and sell cast metal. The manufacture and sale of valves and their parts and repair and maintenance of valves are closely related. The Group administers these businesses and plots strategies for them as a whole.

Therefore, the Group consists of Business A, Business B, Business C and other businesses. Business A consists of the valve business. Business B consists of the cast metal business. Business C consists of the electrical equipment business. Other businesses include the decommissioning of nuclear power plants, metal recycling, regional reconstruction, and other businesses.

The cast metal manufacturing division of the Company deals in the manufacture and sale of cast metal parts for valves in the Group and the manufacture and sale of cast metal mainly for construction machinery outside of the Group.

Segment amounts for Business B relate only to the manufacture and sale of cast metal to external customers. Amounts related to the manufacture of cast metal for the manufacture of valves within the Group are aggregated to Business A.

(2) *Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, Liabilities, 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." The components of segment profit are consistent with the components of operating income in the consolidated statement of income.

(3) Information about Sales, Profit (Loss), Assets, and Other Items

Millions of Yen							
2023							
	Reportable Segments			Total	Other	Reconciliations	Consolidated
	A	B	C				
Sales:							
Sale of valves	¥1,460			¥1,460			¥ 1,460
Sale of parts	980			980			980
Maintenance of valves in nuclear power plants	1,225			1,225			1,225
Maintenance of valves in other plants	2,912			2,912			2,912
Sales of the cast metal business		¥1,158		1,158			1,158
Maintenance of the electrical equipment			¥1,432	1,432			1,432
Others					¥226		226
Revenues from contracts with customers	6,579	1,158	1,432	9,170	226		9,396
Other revenue							
Sales to external customers	6,579	1,158	1,432	9,170	226		9,396
Intersegment sales or transfers	41	2		44	29	¥ (73)	
Total	6,620	1,161	1,432	9,214	255	(73)	9,396
Segment profit or (loss)	1,385	(181)	175	1,378	(71)	(830)	476
Segment assets	5,531	973	1,236	7,741	303	6,020	14,065
Other:							
Depreciation	275	62	2	340	8	19	368
Amortization of goodwill			6	6			6
Customer-related asset amortization expense			22	22			22
Increase in property, plant, and equipment and intangible assets	617		28	646	3	159	809

Millions of Yen							
2022 As Restated (Note 2.u)							
	Reportable Segments			Total	Other	Reconciliations	Consolidated
	A	B	C				
Sales:							
Sale of valves	¥1,721			¥1,721			¥ 1,721
Sale of parts	913			913			913
Maintenance of valves in nuclear power plants	795			795			795
Maintenance of valves in other plants	2,768			2,768			2,768
Sales of the cast metal business		¥1,046		1,046			1,046
Maintenance of the electrical equipment			¥1,032	1,032			1,032
Others					¥237		237
Revenues from contracts with customers	6,198	1,046	1,032	8,277	237		8,514
Other revenue							
Sales to external customers	6,198	1,046	1,032	8,277	237		8,514
Intersegment sales or transfers	43	10		53	28	¥ (81)	
Total	6,241	1,056	1,032	8,330	265	(81)	8,514
Segment profit or (loss)	1,097	(341)	52	808	(54)	(840)	(86)
Segment assets	5,348	802	2,991	9,142	417	3,414	12,974
Other:							
Depreciation	255	46	8	310	7	12	330
Amortization of goodwill			5	5			5
Customer-related asset amortization expense			28	28			28
Increase in property, plant, and equipment and intangible assets	484		258	743	26	68	837

Thousands of U.S. Dollars							
2023							
	Reportable Segments				Other	Reconciliations	Consolidated
	A	B	C	Total			
Sales:							
Sale of valves	\$ 9,738			\$ 9,738			\$ 9,738
Sale of parts	6,537			6,537			6,537
Maintenance of valves in nuclear power plants	8,168			8,168			8,168
Maintenance of valves in other plants	19,419			19,419			19,419
Sales of the cast metal business		\$ 7,724		7,724			7,724
Maintenance of the electrical equipment			\$ 9,548	9,548			9,548
Others					\$ 1,508		1,508
Revenues from contracts with customers	43,862	7,724	9,548	61,134	1,508		62,642
Other revenue							
Sales to external customers	43,862	7,724	9,548	61,134	1,508		62,642
Intersegment sales or transfers	275	20		295	196	\$ (491)	
Total	44,137	7,744	9,548	61,429	1,704	(491)	62,642
Segment profit or (loss)	9,236	(1,212)	1,168	9,192	(479)	(5,539)	3,174
Segment assets	36,875	6,490	8,243	51,608	2,026	40,137	93,771
Other:							
Depreciation	1,837	415	19	2,271	56	130	2,457
Amortization of goodwill			45	45			45
Customer-related asset amortization expense			153	153			153
Increase in property, plant, and equipment and intangible assets	4,119		189	4,308	25	1,064	5,397

Associated Information

1. Information about Products and Services

Millions of Yen								
2023								
	Sale of Valves	Sale of Parts	Maintenance of Valves in Nuclear Power Plants	Maintenance of Valves in Other Plants	Sales of the Cast Metal Business	Maintenance of the Electrical Equipment	Other	Total
Sales to external customers	¥1,460	¥980	¥1,225	¥2,912	¥1,158	¥1,432	¥226	¥9,396

Millions of Yen								
2022								
	Sale of Valves	Sale of Parts	Maintenance of Valves in Nuclear Power Plants	Maintenance of Valves in Other Plants	Sales of the Cast Metal Business	Maintenance of the Electrical Equipment	Other	Total
Sales to external customers	¥1,721	¥913	¥795	¥2,768	¥1,046	¥1,032	¥237	¥8,514

Thousands of U.S. Dollars								
2023								
	Sale of Valves	Sale of Parts	Maintenance of Valves in Nuclear Power Plants	Maintenance of Valves in Other Plants	Sales of the Cast Metal Business	Maintenance of the Electrical Equipment	Other	Total
Sales to external customers	\$9,738	\$6,537	\$8,168	\$19,419	\$7,724	\$9,548	\$1,508	\$62,642

2. Information about Geographical Areas

(1) Sales

Geographical sales information for the years ended September 30, 2023 and 2022, is not shown since sales to overseas customers are not material in the context of the consolidated financial statements.

(2) Property, plant, and equipment

Geographical property, plant, and equipment information is not shown since overseas property, plant, and equipment is not material in the context of the consolidated financial statements.

3. Information about Major Customers

Name of Customer	2023		Related Segment Name
	Sales		
	Millions of Yen	Thousands of U.S. Dollars	
Mitsubishi Corporation Power Systems, Inc.	¥3,402	\$22,681	Business A
Tokyo Power Technology, Ltd.	1,012	6,751	Business C
Name of Customer	2022		Related Segment Name
	Sales		
	Millions of Yen	Thousands of U.S. Dollars	
Mitsubishi Corporation Power Systems, Inc.	¥3,162	\$2,162	Business A
Mitsubishi Heavy Industries, Ltd.	858	5,638	Business A

4. Information about Amortization of Goodwill

	Millions of Yen					
	2023					
	the Valve Business	Sales of the Cast Metal Business	Maintenance of the Electrical Equipment	Other	Reconciliations	Total
Amortization amount			¥ 6			¥ 6
Balance			55			55
	Thousands of U.S. Dollars					
	2023					
	the Valve Business	Sales of the Cast Metal Business	Maintenance of the Electrical Equipment	Other	Reconciliations	Total
Amortization amount			\$ 45			\$ 45
Balance			370			370

19. RELATED PARTY DISCLOSURES

Transactions of the Company with Seika Corporation as other associated company for the year ended September 30, 2023.

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
	<u>2023</u>	<u>2023</u>
Sales	¥590	\$3,934

The balances due to or from Seika Corporation as other associated company at September 30, 2023.

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
	<u>2023</u>	<u>2023</u>
Receivables	¥231	\$1,545

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