

**Consolidated Financial Statements**

**Asanuma Corporation**

*Year ended March 31, 2023*

Asanuma Corporation

Consolidated Financial Statements

*Year ended March 31, 2023*

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**Consolidated Financial Statements**

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Asanuma Corporation

Consolidated Balance Sheet

March 31, 2023

|  | <i>Millions of yen</i> |          | <i>Thousands of<br/>U.S. dollars<br/>(Note 2)</i> |
|--|------------------------|----------|---|
|  | <b>2023</b>            | 2022     | <b>2023</b>                                       |
| <b>Assets</b>  |                        |          |   |
| Current assets:  |                        |          |   |
| Cash and cash deposits ( <i>Note 6</i> )   | ¥ 11,895               | ¥ 13,194 | \$ 89,081   |
| Receivables:   |                        |          |   |
| Notes receivable ( <i>Note 18</i> )  | 3,323                  | 2,596    | 24,886  |
| Accounts receivable on completed construction contracts ( <i>Notes 18 and 21</i> )   | 57,840                 | 52,237   | 433,161   |
| Other accounts receivable ( <i>Note 18</i> )   | 1,791                  | 2,661    | 13,413  |
| Allowance for doubtful accounts  | (14)                   | (27)     | (105)   |
|  | <b>62,940</b>          | 57,467   | 471,355   |
| Inventories:   |                        |          |   |
| Cost of uncompleted construction contracts   | 1,335                  | 2,202    | 9,998   |
| Real estate held for sale  | 31                     | 37       | 224   |
| Raw materials and supplies   | 30                     | 40       | 232   |
|  | <b>1,396</b>           | 2,279    | 10,454  |
| Other current assets   | 488                    | 560      | 3,655   |
| Total current assets   | <b>76,719</b>          | 73,500   | 574,545   |
| Property and equipment, at cost:   |                        |          |   |
| Land   | 1,608                  | 1,609    | 12,042  |
| Buildings and structures ( <i>Notes 7 and 9</i> )                                    | 6,860                  | 7,188    | 51,374  |
| Machinery, equipment and vehicles  | 637                    | 670      | 4,770   |
| Tools, furniture and fixtures  | 1,663                  | 1,650    | 12,454  |
| Lease assets   | 194                    | 130      | 1,454   |
| Less accumulated depreciation  | (5,679)                | (5,593)  | (42,530)  |
| Property and equipment, net  | <b>5,283</b>           | 5,654    | 39,564  |
| Intangible assets:   |                        |          |   |
| Goodwill ( <i>Note 20</i> )  | 1,068                  | 1,069    | 7,998   |
| Other intangible assets ( <i>Note 7</i> )  | 2,064                  | 2,345    | 15,457  |
| Total intangible asset   | <b>3,132</b>           | 3,414    | 23,455  |
| Investments and other assets:  |                        |          |   |
| Investments in securities ( <i>Notes 8, 9 and 18</i> )                               | 4,604                  | 4,466    | 34,479  |
| Investments in an unconsolidated subsidiary and affiliates ( <i>Notes 8 and 18</i> ) | 129                    | 144      | 966   |
| Retirement benefit asset ( <i>Note 11</i> )  | 1,221                  | 1,277    | 9,144   |
| Deferred income taxes ( <i>Note 10</i> )   | 970                    | 1,002    | 7,264   |
| Other assets   | 1,492                  | 1,633    | 11,174  |
| Allowance for doubtful accounts  | (516)                  | (553)    | (3,864)   |
| Total investments and other assets   | <b>7,900</b>           | 7,969    | 59,163  |
| Total assets   | <b>¥ 93,034</b>        | ¥ 90,537 | \$ 696,727  |

# Asanuma Corporation

## Consolidated Balance Sheet (continued)

March 31, 2023

|   | <i>Millions of yen</i> |                 | <i>Thousands of<br/>U.S. dollars<br/>(Note 2)</i> |
|---|------------------------|-----------------|---|
|   | <b>2023</b>            | <b>2022</b>     | <b>2023</b>                                       |
| <b>Liabilities</b>  |                        |                 |   |
| Current liabilities:  |                        |                 |   |
| Short-term bank loans ( <i>Notes 9 and 18</i> )                 | ¥ 1,460                | ¥ 1,460         | \$ 10,934   |
| Current portion of long-term debt ( <i>Notes 9 and 18</i> )     | 348                    | 1,047           | 2,606   |
| Payables:   |                        |                 |   |
| Accounts payable on construction contracts                      | 15,333                 | 17,174          | 114,828   |
| Other accounts payable ( <i>Note 18</i> )                       | 205                    | 787             | 1,535   |
|   | <b>15,538</b>          | <b>17,961</b>   | <b>116,363</b>                                    |
| Advances received on uncompleted construction contracts         | 4,638                  | 4,404           | 34,734  |
| Deposits received   | 1,936                  | 1,657           | 14,498  |
| Suspense receipt of consumption taxes                           | 4,589                  | 5,613           | 34,367  |
| Income taxes payable ( <i>Note 10</i> )                         | 1,584                  | 1,401           | 11,863  |
| Provision for compensation for completed construction           | 573                    | 535             | 4,291   |
| Provision for loss on construction contracts ( <i>Note 14</i> ) | 38                     | 99              | 285   |
| Other current liabilities                                       | 4,486                  | 470             | 33,595  |
| Total current liabilities                                       | <b>35,190</b>          | <b>34,647</b>   | <b>263,536</b>                                    |
| Long-term liabilities:  |                        |                 |   |
| Long-term debt ( <i>Notes 9 and 18</i> )                        | 8,524                  | 8,173           | 63,836  |
| Liability for retirement benefits ( <i>Note 11</i> )            | 4,293                  | 4,442           | 32,150  |
| Deferred income taxes ( <i>Note 10</i> )                        | 213                    | 210             | 1,595   |
| Other long-term liabilities                                     | 146                    | 191             | 1,093   |
| Total long-term liabilities                                     | <b>13,176</b>          | <b>13,016</b>   | <b>98,674</b>                                     |
| Total liabilities   | <b>48,366</b>          | <b>47,663</b>   | <b>362,210</b>                                    |
| <b>Net assets</b>   |                        |                 |   |
| Shareholders' equity ( <i>Note 13</i> ):                        |                        |                 |   |
| Common stock:   |                        |                 |   |
| Authorized – 58,713,000 shares                                  |                        |                 |   |
| Issued – 16,157,258 shares in 2022 and 2023                     | 9,615                  | 9,615           | 72,006  |
| Capital surplus   | 2,186                  | 2,179           | 16,371  |
| Retained earnings   | 30,919                 | 29,648          | 231,551   |
| Less treasury stock, at cost                                    | (74)                   | (27)            | (554)   |
| Total shareholders' equity                                      | <b>42,646</b>          | <b>41,415</b>   | <b>319,374</b>                                    |
| Accumulated other comprehensive income:                         |                        |                 |   |
| Net unrealized holding gain on investments in securities        | 1,104                  | 996             | 8,268   |
| Foreign currency translation adjustments                        | 486                    | (24)            | 3,640   |
| Retirement benefits liability adjustments ( <i>Note 11</i> )    | (237)                  | (187)           | (1,775)   |
| Total accumulated other comprehensive income                    | <b>1,353</b>           | <b>785</b>      | <b>10,133</b>                                     |
| Non-controlling interests                                       | 669                    | 674             | 5,010   |
| Total net assets  | <b>44,668</b>          | <b>42,874</b>   | <b>334,517</b>                                    |
| Total liabilities and net assets                                | <b>¥ 93,034</b>        | <b>¥ 90,537</b> | <b>\$ 696,727</b>                                 |

See accompanying notes to consolidated financial statements.

Asanuma Corporation

Consolidated Statement of Income

Year ended March 31, 2023

|   | <i>Millions of yen</i> |           | <i>Thousands of<br/>U.S. dollars<br/>(Note 2)</i> |
|---|------------------------|-----------|---|
|   | <b>2023</b>            | 2022      | <b>2023</b>                                       |
| Net sales ( <i>Note 22</i> ):                                   |                        |           |   |
| Construction contracts  | <b>¥ 141,758</b>       | ¥ 134,408 | <b>\$ 1,061,620</b>                               |
| Other   | <b>2,678</b>           | 1,071     | <b>20,055</b>                                     |
|   | <b>144,436</b>         | 135,479   | <b>1,081,675</b>                                  |
| Cost of sales ( <i>Note 14</i> ):                               |                        |           |   |
| Construction contracts  | <b>127,416</b>         | 121,272   | <b>954,213</b>                                    |
| Other   | <b>1,881</b>           | 763       | <b>14,086</b>                                     |
|   | <b>129,297</b>         | 122,035   | <b>968,299</b>                                    |
| Gross profit:   |                        |           |   |
| Construction contracts  | <b>14,342</b>          | 13,136    | <b>107,407</b>                                    |
| Other   | <b>797</b>             | 308       | <b>5,969</b>                                      |
|   | <b>15,139</b>          | 13,444    | <b>113,376</b>                                    |
| Selling, general and administrative expenses ( <i>Note 15</i> ) | <b>9,447</b>           | 8,609     | <b>70,749</b>                                     |
| Operating income ( <i>Note 22</i> )                             | <b>5,692</b>           | 4,835     | <b>42,627</b>                                     |
| Other income (expenses):  |                        |           |   |
| Interest and dividends income                                   | <b>114</b>             | 116       | <b>853</b>  |
| Foreign exchange gain loss, net                                 | <b>163</b>             | 131       | <b>1,221</b>                                      |
| Interest expenses   | <b>(105)</b>           | (104)     | <b>(786)</b>                                      |
| Guarantee fees  | <b>(43)</b>            | (47)      | <b>(322)</b>                                      |
| Commission fees   | <b>(107)</b>           | (107)     | <b>(801)</b>                                      |
| Gain on sales of property and equipment                         | <b>761</b>             | —         | <b>5,699</b>                                      |
| Gain on sales of investments in securities ( <i>Note 8</i> )    | —                      | 540       | —   |
| Impairment losses ( <i>Notes 7 and 22</i> )                     | <b>(145)</b>           | —         | <b>(1,086)</b>                                    |
| Other, net ( <i>Note 8</i> )                                    | <b>175</b>             | 67        | <b>1,311</b>                                      |
| Profit before income taxes                                      | <b>6,505</b>           | 5,431     | <b>48,716</b>                                     |
| Income taxes ( <i>Note 10</i> ):                                |                        |           |   |
| Current   | <b>2,112</b>           | 1,239     | <b>15,817</b>                                     |
| Deferred  | <b>(13)</b>            | 421       | <b>(97)</b>                                       |
|   | <b>2,099</b>           | 1,660     | <b>15,720</b>                                     |
| Profit  | <b>4,406</b>           | 3,771     | <b>32,996</b>                                     |
| Profit attributable to:   |                        |           |   |
| Non-controlling interests                                       | <b>206</b>             | 22        | <b>1,542</b>                                      |
| Owners of parent  | <b>¥ 4,200</b>         | ¥ 3,749   | <b>\$ 31,454</b>                                  |

See accompanying notes to consolidated financial statements.

# Asanuma Corporation

## Consolidated Statement of Comprehensive Income

Year ended March 31, 2023

|   | <i>Millions of yen</i> |         | <i>Thousands of<br/>U.S. dollars<br/>(Note 2)</i> |
|---|------------------------|---------|---|
|   | <b>2023</b>            | 2022    | <b>2023</b>                                       |
| Profit  | <b>¥ 4,406</b>         | ¥ 3,771 | <b>\$ 32,996</b>                                  |
| Other comprehensive income ( <i>Note 16</i> )                   |                        |         |   |
| Net unrealized holding (gain) loss on investments in securities | <b>108</b>             | (963)   | <b>809</b>  |
| Foreign currency translation adjustments (gain) loss            | <b>595</b>             | 2       | <b>4,456</b>                                      |
| Retirement benefits liability adjustments (loss) gain           | <b>(50)</b>            | (75)    | <b>(375)</b>                                      |
| Total other comprehensive (income) loss                         | <b>653</b>             | (1,036) | <b>4,890</b>                                      |
| Comprehensive income  | <b>¥ 5,059</b>         | ¥ 2,735 | <b>\$ 37,886</b>                                  |
| Comprehensive income attributable to:                           |                        |         |   |
| Owners of parent  | <b>¥ 4,768</b>         | ¥ 2,706 | <b>\$ 35,707</b>                                  |
| Non-controlling interests                                       | <b>291</b>             | 29      | <b>2,179</b>                                      |

*See accompanying notes to consolidated financial statements.*

# Asanuma Corporation

## Consolidated Statement of Changes in Net Assets

Year ended March 31, 2023

|   | <i>Millions of yen</i> |                 |                   |                         |                            |
|---|------------------------|-----------------|-------------------|-------------------------|----------------------------|
|   | Common stock           | Capital surplus | Retained earnings | Treasury stock, at cost | Total shareholders' equity |
| Balance at April 1, 2021                            | ¥ 9,615                | ¥ 2,166         | ¥ 27,974          | ¥ (67)                  | ¥ 39,688                   |
| Cumulative effects of change in accounting policy   | —                      | —               | (3)               | —                       | (3)                        |
| Profit attributable to owners of parent             | —                      | —               | 3,749             | —                       | 3,749                      |
| Cash dividends                                      | —                      | —               | (2,072)           | —                       | (2,072)                    |
| Purchases of treasury stock                         | —                      | —               | —                 | (6)                     | (6)                        |
| Restricted stock compensation                       | —                      | 13              | —                 | 46                      | 59                         |
| Net change in items other than shareholders' equity | —                      | —               | —                 | —                       | —                          |
| Balance at April 1, 2022                            | <b>9,615</b>           | <b>2,179</b>    | <b>29,648</b>     | <b>(27)</b>             | <b>41,415</b>              |
| Profit attributable to owners of parent             | —                      | —               | <b>4,200</b>      | —                       | <b>4,200</b>               |
| Cash dividends                                      | —                      | —               | <b>(2,929)</b>    | —                       | <b>(2,929)</b>             |
| Purchases of treasury stock                         | —                      | —               | —                 | <b>(103)</b>            | <b>(103)</b>               |
| Restricted stock compensation                       | —                      | <b>7</b>        | —                 | <b>56</b>               | <b>63</b>                  |
| Net change in items other than shareholders' equity | —                      | —               | —                 | —                       | —                          |
| Balance at March 31, 2023                           | <b>¥ 9,615</b>         | <b>¥ 2,186</b>  | <b>¥ 30,919</b>   | <b>¥ (74)</b>           | <b>¥ 42,646</b>            |

|   | <i>Millions of yen</i>                                   |  |   |  |                           |                  |
|---|--|--|---|--|---------------------------|------------------|
|   | Net unrealized holding gain on investments in securities | Foreign currency translation adjustments | Retirement benefits liability adjustments | Total accumulated other comprehensive income | Non-controlling interests | Total net assets |
| Balance at April 1, 2021                            | ¥ 1,959  | ¥ (26)                                   | ¥ (112)                                   | ¥ 1,821                                      | ¥ 202                     | ¥ 41,711         |
| Cumulative effects of change in accounting policy   | —  | —  | —   | —  | (1)                       | (4)              |
| Profit attributable to owners of parent             | —  | —  | —   | —  | —                         | 3,749            |
| Cash dividends                                      | —  | —  | —   | —  | —                         | (2,072)          |
| Purchases of treasury stock                         | —  | —  | —   | —  | —                         | (6)              |
| Restricted stock compensation                       | —  | —  | —   | —  | —                         | 59               |
| Net change in items other than shareholders' equity | (963)  | 2  | (75)                                      | (1,036)                                      | 473                       | (563)            |
| Balance at April 1, 2022                            | <b>996</b>   | <b>(24)</b>                              | <b>(187)</b>                              | <b>785</b>                                   | <b>674</b>                | <b>42,874</b>    |
| Profit attributable to owners of parent             | —  | —  | —   | —  | —                         | <b>4,200</b>     |
| Cash dividends                                      | —  | —  | —   | —  | —                         | <b>(2,929)</b>   |
| Purchases of treasury stock                         | —  | —  | —   | —  | —                         | <b>(103)</b>     |
| Restricted stock compensation                       | —  | —  | —   | —  | —                         | <b>63</b>        |
| Net change in items other than shareholders' equity | <b>108</b>   | <b>510</b>                               | <b>(50)</b>                               | <b>568</b>                                   | <b>(5)</b>                | <b>563</b>       |
| Balance at March 31, 2023                           | <b>¥ 1,104</b>   | <b>¥ 486</b>                             | <b>¥ (237)</b>                            | <b>¥ 1,353</b>                               | <b>¥ 669</b>              | <b>¥ 44,668</b>  |

# Asanuma Corporation

## Consolidated Statement of Changes in Net Assets (continued)

Year ended March 31, 2023

| <i>Thousands of U.S. dollars (Note 2)</i>           |                  |                    |                      |                               |                                  |  |
|---|------------------|--------------------|----------------------|-------------------------------|----------------------------------|--|
|   | Common<br>stock  | Capital<br>surplus | Retained<br>earnings | Treasury<br>stock,<br>at cost | Total<br>shareholders'<br>equity |  |
| Balance at April 1, 2022                            | <b>\$ 72,006</b> | <b>\$ 16,318</b>   | <b>\$ 222,033</b>    | <b>\$ (202)</b>               | <b>\$ 310,155</b>                |  |
| Profit attributable to owners of parent             | —                | —                  | <b>31,454</b>        | —                             | <b>31,454</b>                    |  |
| Cash dividends                                      | —                | —                  | <b>(21,936)</b>      | —                             | <b>(21,936)</b>                  |  |
| Purchases of treasury stock                         | —                | —                  | —                    | <b>(771)</b>                  | <b>(771)</b>                     |  |
| Restricted stock compensation                       | —                | <b>53</b>          | —                    | <b>419</b>                    | <b>472</b>                       |  |
| Net change in items other than shareholders' equity | —                | —                  | —                    | —                             | —                                |  |
| Balance at March 31, 2023                           | <b>\$ 72,006</b> | <b>\$ 16,371</b>   | <b>\$ 231,551</b>    | <b>\$ (554)</b>               | <b>\$ 319,374</b>                |  |

  

| <i>Thousands of U.S. dollars (Note 2)</i>           |   |   |  |  |                                  |                     |
|---|---|---|--|--|----------------------------------|---------------------|
|   | Net<br>unrealized<br>holding<br>gain on<br>investments<br>in securities | Foreign<br>currency<br>translation<br>adjustments | Retirement<br>benefits<br>liability<br>adjustments | Total<br>accumulated<br>other<br>comprehensive<br>income | Non-<br>controlling<br>interests | Total net<br>assets |
| Balance at April 1, 2022                            | <b>\$ 7,459</b>   | <b>\$ (180)</b>                                   | <b>\$ (1,400)</b>                                  | <b>\$ 5,879</b>  | <b>\$ 5,047</b>                  | <b>\$ 321,081</b>   |
| Profit attributable to owners of parent             | —   | —   | —  | —  | —                                | <b>31,454</b>       |
| Cash dividends                                      | —   | —   | —  | —  | —                                | <b>(21,936)</b>     |
| Purchases of treasury stock                         | —   | —   | —  | —  | —                                | <b>(771)</b>        |
| Restricted stock compensation                       | —   | —   | —  | —  | —                                | <b>472</b>          |
| Net change in items other than shareholders' equity | <b>809</b>  | <b>3,820</b>                                      | <b>(375)</b>                                       | <b>4,254</b>   | <b>(37)</b>                      | <b>4,217</b>        |
| Balance at March 31, 2023                           | <b>\$ 8,268</b>   | <b>\$ 3,640</b>                                   | <b>\$ (1,775)</b>                                  | <b>\$ 10,133</b>   | <b>\$ 5,010</b>                  | <b>\$ 324,517</b>   |

*See accompanying notes to consolidated financial statements.*



Asanuma Corporation

Consolidated Statement of Cash Flows

Year ended March 31, 2023

|   | <i>Millions of yen</i> |           | <i>Thousands of<br/>U.S. dollars<br/>(Note 2)</i> |
|---|------------------------|-----------|---|
|   | <b>2023</b>            | 2022      | <b>2023</b>                                       |
| <b>Cash flows from operating activities:</b>  |                        |           |   |
| Profit before income taxes  | ¥ 6,505                | ¥ 5,431   | \$ 48,716   |
| Adjustments for:  |                        |           |   |
| Depreciation and amortization   | 821                    | 647       | 6,148   |
| Impairment losses   | 145                    | —         | 1,086   |
| Decrease in allowance for doubtful accounts   | (53)                   | (132)     | (397)   |
| Decrease in provision for loss on construction contracts                                    | (60)                   | (20)      | (449)   |
| Decrease in net defined benefit asset and liability   | (165)                  | (425)     | (1,236)   |
| Interest and dividends income   | (114)                  | (116)     | (854)   |
| Interest expenses   | 105                    | 104       | 786   |
| Foreign exchange gain, net  | (115)                  | (94)      | (861)   |
| Gain on sales of investments in securities  | —                      | (540)     | —   |
| Loss on valuation of investments in securities  | 16                     | —         | 120   |
| Loss (gain) on sales of property and equipment  | (761)                  | 1         | (5,699)   |
| Increase in notes receivable and accounts receivable on<br>completed construction contracts | (5,967)                | (1,965)   | (44,686)  |
| (Decrease) increase in inventories  | 884                    | (184)     | 6,620   |
| Decrease in other accounts receivable   | 872                    | 4,152     | 6,530   |
| Decrease (increase) in accounts payable on<br>construction contracts                        | (2,017)                | 1,361     | (15,105)  |
| Decrease (increase) in other accounts payable   | (22)                   | 42        | (165)   |
| Increase(decrease) in advances received on<br>uncompleted construction contracts            | 171                    | (3,773)   | 1,281   |
| Other, net (gain) loss  | 3,056                  | (1,062)   | 22,886  |
| Subtotal  | 3,301                  | 3,427     | 24,721  |
| Interest and dividends received   | 114                    | 115       | 854   |
| Interest paid   | (104)                  | (104)     | (779)   |
| Income taxes paid   | (1,957)                | (1,875)   | (14,656)  |
| Net cash (used in) provided by operating activities   | 1,354                  | 1,563     | 10,140  |
| <b>Cash flows from investing activities:</b>  |                        |           |   |
| Increase in time deposits   | —                      | (40)      | —   |
| Decrease in time deposits   | 197                    | —         | 1,475   |
| Purchases of property and equipment   | (76)                   | (1,003)   | (569)   |
| Proceeds from sales of property and equipment   | 894                    | 9         | 6,695   |
| Purchases of intangible assets  | (76)                   | (196)     | (569)   |
| Purchases of investments in securities  | (9)                    | (24)      | (67)  |
| Proceeds from sales and redemption of investments in<br>securities                          | 19                     | 970       | 142   |
| Purchase of shares of subsidiaries resulting in change in<br>scope of consolidation         | —                      | (2,168)   | —   |
| Proceeds from collection of loans receivable  | —                      | 105       | —   |
| Payments for guarantee deposits   | (41)                   | (98)      | (307)   |
| Proceeds from collection of guarantee deposits  | 35                     | 109       | 262   |
| Other, net  | (9)                    | 72        | (67)  |
| Net cash (used in) provided by investing activities (gain)<br>loss                          | ¥ 934                  | ¥ (2,264) | \$ 6,995  |

# Asanuma Corporation

## Consolidated Statement of Cash Flows (Continued)

Year ended March 31, 2023

|  | <i>Millions of yen</i> |         | <i>Thousands of<br/>U.S. dollars<br/>(Note 2)</i> |
|--|------------------------|---------|---|
|  | <b>2023</b>            | 2022    | <b>2023</b>                                       |
| <b>Cash flows from financing activities:</b>                 |                        |         |   |
| Decrease in short-term bank loans, net                       | ¥ (700)                | ¥ (17)  | \$ (5,242)  |
| Proceeds from long-term debt                                 | 700                    | —       | 5,242   |
| Repayment of long-term debt                                  | (347)                  | (337)   | (2,599)   |
| Cash dividends paid  | (2,916)                | (1,908) | (21,838)  |
| Cash dividends paid to non-controlling interests             | (296)                  | —       | (2,217)   |
| Net increase in treasury shares                              | (103)                  | (6)     | (771)   |
| Net cash used in financing activities                        | (3,662)                | (2,268) | (27,425)  |
| Effect of exchange rate changes on cash and cash equivalents | 272                    | 106     | 2,037   |
| Net (decrease) increase in cash and cash equivalents         | (1,102)                | (2,863) | (8,253)   |
| Cash and cash equivalents at beginning of year               | 12,898                 | 15,761  | 96,593  |
| Cash and cash equivalents at end of year <i>(Note 6)</i>     | ¥11,796                | ¥12,898 | \$ 88,340   |

# Asanuma Corporation

## Notes to Consolidated Financial Statements

March 31, 2023

### **1. Basis of Preparation of Consolidated Financial Statements**

The accompanying consolidated financial statements of Asanuma Corporation (the “Company”) and its consolidated subsidiaries (the “Group”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

Certain reclassifications of previously reported amounts have been made to conform the accompanying consolidated financial statements for the year ended March 31, 2022 to the 2023 presentation. Such reclassifications had no effect on consolidated net assets.

### **2. U.S. Dollar Amounts**

The accompanying consolidated financial statements are stated in yen, the currency of the country in which the company is incorporated and operate. The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥133.53 = U.S.\$1.00, the exchange rate prevailing on March 31, 2023. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

### **3. Principles of Consolidation**

At March 31, 2023 and 2022, the Company had 9 subsidiaries and 9 subsidiaries, respectively. The consolidated financial statements for the years ended March 31, 2023 and 2022 include the accounts of the Company and its 6 subsidiaries and 6 subsidiaries, respectively.

The Company applied the equity method to its investments in 1 affiliates and 2 affiliates, at March 31, 2023 and 2022 for the purpose of consolidated financial statements for the years then ended.

The accounts of the remaining subsidiary were not consolidated nor the equity method applied because its total assets, net sales, profit or loss and retained earnings were not material to the consolidated financial statements.

## Asanuma Corporation

### Notes to Consolidated Financial Statements (continued)

#### 3. Principles of Consolidation (continued)

The balance sheet date of SINGAPORE PAINTS & CONTRACTOR PTE. LTD. and EVERGREEN ENGINEERING & CONSTRUCTION PTE. LTD. is December 31. Necessary adjustments were made to the subsidiary's balance sheet to reflect any significant intercompany transactions during the period from January 1 through March 31.

From the current year, EVERGREEN ENGINEERING & CONSTRUCTION PTE. LTD. has changed its closing date from April 30 to December 31. Due to the change, EVERGREEN ENGINEERING & CONSTRUCTION PTE. LTD. is consolidated for 11 months from February 1, 2022 to December 31, 2022.

#### 4. Summary of Significant Accounting Policies

##### (a) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments which are readily convertible to cash subject to an insignificant risk of any changes in their value and which were purchased with an original maturity of three months or less.

##### (b) Investments in securities

Investments in securities are classified into two categories: held-to-maturity debt securities or other securities. Held-to-maturity debt securities are stated at amortized cost. Quoted securities classified as other securities, the Company uses the market-value method based on the market price, etc. at the consolidated closing date. Valuation differences are included directly in net assets and costs of securities sold are determined by the moving-average method. Unquoted securities classified as other securities are carried at cost determined by the moving average method.

##### (c) Allowance for doubtful accounts

The Group provide an allowance for doubtful accounts at an amount calculated based on their historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

##### (d) Inventories

Cost of uncompleted construction contracts are stated at cost determined on an individual project basis. Real estate held for sale is stated at the lower of cost or net selling value, cost being determined on an individual project basis. Raw materials and supplies are stated at the lower of cost or net selling value, cost being determined by the period average method.

## Asanuma Corporation

### Notes to Consolidated Financial Statements (continued)

#### 4. Summary of Significant Accounting Policies (continued)

##### (e) Property and equipment (Other than leased assets)

Property and equipment is stated on the basis of cost. Depreciation is calculated by the declining-balance method over the estimated useful lives of the respective assets; however, the straight-line method is applied to buildings (except for facilities attached to the buildings) acquired on or after April 1, 1998 and facilities attached to buildings and other non-building structures acquired on or after April 1, 2016.

##### (f) Intangible assets (Other than leased assets)

Amortization of intangible assets is calculated by the straight-line method over the estimated useful lives of the respective assets.

Expenditures related to computer software developed for internal use are charged to income when incurred, except if they are deemed to contribute to the generation of income or to future cost savings. Such expenditures are capitalized as intangible assets and amortized over an estimated useful life of 5 years.

##### (g) Leases

Leased assets held under finance leases that transfer ownership are depreciated by the same methods used for owned fixed assets. For finance leases that do not transfer ownership, depreciation expense is calculated based on the straight-line method over the leased period of the lease with a residual value of zero.

##### (h) Bonds issuance expenses

Issuance expenses of bonds are charged to income as incurred.

##### (i) Provision for compensation for completed construction

A provision for compensation for completed construction is provided for anticipated future costs arising from compensations on completed construction based on the historical data on the compensation cost.

##### (j) Provision for loss on construction contracts

A provision for loss on construction contracts is provided for uncompleted construction projects when a future loss is expected and a reasonable estimate of the amount can be made at the end of the current fiscal year.

## Asanuma Corporation

### Notes to Consolidated Financial Statements (continued)

#### **4. Summary of Significant Accounting Policies (continued)**

##### **(k) Retirement benefits**

The retirement benefit obligation for employees is attributed to each period by the benefit formula method.

Actuarial gain or loss is amortized commencing in the year following the year in which the gain or loss is recognized by the straight-line method over a period of principally 10 years, which is within the average remaining years of service of the eligible employees.

Prior service cost is charged to income when incurred.

##### **(l) Income taxes**

Deferred tax assets and liabilities have been recognized in the consolidated financial statements with respect to the differences between the financial reporting and tax bases of the assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

##### **(m) Hedge accounting**

Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the swaps had originally applied to the underlying loans. Hedging instruments and hedged items are interest-rate swaps and interest rates on loans from financial institutions, respectively. The Company omit the evaluation of hedging effectiveness due to meet certain conditions for interest-rate swaps.

##### **(n) Goodwill**

Goodwill is being amortized on a straight-line basis over the estimated period of benefit. The goodwill resulting from the acquisition of SINGAPORE PAINTS & CONTRACTOR PTE. LTD. and EVERGREEN ENGINEERING & CONSTRUCTION PTE. LTD. is being amortized over periods of 7 years and 8 years, respectively.

## Asanuma Corporation

### Notes to Consolidated Financial Statements (continued)

#### 4. Summary of Significant Accounting Policies (continued)

##### (o) Significant revenue and expenses

Regarding the construction business in which the Group is mainly engaged, the Group has a performance obligation to complete construction and transfer objects based on a construction contract with a customer. In such a contract, when control of goods or services is transferred to customers over time, revenue is recognized as the Group satisfies the performance obligation over time. Progress toward satisfaction of a performance obligation is measured based on the percentage of construction cost incurred up to the end of the reporting period to the estimated total construction cost since the amount of construction cost incurred is considered to represent the degree of progress toward satisfaction of a performance obligation. If progress toward satisfaction of a performance obligation cannot be reasonably estimated, but the Group expects to recover all costs incurred, revenue is recognized on a cost recovery basis.

For construction contracts with a very short period of time between the commencement date of the transaction and the point in time when the Group expects the performance obligation to be fully satisfied, an alternative approach applies, whereby revenue is recognized at the point in time when a performance obligation is fully satisfied rather than over time.

##### (p) Applicable accounting principles and procedures in cases where directly relevant accounting standards are not available

Accounting for constructions involving joint venture, the Company recognize their share of the jointly controlled assets, the jointly responsible liabilities, the income and expenses resulting from the joint venture.

# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 5. Significant Accounting Estimates

Estimate of total construction costs when revenue is recognized as the Group satisfies its performance obligation over time

(1) Amounts recorded in the consolidated financial statements

Net sales of construction contracts accounted for as the Group satisfies its performance obligation over time amounted to ¥139,186 million (\$1,042,365 thousand) and ¥132,235 million for the years ended March 31, 2023 and 2022, respectively.

(2) Information on the components of identified significant accounting estimate

i) Calculation method

For construction contracts in which control of goods or service is transferred to customers over time, revenue is recognized as the Group satisfies the performance obligation over time. Progress toward satisfaction of the performance obligation is measured based on the percentage of construction cost incurred up to the end of the reporting period to the estimated total construction cost.

ii) Significant assumptions

Significant assumptions used for estimation of total construction cost are such as unit price of building material and labor unit price, which are calculated based on each project condition such as scale, specification and construction period.

iii) Effect on consolidated financial statements for the following fiscal year

Significant assumptions expect to have effect on net sales of construction contracts for each reporting period due to uncertainty in estimates. The amount of net sales of construction contracts in the consolidated financial statements for the following fiscal year may fluctuate when there are fluctuations in significant assumptions such as unit price of building material or labor unit price, which were used for estimating total construction cost and which are calculated based on each project condition such as scale, specifications and construction period.



# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 6. Cash and Cash Equivalents

A reconciliation of cash and deposits in the accompanying consolidated balance sheets at March 31, 2023 and 2022 and cash and cash equivalents in the accompanying consolidated statements of cash flows for the years then ended are as follows:

|   | <i>Millions of yen</i> |             | <i>Thousands of U.S. dollars</i> |
|---|------------------------|-------------|----------------------------------|
|   | At March 31,           |             |                                  |
|   | <b>2023</b>            | <b>2022</b> | <b>2023</b>                      |
| Cash and cash deposits                                  | <b>¥ 11,895</b>        | ¥ 13,194    | <b>\$ 89,081</b>                 |
| Time deposits with a deposit term of more than 3 months | <b>(99)</b>            | —           | <b>741</b>                       |
| Time deposits pledged as collateral                     | —                      | (296)       | —                                |
| Cash and cash equivalents                               | <b>¥ 11,796</b>        | ¥ 12,898    | <b>\$ 88,340</b>                 |

### 7. Impairment losses

Impairment losses for the years ended March 31, 2023 is as follows:

| Location           | Main use              | Class                | <i>Millions of yen</i> | <i>Thousands of U.S. dollars</i> |
|--------------------|-----------------------|----------------------|------------------------|----------------------------------|
|                    |                       |                      | <b>2023</b>            |                                  |
| Saitama Prefecture | Idle assets           | Buildings, etc.      | <b>¥ 26</b>            | <b>\$ 195</b>                    |
| Osaka Prefecture   | Internal use software | Software in progress | <b>119</b>             | <b>891</b>                       |

The Group principally group the assets in association with the business operations at each regional office whereas leased properties and idle assets are grouped individually and fixed assets of the Group and investments for which the equity method is applied are grouped per subsidiary or investment

Due to the closure of the equipment center in the fiscal year ended March 2023, the facility was treated as an idle asset and wrote down the carrying value of these assets to the memorandum value and recognized losses on impairment of building of ¥26 million (\$195 thousand).

For the software in progress, which is recorded as development costs for internal use software, ¥119 million (\$891thousand) was recorded as loss on impairment because some of the functions that were originally envisioned are no longer expected to be used.

# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 8. Investments in Securities

At March 31, 2023 and 2022, marketable securities classified as held-to-maturity debt securities are as follows:

| Millions of yen   |                |                      |                 |                |                      |                 |
|---|----------------|----------------------|-----------------|----------------|----------------------|-----------------|
|   | 2023           |                      |                 | 2022           |                      |                 |
|   | Carrying value | Estimated fair value | Unrealized gain | Carrying value | Estimated fair value | Unrealized gain |
| Held-to-maturity debt securities whose estimated fair value exceeds their carrying value: |                |                      |                 |                |                      |                 |
| Government and municipal bonds  | ¥ 15           | ¥ 15                 | ¥ 0             | ¥ 15           | ¥ 15                 | ¥ 0             |
|   | ¥ 15           | ¥ 15                 | ¥ 0             | ¥ 15           | ¥ 15                 | ¥ 0             |
| Thousands of U.S. dollars   |                |                      |                 |                |                      |                 |
|   | 2023           |                      |                 |                |                      |                 |
|   | Carrying value | Estimated fair value | Unrealized Gain |                |                      |                 |
| Held-to-maturity debt securities whose estimated fair value exceeds their carrying value: |                |                      |                 |                |                      |                 |
| Government and municipal bonds  | \$ 112         | \$ 112               | \$ 0            |                |                      |                 |
|   | \$ 112         | \$ 112               | \$ 0            |                |                      |                 |

# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 8. Investments in Securities (continued)

At March 31, 2023 and 2022, marketable securities classified as other securities are as follows:

| <i>Millions of yen</i>   |                  |                   |                        |                |                   |                        |
|--|------------------|-------------------|------------------------|----------------|-------------------|------------------------|
|  | <b>2023</b>      |                   |                        | <b>2022</b>    |                   |                        |
|  | Carrying value   | Acquisition costs | Unrealized gain (loss) | Carrying value | Acquisition costs | Unrealized gain (loss) |
| Other securities whose carrying value exceeds their acquisition costs:         |                  |                   |                        |                |                   |                        |
| Equity securities  | <b>¥ 3,860</b>   | <b>¥ 2,293</b>    | <b>¥ 1,567</b>         | ¥ 3,711        | ¥ 2,290           | ¥ 1,421                |
| Other securities whose carrying value does not exceed their acquisition costs: |                  |                   |                        |                |                   |                        |
| Equity securities  | <b>48</b>        | <b>55</b>         | <b>(7)</b>             | 43             | 48                | (5)                    |
|  | <b>¥ 3,908</b>   | <b>¥ 2,348</b>    | <b>¥ 1,560</b>         | <b>¥ 3,754</b> | <b>¥ 2,338</b>    | <b>¥ 1,416</b>         |
| <i>Thousands of U.S. dollars</i>   |                  |                   |                        |                |                   |                        |
|  | <b>2023</b>      |                   |                        |                |                   |                        |
|  | Carrying value   | Acquisition costs | Unrealized gain        |                |                   |                        |
| Other securities whose carrying value exceeds their acquisition costs:         |                  |                   |                        |                |                   |                        |
| Equity securities  | <b>\$ 28,907</b> | <b>\$ 17,172</b>  | <b>\$ 11,735</b>       |                |                   |                        |
| Other securities whose carrying value does not exceed their acquisition costs: |                  |                   |                        |                |                   |                        |
| Equity securities  | <b>360</b>       | <b>412</b>        | <b>(52)</b>            |                |                   |                        |
|  | <b>\$ 29,267</b> | <b>\$ 17,584</b>  | <b>\$ 11,683</b>       |                |                   |                        |

The proceeds from sales of, and gross realized gain on investments in securities for the years ended March 31, 2023 and 2022 are summarized as follows:

|                     | <i>Millions of yen</i> |             | <i>Thousands of U.S. dollars</i> |
|---------------------|------------------------|-------------|----------------------------------|
|                     | <b>2023</b>            | <b>2022</b> | <b>2023</b>                      |
| Proceeds from sales | <b>¥ 0</b>             | ¥ 970       | <b>\$ 0</b>                      |
| Gross realized gain | —                      | 540         | —                                |

Refer to Note 18 “Financial Instruments” for the redemption schedule at March 31, 2023 for held-to-maturity debt securities.

# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 8. Investments in Securities (continued)

For the year ended March 31, 2023, the Company has recognized loss on impairment of equity securities classified as other securities of ¥16 million (\$120 thousand).

Stocks with market prices are recognized as impairment losses when the market price falls by 30% or more from the acquisition cost.

For stocks without a market price, if the real value drops significantly due to a deterioration in financial conditions, impairment losses are recorded for the amount deemed necessary in consideration of the possibility of recovery.

### 9. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans had average interest rates of 0.93% and 0.94% at March 31, 2023 and 2022, respectively.

Long-term debt at March 31, 2023 and 2022 are summarized as follows:

|   | <i>Millions of yen</i> |         | <i>Thousands of<br/>U.S. dollars</i> |
|---|------------------------|---------|--------------------------------------|
|   | <b>2023</b>            | 2022    | <b>2023</b>                          |
| Unsecured loans due through 2033 at rates ranging from 0.80% to 1.58% | <b>¥ 5,026</b>         | ¥ 5,030 | <b>\$ 37,639</b>                     |
| Secured loans due through 2033 at rates ranging from 0.58% to 0.71%   | <b>2,206</b>           | 2,549   | <b>16,521</b>                        |
| 1.37% unsecured bond due March 31, 2025                               | <b>650</b>             | 650     | <b>4,868</b>                         |
| 0.84% unsecured bond due July 25, 2025                                | <b>600</b>             | 600     | <b>4,493</b>                         |
| 0.81% unsecured bond due September 10, 2024                           | <b>390</b>             | 390     | <b>2,921</b>                         |
| Total   | <b>8,872</b>           | 9,219   | <b>66,442</b>                        |
| Less current portion included in current liabilities                  | <b>(348)</b>           | (1,046) | <b>(2,606)</b>                       |
|   | <b>¥ 8,524</b>         | ¥ 8,173 | <b>\$ 63,836</b>                     |

The aggregate annual maturities of long-term debt subsequent to March 31, 2023 are summarized as follows:

| <i>Years ending March 31,</i> | <i>Millions of yen</i> | <i>Thousands of<br/>U.S. dollars</i> |
|-------------------------------|------------------------|--------------------------------------|
| 2024                          | <b>¥ 348</b>           | <b>\$ 2,606</b>                      |
| 2025                          | <b>4,626</b>           | <b>34,644</b>                        |
| 2026                          | <b>1,036</b>           | <b>7,759</b>                         |
| 2027                          | <b>348</b>             | <b>2,606</b>                         |
| 2028 and thereafter           | <b>874</b>             | <b>6,545</b>                         |
|                               | <b>¥ 7,232</b>         | <b>\$ 54,160</b>                     |

# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 9. Short-Term Bank Loans and Long-Term Debt (continued)

Assets pledged at March 31, 2023 and 2022 as collateral for lines of credit of the Company are summarized as follows:

|                          | <i>Millions of yen</i> |         | <i>Thousands of U.S. dollars</i> |
|--------------------------|------------------------|---------|----------------------------------|
|                          | <b>2023</b>            | 2022    | <b>2023</b>                      |
| Buildings and structures | ¥ 538                  | ¥ 583   | \$ 4,029                         |
| Land                     | 889                    | 890     | 6,658                            |
|                          | <b>¥ 1,427</b>         | ¥ 1,473 | <b>\$ 10,687</b>                 |

All assets of the consolidated subsidiaries engaged in the Private Finance Initiative business were pledged as collateral for their loans under the project finance agreements. Assets pledged at March 31, 2023 and 2022 amounted to ¥2,877 million (\$21,546 thousand) and ¥3,200 million as collateral for loans of ¥2,206 million (\$16,521 thousand) and ¥2,549 million, respectively.

Assets of the Company pledged at March 31, 2023 and 2022 as collateral for loans of affiliates engaged in the PFI business are summarized as follows:

|                            | <i>Millions of yen</i> |       | <i>Thousands of U.S. dollars</i> |
|----------------------------|------------------------|-------|----------------------------------|
|                            | <b>2023</b>            | 2022  | <b>2023</b>                      |
| Affiliated company shares  | ¥ 12                   | ¥ 50  | \$ 90                            |
| Investments in securities  | —                      | 105   | —                                |
| Long-term loans receivable | 102                    | 115   | 764                              |
|                            | <b>¥ 114</b>           | ¥ 270 | <b>\$ 854</b>                    |

Shares of affiliates shares and Long-term loans receivable have been eliminated in full.

The following asset is pledged as collateral for construction performance guarantees and deposit guarantees based on real estate sales contracts.

|               | <i>Millions of yen</i> |       | <i>Thousands of U.S. dollars</i> |
|---------------|------------------------|-------|----------------------------------|
|               | <b>2023</b>            | 2022  | <b>2023</b>                      |
| Time deposits | ¥—                     | ¥ 295 | ¥—                               |

# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 9. Short-Term Bank Loans and Long-Term Debt (continued)

In order to achieve more efficient financing, the Company has concluded line-of-credit agreements with certain financial institutions. The status of these lines of credit at March 31, 2023 and 2022 are as follows:

|                  | <i>Millions of yen</i> |          | <i>Thousands of U.S. dollars</i> |
|------------------|------------------------|----------|----------------------------------|
|                  | <b>2023</b>            | 2022     | <b>2023</b>                      |
| Lines of credit  | <b>¥ 10,000</b>        | ¥ 10,000 | <b>\$ 74,890</b>                 |
| Credit utilized  | —                      | —        | —                                |
| Available credit | <b>¥ 10,000</b>        | ¥ 10,000 | <b>\$ 74,890</b>                 |

### 10. Income Taxes

Income taxes applicable to the Group comprise corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of approximately 30.4% for the years ended March 31, 2023 and 2022.

A reconciliation of the statutory tax rate and the effective tax rates for the years ended March 31, 2023 and 2022 as a percentage of profit before income taxes are summarized as follows:

|  | <b>2023</b>  | 2022  |
|--|--------------|-------|
| Statutory tax rate                       | <b>30.4%</b> | 30.4% |
| Permanently non-tax-deductible expenses  | <b>1.3</b>   | 0.9   |
| Permanently non-taxable income           | <b>(0.1)</b> | (0.1) |
| Per capita portion of inhabitants' taxes | <b>1.7</b>   | 2.0   |
| Tax credit for corporation tax           | —            | (2.7) |
| Valuation allowance                      | <b>(0.1)</b> | (0.5) |
| Other                                    | <b>(0.9)</b> | 0.6   |
| Effective tax rates                      | <b>32.3%</b> | 30.6% |

# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 10. Income Taxes (continued)

The significant components of deferred tax assets and liabilities of the Group at March 31, 2023 and 2022 are summarized as follows:

|  | <i>Millions of yen</i> |             | <i>Thousands of<br/>U.S. dollars</i> |
|--|------------------------|-------------|--------------------------------------|
|  | <b>2023</b>            | <b>2022</b> | <b>2023</b>                          |
| <b>Deferred tax assets:</b>                              |                        |             |                                      |
| Allowance for doubtful accounts                          | ¥ 160                  | ¥ 175       | \$ 1,198                             |
| Provision for compensation for<br>completed construction | 174                    | 163         | 1,303                                |
| Loss on devaluation of inventories                       | 16                     | 22          | 120                                  |
| Provision for loss on construction<br>contracts          | 12                     | 30          | 90                                   |
| Liability for retirement benefits                        | 935                    | 963         | 7,002                                |
| Impairment losses  | 483                    | 480         | 3,617                                |
| Loss on valuation of investments in<br>securities        | 39                     | 35          | 292                                  |
| Other  | 659                    | 600         | 4,936                                |
| Gross deferred tax assets                                | 2,478                  | 2,468       | 18,558                               |
| Less valuation allowance                                 | (916)                  | (922)       | (6,860)                              |
| Total deferred tax assets                                | 1,562                  | 1,546       | 11,698                               |
| <b>Deferred tax liabilities:</b>                         |                        |             |                                      |
| Intangible assets  | (208)                  | —           | (1,558)                              |
| Unrealized holding gain on<br>investments in securities  | (457)                  | (420)       | (3,422)                              |
| Deferred capital gains on property                       | (122)                  | (124)       | (914)                                |
| Other  | (18)                   | (5)         | (135)                                |
| Total deferred tax liabilities                           | (805)                  | (549)       | (6,029)                              |
| Net deferred tax assets                                  | ¥ 757                  | ¥ 997       | \$ 5,669                             |

# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 11. Retirement Benefits

#### 1. Outline of retirement benefits for employees

The Company has funded or unfunded defined benefit pension plans and defined contribution plans in order to allocate for employees' retirement benefits. In addition to these retirement benefit plans, the Company may pay additional retirement benefits when employees retire. All employees of Asanuma Tatemono K.K., a consolidated subsidiary of the Company, have been composed of secondees from the Company, consequently, the retirement benefit plan of Asanuma Tatemono K.K. is incorporated in those of the Company. The other consolidated subsidiaries do not have any retirement pension plans.

Under the defined benefit plans, the Company pays lump-sum or pension payments, the amounts of which are determined by reference to employees' ranks and length of service.

#### 2. Defined benefit plans

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

|                                      | <i>Millions of yen</i> |          | <i>Thousands of U.S. dollars</i> |
|--------------------------------------|------------------------|----------|----------------------------------|
|                                      | <b>2023</b>            | 2022     | <b>2023</b>                      |
| Balance at the beginning of the year | <b>¥ 10,258</b>        | ¥ 10,483 | <b>\$ 76,822</b>                 |
| Service cost                         | <b>348</b>             | 370      | <b>2,606</b>                     |
| Interest cost                        | <b>101</b>             | 105      | <b>756</b>                       |
| Actuarial (loss) gain                | <b>(103)</b>           | 65       | <b>(771)</b>                     |
| Benefit paid                         | <b>(928)</b>           | (765)    | <b>(6,950)</b>                   |
| Balance at the end of the year       | <b>¥ 9,676</b>         | ¥ 10,258 | <b>\$ 72,463</b>                 |

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

|                                      | <i>Millions of yen</i> |         | <i>Thousands of U.S. dollars</i> |
|--------------------------------------|------------------------|---------|----------------------------------|
|                                      | <b>2023</b>            | 2022    | <b>2023</b>                      |
| Balance at the beginning of the year | <b>¥ 7,092</b>         | ¥ 7,000 | <b>\$ 53,112</b>                 |
| Expected return on plan assets       | <b>142</b>             | 139     | <b>1,063</b>                     |
| Actuarial loss                       | <b>(241)</b>           | (94)    | <b>(1,805)</b>                   |
| Contributions by the employer        | <b>155</b>             | 499     | <b>1,161</b>                     |
| Benefit paid                         | <b>(544)</b>           | (452)   | <b>(4,074)</b>                   |
| Balance at the end of the year       | <b>¥ 6,604</b>         | ¥ 7,092 | <b>\$ 49,457</b>                 |



# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 11. Retirement Benefits (continued)

#### 2. Defined benefit plans (continued)

- (3) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets at March 31, 2023 and 2022 for the Company's and the consolidated subsidiary's defined benefit plans:

|   | <i>Millions of yen</i> |         | <i>Thousands of U.S. dollars</i> |
|---|------------------------|---------|----------------------------------|
|   | <b>2023</b>            | 2022    | <b>2023</b>                      |
| Funded retirement benefit obligation                                    | <b>¥ 5,383</b>         | ¥ 5,815 | <b>\$ 40,313</b>                 |
| Plan assets at fair value   | <b>(6,604)</b>         | (7,092) | <b>(49,457)</b>                  |
|   | <b>(1,221)</b>         | (1,277) | <b>(9,144)</b>                   |
| Unfunded retirement benefit obligation                                  | <b>4,293</b>           | 4,442   | <b>32,150</b>                    |
| Net assets and liabilities recognized on the consolidated balance sheet | <b>¥ 3,072</b>         | ¥ 3,165 | <b>\$ 23,006</b>                 |

- (4) The components of retirement benefit expense for the years ended March 31, 2023 and 2022 are as follows:

|                                | <i>Millions of yen</i> |       | <i>Thousands of U.S. dollars</i> |
|--------------------------------|------------------------|-------|----------------------------------|
|                                | <b>2023</b>            | 2022  | <b>2023</b>                      |
| Service cost                   | <b>¥ 348</b>           | ¥ 370 | <b>\$ 2,606</b>                  |
| Interest cost                  | <b>101</b>             | 105   | <b>756</b>                       |
| Expected return on plan assets | <b>(142)</b>           | (140) | <b>(1,063)</b>                   |
| Amortization of actuarial gain | <b>66</b>              | 52    | <b>494</b>                       |
| Retirement benefit expense     | <b>¥ 373</b>           | ¥ 387 | <b>\$ 2,793</b>                  |

- (5) The components of retirement benefits liability and asset adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2023 and 2022 are as follows:

|                | <i>Millions of yen</i> |         | <i>Thousands of U.S. dollars</i> |
|----------------|------------------------|---------|----------------------------------|
|                | <b>2023</b>            | 2022    | <b>2023</b>                      |
| Actuarial loss | <b>¥ (72)</b>          | ¥ (107) | <b>\$ (539)</b>                  |

# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 11. Retirement Benefits (continued)

#### 2. Defined benefit plans (continued)

- (6) The components of retirement benefits liability and asset adjustments included in accumulated other comprehensive income (before tax effect) at March 31, 2023 and 2022 are as follows:

|                             | <i>Millions of yen</i> |       | <i>Thousands of U.S. dollars</i> |
|-----------------------------|------------------------|-------|----------------------------------|
|                             | <b>2023</b>            | 2022  | <b>2023</b>                      |
| Unrecognized actuarial gain | <b>¥ 341</b>           | ¥ 269 | <b>\$ 2,554</b>                  |

- (7) The fair value of plan assets, by major category, as a percentage of total plan assets at March 31, 2023 and 2022 are as follows:

|                        | <b>2023</b> | 2022 |
|------------------------|-------------|------|
| Debt securities        | <b>54%</b>  | 54%  |
| Equity securities      | <b>20</b>   | 20   |
| Multi-asset            | <b>24</b>   | 24   |
| Cash and cash deposits | <b>2</b>    | 2    |
| Total                  | <b>100%</b> | 100% |

The expected long-term rate of return on plan assets is determined as a result of consideration of both the portfolio allocation at present and in the future, and the expected long-term rate of return from multiple plan assets at present and in the future.

- (8) The assumptions used in accounting for the defined benefit plans are as follows:

|  | <b>2023</b> | 2022 |
|--|-------------|------|
| Discount rate                                    | <b>1.0%</b> | 1.0% |
| Expected long-term rate of return on plan assets | <b>2.0%</b> | 2.0% |
| Estimated rate of salary increase                | <b>7.7%</b> | 9.1% |

(Note) Estimated rate of salary increase is an expected rate of the increase of the retirement benefit points.

# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 11. Retirement Benefits (continued)

#### 3. Defined contribution pension plan

Information on contributions to the defined contribution pension plan for the years ended March 31, 2023 and 2022 are as follows:

|  | <i>Millions of yen</i> |             | <i>Thousands of<br/>U.S. dollars</i> |
|--|------------------------|-------------|--------------------------------------|
|  | <b>2023</b>            | <b>2022</b> | <b>2023</b>                          |
| Contributions to the defined contribution pension plan | <b>¥ 152</b>           | ¥ 158       | <b>\$ 1,138</b>                      |

### 12. Asset Retirement Obligations

The Company estimates the cost of restoration obligations based on property lease agreements of the headquarters in Osaka, Tokyo office and Kyusyu office. As the cost of the restoration obligations is immaterial, the information on asset retirement obligations is omitted.

Regarding certain restoration obligations, the Company estimated non-recoverable amounts of deposits for those premises and charged the portion attributable to the years ended March 31, 2023 and 2022, instead of recording asset retirement obligations.

### 13. Shareholders' Equity

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

Under the Act, upon the issuance and sale of new shares of common stock, the entire amount of the proceeds is required to be accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the proceeds of the sale of new shares as additional paid-in capital included in capital surplus.

# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 13. Shareholders' Equity (continued)

Movements in shares of common stock in issue and treasury stock during the years ended March 31, 2023 and 2022 are summarized as follows:

|                                 | Number of shares |           |          |                |
|---------------------------------|------------------|-----------|----------|----------------|
|                                 | 2023             |           |          |                |
|                                 | April 1, 2022    | Increase  | Decrease | March 31, 2023 |
| Shares of common stock in issue | 8,078,629        | 8,078,629 | —        | 16,157,258     |
| Treasury stock                  | 8,253            | 34,774    | 11,845   | 31,182         |

The increase in shares of common stock of 8,078,629 is due to the stock split that the company conducted at a ratio of two-for one effective August 1, 2022.

The increase in treasury stock of common stock of 34,774 shares is due to the acquisition of 18,700 shares of treasury stock by the resolution of the Board of Directors held on May 17, 2022, the increase of 15,286 shares due to the stock split, and the acquisition of 788 fractional shares of less than one unit. The decrease in treasury stock of common stock of 11,845 shares is due to the disposal of treasury shares under restricted stock remuneration plan.

|                                 | Number of shares |          |          |                |
|---------------------------------|------------------|----------|----------|----------------|
|                                 | 2022             |          |          |                |
|                                 | April 1, 2021    | Increase | Decrease | March 31, 2022 |
| Shares of common stock in issue | 8,078,629        | —        | —        | 8,078,629      |
| Treasury stock                  | 21,893           | 1,175    | 14,815   | 8,253          |

The increase in treasury stock of common stock of 1,175 was due to the acquisition of fractional shares of less than one unit. The decrease in treasury stock of common stock of 14,815 shares was due to the disposal of treasury shares under restricted stock remuneration plan.

# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 13. Shareholders' Equity (continued)

#### *Restricted stock awards*

#### 1. Outline, scale and movement

##### (1) Outline

| Restricted stock awards         | 2022 plan  | 2021 plan  |
|---------------------------------|--|--|
| Individuals covered by the plan | 6 directors  | 6 directors  |
| Type of shares                  | Common stock   | Common stock   |
| Number of shares                | 10,366 shares  | 14,260 shares  |
| Granted date                    | July 19, 2022  | July 20, 2021  |
| Vesting period                  | From July 19, 2022<br>(allocation date) to the<br>date when an individual<br>ceases to be a director of<br>the Company | From July 20, 2021<br>(allocation date) to the<br>date when an individual<br>ceases to be a director of<br>the Company |

Number of shares of 2021 plan has been restated, as appropriate, to reflect two-for-one stock split effective August 1, 2022

Conditions for release of transfer restriction are as follows:

The Company shall release transfer restriction for all of the allocated shares upon the end of the vesting period provided that a covered person continues to be director of the Company during the "Service Period" (from the allocation date to the end of the ordinary general meeting of shareholders for the fiscal year ended March 31, 2023). However, in the event that a covered person ceases to be a director during the Service Period due to death or other reasons that the Board of Directors deem as justifiable, the Company shall release transfer restrictions for the specified number of allocated shares at the end of the vesting period. The specified number of allocated shares is calculated by multiplying the number of months from the allocation date to the month when a covered person ceases to be a director divided by 12 (if the number exceeds 1, it shall be deemed to be 1) by the number of allocated shares (it shall be rounded down).

# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 13. Shareholders' Equity (continued)

#### *Restricted stock awards (continued)*

#### 1. Outline, scale and movement (continued)

##### (2) Scale and movement

Scale and movement of restricted stocks that have not yet been released for the fiscal year ended March 31, 2023 and 2022 are as follows.

##### i) Amount of expenses and account name

|   | <i>Thousands of yen</i> |          | <i>U.S. dollars</i> |
|---|-------------------------|----------|---------------------|
|   | <b>2023</b>             | 2022     | <b>2023</b>         |
| Stock compensation expense in general and administrative expenses | <b>¥ 28,295</b>         | ¥ 24,010 | <b>\$ 211,900</b>   |

##### ii) Number of shares

|  | <b>2022 plan</b> | 2021 plan |
|--|------------------|-----------|
| Unvested at the end of prior fiscal period       | —                | 14,260    |
| Granted  | <b>10,366</b>    | —         |
| Forfeited  | —                | —         |
| Vested   | —                | —         |
| Unvested at the end of the current fiscal period | <b>10,366</b>    | 14,260    |

Number of shares of 2021 plan has been restated, as appropriate, to reflect two-for-one stock split effective August 1, 2022

##### iii) Unit price information

|                      | <i>Yen</i>       |           |
|----------------------|------------------|-----------|
|                      | <b>2022 plan</b> | 2021 plan |
| Fair value per share | <b>¥ 2,610</b>   | ¥ 2,245   |

Fair value per share of 2021 plan has been restated, as appropriate, to reflect two-for-one stock split effective August 1, 2022

# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 13. Shareholders' Equity (continued)

#### *Restricted stock awards (continued)*

#### 2. Method of determining fair value

It is the closing price of the Company's common stock in the Tokyo Stock Exchange on the business day before the day of the meeting of the Board of Directors.

#### 3. Method of estimating the number of vested shares

The actual number of forfeited stock options is shown as it is difficult to reasonably estimate the number of stock options that will be forfeited in the future.

### 14. Provision for Loss on Construction Contracts

Provision for loss on construction contracts included in cost of sales for the years ended March 31, 2023 and 2022 amounted to ¥38 million (\$285 thousand) and ¥99 million, respectively.

### 15. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2023 and 2022 amounted to ¥383 million (\$2,868 thousand) and ¥575 million, respectively.

# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 16. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects allocated to components of other comprehensive income for the years ended March 31, 2023 and 2022:

|   | <i>Millions of yen</i> |           | <i>Thousands of U.S. dollars</i> |
|---|------------------------|-----------|----------------------------------|
|   | <b>2023</b>            | 2022      | <b>2023</b>                      |
| Net unrealized holding gain (loss) on investments in securities:          |                        |           |                                  |
| Amount arising during the year  | <b>¥ 145</b>           | ¥ (846)   | <b>\$ 1,086</b>                  |
| Reclassification adjustments for loss realized in the statement of income | —                      | (538)     | —                                |
| Before tax effect   | <b>145</b>             | (1,384)   | <b>1,086</b>                     |
| Tax effect  | <b>(37)</b>            | 421       | <b>(277)</b>                     |
| Net unrealized holding loss on investments in securities, net             | <b>108</b>             | (963)     | <b>809</b>                       |
| Foreign currency translation adjustments, net                             | <b>595</b>             | 2         | <b>4,456</b>                     |
| Retirement benefits liability adjustments:                                |                        |           |                                  |
| Amount arising during the year  | <b>(138)</b>           | (159)     | <b>(1,033)</b>                   |
| Reclassification adjustments for gain realized in the statement of income | <b>66</b>              | 52        | <b>494</b>                       |
| Before tax effect   | <b>(72)</b>            | (107)     | <b>(539)</b>                     |
| Tax effect  | <b>22</b>              | 32        | <b>164</b>                       |
| Retirement benefits liability adjustments, net                            | <b>(50)</b>            | (75)      | <b>(375)</b>                     |
| Total other comprehensive income  | <b>¥ 653</b>           | ¥ (1,036) | <b>\$ 4,890</b>                  |

### 17. Leases

Operating lease transactions

(Lessee)

Future lease payments for the non-cancelable portion of the Company's operating leases at March 31, 2023 and 2022, are as follows:

|                   | <i>Millions of yen</i> |       | <i>Thousands of U.S. dollars</i> |
|-------------------|------------------------|-------|----------------------------------|
|                   | <b>2023</b>            | 2022  | <b>2023</b>                      |
| Due within 1 year | <b>¥ 31</b>            | ¥ 30  | <b>\$ 232</b>                    |
| Due after 1 year  | <b>74</b>              | 105   | <b>554</b>                       |
|                   | <b>¥ 105</b>           | ¥ 135 | <b>\$ 786</b>                    |



# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 18. Financial Instruments

#### *Status of financial instruments*

##### (1) Policy for financial instruments

The Group manage their funds by investing only in short-term deposits, and primarily raise funds by borrowings from banks and issuing bonds. The purpose of entering into derivative transactions is to mitigate fluctuation risk related to interest rates with respect to borrowings from banks, and derivative transactions are not carried out for speculative purposes.

##### (2) Types of financial instruments, related risk and risk management for financial instruments

Notes receivable and accounts receivable on completed construction contracts are subject to the credit risk of customers. Regarding this risk, the Group monitor due dates and outstanding balances by individual customer, and the credit worthiness of their main customers regularly.

Investments in securities are mainly composed of stocks and are exposed to fluctuation risk of market prices and the Group review the fair values of such listed stocks every quarter.

Short-term bank loans, long-term debt and bonds are mainly utilized for business operations. Certain long-term debt is hedged by derivative transactions (interest rate swaps) as a hedging instrument per individual agreement in order to reduce fluctuation risk of interest rate and fix interest expense.

In addition, the Company follows internal policies which include authorized procedures and processes governing derivatives within the actual demand.

##### (3) Supplementary explanation of fair value of financial instruments

The fair value of financial instruments can fluctuate because different assumptions maybe adopted for calculations of fair value considering various factors.

# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 18. Financial Instruments (continued)

#### *Estimated fair value of financial instruments*

Carrying value of financial instruments on the consolidated balance sheets at March 31, 2022 and 2023, the estimated fair value and the difference between them are shown in the following table. Cash and deposits and accounts payable on construction contracts and short-term bank loans are not included in the table below as they are mainly settled within a short term and their fair value approximates carrying value.

|  | <i>Millions of yen</i> |                      |            |
|--|------------------------|----------------------|------------|
|  | <b>2023</b>            |                      |            |
|  | Carrying value         | Estimated fair value | Difference |
| Notes receivable and accounts receivable on completed construction contracts | ¥ 61,163               | ¥ 61,218             | ¥ 55       |
| Investments in securities (*)  | 3,924                  | 3,924                | 0          |
| Total assets   | ¥ 65,087               | ¥ 65,142             | ¥ 55       |
| Bonds  | ¥ 1,640                | ¥ 1,620              | ¥ (20)     |
| Long-term loans  | 6,884                  | 6,862                | (22)       |
| Total liabilities  | ¥ 8,524                | ¥ 8,482              | ¥ (42)     |

  

|  | <i>Millions of yen</i> |                      |            |
|--|------------------------|----------------------|------------|
|  | <b>2022</b>            |                      |            |
|  | Carrying value         | Estimated fair value | Difference |
| Notes receivable and accounts receivable on completed construction contracts | ¥ 54,833               | ¥ 54,909             | ¥ 76       |
| Investments in securities (*)  | 3,769                  | 3,769                | 0          |
| Total assets   | ¥ 58,602               | ¥ 58,678             | ¥ 76       |
| Bonds  | ¥ 1,640                | ¥ 1,618              | ¥ (22)     |
| Long-term loans  | 6,533                  | 6,494                | (39)       |
| Total liabilities  | ¥ 8,173                | ¥ 8,112              | ¥ (61)     |

# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 18. Financial Instruments (continued)

#### Estimated fair value of financial instruments (continued)

|  | <i>Thousands of U.S. dollars</i> |                      |                 |
|--|----------------------------------|----------------------|-----------------|
|  | <b>2023</b>                      |                      |                 |
|  | Carrying value                   | Estimated fair value | Difference      |
| Notes receivable and accounts receivable on completed construction contracts | \$ 458,047                       | \$ 458,458           | \$ 411          |
| Investments in securities (*)  | 29,387                           | 29,387               | 0               |
| Total assets   | <u>\$ 487,434</u>                | <u>\$ 487,845</u>    | <u>\$ 411</u>   |
| Bonds  | \$ 12,282                        | \$ 12,132            | \$ (150)        |
| Long-term loans  | 51,554                           | 51,389               | (165)           |
| Total liabilities  | <u>\$ 63,836</u>                 | <u>\$ 63,521</u>     | <u>\$ (315)</u> |

(\*) Unquoted securities and Investment in partnerships at March 31, 2023 are as follows. Since there is no market price for unlisted equity securities and it is difficult to determine the fair value, they are not included in marketable securities and investments in securities in the preceding table estimated fair value.

|                  | <i>Millions of yen</i> |       | <i>Thousands of U.S. dollars</i> |
|------------------|------------------------|-------|----------------------------------|
|                  | <b>2023</b>            | 2022  | <b>2023</b>                      |
| Unlisted stocks  | ¥ 809                  | ¥ 840 | \$ 6,059                         |
| Union investment | 5                      | —     | 37                               |

Investments in partnerships are not subject to disclosure of fair value in accordance with paragraphs 24-16 of the “Guidance on Accounting Standard for Measurement of Fair Value” (Accounting Standards Board of Japan Application Guidance No. 31, June 17, 2021).

# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 18. Financial Instruments (continued)

#### *Redemption schedule*

The redemption schedule for cash deposits, receivables and marketable securities with maturity dates at March 31, 2023 are summarized as follows:

|  | <i>Millions of yen</i> |                               |                                 |
|--|------------------------|-------------------------------|---------------------------------|
|  | <b>2023</b>            |                               |                                 |
|  | Within 1 year          | Over 1 year<br>within 5 years | Over 5 years<br>within 10 years |
| Cash deposits  | <b>¥ 11,890</b>        | <b>¥ –</b>                    | <b>¥ –</b>                      |
| Notes receivable and accounts<br>receivable on completed<br>construction contracts | <b>59,215</b>          | <b>1,402</b>                  | <b>546</b>                      |
| Investments in securities:<br>Held-to-maturity debt securities                     | <b>15</b>              | <b>–</b>                      | <b>–</b>                        |
| Total  | <b>¥ 71,120</b>        | <b>¥ 1,402</b>                | <b>¥ 546</b>                    |

|  | <i>Thousands of U.S. dollars</i> |                               |                                 |
|--|----------------------------------|-------------------------------|---------------------------------|
|  | <b>2023</b>                      |                               |                                 |
|  | Within 1 year                    | Over 1 year<br>within 5 years | Over 5 years<br>within 10 years |
| Cash deposits  | <b>\$ 89,044</b>                 | <b>\$ –</b>                   | <b>\$ –</b>                     |
| Notes receivable and accounts<br>receivable on completed<br>construction contracts | <b>443,458</b>                   | <b>10,500</b>                 | <b>4,089</b>                    |
| Investments in securities:<br>Held-to-maturity debt securities                     | <b>112</b>                       | <b>–</b>                      | <b>–</b>                        |
| Total  | <b>\$ 532,614</b>                | <b>\$ 10,500</b>              | <b>\$ 4,089</b>                 |

#### *Breakdown of fair value of financial instruments by level*

Fair values of financial instruments are categorized into three levels as described below on the basis of the observability and the materiality of the inputs used in the fair value measurement.

Level 1: Fair values measured using quoted prices of identical assets or liabilities in active markets among observable valuation inputs

Level 2: Fair values measured using inputs other than inputs included within Level 1 among observable valuation inputs

Level 3: Fair values measured using unobservable valuation inputs

# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 18. Financial Instruments (continued)

#### *Breakdown of fair value of financial instruments by level (continued)*

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is classified to the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

Financial instruments measured at fair value at March 31, 2023 and 2022

| <i>Millions of yen</i>           |           |         |         |           |
|----------------------------------|-----------|---------|---------|-----------|
| <b>2023</b>                      |           |         |         |           |
| Fair value                       |           |         |         |           |
|                                  | Level 1   | Level 2 | Level 3 | Total     |
| Investments in securities:       |           |         |         |           |
| Stocks                           | ¥ 3,909   | ¥ –     | ¥ –     | ¥ 3,909   |
| Total assets                     | ¥ 3,909   | ¥ –     | ¥ –     | ¥ 3,909   |
| <i>Millions of yen</i>           |           |         |         |           |
| 2022                             |           |         |         |           |
| Fair value                       |           |         |         |           |
|                                  | Level 1   | Level 2 | Level 3 | Total     |
| Investments in securities:       |           |         |         |           |
| Stocks                           | ¥ 3,754   | ¥ –     | ¥ –     | ¥ 3,754   |
| Total assets                     | ¥ 3,754   | ¥ –     | ¥ –     | ¥ 3,754   |
| <i>Thousands of U.S. dollars</i> |           |         |         |           |
| <b>2023</b>                      |           |         |         |           |
| Fair value                       |           |         |         |           |
|                                  | Level 1   | Level 2 | Level 3 | Total     |
| Investments in securities:       |           |         |         |           |
| Stocks                           | \$ 29,275 | \$ –    | \$ –    | \$ 29,275 |
| Total assets                     | \$ 29,275 | \$ –    | \$ –    | \$ 29,275 |

# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 18. Financial Instruments (continued)

#### Breakdown of fair value of financial instruments by level (continued)

Financial instruments other than those measured at fair value at March 31, 2023 and 2022

| <i>Millions of yen</i>   |         |          |         |          |
|--|---------|----------|---------|----------|
| <b>2023</b>  |         |          |         |          |
| Fair value   |         |          |         |          |
|  | Level 1 | Level 2  | Level 3 | Total    |
| Notes receivable and accounts receivable on completed construction contracts | ¥ –     | ¥ 61,218 | ¥ –     | ¥ 61,218 |
| Investments in securities:   |         |          |         |          |
| Government bonds   | 15      | –        | –       | 15       |
| Total assets   | ¥ 15    | ¥ 61,218 | ¥ –     | ¥ 61,233 |
| Bonds  | ¥ –     | ¥ 1,620  | ¥ –     | ¥ 1,620  |
| Long-term loans  | –       | 6,862    | –       | 6,862    |
| Total liabilities  | ¥ –     | ¥ 8,482  | ¥ –     | ¥ 8,482  |

  

| <i>Millions of yen</i>   |         |          |         |          |
|--|---------|----------|---------|----------|
| <b>2022</b>  |         |          |         |          |
| Fair value   |         |          |         |          |
|  | Level 1 | Level 2  | Level 3 | Total    |
| Notes receivable and accounts receivable on completed construction contracts | ¥ –     | ¥ 54,909 | ¥ –     | ¥ 54,909 |
| Investments in securities:   |         |          |         |          |
| Government bonds   | 15      | –        | –       | 15       |
| Total assets   | ¥ 15    | ¥ 54,909 | ¥ –     | ¥ 54,924 |
| Bonds  | ¥ –     | ¥ 1,618  | ¥ –     | ¥ 1,618  |
| Long-term loans  | –       | 6,494    | –       | 6,494    |
| Total liabilities  | ¥ –     | ¥ 8,112  | ¥ –     | ¥ 8,112  |

# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 18. Financial Instruments (continued)

#### *Breakdown of fair value of financial instruments by level (continued)*

|  | <i>Thousands of U.S. dollars</i> |                   |             |                   |
|--|----------------------------------|-------------------|-------------|-------------------|
|  | <b>2023</b>                      |                   |             |                   |
|  | Fair value                       |                   |             |                   |
|  | Level 1                          | Level 2           | Level 3     | Total             |
| Notes receivable and accounts receivable on completed construction contracts | \$ –                             | \$ 458,458        | \$ –        | \$ 458,458        |
| Investments in securities:   |                                  |                   |             |                   |
| Government bonds   | 112                              | –                 | –           | 112               |
| Total assets   | <u>\$ 112</u>                    | <u>\$ 458,458</u> | <u>\$ –</u> | <u>\$ 458,570</u> |
| Bonds  | \$ –                             | \$ 12,132         | \$ –        | \$ 12,132         |
| Long-term loans  | –                                | 51,389            | –           | 51,389            |
| Total liabilities  | <u>\$ –</u>                      | <u>\$ 63,521</u>  | <u>\$ –</u> | <u>\$ 63,521</u>  |

Note: Description of valuation techniques used and inputs related to the calculation of fair value

#### Notes receivable and accounts receivable on completed construction contracts

Fair values are measured using the discounted present value method based on the amounts receivable, maturity, and interest rates taking into account credit risk for each receivable classified by a certain period, and are categorized as Level 2.

#### Investments in securities

Fair values of listed stocks and national bonds are determined by using quoted prices. Fair values of listed stocks and government bonds are categorized as Level 1 since they are traded in active markets.

#### Bonds

Fair value of bonds with fixed rate issued by the Company is determined by discounting the total amount of principal with the expected interest rate in the case of issuing a new bond in same condition, and is categorized as Level 2.

#### Long-term debt

Fair value of long-term debt with fixed rates is determined by discounting the total amount of principal with the expected interest rate in the case of undertaking new borrowings in same condition, and is categorized as Level 2.

# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 19. Amounts per Share

Amounts per share at March 31, 2023 and 2022 and for the years then ended are as follows:

|   | <i>Yen</i>        |            | <i>U.S. dollars</i> |
|---|-------------------|------------|---------------------|
|   | <b>2023</b>       | 2022       | <b>2023</b>         |
| Net assets                              | <b>¥ 2,728.46</b> | ¥ 2,614.50 | <b>\$ 20.43</b>     |
| Profit attributable to owners of parent | <b>260.49</b>     | 232.36     | <b>1.95</b>         |
| Cash dividends                          | <b>363.00</b>     | 257.00     | <b>2.72</b>         |

Information used in the computation of profit attributable to owners of parent per share for the years ended March 31, 2023 and 2022 are presented as follows:

|   | <i>Millions of yen</i> |         | <i>Thousands of U.S. dollars</i> |
|---|------------------------|---------|----------------------------------|
|   | <b>2023</b>            | 2022    | <b>2023</b>                      |
| Profit attributable to owners of parent                                   | <b>¥ 4,200</b>         | ¥ 3,749 | <b>\$ 31,454</b>                 |
| Profit not attributable to common shareholders                            | —                      | —       | —                                |
| Profit attributable to owners of parent applicable to common shareholders | <b>¥ 4,200</b>         | ¥ 3,749 | <b>\$ 31,454</b>                 |

|   | <i>Thousands of shares</i> |        |
|---|----------------------------|--------|
|   | <b>2023</b>                | 2022   |
| Weighted-average number of shares of common stock used in the calculation | <b>16,125</b>              | 16,133 |

On August 1, 2022, the Company conducted a stock split at a ratio of 2 shares for 1 share of common stock of the Company. Profit attributable to owners of parent per share are computed assuming that the stock split was conducted at the beginning of the previous consolidated fiscal year.

Net assets per share are computed based on the net assets and the number of shares of common stock outstanding at the year end.

Profit attributable to owners of parent per share is computed based on the profit attributable to owners of parent available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years.



# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### **20. Finalization of provisional accounting treatment for business combinations**

The provisional accounting treatment for the business combination with EVERGREEN ENGINEERING & CONSTRUCTION PTE. Ltd. that took place on January 6, 2022 (deemed acquisition date: January 31, 2022) was applied in the previous fiscal year, but was finalized in the fiscal year ended March 31, 2023. With the finalization of this provisional accounting treatment, a significant revision of initial purchase price allocation has been reflected in the comparative information included in the consolidated financial statements for the current year. Goodwill in the amount of ¥1,751 million (\$13,113 thousand), which was the provisionally calculated amount, was reduced by ¥801 million (\$5,999 thousand) to ¥950 million (\$7,115 thousand) due to the finalization of the accounting treatment. In addition, other intangible assets, deferred tax liabilities, and non-controlling interests increased by ¥1,206 million, (\$9,032 thousand) ¥205 million, (\$1,535 thousand) and ¥200 million, (\$1,498 thousand) respectively.

### **21. Revenue Recognition**

- a. Information on disaggregated revenue arising contracts with customers

Information on disaggregated revenue arising contracts with customers for the years ended March 31, 2023 and 2022 is described in Note 22 “Segment Information.”

- b. Information providing a basis for understanding revenue arising from contracts with customers

Information providing a basis for understanding revenue arising from contracts with customers is described in Note 4 “Summary of Significant Accounting Policies” “Revenue and expense recognition.”

# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 21. Revenue Recognition (continued)

- c. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from these contracts, and the amount and timing of revenue from contracts with existing customers at the end of the fiscal year that are expected to be recognized in the following fiscal year or beyond

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

|   | <i>Millions of yen</i> |          | <i>Thousands of U.S. dollars</i> |
|---|------------------------|----------|----------------------------------|
|   | <b>2023</b>            | 2022     | <b>2023</b>                      |
| Receivables arising from contracts with customers |                        |          |                                  |
| (balance at the beginning of the year)            | <b>¥ 21,379</b>        | ¥ 23,729 | <b>\$ 160,106</b>                |
| Receivables arising from contracts with customers |                        |          |                                  |
| (balance at the end of the year)                  | <b>37,237</b>          | 21,379   | <b>278,866</b>                   |
| Contract assets                                   |                        |          |                                  |
| (balance at the beginning of the year)            | <b>33,454</b>          | 27,630   | <b>250,535</b>                   |
| Contract assets                                   |                        |          |                                  |
| (balance at the end of the year)                  | <b>23,926</b>          | 33,454   | <b>179,181</b>                   |
| Contract liabilities                              |                        |          |                                  |
| (balance at the beginning of the year)            | <b>4,404</b>           | 7,783    | <b>32,981</b>                    |
| Contract liabilities                              |                        |          |                                  |
| (balance at the end of the year)                  | <b>4,638</b>           | 4,404    | <b>34,734</b>                    |

Contract assets mainly relate to the rights of the Group to the consideration for unbilled amount of construction contracts, which the Group have satisfied a performance obligation at the end of the fiscal year. Contract assets are reclassified to accounts receivable arising from contracts with customers when the rights of the Group become unconditional

Contract liabilities mainly relate to consideration received from customers prior to performance based on construction contracts. Contract liabilities are reversed in line with revenue recognition. The revenue recognized during the fiscal year that was included in the balance of contract liabilities at the beginning of the year was ¥4,307 million (\$32,255 thousand).

# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 21. Revenue Recognition (continued)

- c. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from these contracts, and the amount and timing of revenue from contracts with existing customers at the end of the fiscal year that are expected to be recognized in the following fiscal year or beyond (continued)

#### (2) Transaction price allocated to remaining performance obligations

The amounts of the transaction price allocated to remaining performance obligations by segment are as follows. These amounts are expected to be recognized as revenue within approximately two years.

|                       | <i>Millions of yen</i> |           | <i>Thousands of U.S. dollars</i> |
|-----------------------|------------------------|-----------|----------------------------------|
|                       | <b>2023</b>            | 2022      | <b>2023</b>                      |
| Building construction | <b>¥ 125,999</b>       | ¥ 119,396 | <b>\$ 943,601</b>                |
| Civil engineering     | <b>30,309</b>          | 32,930    | <b>226,983</b>                   |
| Total                 | <b>¥ 156,308</b>       | ¥ 152,327 | <b>\$ 1,170,583</b>              |

### 22. Segment Information

#### a. Segment Information

##### (1) Overview of reporting segments

The reporting segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Company's Board of Directors to make decisions about resource allocation and assess their performance.

The Group mainly operates in the construction business and has two reporting segments, which are the Building Construction Segment and the Civil Engineering Segment.

# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 22. Segment Information

#### a. Segment Information (continued)

- (2) Information on the amount of sales, profit or loss, assets, liabilities and other items by reportable segment, and disaggregated information on earnings

The method of accounting for reporting segments is, in principle, the same as stated in Note 4 “Summary of Significant Accounting Policies.” The income of reporting segments is calculated on the basis of operating income. Intersegment sales are recorded based on current market prices.

| <i>Millions of yen</i>                      |                          |                      |          |        |           |             |          |
|---|--------------------------|----------------------|----------|--------|-----------|-------------|----------|
| <b>2023</b>                                 |                          |                      |          |        |           |             |          |
|   | Reporting Segments       |                      |          | Others | Sub total | Adjustments | Total    |
|   | Building<br>Construction | Civil<br>Engineering | Total    |        |           |             |          |
| Net sales and income:                       |                          |                      |          |        |           |             |          |
| Authorities                                 | ¥ 18,430                 | ¥ 16,704             | ¥ 35,134 | ¥ 600  | ¥ 35,734  | ¥ –         | ¥ 35,734 |
| Private sales                               | 88,303                   | 8,523                | 96,826   | 716    | 97,542    | –           | 97,542   |
| Overseas                                    | 9,723                    | 75                   | 9,798    | 1,362  | 11,160    | –           | 11,160   |
| Revenue from<br>contracts with<br>customers | 116,456                  | 25,302               | 141,758  | 2,678  | 144,436   | –           | 144,436  |
| Sales to third parties                      | 116,456                  | 25,302               | 141,758  | 2,678  | 144,436   | –           | 144,436  |
| Intersegment sales                          | 13                       | –                    | 13       | 5      | 18        | (18)        | –        |
| Net sales                                   | 116,469                  | 25,302               | 141,771  | 2,683  | 144,454   | (18)        | 144,436  |
| Segment income                              | ¥ 10,400                 | ¥ 3,954              | ¥ 14,354 | ¥ 554  | ¥ 14,908  | ¥ (9,216)   | ¥ 5,692  |

| <i>Millions of yen</i>                      |                          |                      |          |        |           |             |          |
|---|--------------------------|----------------------|----------|--------|-----------|-------------|----------|
| <b>2022</b>                                 |                          |                      |          |        |           |             |          |
|   | Reporting Segments       |                      |          | Others | Sub total | Adjustments | Total    |
|   | Building<br>Construction | Civil<br>Engineering | Total    |        |           |             |          |
| Net sales and income:                       |                          |                      |          |        |           |             |          |
| Authorities                                 | ¥ 23,442                 | ¥ 18,983             | ¥ 42,425 | ¥ 522  | ¥ 42,947  | ¥ –         | ¥ 42,947 |
| Private sales                               | 83,988                   | 5,067                | 89,055   | 549    | 89,604    | –           | 89,604   |
| Overseas                                    | 2,420                    | 508                  | 2,928    | –      | 2,928     | –           | 2,928    |
| Revenue from<br>contracts with<br>customers | 109,850                  | 24,558               | 134,408  | 1,071  | 135,479   | –           | 135,479  |
| Sales to third parties                      | 109,850                  | 24,558               | 134,408  | 1,071  | 135,479   | –           | 135,479  |
| Intersegment sales                          | –                        | –                    | –        | 5      | 5         | (5)         | –        |
| Net sales                                   | 109,850                  | 24,558               | 134,408  | 1,076  | 135,483   | (5)         | 135,479  |
| Segment income                              | ¥ 10,127                 | ¥ 3,009              | ¥ 13,136 | ¥ 100  | ¥ 13,236  | ¥ (8,401)   | ¥ 4,835  |

# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 22. Segment Information (continued)

#### a. Segment Information (continued)

- (2) Information on the amount of sales, profit or loss, assets, liabilities and other items by reportable segment, and disaggregated information on earnings (continued)

| <i>Thousands of U.S. dollars</i>            |                          |                      |            |          |            |             |            |
|---|--------------------------|----------------------|------------|----------|------------|-------------|------------|
| <b>2023</b>                                 |                          |                      |            |          |            |             |            |
|   | Reporting Segments       |                      |            | Others   | Sub total  | Adjustments | Total      |
|   | Building<br>Construction | Civil<br>Engineering | Total      |          |            |             |            |
| Net sales and income:                       |                          |                      |            |          |            |             |            |
| Authorities                                 | \$ 138,020               | \$ 125,096           | \$ 263,116 | \$ 4,493 | \$ 267,609 | \$ –        | \$ 267,609 |
| Private sales                               | 661,298                  | 63,827               | 725,125    | 5,362    | 730,487    | –           | 730,487    |
| Overseas                                    | 72,816                   | 563                  | 73,379     | 10,200   | 83,579     | –           | 83,579     |
| Revenue from<br>contracts with<br>customers | 872,134                  | 189,486              | 1,061,620  | 20,055   | 1,081,675  |             | 1,081,675  |
| Sales to third parties                      | 872,134                  | 189,486              | 1,061,620  | 20,055   | 1,081,675  |             | 1,081,675  |
| Intersegment sales                          | 97                       | –                    | 97         | 37       | 134        | (134)       | –          |
| Net sales                                   | 872,231                  | 189,486              | 1,061,717  | 20,092   | 1,081,809  | (134)       | 1,081,675  |
| Segment income                              | \$ 77,885                | \$ 29,611            | \$ 107,496 | \$ 4,149 | \$ 111,645 | \$ (69,018) | \$ 42,627  |

“Others” is a business segment which is not included in the reporting segments and includes real estate and other businesses.

Adjustments for segment income in the amounts of ¥9,216 million (\$69,018 thousand) and ¥8,401 million for the years ended March 31, 2023 and 2022 include eliminations of intersegment transactions of ¥1 million (\$7 thousand) and ¥1 million and corporate expenses of ¥9,215 million (\$69,011 thousand) and ¥8,400million recorded as selling, general and administrative expenses not attributable to any business segments, respectively.

The total amount of segment income is adjusted to operating income on the consolidated statement of income.

Assets, liabilities and others are not allocated to business segments.

# Asanuma Corporation

## Notes to Consolidated Financial Statements (continued)

### 22. Segment Information (continued)

#### b. Related information

##### (1) Information by products and services

Disclosure of information by products and services for the years ended March 31, 2023 and 2022 has been omitted as the Company classifies such information in the same way as it does its reporting segments.

##### (2) Information by geographical segment

Disclosure of sales and property and equipment by geographical area for the years ended and at March 31, 2023 and 2022 has been omitted as sales to domestic customers were in excess of 90% of consolidated net sales, and the balance of property and equipment in Japan was in excess of 90% of consolidated property and equipment.

##### (3) Information by major customers

Disclosure of information by major customers for years ended March 31, 2023 and 2022 has been omitted as sales to each customer were less than 10% of consolidated net sales.

#### c. Impairment losses by reporting segment

| <i>Millions of yen</i>           |                          |                      |       |       |                                 |          |
|----------------------------------|--------------------------|----------------------|-------|-------|---------------------------------|----------|
| <b>2023</b>                      |                          |                      |       |       |                                 |          |
| Reporting Segments               |                          |                      |       |       |                                 |          |
|                                  | Building<br>Construction | Civil<br>Engineering | Total | Other | Elimination<br>and<br>corporate | Total    |
| Impairment losses                | ¥ –                      | ¥ –                  | ¥ –   | ¥ –   | ¥ 145                           | ¥ 145    |
| <i>Thousands of U.S. dollars</i> |                          |                      |       |       |                                 |          |
| <b>2023</b>                      |                          |                      |       |       |                                 |          |
| Reporting Segments               |                          |                      |       |       |                                 |          |
|                                  | Building<br>Construction | Civil<br>Engineering | Total | Other | Elimination<br>and<br>corporate | Total    |
| Impairment losses                | \$ –                     | \$ –                 | \$ –  | \$ –  | \$ 1,086                        | \$ 1,086 |

(\*) The amount of “Corporate/Elimination” is impairment loss on corporate assets that do not belong to any segment.

## Asanuma Corporation

### Notes to Consolidated Financial Statements (continued)

#### 22. Segment Information (continued)

##### d. Information on amortization of goodwill and remaining unamortized balance

Goodwill is not allocated to reporting segments. The provisional accounting treatment for the business combination was applied in the current fiscal year. As for segment information for the previous fiscal year, the initial allocation of acquisition costs has reflected said adjustments. Amortization of goodwill was ¥172 million (\$1,288 thousand) and ¥30 million as at March 31, 2023 and 2022, respectively.

Remaining unamortized balance included in “Intangible assets” was ¥1,068 million (\$7,998 thousand) and ¥1,069 million as at March 31, 2023 and 2022, respectively.

#### 23. Subsequent Events

##### 1. Appropriation of retained earnings

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2023, was approved at the annual general meeting of the shareholders of the Company held on June 23, 2023.

|   | <i>Millions of yen</i> | <i>Thousands of<br/>U.S. dollars</i> |
|---|------------------------|--------------------------------------|
| Cash dividends of ¥191 (\$1.43) per share | <b>¥ 3,080</b>         | <b>\$ 23,066</b>                     |