ANNUAL REPORT 2023

Year ended March 31, 2023

SHIN NIPPON AIR TECHNOLOGIES CO.,LTD.

Profile

Shin Nippon Air Technologies Co., Ltd. (SNK or the Company) is a leading Japanese engineering company and applies its proprietary engineering systems to control not only air, water and heat, but also all other aspects of air conditioning, electrical and sanitary facilities. The Company offers comprehensive engineering solutions based on air conditioning, which range from the creation of a better human environment for offices, shopping centers, hospitals, hotels, museums, etc.; the creation of industrial facilities, such as clean rooms, and constant temperature and humidity rooms for semiconductor plants, pharmaceutical plants, R&D centers and similar facilities; to the construction of district heating & cooling systems.

SNK was incorporated in 1969 to take over the air conditioning construction activities of Toyo Carrier Engineering Co., Ltd., a company which had been established in 1930 as a joint venture between the Mitsui Group and Carrier Corporation of USA, an early pioneer in the field of air conditioning systems. The Company and its predecessor have an outstanding record of achievements, including providing air conditioning systems for Japan's first nuclear reactor at the Japan Atomic Energy Research Institute (1957) and for Japan's first skyscraper, the Kasumigaseki Building (1968); the construction of a district heating and cooling system for the Shinjuku New City (1971); and air conditioning for the Johyoh fast breeder reactor in Ibaraki Prefecture (1974).

Since entering overseas markets in 1973, SNK has executed projects in 36 countries for the provision of air conditioning and electrical facilities, as well as for firefighting, water supply, and sewage treatment and sanitary facilities; and has developed into a comprehensive engineering and construction company.

The Company currently has three overseas subsidiaries, based in China, Sri Lanka and Singapore, which assist its customers in developing their operations throughout Asia through the provision of engineering and construction of facilities.

In recent years, SNK has been placing great emphasis on making proposals for engineering solutions in the energy saving and environmental fields. The Company's solutions have earned it a high reputation in Japan and in those countries throughout the world where it carries on business.

Contents

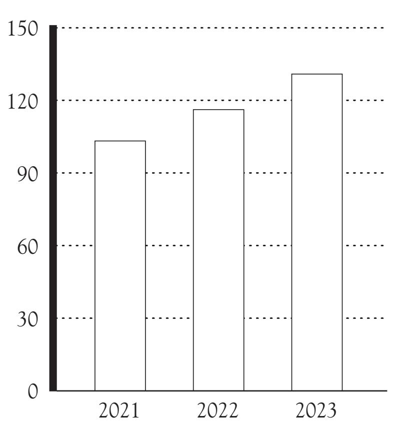
Financial Highlights

Shin Nippon Air Technologies Co., Ltd.
Years ended March 31

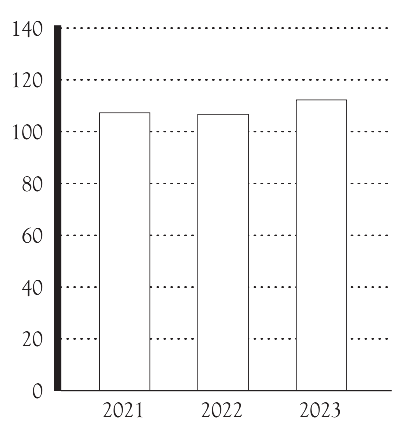
	Millions of Yen			Thousands of U.S. Dollars
	2021	2022	**2023**	**2023**
For the year:				
Orders received	¥103,255	¥116,197	**¥130,869**	**$976,634**
Revenues from construction	107,254	106,718	**112,234**	**837,567**
Operating income	6,386	6,881	**7,124**	**53,164**
Net income attributable to owners of the parent	4,638	5,403	**5,597**	**41,769**
At year-end:				
Total assets	¥ 98,635	¥ 99,966	**¥109,146**	**$814,522**
Current assets	70,128	73,338	**81,531**	**608,440**
Net property, plant and equipment	2,835	2,701	**2,628**	**19,612**
Current liabilities	45,174	43,934	**48,619**	**362,828**
Net shareholders' equity	50,705	53,813	**58,212**	**434,418**

Note: U.S. dollar amounts represent translations of Japanese yen amounts at the exchange rate on March 31, 2023 of ¥134 to US$1.

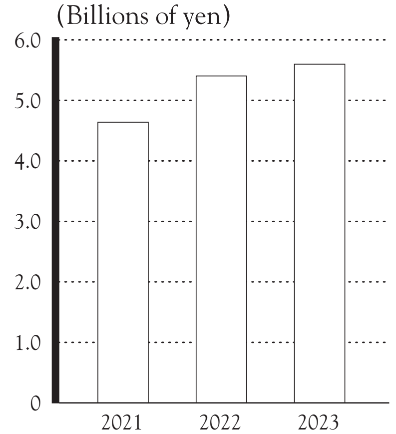
Orders Received
(Billions of yen)



Revenues from Construction
(Billions of yen)



Net Income attributable to owners of the parent
(Billions of yen)



Message from the President

Review of Operations

1) Business Operations and Results

During the fiscal year 2022 which ended on March 31, 2023, although the global economy was expected to recover gradually due to the transition to society coexisting with COVID-19, the pace of recovery slowed because of the prolonged situation in Ukraine and the temporary stalling of the Chinese economy, as well as global inflation and monetary tightening.

For the Japanese economy, domestic demand showed a trend of recovery due to the normalization of economic activities, and capital investment in the manufacturing industry remained strong. Meanwhile, there were concerns about downside risks to the economy, such as hiking energy prices and soaring prices due to the depreciation of the yen.

In the construction industry in which SNK and its subsidiaries (together the SNK Group or the Group) operate, while redevelopment projects in central Tokyo and capital investment in the manufacturing industry remained strong, the increasing trend in the prices of materials and equipment, labor costs and transportation costs as well as the shortage of engineers and skilled workers continued. In addition, initiatives in response to technological innovation by utilizing Artificial Intelligence (AI) and the Internet of Things (IoT) and net zero carbon emissions, as well as initiatives to enhance productivity by implementing digital transformation and workstyle reform, have all become indispensable. Moreover, responding to sustainability challenges, including consideration for global environmental issues such as climate change and consideration for the health and working environment of employees, have become management issues that are essential for future business continuation and growth.

Against the above background, the Group established SNK Vision 2030, a 10-year vision stipulating that "the SNK Group shall strive to be a group of engineers that utilizes knowledge and technology to realize a sustainable global environment and improve the value of customers' assets." The Group also established the mid-term business plan, "SNK Vision 2030 Phase I" (fiscal year 2020 to fiscal year 2022) as the first phase to achieve SNK Vision 2030. The Group operated its business in accordance with the following five basic strategies in the final year of the plan: (i) Business Foundation Reinforcement Strategy, (ii) Profitability Improvement Strategy, (iii) Digital Transformation Strategy, (iv) Corporate Governance Strategy, and (v) Human Capital Strategy.

As a result, the Group's orders received during the fiscal year increased 12.6% on a year-on-year basis to ¥130,869 million and revenue from construction increased 5.2% year on year to ¥112,234 million. Revenues carried forward to the next fiscal year increased ¥18,635 million to ¥96,519 million.

With regard to overall profit, the Group's gross profit increased 7.8% year on year to ¥15,676 million, operating income increased 3.5% to ¥7,124 million, ordinary income increased 7.4% to ¥7,914 million, and net income attributable to owners of the parent increased 3.6% year on year to ¥5,597 million.

2) Issues to be Addressed

The Group has established a new mid-term business plan, SNK Vision 2030 Phase II (fiscal year 2023 to fiscal year 2025), starting in fiscal year 2023.

In formulating the mid-term business plan, the Group has taken into account the changes in social situations that emerged in the first step of SNK Vision 2030, from fiscal year 2020 to fiscal year 2022, followed its basic policy and its basic strategy, and decided to integrate both "social sustainability" and "corporate sustainability" and realize them through "dialogue with society." The Group has once again envisioned a concrete image of what it wants to be in 2030 and organized the continuing issues from Phase I, and defined management issues to accomplish these goals as the basic issues in addressing the five basic strategies of its 10-year vision SNK Vision 2030, namely (i) Business Foundation Reinforcement Strategy, (ii) Profitability Improvement Strategy, (iii) Digital Transformation Strategy, (iv) Corporate Governance Strategy, and (v) Human Capital Strategy.

Basic Strategies and Basic Issued to be Addressed

[Business Foundation Reinforcement Strategy]

The Company aims to expand its earnings base by realizing a business portfolio that enhances its sustainability and developing new business areas.

① Promote technological development and branding that contribute to enhancing and differentiating the Company's strengths
② Expand the one-stop construction system and provide sustainable services
③ Promote recurring revenue model by evaluating profitability throughout the building life cycle
④ Strengthen the development of solution services that contribute to the sustainability of society
⑤ Expand business areas into growth and new energy fields that support the sustainability of society
⑥ Increase in personnel and flexible selection of business regions to stabilize the overseas business
⑦ Foster an innovative mindset that creates future technologies and new businesses that will contribute to the sustainability of society, and develop and operate systems to promote the mindset

[Profitability Improvement Strategy]

The Company strives to improve profitability by increasing on-site mobility, strengthening safety and quality control structures, and improving productivity.
① Review business processes in an efficient manner and conduct optimal sorting of work for projects
② Promote structural transformation aimed at supply chain sustainability and more efficient on-site processes
③ Maintain and enhance customers' asset value by providing SNK quality and ensuring safety

[Digital Transformation Strategy]

To promote the utilization of advanced information and further enhance business mobility in line with the digital transformation society, the Company strives to provide new value through digital transformation (DX) by promoting the utilization of digital information.
① Promote digitalization of all business processes and develop and operate a management system that utilizes knowledge to the fullest
② Promote thorough on-site ICT to improve on-site productivity and quality

[Corporate Governance Strategy]

To realize a sustainable society and provide value to stakeholders, the Company aims to promote ESG management and strengthen the corporate governance system that supports it.
① Focus on issues over sustainability such as human rights throughout the entire supply chain, and promote Green Transformation (GX) through business
② Respond to global information disclosure frameworks and promote proactive dialogue with society
③ Reform corporate governance that enables sustainable growth

[Human Capital Strategy]

The Company promotes human capital management that affords a diverse and versatile workforce, allows employees to connect their career plans with the company's career path, and enables them to realize workstyle reforms.

① Further promote diverse work styles regardless of time and place
② Establish and operate a human resources portfolio linked to management strategies
③ Develop human resources through education, training, reskilling, etc. linked to management strategies
④ Create new values through diversity and inclusion
⑤ Promote the improvement of employee engagement and the creation of a corporate culture that fosters the engagement

S. Maekawa

Market Launch of the "L-ViC®" Duct Connection Type Air Purifier for Small-Scale Air Conditioners

In December 2022, the Company launched sales of the "L-ViC" air purifier, that could be connected to air conditioning ducts for the purpose of providing a safe and secure indoor air environment and for infectious disease control.

L-ViC is equipped with an electrical discharge unit developed by improving the corona discharge technology that has been used in as electric precipitators, etc. The discharge region inside this unit reduces passing infection sources, by adsorption using potential difference, and sterilization or inactivation by generated ozone and radicals. The compact body of L-ViC can be installed in narrow spaces such as ceilings. L-ViC is mainly connected to ceiling-embedded fan coil units and air conditioners in places such as hotel guest rooms or hospitals. Moreover, this unit is highly durable and quiet.

Currently, the lineup of L-ViC is a single type, the Company is considering expanding variations to customer needs. The Company will continue to contribute to preventing infectious diseases by combining its existing technologies with various solutions including L-ViC.

Illustration of application

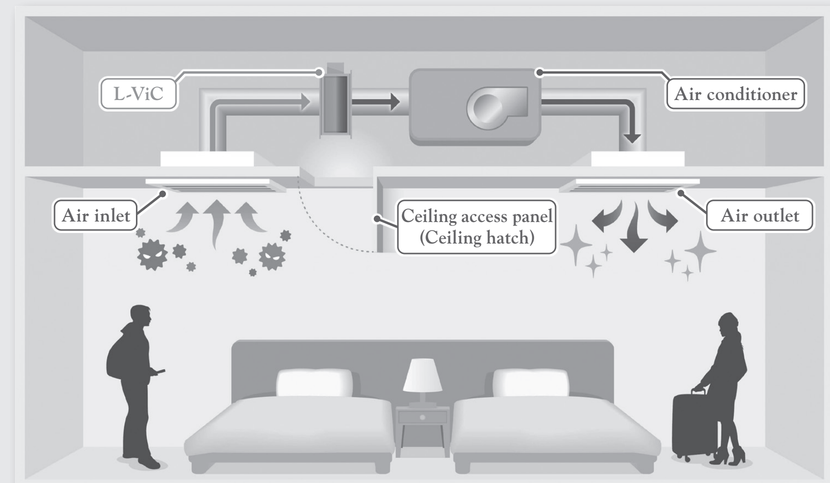
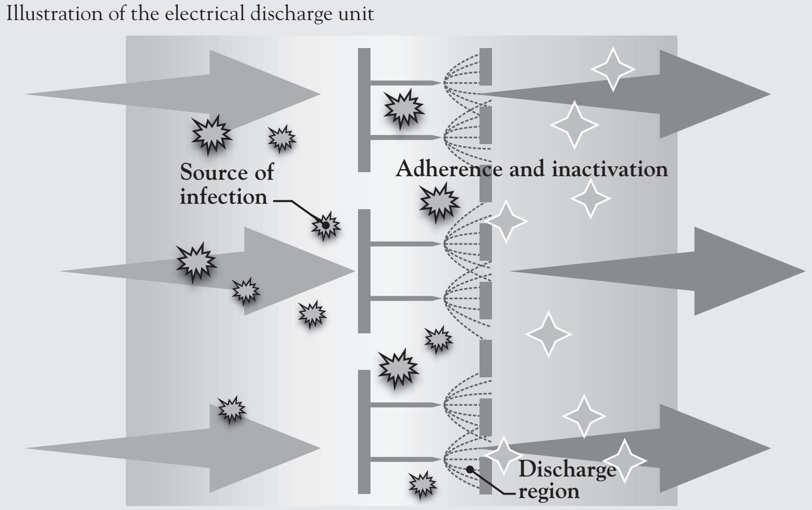


Illustration of the electrical discharge unit



SUSTAINABLE DEVELOPMENT GOALS

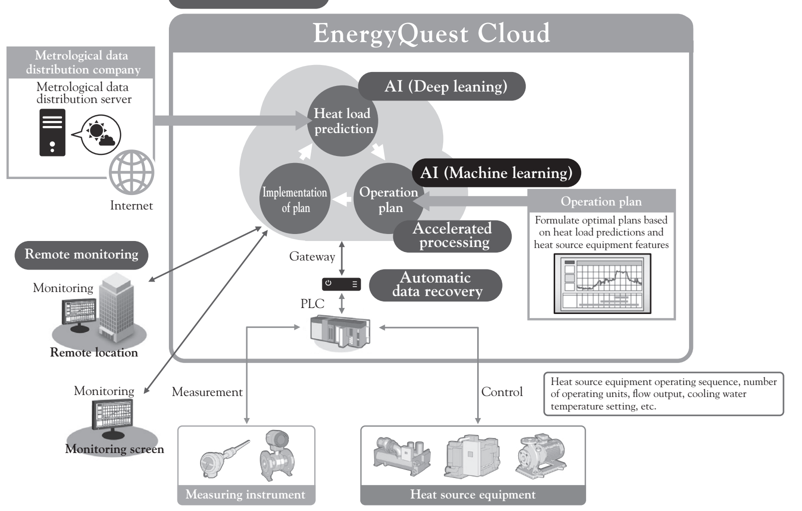
Development and Market Launch of "EnergyQuest® Cloud" Equipped with AI Function for Heat Load Prediction

The Company has been contributing to energy saving and CO_2 reduction in air conditioning equipment as the industry's top runner by taking advantage of the EnergyQuest heat source optimal control system, the Company's proprietary technology. In order to meet recent customer needs to further reduce energy consumption in the operation of air conditioning heat source equipment, the Company has developed "EnergyQuest Cloud," an improved version aimed to further enhance energy-saving performance and launched it onto the market in May 2023.

This system is equipped with a new AI that predicts the heat load of air conditioning equipment with high accuracy, allowing for precise operation control with higher energy-saving effects than ever before. In addition, various enhancements have been made to improve customer convenience, including a remote monitoring function to monitor the operating status of air conditioning heat source equipment from different locations, such as the headquarters office, and acceleration of optimal control calculations by revising algorithms. Moreover, its cloud-based computing system eliminates the need for server maintenance and installation space and also caters to cloud operation issues as it is capable of implementing automatic recovery in the event of data unavailability due to network failures, featuring more advanced and superior specifications than previous versions.

While the previous version of EnergyQuest was mainly used by customers who owned relatively large air conditioning heat source equipment, the newly launched EnergyQuest Cloud allows customers with relatively small air conditioning heat source equipment to enjoy the merits of adopting the system, owing to the lower initial costs by eliminating the need to install servers. We believe that we can contribute to efforts by more customers to conserve energy, reduce CO_2, and eventually achieve zero carbon emissions.

Overview of EnergyQuest Cloud



EnergyQuest Features

① Heat load prediction using AI (Deep learning)
In addition to the conventional heat source operation planning by AI (Machine learning)*1, adding a heat prediction function using AI (Deep learning)*2 has enhanced the prediction accuracy of in-house simulation results.

② Remote monitoring using the cloud
Remote monitoring functions have been newly added, allowing for visualization of operating status from a remote location and analysis using trend graphs.

③ Acceleration of optimal control calculations
Reduce the waiting time for updating the operation plan by revising algorithms to accelerate the calculations.

④ Maintenance-free servers and lower initial costs
Elimination of the need to install servers at the facility has eliminated the need for server maintenance, and it has become possible to deliver small-and medium-scale air conditioning heat source equipment by reducing initial costs. (Cloud usage fee will be charged separately)

⑤ Automatic recovery of missing data caused by network failures, etc.
In the event of unavailability of operational data to be acquired due to network failures or cloud abnormality, automatic recovery of operational data is possible at the time of failure recovery within 24 hours.

⑥ Equipped with the same functions as the previous version
- Various operational modes are available, such as "energy saving," "CO_2 reduction," "power saving," "cost saving," and "gas usage equalization."
- Optimal operation in real-time in response to constantly changing heat load
- Support for a wide range of air conditioning heat source equipment, and offer a variety of energy conservation technologies, such as optimization control of the number of operating units, variable control of chilled/heated water flow, etc.

*1 "Machine learning" is a technology that learns regularities and decision criteria from data and makes predictions and judgments based on them.
*2 "Deep learning" refers to a technique consisted of multi-layered neural network (a mathematical model that imitates neural circuits in the brain) that enables automatic processing and learning by capturing potential features of input data.

SUSTAINABLE DEVELOPMENT GOALS
7 AFFORDABLE AND CLEAN ENERGY
11 SUSTAINABLE CITIES AND COMMUNITIES
13 CLIMATE ACTION

Major construction projects recently completed

Hilton Yala Resort
Tissamaharama, Sri Lanka

TOYOTA MEMORIAL HOSPITAL
Aichi Prefecture

Medical Research & Technology Center
(Nikkiso Institute of Research and Technology)
Tokyo

TOKYO MIDTOWN YAESU
Tokyo

Consolidated Balance Sheet

Shin Nippon Air Technologies Co., Ltd. and Subsidiaries
March 31, 2023

ASSETS	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars (Note 1) 2023
CURRENT ASSETS:			
Cash and cash equivalents (Note 17)	¥ 24,927	¥15,435	$186,022
Short-term investments (Notes 4 and 15)	77	131	575
Receivables (Note 17):			
Notes receivable – trade	219	142	1,634
Electronically-recorded monetary claims	2,788	1,940	20,806
Accounts receivable – trade	51,344	52,859	383,164
Allowance for doubtful accounts	(278)	(283)	(2,075)
Inventories (Note 5)	1,596	1,378	11,910
Other current assets	858	1,736	6,404
Total current assets	81,531	73,338	608,440
PROPERTY AND EQUIPMENT:			
Land	585	609	4,366
Buildings and structures	6,267	6,237	46,769
Machinery, equipment, tools, furniture, and fixtures	1,237	1,200	9,232
Lease assets (Note 16)	77	68	575
Construction in progress			
Total property and equipment	8,166	8,114	60,942
Accumulated depreciation	(5,538)	(5,413)	(41,330)
Net property and equipment	2,628	2,701	19,612
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 17)	21,989	21,278	164,097
Rental deposits	1,066	932	7,955
Investments in insurance contracts		22	
Deferred tax assets (Note 12)	253	245	1,888
Net defined benefit asset (Note 9)	119	128	888
Other assets	1,740	1,511	12,985
Allowance for doubtful accounts	(180)	(189)	(1,343)
Total investments and other assets	24,987	23,927	186,470
TOTAL	¥109,146	¥99,966	$814,522

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars (Note 1) 2023
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 17)	¥ 3,267	¥ 3,944	$ 24,381
Current maturities of long-term debt (Notes 7, 16 and 17)	191	230	1,425
Payables (Note 17):			
Notes payable – trade	1,089	869	8,127
Electronically recorded obligations – operating	3,810	3,118	28,433
Accounts payable – trade	26,746	26,369	199,597
Income taxes payable (Notes 12 and 17)	1,573	1,423	11,739
Advances received on construction work in progress (Note 8)	2,889	2,486	21,560
Accrued expenses	4,913	4,464	36,664
Allowance for loss on construction contracts (Note 3)	1,033	555	7,709
Other current liabilities	3,108	476	23,193
Total current liabilities	48,619	43,934	362,828
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7, 16 and 17)	278	39	2,075
Liability for retirement benefits (Note 9)	318	277	2,373
Deferred tax liabilities (Note 12)	1,693	1,877	12,634
Other long-term liabilities	26	26	194
Total long-term liabilities	2,315	2,219	17,276
EQUITY (Notes 10 and 19):			
Common stock – authorized, 84,252,100 shares; issued, 24,282,225 shares in 2023 and 2022	5,158	5,158	38,493
Capital surplus	6,918	6,913	51,635
Stock acquisition rights (Note 11)	108	116	805
Retained earnings	38,130	34,282	284,552
Treasury stock – at cost, 920,226 shares and 965,524 shares in 2023 and 2022, respectively	(1,456)	(1,528)	(10,866)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	8,951	8,478	66,799
Foreign currency translation adjustments	403	394	3,000
Total	9,354	8,871	69,799
Total equity	58,212	53,813	434,418
TOTAL	¥109,146	¥99,966	$814,522

Consolidated Statement of Income

Shin Nippon Air Technologies Co., Ltd. and Subsidiaries
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
REVENUES FROM CONSTRUCTION (Note 3)	¥112,234	¥106,718	$837,567
COSTS OF CONSTRUCTION CONTRACTS (Note 6)	96,558	92,172	720,582
Gross profit	15,676	14,546	116,985
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 14)	8,552	7,665	63,821
Operating income	7,124	6,881	53,164
OTHER INCOME (EXPENSES):			
Interest and dividend income	491	399	3,664
Interest expense	(21)	(14)	(157)
Loss on devaluation of investment securities (Note 4)	(21)	(19)	(157)
Foreign exchange gain – net	314	66	2,343
Gain on sales of investment securities (Note 4)		489	
Loss on sales of investment securities (Note 4)		(12)	
Other – net	5	108	38
Other income – net	768	1,017	5,731
INCOME BEFORE INCOME TAXES	7,892	7,898	58,895
INCOME TAXES (Note 12):			
Current	2,670	2,468	19,925
Deferred	(375)	27	(2,799)
Total income taxes	2,295	2,495	17,126
NET INCOME	5,597	5,403	41,769
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 5,597	¥ 5,403	$ 41,769

	Yen		U.S. Dollars
	2023	2022	2023
PER SHARE OF COMMON STOCK (Notes 2.s and 19):			
Basic net income	¥239.73	¥231.88	$1.79
Diluted net income	238.87	230.99	1.78
Cash dividends applicable to the year	80.00	75.00	0.60

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Shin Nippon Air Technologies Co., Ltd. and Subsidiaries
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
NET INCOME	¥5,597	¥ 5,403	$41,769
OTHER COMPREHENSIVE INCOME (LOSS) (Note 18):			
Unrealized gain (loss) on available-for-sale securities	473	(1,057)	3,530
Foreign currency translation adjustments	9	324	60
Total other comprehensive income (loss)	482	(733)	3,590
COMPREHENSIVE INCOME	¥6,079	¥ 4,670	$45,366
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO –			
Owners of the parent	¥6,079	¥ 4,670	$45,366

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Shin Nippon Air Technologies Co., Ltd. and Subsidiaries
Year Ended March 31, 2023

	Thousands	Millions of Yen								
							Accumulated Other Comprehensive Income			
	Number of Shares of Common Stock Issued	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Total	Total Equity
BALANCE, APRIL 1, 2021	24,282	¥5,158	¥6,906	¥150	¥30,508	¥(1,623)	¥ 9,535	¥ 70	¥9,605	¥50,704
Net income attributable to owners of the parent					5,403					5,403
Cash dividends, ¥75 per share					(1,629)					(1,629)
Purchase of treasury stock (530 shares)						(1)				(1)
Disposal of treasury stock (27,400 shares)			(8)			43				35
Restricted share-based remuneration (33,415 shares)			15			53				68
Net change in the year				(34)			(1,057)	324	(733)	(767)
BALANCE, MARCH 31, 2022	24,282	5,158	6,913	116	34,282	(1,528)	8,478	394	8,871	53,813
Net income attributable to owners of the parent					5,597					5,597
Cash dividends, ¥80 per share					(1,749)					(1,749)
Purchase of treasury stock (269 shares)										
Disposal of treasury stock (6,200 shares)			(1)			9				8
Restricted share-based remuneration (39,367 shares)			6			63				70
Net change in the year				(8)			473	9	482	473
BALANCE, MARCH 31, 2023	24,282	¥5,158	¥6,918	¥108	¥38,130	¥(1,456)	¥ 8,951	¥403	¥9,354	¥58,212

	Thousands of U.S. Dollars (Note 1)								
						Accumulated Other Comprehensive Income			
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Total	Total Equity
BALANCE, MARCH 31, 2022	$38,493	$51,590	$866	$255,835	$(11,403)	$63,269	$2,940	$66,209	$401,590
Net income attributable to owners of the parent				41,769					41,769
Cash dividends, $0.60 per share				(13,052)					(13,052)
Purchase of treasury stock (269 shares)									
Disposal of treasury stock (6,200 shares)		(7)			67				60
Restricted share-based remuneration (39,367 shares)		52			470				522
Net change in the year			(61)			3,530	60	3,590	3,529
BALANCE, MARCH 31, 2023	$38,493	$51,635	$805	$284,552	$(10,866)	$66,799	$3,000	$69,799	$434,418

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Shin Nippon Air Technologies Co., Ltd. and Subsidiaries
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
OPERATING ACTIVITIES:			
Income before income taxes	¥ 7,892	¥ 7,898	$ 58,895
Adjustments for:			
Income taxes – paid	(2,526)	(2,002)	(18,851)
Depreciation and amortization	444	473	3,313
Gain on sales of investment securities		(477)	
Loss on devaluation of investment securities	21	19	157
Changes in assets and liabilities:			
Decrease in receivables – trade	1,034	1,544	7,716
Increase in inventories	(222)	(227)	(1,657)
Increase in payables – trade	1,222	952	9,119
Increase (decrease) in advances received on construction work in progress	298	(227)	2,224
Decrease in allowance for doubtful accounts	(14)	(29)	(104)
Increase in liability for retirement benefits	62	43	463
Increase (decrease) in allowance for losses on construction contracts	477	(107)	3,560
Increase (decrease) in accrued consumption taxes	2,496	(285)	18,627
Decrease (increase) in consumption taxes refund receivable	936	(882)	6,985
Other – net	699	313	5,217
Net cash provided by operating activities	12,819	7,006	95,664
INVESTING ACTIVITIES:			
Decrease in time deposits	185	17	1,381
Increase in time deposits	(126)	(68)	(940)
Purchases of property and equipment	(217)	(193)	(1,619)
Purchases of intangible fixed assets	(491)	(267)	(3,664)
Proceeds from sale of fixed assets	16	225	119
Purchases of short-term investments and investment securities	(107)	(95)	(799)
Proceeds from sales and redemptions of short-term investments and investment securities		802	
(Increase) decrease in loan receivables – net	(3)	2	(22)
Other – net	(425)	(9)	(3,172)
Net cash (used in) provided by investing activities	(1,168)	414	(8,716)
FORWARD	¥11,651	¥ 7,420	$ 86,948

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
FORWARD	¥11,651	¥ 7,420	$ 86,948
FINANCING ACTIVITIES:			
Decrease in short-term bank loans – net	(700)	(2,550)	(5,224)
Proceeds from long-term debt	500		3,731
Repayments of long-term debt	(283)	(200)	(2,112)
Dividends paid	(1,749)	(1,629)	(13,052)
Repayment of lease obligations	(34)	(33)	(253)
Purchases of treasury stock		(1)	
Net cash used in financing activities	(2,266)	(4,413)	(16,910)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	107	332	797
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,492	3,339	70,835
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	15,435	12,096	115,187
CASH AND CASH EQUIVALENTS, END OF YEAR	¥24,927	¥15,435	$186,022
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Finance lease assets and debt	¥15	¥26	$112

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Shin Nippon Air Technologies Co., Ltd. and Subsidiaries
Year Ended March 31, 2023

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Shin Nippon Air Technologies Co., Ltd. (the "Company") is incorporated and operates. Japanese yen figures less than million yen are rounded down to the nearest million yen, except for per share data.The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥134 to $1, the approximate rate of exchange at March 31, 2023. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation*** – The consolidated financial statements as of March 31, 2023, include the accounts of the Company and all of its subsidiaries (together, the "Group"). The Company has eight consolidated subsidiaries: SNK SERVICE CO., LTD. in Japan; NIPPO ENGINEERING CO., LTD. in Japan; SNK (CHINA) CONSTRUCTION CO., LTD. in China; SHIN NIPPON LANKA (Private) LIMITED in Sri Lanka; SNK (ASIA PACIFIC) PTE. LTD. in Singapore; SNK INDUSTRIAL TRADING (SHANGHAI) CO., LTD.; SNK ENGINEERING TECHNOLOGY (SHANGHAI) CO., LTD. and FUJIAN SNK INVESTMENT CONSULTING CO., LTD. in China.

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

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

b. ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements*** – Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. ***Cash Equivalents*** – Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and certificates of deposit, which mature or become due within three months of the date of acquisition.

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

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

Nonmarketable available-for-sale equity securities are stated at cost determined using the moving-average method.

For other-than-temporary declines in fair value, available-for-sale securities are reduced to net realizable value by a charge to income.

f. ***Property and Equipment*** – Property and equipment are carried at cost. Depreciation of the Company and its domestic subsidiaries is computed substantially by the declining-balance method. The straight-line method is principally applied to the Company and its domestic subsidiaries for buildings acquired after April 1, 1998, and structures acquired after April 1, 2016, and property and equipment of its foreign subsidiaries.

The range of useful lives is principally from 3 to 50 years for buildings and structures and from 2 to 20 years for machinery, equipment, tools, furniture, and fixtures. The useful lives for lease assets are the terms of the respective leases.

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

h. ***Research and Development Costs*** – Research and development costs are charged to income as incurred.

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

j. ***Retirement Benefits and Pension Plan*** – In the calculation of our Group's retirement benefit liabilities, retirement benefit assets and retirement benefit expenses, the retirement benefit obligation under the lump-sum retirement benefit plan is determined as the amount required to be paid voluntarily at the end of the period for retirement benefits, and the retirement benefit obligation under the corporate pension plan is determined as the most recent actuarial obligation for pension finance using an interlocutory method.

k. ***Stock Options*** – Compensation expense for employee stock options is recognized based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services in accordance with ASBJ Statement No. 8, "Accounting Standard for Share-based Payment." In the consolidated balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised.

l. ***Revenue Recognition*** – The Group mainly enters into long-term construction contracts. The Group determines that its performance obligations in such contracts are satisfied over time and recognizes revenue based on the stage of completion of the contract in satisfying the performance obligations. The stage of completion of the contract is measured based on the proportion of construction costs incurred by year-end to total construction costs. For construction contracts with a very short period from the start date of the contract to the point at which the performance obligation is expected to be fully satisfied, the Group applied alternative treatment. Such revenue is not recognized according to the progress level but is recognized when the performance obligation is fully satisfied. In addition, the consideration for the transaction is received in stages under the terms of the agreement and does not include any material financial elements.

m. ***Leases*** – Finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet.
All other leases are accounted for as operating leases.

n. ***Allowance for Losses on Construction Contracts*** – The Group provides an allowance for losses on construction contracts, which are probable and estimable at the consolidated balance sheet date.

o. ***Bonuses to Directors*** – Bonuses to directors are accrued at the year-end to which such bonuses are attributable.

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

q. ***Foreign Currency Financial Statements*** – The balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.
Revenue and expense accounts of the foreign subsidiaries are translated into Japanese yen at the average exchange rate.

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

s. ***Per Share Information*** – Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period.
Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.
Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

Notes to Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING ESTIMATE

The Revenue Recognition for Performance Obligations Satisfied Over Time and Allowance for Losses on Construction Contracts

(1) Carrying amounts

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
The revenue from construction for performance obligations satisfied over time	**¥90,669**	¥86,854	**$676,634**
Allowance for losses on construction contracts	**1,033**	555	**7,709**

(2) Information on the significant accounting estimate

The amounts stated above are calculated by the method described in Notes 2.l and n, which are "Summary of Significant Accounting Policies." The construction revenue with performance obligations that are satisfied over time and the allowance for losses on construction contracts depends on the estimate of the total construction cost, which is the total expenditure for each construction contract. The estimate is based on the past results, and fluctuations in market conditions related to materials and outsourcing costs and the construction condition for each construction contract.

If the total construction cost increases or decreases significantly due to unexpected design, specification changes, delays in construction progress or market fluctuations, the amount of construction revenue with performance obligations that are satisfied over time and allowance for losses on construction contracts may have a significant impact on future financial statements.

4. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Current—Time deposits which mature beyond three months from acquisition	**¥ 77**	¥ 131	**$ 575**
Total	**¥ 77**	¥ 131	**$ 575**
Noncurrent:			
Marketable equity securities	**¥21,035**	¥20,383	**$156,978**
Nonmarketable equity securities	**954**	895	**7,119**
Total	**¥21,989**	¥21,278	**$164,097**

The costs and aggregate fair values of short-term investments and investment securities as of March 31, 2023 and 2022, were as follows:

	Millions of Yen			
March 31, 2023	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale—				
Equity securities	¥8,265	¥12,842	¥ (72)	¥21,035
Total	¥8,265	¥12,842	¥ (72)	¥21,035
March 31, 2022				
Securities classified as available-for-sale—				
Equity securities	¥8,273	¥12,307	¥(197)	¥20,383
Total	¥8,273	¥12,307	¥(197)	¥20,383

March 31, 2023	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	Thousands of U.S. Dollars			
Securities classified as available-for-sale—				
Equity securities	$61,679	$95,836	$(537)	$156,978
Total	$61,679	$95,836	$(537)	$156,978

The information for available-for-sale securities which were sold during the years ended March 31, 2023 and 2022, is as follows:

	Millions of Yen		
March 31, 2023	Proceeds	Realized Gains	Realized Losses
Available-for-sale—Equity securities			
Total			
March 31, 2022			
Available-for-sale—Equity securities	¥803	¥489	¥12
Total	¥803	¥489	¥12

	Thousands of U.S. Dollars		
March 31, 2023	Proceeds	Realized Gains	Realized Losses
Available-for-sale—Equity securities			
Total			

The impairment losses on available-for-sale equity securities for the year ended March 31, 2023, were ¥21 million ($157 thousand).

5. INVENTORIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Construction work in progress	¥1,560	¥1,333	$11,642
Materials and supplies	36	45	268
Total	¥1,596	¥1,378	$11,910

6. PROVISION FOR LOSS ON CONSTRUCTION CONTRACTS

Provision for loss on construction contracts included in costs of construction contracts are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Provision for loss on construction contracts	¥492	¥(59)	$3,672

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

Short-term bank loans represent borrowings under bank overdraft agreements and notes due within one year, bearing interest ranging from 0.210% to 5.460% at March 31, 2023, and from 0.210% to 0.800% at March 31, 2022, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unsecured loans from banks, maturing serially through 2024, with an interest rate of 0.64% for 2023 and 2022	¥ 416	¥ 200	$ 3,104
Obligations under finance leases	53	68	396
Less current portion	(191)	(229)	(1,425)
Long-term debt, less current portion	¥ 278	¥ 39	$ 2,075

Annual maturities of long-term debt, excluding finance leases (see Note 17), at March 31, 2023, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2023	¥166	$1,239
2024	166	1,239
2025	83	619
Total	¥415	$3,097

8. ADVANCES RECEIVED ON CONSTRUCTION WORK IN PROGRESS

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

9. RETIREMENT AND PENSION PLANS

The Company provides a lump-sum retirement benefit plan and a defined contribution pension plan for employees.

Consolidated subsidiaries have a lump-sum retirement allowance plan or a funded defined benefit pension plan as defined benefit plans and a defined contribution pension plan. The Company and certain of its domestic consolidated subsidiaries apply the simplified method for a lump-sum retirement allowance plan and a funded defined benefit pension plan.

The Company and some domestic subsidiaries participate in a multi-employer plan for which the Company cannot reasonably calculate the amount of plan assets corresponding to the contributions made by them. Therefore, it is accounted for using the same method as a defined contribution plan.

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥149	¥104	$1,112
Net periodic benefit costs	77	64	575
Benefits paid	(16)	(7)	(119)
Contribution amount	(11)	(12)	(82)
Balance at end of year	¥198	¥149	$1,486

(2) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets which have been calculated by a simplified method as of March 31, 2023 and 2022, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Funded defined benefit obligation	¥ 254	¥ 239	$ 1,896
Plan assets	(374)	(368)	(2,791)
Total	(120)	(129)	(895)
Unfunded defined benefit obligation	318	277	2,373
Net liability for defined benefit obligation	¥ 198	¥ 148	$ 1,478

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Liability for retirement benefits	¥ 318	¥ 277	$2,373
Asset for retirement benefits	(120)	(129)	(895)
Net liability for defined benefit obligation	¥ 198	¥ 148	$1,478

(3) Periodic benefit cost which has been calculated by a simplified method for the years ended March 31, 2023 and 2022, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Funded defined benefit obligation	¥77	¥64	$575

(4) Defined contribution pension plan

(a) Retirement benefit costs for defined contribution plans

The main contributions to the defined contribution plans of the Group for the years ended March 31, 2023 and 2022, were ¥541 million ($4,037 thousand) and ¥515 million, respectively.

(b) The amounts equivalent to contributions commensurate with risks

The amounts equivalent to contributions commensurate with risks required to be contributed after the next fiscal year is ¥368 million ($2,746 thousand).

The number of years remaining for the special contributions is four years and nine months.

(5) The Group participates in a multiemployer plan for which it cannot reasonably calculate the amount of plan assets corresponding to the contributions made by the Group. Therefore, they are accounted for using the same method as a defined contribution plan.

The contributions to such multiemployer plan, which are accounted for using the same method as a defined contribution plan, were ¥251 million ($1,873 thousand) and ¥239 million for the years ended March 31, 2023 and 2022, respectively.

(a) The funded status of the multiemployer plan as of March 31, 2022 and 2021, was as follows:

	Millions of Yen	
	March 31	
	2022	2021
Plan assets	¥13,523	¥12,740
Sum of actuarial liabilities of pension plan and minimum actuarial reserve	16,102	16,227
Net balance	¥ (2,579)	¥ (3,487)

(b) The contribution ratio of the Group in the multi-employer plan for the years ended March 31, 2022 and 2021, was as follows:

	2022	2021
The contribution ratio of the Group in the multi-employer plan	18.3%	17.8%

The ratios above do not represent the actual actuarial liability ratio of the Group.

(c) Supplementary explanation

March 31, 2022

The net balance above is mainly caused by the prior service liability of ¥5,820 million ($43,433 thousand), retained earnings of ¥1,084 million ($8,090 thousand) and general reserve of ¥2,157 million ($16,097 thousand) as of March 31, 2022. The prior service liability under the plan is amortized over eight years.

March 31, 2021

The net balance above is mainly caused by the prior service liability of ¥6,418 million, retained earnings of ¥774 million and general reserve of ¥2,157 million as of March 31, 2021. The prior service liability under the plan is amortized over nine years.

10. EQUITY

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

a. ***Dividends***

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

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

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

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

c. ***Treasury Stock and Treasury Stock Acquisition Rights***

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

11. STOCK OPTIONS

The stock options outstanding as of March 31, 2023, are as follows:

Stock Options	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
1st Stock Option	9 directors 15 executive officers	70,400 shares	2016.8.22	¥1 ($0.01)	From August 23, 2016 to August 22, 2046
2nd Stock Option	8 directors 17 executive officers	52,000 shares	2017.7.10	¥1 ($0.01)	From July 11, 2017 to July 10, 2047
3rd Stock Option	7 directors 19 executive officers	42,500 shares	2018.7.9	¥1 ($0.01)	From July 10, 2018 to July 9, 2048

The stock option activity is as follows:

	1st Stock Option	2nd Stock Option (Shares)	3rd Stock Option
Year Ended March 31, 2022			
Vested			
March 31, 2021—Outstanding	42,500	36,200	38,600
Vested			
Exercised	(10,400)	(9,100)	(7,900)
Canceled			
March 31, 2022—Outstanding	32,100	27,100	30,700
Year Ended March 31, 2023			
Vested			
March 31, 2022—Outstanding	32,100	27,100	30,700
Vested			
Exercised	(2,100)	(1,500)	(2,600)
Canceled			
March 31, 2023—Outstanding	30,000	25,600	28,100
Exercise price	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)
Average stock price at exercise	¥1,897 ($14.16)	¥1,897 ($14.16)	¥1,897 ($14.16)
Fair value price at grant date	¥960 ($7.16)	¥1,429 ($10.66)	¥1,478 ($11.03)

12. INCOME TAXES

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

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Deferred tax assets:			
Liability for employees' retirement benefits	¥ 95	¥ 82	$ 709
Allowance for doubtful accounts	112	103	836
Employee accrued bonuses	1,263	1,161	9,425
Loss on devaluation of golf club memberships	54	54	403
Loss on devaluation of investment securities	120	163	896
Loss on devaluation of land	98	72	731
Impairment loss		7	
Accrued social insurance premiums	187	174	1,396
Accrued business tax	116	106	866
Allowance for loss on construction contracts	316	169	2,358
Other	476	420	3,552
Valuation allowance	(305)	(369)	(2,276)
Total	2,532	2,142	18,896
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(3,818)	(3,640)	(28,493)
Retained earnings of overseas subsidiaries	(64)	(60)	(478)
Other	(89)	(74)	(671)
Total	(3,971)	(3,774)	(29,642)
Net deferred tax liabilities	¥(1,439)	¥(1,632)	$(10,746)

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

	2023	2022
Normal effective statutory tax rate	30.6%	30.6%
Expenses not deductible permanently for income tax purposes	2.0	1.0
Income not taxable permanently for income tax purposes	(0.2)	(0.2)
Inhabitant tax	0.9	0.9
Difference in statutory tax rates of overseas subsidiaries	(1.5)	0.3
Valuation allowance	(0.1)	(0.0)
Special corporation tax deduction	(3.1)	(1.5)
Other—net	0.5	0.5
Actual effective tax rate	29.1%	31.6%

13. REVENUE

(1) Basic Information to Understand Revenues from Contracts with Customers

As described in Note 2.l which is "Revenue recognition" in "Summary of Significant Accounting Policies."

(2) Contract Balances

Receivables from contract with customers, contract assets and contract liabilities at the beginning and end of the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Receivables from contracts with customers:			
Balance at beginning of year	¥37,515	¥45,173	$279,963
Balance at end of year	38,748	37,515	289,164
Contract assets:			
Balance at beginning of year	17,337	10,774	129,381
Balance at end of year	15,529	17,337	115,888
Contract liabilities:			
Balance at beginning of year	2,486	2,614	18,552
Balance at end of year	2,889	2,486	21,560

Contract assets are the unbilled amount of revenue recognized mainly based on the measurement of progress in construction contracts, etc., and are included in "Notes receivable" and "Accounts receivable" in the consolidated balance sheet. Contract assets are transferred to receivables from contract with customers when the rights of the Company and its consolidated subsidiaries become unconditional upon acceptance by customers.

Contract liabilities are mainly advances received from customers under construction contracts and are included in "Advances received on construction work in progress" in the consolidated balance sheet. Contract liabilities are reversed as revenue is recognized. The amount of revenue recognized in the current consolidated fiscal year from performance obligations satisfied (or partially satisfied) in past periods is immaterial.

(3) Transaction Prices Allocated to Remaining Performance Obligations

The following table shows the summary of the transaction prices allocated to remaining performance obligations that are unsatisfied as of March 31, 2023 and 2022:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Within one year	¥68,684	¥52,720	$512,567
After one to two years	18,267	15,157	136,321
After two to three years	9,568	10,006	71,403
Total	¥96,519	¥77,883	$720,291

14. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to costs of construction contracts and selling, general and administrative expenses were ¥469 million ($3,500 thousand) and ¥470 million for the years ended March 31, 2023 and 2022, respectively.

15. ASSETS PLEDGED

Assets pledged as collateral as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Time deposits	¥27	¥27	$201

16. LEASES

The Group leases certain cars, software, and other assets.

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2023		2023	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥24	¥ 595	$179	$ 4,440
Due after one year	27	1,068	201	7,970
Total	¥51	¥1,663	$380	$12,410

The minimum rental commitments under noncancelable operating leases as of March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Due within one year	¥ 595	¥236	$ 4,440
Due after one year	1,068	55	7,970
Total	¥1,663	¥291	$12,410

17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group purchases or issues financial instruments in order to finance its operations and to manage its surplus cash efficiently according to the Group policy of safe and secure asset management. Mainly short-term bank loans are used to fund its operations considering the cash flow projections. Derivatives, if any, are used only for hedging currency, interest rate, and other risks and not for speculation.

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

Receivables, such as trade notes, electronically-recorded monetary claims and trade accounts, are exposed to customer credit risk.

Short-term investments in securities and investment securities are used mainly for relations with the customers and utilization of surplus funds. Such investment securities are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes, electronically recorded obligations – operating and trade accounts, are mainly less than one year.

Short-term bank loans and long-term debt, excluding finances lease are used mainly for funding the Group's operations. Such bank loans are exposed to market risks from changes in variable interest rates.

(3) Risk Management for Financial Instruments

Credit risk (risk of default of contract) management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal policies, which include performing credit checks when receiving orders and monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage.

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

With regard to equity securities, the Company periodically monitors the market value and the financial condition of the issuer, and continuously reviews the holding status by taking into account the market conditions and the relationship with the business partners. As for debt securities, in accordance with the fund management rules, the Company trades in bonds with higher ratings than creditworthy financial institutions, and reports the investment status to the Executive Committee on a regular basis.

Liquidity risk management

Based on reports from each department and receipt and payment information data, the Company's Finance Department prepares funding plans in a timely manner and limits borrowings to the minimum necessary amount, and keeps track of funding conditions as needed. In addition, we have secured credit lines from multiple financial institutions, enabling us to procure funds flexibly.

(4) *Fair Values of Financial Instruments*

The amount recorded on the consolidated balance sheet, the market value, and the difference between them are as follows. Stocks without market prices are not listed.

The note for cash is omitted. Deposits, bills receivable, accounts receivable from completed construction, electronically recorded receivables, bills payable, accounts payable for construction, electronically recorded debt, short-term borrowings, income taxes payable, etc. are settled in a short period of time and the carrying amounts approximate fair value. As such, the related notes are omitted.

Fair value of financial instruments

	Millions of Yen		
March 31, 2023	Carrying Amount	Fair Value	Unrealized Gain/Loss
Investment securities	¥21,035	¥21,035	
Total	¥21,035	¥21,035	
Long-term debt and current maturities of long-term debt, excluding finance leases	¥ 416	¥ 416	
Total	¥ 416	¥ 416	
March 31, 2022			
Investment securities	¥20,383	¥20,383	
Total	¥20,383	¥20,383	
Long-term debt and current maturities of long-term debt, excluding finance leases	¥ 200	¥ 199	¥(1)
Total	¥ 200	¥ 199	¥(1)

	Thousands of U.S. Dollars		
March 31, 2023	Carrying Amount	Fair Value	Unrealized Gain/Loss
Investment securities	$156,978	$156,978	
Total	$156,978	$156,978	
Long-term debt and current maturities of long-term debt, excluding finance leases	$ 3,104	$ 3,104	
Total	$ 3,104	$ 3,104	

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Unlisted equity instruments	**¥953**	¥895	**$7,112**

Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen			
March 31, 2023	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥25,004			
Receivables	51,490			
Electronically-recorded monetary claims	2,788			
Total	¥79,282			
March 31, 2022				
Cash and cash equivalents	¥15,566			
Receivables	52,912			
Electronically-recorded monetary claims	1,940			
Total	¥70,418			

	Thousands of U.S. Dollars			
March 31, 2023	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	$186,597			
Receivables	384,254			
Electronically-recorded monetary claims	20,806			
Total	$591,657			

Financial Instruments Categorized by Fair Value Hierarchy

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

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

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

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

	Millions of Yen			
March 31, 2023	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Available-for-sale securities:				
Equity securities	¥21,035			¥21,035
Total assets	¥21,035			¥21,035
Long-term borrowing (including scheduled repayment within one year)		¥416		¥ 416
Total liabilities		¥416		¥ 416

March 31, 2022	Millions of Yen Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Available-for-sale securities:				
Equity securities	¥20,383			¥20,383
Total assets	¥20,383			¥20,383
Long-term borrowing (including scheduled repayment within one year)		¥199		¥ 199
Total liabilities		¥199		¥ 199

March 31, 2023	Thousands of U.S. Dollars Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Available-for-sale securities:				
Equity securities	$156,978			$156,978
Total assets	$156,978			$156,978
Long-term borrowing (including scheduled repayment within one year)		$3,104		$ 3,104
Total liabilities		$3,104		$ 3,104

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

Marketable and Investment Securities

The fair values of listed equity securities are measured at the quoted market prices. Since listed equity securities are traded in active markets, the fair values of listed equity securities are categorized as Level 1.

Long-Term Borrowing

The fair values of long-term borrowing are measured by using discounted present value techniques considering assumptions including expected future cash flows and discount rates taking into account maturity and credit risk, and are categorized as Level 2.

18. OTHER COMPREHENSIVE INCOME (LOSS)

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

	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars 2023
Unrealized gain (loss) on available-for-sale securities:			
Gain (loss) arising during the year	¥ 650	¥(1,031)	$ 4,851
Reclassification adjustments to profit		(457)	
Amount before income tax effect	650	(1,488)	4,851
Income tax effect	(177)	431	(1,321)
Total	¥ 473	¥(1,057)	$ 3,530
Foreign currency translation adjustments—			
Gain arising during the year	¥ 9	¥ 324	$ 60
Total	¥ 9	¥ 324	$ 60
Total other comprehensive income (loss)	¥ 482	¥ (733)	$ 3,590

19. NET INCOME PER SHARE

Reconciliation of the Differences between Basic and Diluted Net Income per Share ("EPS")

Reconciliation of the differences between basic and diluted EPS for the years ended March 31, 2023 and 2022, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2023	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥5,597	23,349	¥239.73	$1.79
Effect of dilutive securities—Warrants		83		
Diluted EPS—Net income for computation	¥5,597	23,432	¥238.87	$1.78
Year Ended March 31, 2022				
Basic EPS—Net income available to common shareholders	¥5,403	23,303	¥231.88	
Effect of dilutive securities—Warrants		89		
Diluted EPS—Net income for computation	¥5,403	23,392	¥230.99	

20. SEGMENT INFORMATION

Segment information about sales, profit (loss), assets, liabilities, and other items is not presented because the Group has only one reportable segment, which is the equipment construction segment.

Information about Major Customers

Name of Customers	2023 Millions of Yen Sales	Related Segment Name
Kioxia Corporation	¥16,368	The equipment construction segment

Name of Customers	2023 Thousands of U.S. Dollars Sales	Related Segment Name
Kioxia Corporation	$122,149	The equipment construction segment

21. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2023, was approved at the Company's shareholders' meeting held on June 23, 2023:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥60.0 ($0.448) per share	¥1,401	$10,455

* * * * * *

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Shin Nippon Air Technologies Co., Ltd.:

Opinion

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

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

Convenience Translation

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

Basis for Opinion

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

Key Audit Matter

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

Recognition of revenue from construction contracts	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As described in Note 2.1, "Summary of Significant Accounting Policies – Revenue recognition" and Note 3, "Significant Accounting Estimate" to the consolidated financial statements, the Group recognizes revenue over time in accounting for transactions from construction contracts in the facility construction business in which performance obligations are satisfied over time. The Group recognized revenues over time in the amount of ¥90,669 million, which were included in revenues from construction contracts amounting to ¥112,234 million for the year ended March 31, 2023. Shin Nippon Air Technologies Co., Ltd. (the "Company") recognized 88% of the Group's revenues recognized over a period of time. The amount of revenue from construction recognized over time is calculated by multiplying total construction revenue by the stage of completion of the contract which is measured using an input method based on the proportion of construction costs incurred by year-end to total construction costs. Significant forecasts and judgments are made by management in estimating the total construction costs and the stage of completion of the contract considering the relevant business environment. In the facility construction business, the Company undertakes air conditioning equipment construction mainly as a part of new construction and renewal of office buildings, and total construction costs may significantly increase due to: • Design or specification changes that are unexpected at the start of construction • Fluctuations in market conditions related to materials and outsourcing costs • Additional outsourcing costs due to process delays, which result in uncertainty associated with these forecasts and estimates If the degree of estimation uncertainty increases, it may take time to review total construction costs and the total construction costs may not be revised or reviewed in a timely manner. In addition, fictitious purchases by the Company's employee from certain subcontractor were identified in the Company in the year ended March 31, 2023, and there is a possibility that construction costs may not be properly recorded for similar transactions. If the total construction cost is not reviewed in a timely and appropriate manner, or if fictitious construction costs are recorded, the completed construction amount for each period will not be properly recorded because the degree of progress in satisfying performance obligations is incorrectly calculated. Therefore, we determined revenue recognition for the Company's transactions with performance obligations that are satisfied over time as a key audit matter because the estimation of total construction cost and the occurrence of actual construction cost incurred significantly affect the consolidated financial statements.	We evaluated the design and operating effectiveness of the Company's internal controls over the estimation process of the total construction costs and the cost accounting process to recognize revenues with performance obligations that are satisfied over time. In particular, we tested the controls over the appropriateness of the work content, estimated costs and working hours for each construction category and the controls over management's determination of whether the total construction costs reflected changes in the situation arising after the start of construction in a timely and appropriate manner by inquiring of the control owners and inspecting materials such as reports to the Management Committee and related supporting documents. We also selected a sample of the Company's construction contracts with a higher degree of estimation uncertainty relating to total construction costs based on the total construction revenue, contract terms, the stage of completion of the contract, profit rate and others, and performed the following procedures for the selected contracts to evaluate whether total construction costs had been developed in a timely and reasonable manner: • We analyzed estimated total construction costs and construction profit or loss with historical trends and compared the stage of completion of the contract based on the trend in actual construction costs incurred with the progress in the work schedule. • We compared the actual amounts of purchase orders and the balance of outstanding purchase orders with the operating budget. • We inspected the list of findings prepared by the head office organization as a result of its monitoring of operations in the construction division and profitability of each construction project, and made inquiries about the appropriateness of decisions on the necessity for changes in the total construction cost. • We evaluated the reasonableness of judgments about whether the total construction costs should be revised based on the progress of construction by making inquiries of relevant responsible personnel and if necessary, observing the construction site. • We inspected patrol reports for each construction project to determine whether there are any concerns about deterioration of its profitability. • We compared construction costs estimated in the prior year with the actual costs incurred to evaluate the reasonableness of accounting estimates included in total construction costs in the prior year. In addition, we tested the occurrence of a selection of the actual construction costs incurred in the Company that met certain criteria based on the degree of risk that construction costs were not properly recorded by inspecting related documents, such as invoices for outsourcing costs and construction daily reports.

Other Information

Management is responsible for the other information. the Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

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

芳賀 保彦

Yasuhiko Haga
Designated Engagement Partner
Certified Public Accountant

水野 博嗣

Hirotsugu Mizuno
Designated Engagement Partner
Certified Public Accountant

Deloitte Touche Tohmatsu LLC

August 7, 2023

Board of Directors

(As of June 23, 2023)

Chairman
Hiroshi Natsui*

President
Shinji Maekawa*

Directors
Masaki Ito
Kiyoshi Inoue
Hidekatsu Noda
Masanori Hiroshima

Outside Director
Shigeki Morinobu

Director, Audit and Supervisory Committee Member
Toshihiko Morimoto

Outside Director, Audit and Supervisory Committee Member
Yasushi Mizuno
Hideki Tokai
Yumiko Umehara

* Representative Director

Corporate Data

(As of March 31, 2023)

Date of Establishment
October 1, 1969

Paid-in Capital
¥5,159 millions

Number of Shares Outstanding
24,282,225 shares

Number of Shareholders
7,751

Number of Employees
1,132

Stock Exchange Listing
Tokyo Stock Exchange, Prime Market

Transfer Agent of Common Stock
Sumitomo Mitsui Trust Bank, Limited

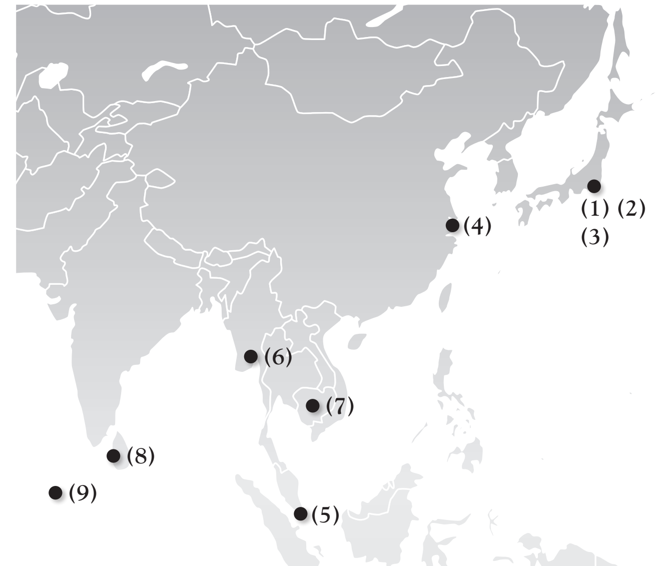
By Type of Shareholder

Financial institutions	20.91%
Individuals & Others	31.85%
Foreign Shareholders	4.42%
Other domestic companies	42.82%

By Number of Shares Held

500,000 shares or more	48.83%
100,000 – 499,999 shares	26.08%
10,000 – 99,999 shares	11.46%
1,000 – 9,999 shares	8.57%
Fewer than 1,000 shares	5.06%

Network



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