

Announcement of the 4th Fiscal Period Financial Results

9th Floor, Todaimae HIRAKUGATE,
2-3-10 Mukogaoka, Bunkyo City, Tokyo
ARAV Inc.
Representative Director: Reiesu Shiroku

Balance Sheet

(As of February 29, 2024)

(Unit : Thousand Yen)

Assets Section		Liabilities Section	
Current Assets	606,197	Current Liabilities	117,326
Cash and Deposits	441,343	Accounts Payable	6,710
Accounts Receivable	66,217	Accounts Payable - Other	27,960
Contract Assets	64,306	Accrued Expenses	10,350
Raw Materials	12,954	Accrued Consumption Tax, etc.	△1,672
Advances Paid	9,447	Contract Liabilities	35,522
Prepaid Expenses	8,400	Deposits Received	3,038
Income Taxes Refund Receivable, etc.	2,805	Long-term Loans Payable - Due within one year	35,380
Accounts Receivable - Other	721	Provision for Loss on Contracts	36
Non-current Assets	21,857	Non-current Liabilities	211,715
Tangible Fixed Assets	17,535	Long-term Loans Payable	206,190
Building Fixtures	10,372	Asset Retirement Obligations	4,865
Accumulated Depreciation on Building Fixtures	△66	Deferred Tax Liabilities	659
Machinery and Equipment	6,090	Total Liabilities	329,041
Accumulated Depreciation on Machinery and Equipment	△3,516	Net Assets Section	
Tools, Furniture, and Fixtures	16,520	Share Capital	90,000
Accumulated Depreciation on Tools, Furniture, and Fixtures	△11,865	Capital Surplus	224,333
Intangible Fixed Assets	1,264	Capital Reserve	156,666
Software	1,264	Other Capital Surplus	67,666
Investments and Other Assets	3,056	Retained Earnings	△15,320
Capital Contributions	10	Other Retained Earnings	△15,320
Guarantee Deposits Paid	2,272	Compression Reserve Fund	1,773
Long-term Prepaid Expenses	774	Unappropriated Retained Earnings	△17,093
		(of which:Net Loss for the Current Period)	(57,306)
		Total Shareholders' Equity	299,013
		Total Net Assets	299,013
Total Assets	628,055	Total Liabilities and Net Assets	628,055

Notes to the Individual Financial Statements

(From March 1, 2023, to February 29, 2024)

1. Notes on Matters Concerning Significant Accounting Policies

(a) Criteria and Methods for the Valuation of Assets

① Criteria and Methods for the Valuation of Inventories

Raw Materials, Work in Process: Cost method based on the gross average method (The balance sheet value is calculated by the method of writing down the book value due to a decline in profitability.)

(b) Method of Depreciation for Fixed Assets

① Tangible Fixed Assets

The declining-balance method is adopted.
However, the straight-line method is adopted for building fixtures acquired on or after April 1, 2016.

② Intangible Fixed Assets

The straight-line method is adopted.

(c) Criteria for Recording Provisions

① Provision for Loss on Contracts

To prepare for future losses related to ordered projects at the end of the current fiscal period, the estimated loss for the following period and beyond is recorded as a provision for loss on contracts for those expected to incur a loss and where the loss amount can be reasonably estimated.

(d) Notes on Revenue Recognition

Our company recognizes revenue from contracts with customers based on the five-step approach (① Identification of the contract with the customer, ② Identification of the performance obligations in the contract, ③ Determination of the transaction price, ④ Allocation of the transaction price to the performance obligations in the contract, ⑤ Recognition of revenue when the performance obligation is satisfied) and recognizes revenue when the performance obligation is satisfied.

When identifying the performance obligations, we consider whether we are acting as a principal or an agent. If the nature of the contract is to provide the service ourselves, we recognize revenue on a gross basis as a principal. If we arrange for the service to be provided by another party, we recognize revenue on a net basis of the commission or fee or consideration as an agent.

Revenue is recognized when the asset is transferred to the customer (or as the asset is transferred) by the customer obtaining control over the service (asset) and the performance obligation is satisfied (or as it is satisfied). Control over the asset by the customer is determined based on the ability to direct the use of the asset and enjoy almost all of the remaining benefits generated from the asset.

Our main business is the development and provision of technology for the remote control and automation of construction machinery to customers, and we have the performance obligation to install this technology on construction machinery owned by the customer. Since we are considered to satisfy the performance obligation as we progress with technology development and installation on construction machinery, we recognize revenue according to the progress rate of the technology development (the ratio of the total costs incurred to the total estimated costs).

In addition, we also provide maintenance services for the provided technology during the contract period, and we have the performance obligation to conduct inspections when requested by the customer. Since the customer is enjoying the benefits throughout the service contract period, we recognize that the performance obligation is satisfied over the contract period and recognize revenue over the contract period.

Since payment of the transaction price is normally received within one year from the satisfaction of the performance obligation, no adjustment for a financing component is made. Furthermore, since our performance obligations are mostly satisfied over a certain period, revenue is recognized according to the progress of the performance obligations.

2. Notes on Change in Presentation

(a) Change in Presentation of Depreciation Expenses for Fixed Assets

The presentation method for the depreciation of fixed assets was previously included in fixed assets on the balance sheet using the direct method. However, as materiality has increased, starting from the current fiscal period, it is separately presented as accumulated depreciation using the indirect method.