



# Notes to the Individual Financial Statements

(From March 1, 2024, to February 28, 2025)

## 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) 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). 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.