

Shibaura Machine

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Annual Financial Report 2022

FINANCIAL HIGHLIGHTS (consolidated)

	2022	2021	2020	2019	2018
Net sales	¥107,777 \$880,611	¥92,635	¥116,761	¥117,405	¥116,862
Cost of sales	¥75,262 \$614,943	¥67,730	¥83,301	¥84,493	¥83,712
Selling, general and administrative expenses	¥28,278 \$231,053	¥24,522	¥29,930	¥29,078	¥28,509
Operating income	¥4,236 \$34,615	¥381	¥3,529	¥3,834	¥4,640
Net income before income taxes	¥4,079 \$33,335	¥267	¥12,648	¥5,742	¥6,860
Income taxes	¥353 \$2,892	¥3,165	¥5,309	¥1,662	¥1,844
Net income (loss)	¥3,725 \$30,442	¥(2,898)	¥7,338	¥4,079	¥5,016
Comprehensive income	¥6,212 \$50,760	¥43	¥5,784	¥3,475	¥5,789
Per common share:					
Net income (loss)	¥154.27 \$1.26	¥(120.05)	¥304.06	¥169.03	¥207.83
Cash dividends	¥75.00 \$0.61	¥199.30	¥85.00	¥45.00	¥14.00
Total assets	¥166,989 \$1,364,409	¥134,296	¥154,283	¥150,724	¥148,763
Net assets	¥83,515 \$682,374	¥82,152	¥87,018	¥83,197	¥81,334
Capital expenditures (property, plant and equipment)	¥1,810 \$14,789	¥1,799	¥1,741	¥1,195	¥4,687
Depreciation	¥1,952 \$15,957	¥1,755	¥1,781	¥1,868	¥2,049
R & D costs	¥2,771 \$22,646	¥2,218	¥2,378	¥1,835	¥1,899
Number of employees	3,049	3,081	3,360	3,346	3,273

Note 1: In millions of yen (thousands of U.S. dollars), except for per-share data and number of employees.

Note 2: Yen amounts have been translated into U.S. dollars, for convenience only, at the exchange rate of ¥122.39=U.S.\$1. See Note 3 of the Notes to the Consolidated Financial Statements.

Note 3: SHIBAURA MACHINE CO., LTD. executed the consolidation of shares at the ratio of 5 shares into 1 share effective from October 1, 2018. Net income per share is recalculated on the assumption that the consolidation of shares was executed at the beginning of the year ended March 31, 2018. In addition, the cash dividend per share at the end of March 31, 2019 is the sum of the interim dividend ¥7.50 and the year-end dividend ¥37.50. Since the interim dividend amount is ¥37.50 when converted based on the consolidation of shares, the annual dividend amount including the ¥37.50 year-end dividend amount is ¥75.00 per share.

Note 4: Cash dividends per shares includes a commemorative dividend ¥10.00 at the end of March 31, 2020.

Note 5: Cash dividends per shares includes a special dividend ¥124.30 at the end of March 31, 2021.

Note 6: The Companies have adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018). This accounting standard has been retrospectively applied to figures for the beginning of the year ended March 31, 2018.

CONSOLIDATED BALANCE SHEET
SHIABURA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2022

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Current assets:			
Cash and deposits (Notes 18 and 20)	¥51,710	¥42,417	\$422,509
Notes and accounts receivable, trade (Note 20)	—	27,682	—
Notes and accounts receivable - trade, and contract assets (Note 10, 20 and 27)	23,613	—	192,936
Allowance for doubtful receivables	(37)	(37)	(306)
Net receivables	23,575	27,644	192,630
Inventories:			
Finished products	23,000	6,736	187,930
Work in process	28,541	22,327	233,200
Raw materials and supplies	65	64	538
Total inventories	51,607	29,129	421,668
Other current assets (Notes 20 and 22)	7,566	3,560	61,827
Total current assets	134,461	102,752	1,098,633
Property, plant and equipment, net (Note 6)	21,146	20,758	172,778
Intangible assets (Note 7)	843	571	6,889
Investments and other assets:			
Investments in:			
Unconsolidated subsidiaries and affiliates (Note 20)	436	744	3,569
Other securities (Notes 20 and 21)	8,249	7,597	67,403
Long-term loans	5	6	44
Deferred tax assets (Note 4 and 24)	565	409	4,622
Other investments	1,281	1,455	10,470
Total investments and other assets	10,538	10,213	86,108
Total assets	¥166,989	¥134,296	\$1,364,409

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Current liabilities:			
Short-term bank loans (Notes 20 and 31)	¥10,417	¥10,090	\$85,117
Current portion of long-term debt (Notes 20 and 31)	500	500	4,085
Notes and accounts payable, trade (Note 20)	23,729	17,613	193,884
Income taxes payable (Note 24)	465	74	3,805
Accrued expenses	2,248	2,341	18,372
Provision for bonuses	1,894	1,096	15,483
Warranty reserve	618	591	5,056
Advances received	—	5,345	—
Contract liabilities (Note 27)	28,887	—	236,032
Other current liabilities (Notes 20, 22 and 31)	2,003	1,316	16,370
Total current liabilities	70,766	38,969	578,204
Long-term liabilities:			
Long-term debt (Notes 20 and 31)	3,300	3,800	26,963
Long-term accounts payable, other	5	5	47
Accrued directors' retirement benefits	63	58	517
Net retirement benefit liability (Note 23)	8,354	8,518	68,263
Asset retirement obligations	384	105	3,142
Deferred tax liabilities (Note 24)	440	570	3,600
Other long-term liabilities (Note 31)	158	115	1,298
Total long-term liabilities	12,707	13,174	103,831
Total liabilities	83,474	52,144	682,035
Contingent liabilities (Note 8)			
Net assets:			
Shareholders' equity: (Note 16)			
Common stock			
Authorized - 72,000,000 shares			
Issued - 29,977,106 shares	12,484	12,484	102,008
Additional paid-in capital	11,538	11,538	94,274
Retained earnings	68,374	69,522	558,661
Treasury stock, at cost (5,822,705 shares in 2022, 5,831,373 shares in 2021)	(16,322)	(16,346)	(133,362)
Total shareholders' equity	76,075	77,198	621,581
Accumulated other comprehensive income			
Unrealized holding gain on securities, net of tax (Note 21)	4,350	3,749	35,549
Foreign currency translation adjustments	3,348	1,737	27,360
Remeasurements of defined benefit plans (Note 23)	(259)	(533)	(2,117)
Total accumulated other comprehensive income	7,440	4,953	60,793
Total net assets (Note 30)	83,515	82,152	682,374
Total liabilities and net assets	¥166,989	¥134,296	\$1,364,409

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF INCOME
SHIABURA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2022

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Net sales (Note 27)	¥107,777	¥92,635	\$880,611
Cost of sales (Note 13)	75,262	67,730	614,943
Gross profit	32,515	24,904	265,667
Selling, general and administrative expenses (Notes 12 and 13)	28,278	24,522	231,053
Operating income	4,236	381	34,615
Other income:			
Interest and dividend income	346	271	2,832
Rent income	48	45	395
Foreign exchange income	363	348	2,966
Subsidies for employment adjustment	289	677	2,362
Subsidy income	—	220	—
Gain on sales of property, plant and equipment	15	13	127
Gain on sales of investment securities (Note 21)	25	132	208
Others	311	282	2,541
	1,399	1,993	11,432
Other expenses and losses:			
Interest expense	117	84	959
Brand fee expense	—	0	—
Outsourcing expenses	118	655	966
Loss on disposal of property, plant and equipment and intangible assets	136	78	1,113
Loss on sale of investment securities (Note 21)	3	—	25
Loss on valuation of shares of subsidiaries and affiliates (Note 21)	307	35	2,514
Loss on valuation of investment securities (Note 21)	17	—	145
Loss on impairment of fixed assets (Note 14)	40	371	331
Extra retirement payments (Note 15)	—	264	—
Others	814	615	6,658
	1,555	2,107	12,712
Net income before income taxes	4,079	267	33,335
Income taxes (Note 24)			
Current	847	403	6,921
Deferred	(493)	2,762	(4,028)
	353	3,165	2,892
Net income (loss)	3,725	(2,898)	30,442
Net income (loss) attributable to owners of parent	¥3,725	¥(2,898)	\$30,442

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SHIABURA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Year ended March 31, 2022

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Net income (loss)	¥3,725	¥(2,898)	\$30,442
Other comprehensive income (loss): (Note 17)			
Unrealized holding gain (loss) on securities, net of tax	601	1,415	4,914
Deferred gains or losses on hedges	—	(0)	—
Foreign currency translation adjustments	1,611	893	13,166
Remeasurements of defined benefit plans	273	632	2,238
Total other comprehensive income (loss)	2,486	2,941	20,318
Comprehensive income	¥6,212	¥43	\$50,760
Comprehensive income attributable to:			
Owners of parent	6,212	43	50,760
Non-controlling interests	—	—	—

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

SHIABURA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Year ended March 31, 2022

	Number of Shares	Millions of yen								Total net assets
		Common stock	Additional paid in capital	Retained earnings	Treasury stock	Unrealized gain on securities, net of tax	Deferred gains or losses on hedges	Translation adjustments	Remeasurements of defined benefit plans	
Balance at April 1, 2020	29,977,106	12,484	11,538	77,359	(16,376)	2,334	0	843	(1,165)	87,018
Net loss attributable to owners of parent				(2,898)						(2,898)
Purchases of treasury stock					(0)					(0)
Cash dividends				(4,931)						(4,931)
Restricted stock compensation				(7)	30					22
Net changes in items other than shareholders' equity						1,415	(0)	893	632	2,941
Balance at March 31, 2021	29,977,106	12,484	11,538	69,522	(16,346)	3,749	—	1,737	(533)	82,152
Adjustments by accounting policy changes				(3,059)						(3,059)
Balance at March 31, 2021 after adjustments		12,484	11,538	66,462	(16,346)	3,749	—	1,737	(533)	79,092
Net income attributable to owners of parent				3,725						3,725
Purchases of treasury stock					(0)					(0)
Cash dividends				(1,811)						(1,811)
Restricted stock compensation				(2)	24					22
Net changes in items other than shareholders' equity						601	—	1,611	273	2,486
Balance at March 31, 2022	29,977,106	¥12,484	¥11,538	¥68,374	¥(16,322)	¥4,350	¥—	¥3,348	¥(259)	¥83,515

	Thousands of U.S. dollars (Note 3)									Total net assets
	Common stock	Additional paid in capital	Retained earnings	Treasury stock	Unrealized gain on securities, net of tax	Deferred gains or losses on hedges	Translation adjustments	Remeasurements of defined benefit plans		
Balance at March 31, 2021	\$102,008	\$94,274	\$568,039	\$(133,561)	\$30,636	\$—	\$14,195	\$(4,356)	\$671,236	
Adjustments by accounting policy changes			(25,002)						(25,002)	
Balance at March 31, 2021 after adjustments	102,008	94,274	543,037	(133,561)	30,636	—	14,195	(4,356)	646,234	
Net income attributable to owners of parent			30,442						30,442	
Purchases of treasury stock				(5)					(5)	
Cash dividends			(14,799)						(14,799)	
Restricted stock compensation			(20)	204					184	
Net changes in items other than shareholders' equity					4,914	—	13,166	2,238	20,318	
Balance at March 31, 2022	\$102,008	\$94,274	\$558,661	\$(133,362)	\$35,549	\$—	\$27,360	\$(2,117)	\$682,374	

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
SHIABURA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 2022

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Operating activities:			
Net income before income taxes	¥4,079	¥267	\$33,335
Adjustments to reconcile net income before income taxes to net cash provided by operating activities:			
Depreciation	¥1,952	¥1,755	15,957
Loss on impairment of fixed assets	40	371	331
Extra retirement payments	—	264	—
Allowance for doubtful receivables	125	249	1,027
Provision for bonuses	798	1,096	6,523
Warranty reserve	27	(128)	222
Directors' retirement benefit	5	16	41
Net defined benefit liability	110	(618)	900
Interest and dividend income	(346)	(271)	(2,832)
Interest expense	117	81	959
Loss (gain) on sales of investment securities	(22)	(132)	(184)
Loss on valuation of investment securities	17	—	145
Loss on valuation of shares of subsidiaries and affiliates	307	35	2,514
Gain or loss on sales and disposal of property, plant and equipment and intangible assets	120	64	986
Changes in operating assets and liabilities:			
Notes and accounts receivable, trade	(1,815)	8,382	(14,832)
Inventories	(8,537)	6,868	(69,754)
Notes and accounts payable, trade	6,555	(3,616)	53,563
Advances received	—	(1,058)	—
Contract liabilities	10,275	—	83,958
Accrued expenses	262	(3,003)	2,142
Others	(2,884)	(1,587)	(23,572)
Sub total	11,190	9,039	91,431
Interest and dividend income received	346	271	2,832
Interest paid	(88)	(88)	(719)
Income taxes paid	(149)	(7,857)	(1,219)
Extra retirement payments	—	(1,172)	—
Net cash provided by operating activities	11,299	192	92,325

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	2022
Investing activities:			
Purchases of property, plant and equipment	(1,252)	(1,545)	(10,232)
Proceeds from sales of property, plant and equipment	86	16	703
Purchases of intangible assets	(353)	(219)	(2,887)
Proceeds from sales of investment securities	209	320	1,715
(Increase) decrease in short-term loans receivable	1	(16)	14
Collection of long-term loans receivable	1	6	10
Others	42	(99)	348
Net cash used in investing activities	(1,264)	(1,537)	(10,330)
Financing activities:			
Proceeds from short-term borrowings	327	—	2,675
Repayments of long-term borrowings	(500)	—	(4,085)
Purchases of treasury stock	(0)	(0)	(5)
Cash dividends paid	(1,811)	(4,931)	(14,799)
Others	(123)	(24)	(1,012)
Net cash used in financing activities	(2,108)	(4,956)	(17,226)
Effect of exchange rate changes on cash and cash equivalents	1,365	708	11,161
Net increase (decrease) in cash and cash equivalents	9,292	(5,593)	75,929
Cash and cash equivalents at beginning of year	42,417	48,011	346,580
Cash and cash equivalents at end of year (Note 18)	¥51,710	¥42,417	\$422,509

See accompanying notes to financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SHIBAURA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of SHIBAURA MACHINE CO., LTD. (the "Company") and its consolidated subsidiaries (collectively, the "Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the fiscal year end and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside of Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

2. Summary of Significant Accounting Policies

(a) Basis of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The consolidated financial statements include the accounts of the Companies.

All significant intercompany transactions and accounts and unrealized intercompany profits among consolidated entities are eliminated in consolidation.

Unconsolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost.

(b) Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the balance sheet date, except for those perfectly hedged by forward contracts, which are translated using the contracted rate.

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 foreign exchange derivatives.

All assets and liabilities of foreign consolidated subsidiaries are translated at the current rates at the respective balance sheet dates, except for components of shareholders' equity which are translated at their historical rates. The revenue and expense accounts of foreign consolidated subsidiaries are translated at the current rates at the respective balance sheet dates. Differences arising from translation are recognized directly in foreign currency translation adjustments in net assets.

(c) Securities

Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of income taxes, directly included in net assets.

Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(d) Inventories

Finished products and work in process are stated at the lower of cost, determined by the individual identification method, or their net realizable value. Raw materials and supplies are stated at the lower of cost, determined by the moving average method, or their net realizable value.

(e) Allowance for doubtful receivables

The allowance for doubtful receivables is stated at the amount determined based on the default ratio sustained over a specific period in the past and the estimated uncollectible amount determined based on the analysis of certain individual accounts, including probable bad debt and claims in bankruptcy.

(f) Warranty reserve

Warranty reserve is provided for warranty costs to be incurred during the warranty period based on historical experience.

(g) Employee bonuses

The bonuses paid to the employees are accrued based on the estimated amounts incurred and to be paid in the subsequent period.

(h) Depreciation of property, plant and equipment (excluding leased assets)

Depreciation of buildings is principally computed by the straight-line method, facilities attached to buildings and other non-building structures acquired on or after April 1, 2016 is computed by the straight-line method and depreciation of other property, plant and equipment is computed by the declining balance method over the estimated useful lives of respective assets, principally ranging from 3 to 60 years for buildings and structures, and from 3 to 22 years for machinery, equipment and vehicles.

(i) Amortization of intangible assets

Computer software held for internal use is amortized by the straight-line method over the corresponding economic useful life (5 years). Other intangible assets, including patent rights, are amortized by the straight-line method over the estimated useful lives of respective assets.

(j) Leased assets

Leased assets under finance lease transactions that do not transfer ownership to the lessee are depreciated by the straight-line method over the lease term with no residual value.

(k) Derivative financial instruments

All derivatives are stated at fair value. Gains or losses arising from changes in fair value are charged or credited to income for the period in which they arise, except for derivatives that are designated as hedging instruments. Gains or losses arising from changes in fair value of the derivatives designated as cash flow hedging instruments, net of the applicable income taxes, are reported as a component of net assets.

(l) Income taxes

The Companies accrue current income taxes based on taxable income.

The Companies recognize a number of temporary differences for financial reporting purposes, which, in the case of expenses, are not currently deductible and in the case of income, are not currently taxable. Income tax effects on such temporary differences between tax and financial reporting purposes are reflected as deferred income taxes in the consolidated financial statements using the asset and liability method.

(m) **Employees' retirement benefits**

Accrued employees' retirement benefits are provided based on the projected retirement benefit obligation and the fair value of plan assets at fiscal year-end.

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

Actuarial gain or loss is amortized in the following year in which the gain or loss is recognized primarily by the straight-line method over a period (10 years), which is shorter than the average remaining years of service of the employees.

(n) **Directors'** retirement benefits

Domestic consolidated subsidiaries accrue an estimated amount calculated in accordance with internal rules for retirement benefits for directors and corporate auditors.

(o) Method of significant revenue and expense recognition standards

The Companies recognize revenue based on the five-step process below.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group engages in the manufacturing, sale, and maintenance services of products for the molding machinery, machine tools, control systems, and other businesses. Each business recognizes revenue as described below.

Revenue is measured based on the consideration specified in the contract with a customer. The total amount of consideration for the contract is allocated to all products and services based on their stand-alone selling prices. Stand-alone selling prices are calculated with reference to selling prices of similar products or services and other reasonably available information.

When consideration is received from a customer before a control of product is transferred and the period between the receipt of consideration from the customer and the timing of transfer originally scheduled in the contract exceeds one year, adjustments are made for the effects of significant interest components.

A product sale contract with a customer includes a clause which warrants that the product complies with agreed-upon specifications. The Company and its consolidated subsidiaries recognize warranty reserve for expenses related to such warranty.

① Molding machinery business

The molding machinery business engages in the manufacturing, sale, and maintenance services of injection molding machines, die casting machines, and extrusion machines. In a sales contract with a customer, the Companies have an obligation to manufacture and deliver the ordered product and enable the customer to engage in production activities using that product.

Revenue from the sale of products is typically recognized when control of products is transferred to the customer, i.e., when products are shipped to the location designated by the customer, delivered, and accepted by the customer. This is because at that timing, the legal title to and physical possession of the products and significant risks and rewards of ownership associated with the possession of the products are transferred to the customer and the Companies become entitled to receive payment from the customer.

② Machine tools business

The machine tools business engages in the manufacturing, sales, and maintenance services of machine tools (large size machines, double column type machining centers, boring machines, vertical boring and turning mills, etc.), high-precision machines, and others. In a sales contract with a customer, the Companies have an obligation to manufacture and deliver the ordered product and enable the customer to engage in production activities using that product.

Revenue from the sale of products is typically recognized when control of products is transferred to the customer, i.e., when products are shipped to the location designated by the customer, delivered, and accepted by the customer. This is because at that timing, the legal title to and physical possession of the products and significant risks and rewards of ownership associated with the possession of the products are transferred to the customer and the Companies become entitled to receive payment from the customer.

③ Control systems business

The control systems business engages in the manufacturing, sale, and maintenance services of industrial robots, electronic controls, and others. In a sales contract with a customer, the Companies have an obligation to manufacture and deliver the ordered product.

Revenue from the sale of products is typically recognized when control of products is transferred to the customer, i.e., when products are shipped to the location designated by the customer and delivered. This is because at that timing, the legal title to and physical possession of the products and significant risks and rewards of ownership associated with the possession of the products are transferred to the customer and the Companies become entitled to receive payment from the customer.

(p) Amounts per share of common stock

Net income per share is computed based on the weighted-average number of shares of common stock outstanding during a year.

Diluted net income per share is not presented since the Company has never issued any securities with dilutive effect, such as bonds with warrants and convertible bonds. Cash dividends per share represent the actual amount declared as applicable to the respective years.

(q) Cash equivalents

In preparing the consolidated statement of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

- (r) Application of tax effect accounting for transition from consolidated taxation system to group tax sharing system

The Company and its domestic consolidated subsidiaries will transition from the Consolidated Taxation System to the Group Tax Sharing System. However, the Company and its domestic consolidated subsidiaries have calculated the amounts of deferred tax assets and deferred tax liabilities according to the tax acts before amended, for items for which the non-consolidated taxation system has been reviewed in line with the transition to the group tax sharing system, based on the treatment of Paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ Practical Issues Task Force No.39, March 31, 2020) instead of applying the provision on Paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No.28, February 16, 2018), regarding the transition to group tax sharing system established in "Act for Partial Amendment of the Income Tax Act, etc." (Act No.8 of 2020).

The Company and its domestic consolidated subsidiaries expect to adopt the "Accounting and treatment of disclosure for the adoption of the Group Tax Sharing System (ASBJ Practical Issues Task Force No.42, August 12, 2021) from the beginning of the fiscal year ending March 31, 2023.

3. U.S. Dollar Amounts

U.S. dollar amounts are included solely for the convenience of the readers and have been translated at the rate of ¥122.39=U.S.\$1, the approximate exchange rate prevailing in the Japanese foreign exchange market on March 31, 2022. This translation should not be construed as a representation that the yen amounts actually represent, have been, or could be converted into U.S. dollars.

4. Accounting Estimates

Recoverability of deferred tax assets

(a) Amount recorded in the consolidated financial statements for the fiscal year

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred tax assets (Balance Sheet amount)	¥565	¥409	\$4,616
Deferred tax assets (Before offsetting)	3,136	2,408	25,623
Deferred tax liabilities (Balance Sheet amount)	440	570	3,595
Deferred tax liabilities (Before offsetting)	3,011	2,569	24,602

(b) Information on the contents of accounting estimates related to the identified items

① Method of calculation

Deferred tax assets is recognized for the deductible temporary differences and the unused portion of tax loss carry forwards, based on projection of future taxable income. For the estimate of taxable income, the timing and amount of future taxable income is reasonably estimated and calculated based on the next fiscal year's business plan.

② Key assumptions

When determining the appropriateness of future taxable income before temporary differences, an estimate is made of the taxable income for the fiscal year in which the reversal of temporary differences, etc. is expected. Future taxable income is projected based on the business plans of the next fiscal year for each of the Group's companies, and such business plans are prepared by forecasting the timing of realization of backlog of orders for each product and the status of orders received for the next fiscal year. Moreover, it is assumed that the lingering impact from COVID-19 will gradually dissipate from the second half of the fiscal year ending March 31, 2023.

③ Impact on the consolidated financial statements for the following fiscal year

The forecasts on the timing of realization of order backlog and the status of orders received for the next fiscal year, which constitute key assumptions, entail uncertainty of estimates. This is due to future uncertain economic conditions, where the Companies may see unexpected decreases in sales volumes and selling prices of some products caused by geopolitical risks or a resurgence of the impact of COVID-19. For this reason, the estimated amount of taxable income may change, and the change has a risk of having a significant impact on the determination of the recoverability of deferred tax assets.

5. Accounting Changes

(Application of Accounting Standard for Revenue Recognition, etc.)

The Companies have adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Standard") and other standards from the beginning of the fiscal year ended March 31, 2022. The Companies recognize revenue when control of a promised good or service is transferred to a customer, in an amount expected to be received in exchange for such good or service. Accordingly, the following change has been made.

Sale of products

Conventionally, revenue from the sale of products generated mainly in the molding machinery and machine tools businesses were recognized when products were delivered to the customer. The Companies now recognize revenue when control of products is transferred to the customer, i.e., when products are shipped to the location designated by the customer, delivered, and accepted by the customer. This is because at that timing, the legal title to and physical possession of the products and significant risks and rewards of ownership associated with the possession of the products are transferred to the customer and the Companies become entitled to receive payment from the customer.

The Companies apply the Revenue Recognition Standard, etc. in accordance with the transitional measures provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior fiscal years has been reflected in retained earnings at the beginning of the fiscal year ended March 31, 2022, and the new accounting policies were applied from the beginning balance. However, the Companies apply the method provided for in Paragraph 86 of the Revenue Recognition Standard, and do not apply the new accounting policies retrospectively to contracts for which substantially all revenue amounts had been recognized prior to the beginning of the fiscal year ended March 31, 2022 in accordance with the previous standard.

In addition, notes and accounts receivable, trade, which was presented under current assets in the consolidated balance sheet of the previous fiscal year, has been included under notes and accounts receivable - trade, and contract assets and advances received, which was presented under current liabilities, has been included under contract liabilities, from the fiscal year ended March 31, 2022. In accordance with the transitional measures set forth in Paragraph 89-2 of the Revenue Recognition Standard, figures for the previous fiscal year have not been reclassified based on the new presentation method.

As a result, compared with the figures before the adoption of the Revenue Recognition Standard, etc., net sales decreased by ¥1,777 million (\$14,520 thousand), cost of sales decreased by ¥1,649 million (\$13,476 thousand), selling, general and administrative expenses decreased by ¥627 million (\$5,129 thousand), and operating income, and net income before income taxes each increased by ¥499 million (\$4,085 thousand) in the consolidated statement of income for the fiscal year ended March 31, 2022.

The cumulative impact of this change has been reflected in net assets at the beginning of the fiscal year ended March 31, 2022. As a result, the balance of retained earnings at the beginning of the fiscal year decreased by ¥3,059 million (\$25,002 thousand) in the consolidated statement of changes in net assets.

The impact of this change on per share information is described in the relevant section.

In accordance with the transitional treatment provided for in Paragraph 89-3 of the Revenue Recognition Standard, notes related to revenue recognition for the prior fiscal year are omitted.

(Adoption of Accounting Standard for Fair Value Measurement)

The Companies have adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter the "Fair Value Measurement Standard") and other standards from the beginning of the fiscal year ended March 31, 2022, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional measures provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This does not affect the consolidated financial statements. In addition, the Company notes on items such as the matters relating to breakdown of fair value of financial instruments by level in Note 20, "Financial Instruments". However, notes for the prior fiscal year have been omitted in accordance with the transitional treatment prescribed in Paragraph 7-4 of the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, July 4, 2019).

6. Property, Plant and Equipment

Property, plant and equipment at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Land	¥7,142	¥7,098	\$58,362
Buildings and structures	37,040	39,252	302,643
Machinery and equipment	23,187	24,134	189,452
Vehicles	275	287	2,255
Tools, furniture and fixtures	7,084	7,238	57,884
Lease assets	469	264	3,833
Construction in progress	842	474	6,881
Sub total	76,042	78,750	621,309
Less accumulated depreciation	(54,895)	(57,991)	(448,531)
Property, plant and equipment, net	¥21,146	¥20,758	\$172,778

Depreciation expenses for the years ended March 31, 2022 and 2021 were ¥1,952 million (\$15,957 thousand) and ¥1,755 million, respectively.

7. Intangible Assets

Intangible assets at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Others	¥843	¥571	\$6,889
Total	¥843	¥571	\$6,889

8. Contingent Liabilities

As of March 31, 2022, contingent liabilities for loans guaranteed by the Company, principally on behalf of non-consolidated subsidiaries and affiliated companies, amounted to ¥597 million (\$4,882 thousand).

9. Commitment Line

The Company has concluded commitment line contracts with three financial institutions in order to ensure that it can safely and flexibly meet any demand for funds. The balance of unused committed lines under these contracts at the end of the fiscal year was as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Total amount of commitment line	¥10,000	¥20,000	\$81,706
Funds borrowed	—	—	—
Unused amount	¥10,000	¥20,000	\$81,706

10. Receivable arising from contracts with customers and contract assets include in Notes and accounts receivable - trade, and contract assets consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Notes	¥5,166	\$42,214
Accounts receivable, trade	17,451	142,591
Contract assets	995	8,131

11. Revenue from contracts with customers

Revenues are not separately presented for revenue from contracts with customers and other revenues. The amount of revenue from contracts with customers is presented in Note 27, "Revenue".

12. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen	Thousands of U.S. dollars	
	2022	2021	2022
Sales commission	¥1,697	¥1,223	\$13,869
Shipping expenses	4,067	2,842	33,231
Provision for warranty reserve	501	491	4,093
Personnel-expenses	11,649	11,195	95,181
Retirement benefit expenses	593	684	4,848
Depreciation	788	738	6,446
Rent expenses	1,003	911	8,199
Travel expenses	671	561	5,484
Research and development expenses	1,799	1,404	14,700
Subcontract expenses	498	468	4,075
Others	5,008	4,000	40,926
Total	¥28,278	¥24,522	\$231,053

13. Research and Development Costs

Research and development costs charged to income were ¥2,771 million (\$22,646 thousand) and ¥2,218 million for the years ended March 31, 2022 and 2021, respectively.

14. Loss on Impairment of Fixed Assets

The Companies accounted for impairment losses for the year ended March, 31 2021 as follows:

	Millions of yen
	2021
Rayong, Thailand:	
Business assets	
Buildings and structures	¥346
Machinery, equipment and vehicles	7
Other property, plant and equipment	16
Other intangible assets	0
Total	¥371

(a) Reason for the recognition of impairment loss

The carrying amount of the asset group of SHIBAURA MACHINE MANUFACTURING (THAILAND) CO., LTD. (Located in Rayong, Thailand) was reduced to the recoverable amount because the estimated future cash flow obtainable from that asset group fell below the carrying amount, and the amount of reduction was recorded as impairment loss under other expenses and losses.

(b) Asset grouping method

The Company, in principle, classifies groups of business assets using a company as the basis unit, and the business assets of each of its consolidated subsidiaries are treated as one asset group.

For its idle assets, the Company groups each asset individually.

Up until present, the Company had grouped its business assets using a business division as the basis unit. However, since carrying out organizational restructuring following the adoption of the in-house company system, the Company has changed to group its business assets in line with the in-house company system as the basis unit from the fiscal year.

(c) Method of computing the recoverable amount

The net selling value is the recoverable amount used in measurement of impairment loss. The net selling value is calculated based on the real estate appraisal value.

The Companies accounted for impairment losses for the year ended March, 31 2022 as follows:

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Sendai, Miyagi, Japan:		
Idle property		
Buildings and structures	¥36	\$301
Other intangible assets	3	31
Total	¥40	\$331

(a) Reason for the recognition of impairment loss

The Company reduced the book value of its Tohoku Branch (Located in Sendai, Miyagi, Japan) to the recoverable amount due to the relocation of the Branch, and the amount of reduction was recorded as impairment loss under other expenses and losses.

(b) Asset grouping method

The Company, in principle, classifies groups of business assets using a company as the basis unit, and the business assets of each of its consolidated subsidiaries are treated as one asset group.

For its idle assets, the Company groups each asset individually.

(c) Method of computing the recoverable amount

The net selling value is the recoverable amount used in measurement of impairment loss. The net selling value is calculated based on the memorandum value.

15. Extra retirement payments

Extra retirement payments for the year ended March 31, 2021 include special additional retirement bonuses and other expenses with the implementation of the voluntary retirement measures.

16. Shareholders' Equity

The Corporation Law of Japan (the "Law"), which went into effect on May 1, 2006, provides that an amount equal to 10% of the amount to be distributed as distribution of additional paid in capital (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and legal reserve, respectively, until the sum of the capital reserve and legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

17. Other Comprehensive Income

The components of other comprehensive income (loss) for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Unrealized holding gain (loss) on securities:			2022
Current period changes in unrealized gain (loss)	¥879	¥2,137	\$7,189
Reclassification adjustment	(22)	(132)	(184)
Total unrealized holding gain (loss) on securities before tax effects	857	2,005	7,005
Tax effects	(255)	(590)	(2,091)
Unrealized holding gain (loss) on securities, net of tax effects	601	1,415	4,914
Deferred gains or losses on hedges			
Current period changes	—	(0)	—
Total deferred gains or losses on hedges before tax effects	—	(0)	—
Tax effects	—	0	—
Deferred gains or losses on hedges, net of tax effects	—	(0)	—
Foreign currency translation adjustments:			
Current period changes	1,611	914	13,166
Reclassification adjustment	—	(21)	—
Total Foreign currency translation adjustments	1,611	893	13,166
Remeasurements of defined benefit plans			
Current period changes in remeasurements of defined benefit plans	133	432	1,093
Reclassification adjustment	140	200	1,145
Total remeasurements of defined benefit plans before tax effect	273	632	2,238
Tax effects	—	—	—
Remeasurements of defined benefit plans, net of tax effects	273	632	2,238
Total other comprehensive income (loss)	¥2,486	¥2,941	\$20,318

18. Cash Flow Information

Cash and Cash Equivalents

The reconciliation between cash and deposits in the accompanying consolidated balance sheet and cash and cash equivalents in the accompanying consolidated statement of cash flows at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Cash and deposits	¥51,710	¥42,417	\$422,509
Cash and cash equivalents	¥51,710	¥42,417	\$422,509

19. Leases

This disclosure has been omitted for the year ended March 31, 2022 based on immateriality.

20. Financial Instruments

Overview

(a) Policy for financial instruments

The Companies invest in short-term deposits for fund management, where temporary cash surplus is invested in low-risk financial instruments. The Companies raise funds through bank borrowings. The Companies use derivatives only to reduce risk, and do not enter into derivative transactions for speculative trading purposes.

(b) Financial instruments, related risk and risk management system

Operating receivables, such as notes and accounts receivable, trade are exposed to customer credit risk. The Companies try to reduce this risk by adhering to their sales management rules. Investments, consisting of marketable securities of corporations, are exposed to stock price fluctuation risk in the market. To address this risk, the Companies review stock prices in every quarter. Operating payables, such as notes and accounts payable, trade are mainly due within six months. Borrowings are mainly used in for normal operations and capital investments. The maturity of borrowings is up to three years from the balance sheet date at the maximum.

Derivative transactions consist of foreign exchange forward contracts, etc. used for the purpose of hedging foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. These derivative transactions are managed under the internal management policies, to the extent deemed necessary. Note 20, "Derivative Financial Instruments," provides more information on hedge accounting, hedging instruments and methods, hedging policy, hedged items and assessments of hedge effectiveness.

The Finance Department of the Companies prepares and updates its cash flow plan to manage liquidity risk. A part of bank borrowings are subject to terms of financial covenants. If the Companies violate the terms of the financial covenants, the terms of the borrowings may be possibly revised.

The terms of the financial covenants related to a syndicated loan contract (¥3,500 million (\$28,597 thousand) at March 31, 2022) are as follows:

- ① At March 31 and September 30 every year, the Company must maintain net assets in the consolidated balance sheet over ¥57,840 million (\$472,588 thousand).
- ② In the consolidated statement of income for the fiscal year ending March 31, the Company must not record operating loss for two consecutive years.

(c) Supplemental information on the fair value of financial instruments

Fair value of financial instruments is calculated based on market prices, or by using reasonable estimates when market prices are not available. These estimates include variable factors, and are subject to fluctuation due to a change in underlying assumptions. The contract amounts of derivatives presented in Note 20, "Derivative Financial Instruments," below do not represent the actual market risk associated with derivative transactions.

Fair value of financial instruments

Carrying value of financial instruments as of March 31, 2022 and 2021, and their fair value were as follows:

Year ended March 31, 2022	Millions of yen		
	Carrying value	Fair value	Difference
Notes and accounts receivable – trade, and contract assets	23,613	23,613	0
Investment securities	8,183	8,183	–
Total assets	¥31,796	¥31,796	¥0
Long-term debt including current portion	3,800	3,808	8
Total liabilities	¥3,800	¥3,808	¥8
Derivatives	¥(28)	¥(28)	¥–

Year ended March 31, 2021	Millions of yen		
	Carrying value	Fair value	Difference
Cash and deposits	¥42,417	¥42,417	¥–
Notes and accounts receivable, trade	27,682	27,682	0
Marketable securities and investment securities	7,513	7,513	–
Total assets	¥77,613	¥77,613	¥0
Short-term bank loans	¥10,090	¥10,090	¥–
Notes and accounts payable, trade	17,613	17,613	–
Long-term debt including current portion	4,300	4,309	9
Total liabilities	¥32,003	¥32,012	¥9
Derivatives	¥(4)	¥(4)	¥–

Year ended March 31, 2022	Thousands of U.S. dollars		
	Carrying value	Fair value	Difference
Notes and accounts receivable – trade, and contract assets	192,936	192,936	0
Investment securities	66,861	66,861	–
Total assets	\$259,796	\$259,797	\$0
Long-term debt including current portion	31,048	31,116	68
Total liabilities	\$31,048	\$31,116	\$68
Derivatives	\$(233)	\$(233)	\$–

Note1: "Cash and deposits", "Notes and accounts payable, trade" and "Short-term bank loans" are omitted as the fair values approximate their carrying values because they are cash or settled in a short period of time.

Note2: Investment securities for which the market prices are not available are not included in "Investment securities" in the above table. Carrying value of financial instruments as of March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unlisted stocks	¥503	¥828	\$4,112

Note3: Derivatives are presented as net amounts receivable or payable with net amounts payable in parentheses.

(a) The aggregate annual maturities of financial assets

Year ended March 31, 2022

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥51,705	¥-	¥-	¥-
Notes and accounts receivable – trade, and contract assets	23,526	87	-	-
Total	¥75,231	¥87	¥-	¥-

Year ended March 31, 2021

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥42,413	¥-	¥-	¥-
Notes and accounts receivable, trade	27,647	35	-	-
Total	¥70,060	¥35	¥-	¥-

Year ended March 31, 2022

	Thousands of U.S. dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	\$422,464	\$-	\$-	\$-
Notes and accounts receivable – trade, and contract assets	192,224	712	-	-
Total	\$614,688	\$712	\$-	\$-

(b) Annual maturities of short-term bank loans and long-term debt

Year ended March 31, 2022

	Millions of yen					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term bank loans	¥10,417	¥-	¥-	¥-	¥-	¥-
Long-term debt	500	3,300	-	-	-	-
Total	¥10,917	¥3,300	¥-	¥-	¥-	¥-

Year ended March 31, 2021

	Millions of yen					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term bank loans	¥10,090	¥-	¥-	¥-	¥-	¥-
Long-term debt	500	500	3,300	-	-	-
Total	¥10,590	¥500	¥3,300	¥-	¥-	¥-

Year ended March 31, 2022

	Thousands of U.S. dollars					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term bank loans	\$85,117	\$-	\$-	\$-	\$-	\$-
Long-term debt	4,085	26,963	-	-	-	-
Total	\$89,202	\$26,963	\$-	\$-	\$-	\$-

(c) Matters relating to breakdown of fair value of financial instruments by level

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

Fair values of Level 1: Fair values measured by quoted prices of the assets or liabilities being measured which are given in active markets among observable valuation inputs

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

Fair values of Level 3: Fair values measured by unobservable valuation inputs

When several inputs that have significant impact on fair value measurement are used and those inputs are categorized into different levels, the fair value is categorized into the lowest priority level for fair value measurement among the levels in which each of the inputs belongs.

① Financial instruments recorded at fair value in the consolidated balance sheet

Year ended March 31, 2022	Millions of yen			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Equity securities	¥8,183	¥-	¥-	¥8,183
Total Assets	¥8,183	¥-	¥-	¥8,183
Derivative Transactions				
Currency-Related Transactions	¥-	¥28	¥-	¥28
Total Liabilities	¥-	¥28	¥-	¥28

Year ended March 31, 2022	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Equity securities	\$66,861	\$-	\$-	\$66,861
Total Assets	\$66,861	\$-	\$-	\$66,861
Derivative Transactions				
Currency-Related Transactions	\$-	\$233	\$-	\$233
Total Liabilities	\$-	\$233	\$-	\$233

② Financial instruments other than financial instruments recorded at fair value in the consolidated balance sheet

Year ended March 31, 2022	Millions of yen			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable –				
trade, and contract assets	¥-	¥23,613	¥-	¥23,613
Total Assets	¥-	¥23,613	¥-	¥23,613
Long-term debt including current portion	¥-	¥3,808	¥-	¥3,808
Total Liabilities	¥-	¥3,808	¥-	¥3,808

Year ended March 31, 2022	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable –				
trade, and contract assets	\$-	\$192,936	\$-	\$192,936
Total Assets	\$-	\$192,936	\$-	\$192,936
Long-term debt including current portion	\$-	\$31,116	\$-	\$31,116
Total Liabilities	\$-	\$31,116	\$-	\$31,116

Note: Explanation of valuation techniques and valuation inputs used in fair value measurements

Investment securities

Fair values of listed shares for which quoted market prices in active markets are available are categorized as Level 1.

Derivative Transaction

Fair values of foreign exchange contracts is calculated based on quoted financial institutions and categorized as Level 2.

Notes and accounts receivable – trade, and contract assets

Fair value of notes and accounts receivable – trade, and contract assets is determined by discounting classified based on certain terms and estimated amount to be received which reflects credit risk, using highly secure interest rates for the remaining period except for those are settled in the short terms. These fair values are categorized as Level 2.

Long-term debt including current portion

Fair value of long-term debt is determined based on the present value of the principal and interest, discounted by the interest rate that would be applied if similar new borrowings were entered into. These fair values are categorized as Level 2.

21. Securities

Information regarding marketable securities classified as other securities included in investment securities were as follows:

Year ended March 31, 2022	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gains
Equity securities	¥2,008	¥8,183	¥6,174
	¥2,008	¥8,183	¥6,174

Year ended March 31, 2021	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gains
Equity securities	¥2,196	¥7,513	¥5,316
	¥2,196	¥7,513	¥5,316

Year ended March 31, 2022	Thousands of U.S. dollars		
	Acquisition cost	Carrying value	Unrealized gains
Equity securities	\$16,415	\$66,861	\$50,446
	\$16,415	\$66,861	\$50,446

Proceeds from sales and gain on sales of investment securities classified as other securities were ¥204 million (\$1,671 thousand) and ¥25 million (\$208 thousand) for the year ended March 31, 2022, and ¥320 million and ¥132 million for the year ended March 31, 2021, respectively. Proceeds from sales and loss of investment securities classified as other securities was ¥5 million (\$44 thousand) and ¥3 million (\$25 thousand) for the year ended March 31, 2022.

Loss on valuation of shares of subsidiaries and affiliates classified as other securities were ¥307 million (\$2,514 thousand) for the year ended March 31, 2022, and ¥35 million for the year ended March 31, 2021, respectively. In the recognition of loss on valuation, writing down the carrying value to fair value when the decline in fair value is deemed to be unrecoverable considering the financial position of the issuers of the securities.

Loss on valuation of investment securities classified as other securities was ¥17 million (\$145 thousand) for the year ended March 31, 2022. In the recognition of loss on valuation, total impairment is recognized when the fair value at the end of the fiscal year has fallen below 50% of the acquisition cost. When the fair value has fallen between 30% and 50%, an impairment of the amount deemed by taking into account recoverability etc. is recognized.

Non-marketable equity securities classified as other securities primarily consist of ¥66 million (\$543 thousand) and ¥84 million as of March 31, 2022 and 2021, respectively.

22. Derivative Financial Instruments

The Companies have entered into derivative transactions (foreign exchange contracts) in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates. The Company does not hold or issue derivative financial instruments for the purpose of speculative trading. Derivative transactions are entered into by the Finance Department under the rules approved by the Board of Directors. Derivative transactions are evaluated by the Corporate Auditing Office.

Derivatives for which hedge accounting is not adopted at March 31, 2022 and 2021 were as follows:

Year ended March 31, 2022		Millions of yen			
		Hedged item	Contract amount	Contract amount due after one year	Fair value
Forward foreign currency exchange contracts:					
Foreign exchange contracts:					
Sell: U.S. dollars	Accounts receivable	¥18	¥—	¥(0)	¥(0)
Buy: Japanese yen	Accounts payable	390	—	(28)	(28)
Total		¥408	¥—	¥(28)	¥(28)

Year ended March 31, 2021		Millions of yen			
		Hedged item	Contract amount	Contract amount due after one year	Fair value
Forward foreign currency exchange contracts:					
Foreign exchange contracts:					
Sell: U.S. dollars	Accounts receivable	¥—	¥—	¥—	¥—
Buy: Japanese yen	Accounts payable	181	—	(4)	(4)
Total		¥181	¥—	¥(4)	¥(4)

Year ended March 31, 2022		Thousands of U.S. dollars			
		Hedged item	Contract amount	Contract amount due after one year	Fair value
Forward foreign currency exchange contracts:					
Foreign exchange contracts:					
Sell: U.S. dollars	Accounts receivable	\$151	\$—	\$(2)	\$(2)
Buy: Japanese yen	Accounts payable	3,189	—	(231)	(231)
Total		\$3,340	\$—	\$(233)	\$(233)

Derivatives for which hedge accounting is adopted at March 31, 2022 and 2021 were as follows:

Year ended March 31, 2022		Millions of yen		
		Hedged item	Contract amount	Contract amount due after one year
Accounted for by the deferred hedge method:				
Foreign exchange contracts:				
Sell: U.S. dollars	Accounts receivable	¥—	¥—	¥—
Buy: U.S. dollars	Accounts payable	—	—	—
Accounted for by the allocation method:				
Foreign exchange contracts:				
Sell: U.S. dollars	Accounts receivable	3,212	—	*
Buy: U.S. dollars	Accounts payable	—	—	—
Total		¥3,212	¥—	¥—

Year ended March 31, 2021		Millions of yen		
		Hedged item	Contract amount	Contract amount due after one year
Accounted for by the deferred hedge method:				
Foreign exchange contracts:				
Sell: U.S. dollars	Accounts receivable	¥—	¥—	¥—
Buy: U.S. dollars	Accounts payable	—	—	—
Accounted for by the allocation method:				
Foreign exchange contracts:				
Sell: U.S. dollars	Accounts receivable	1,525	—	*
Buy: U.S. dollars	Accounts payable	—	—	—
Total		¥1,525	¥—	¥—

Year ended March 31, 2022		Thousands of U.S. dollars		
		Hedged item	Contract amount	Contract amount due after one year
Accounted for by the deferred hedge method:				
Foreign exchange contracts:				
Sell: U.S. dollars	Accounts receivable	\$—	\$—	\$—
Buy: U.S. dollars	Accounts payable	—	—	—
Accounted for by the allocation method:				
Foreign exchange contracts:				
Sell: U.S. dollars	Accounts receivable	\$26,245	—	*
Buy: U.S. dollars	Accounts payable	—	—	—
Total		\$26,245	\$—	\$—

Note: Foreign exchange contracts are accounted for using the allocation method, which is accepted under JGAAP as a short cut method for foreign currency translation, as part of the accounts receivable and accounts payable. Therefore, the fair value of foreign exchange contracts is included in the fair value of the underlying accounts receivable.

23. Employees' Retirement Benefits

(a) Overview

The Company and certain subsidiaries have funded defined benefit plans, i.e., lump-sum payment plans and defined benefit pension plans, and defined contribution plans for employees. Certain overseas subsidiaries have unfunded defined benefit plans for benefit payments to their employees.

Certain domestic subsidiaries participate in multiemployer pension plans. Multiemployer pension plans, in which pension assets belonging to the Companies are not reasonably determinable, are accounted for as if those are defined contribution plans.

Certain domestic consolidated subsidiaries have adopted the simplified method in calculating their projected benefit obligation.

(b) Defined benefit plans

① The changes in the retirement benefit obligation during the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Retirement benefit obligation at beginning of year	¥13,362	¥14,457	\$109,177
Service cost	820	898	6,703
Interest cost	0	0	6
Actuarial gain or loss	(112)	(46)	(920)
Retirement benefit paid	(780)	(1,949)	(6,378)
Retirement benefit obligation at end of year	¥13,290	¥13,362	\$108,587

② The changes in pension plan assets during the year ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Pension plan assets at beginning of year	¥4,843	¥4,687	\$39,575
Expected return on pension plan assets	56	58	464
Actuarial gain or loss	21	386	174
Contribution by the Companies	176	185	1,440
Retirement benefit paid	(162)	(475)	(1,329)
Pension plan assets at end of year	¥4,935	¥4,843	\$40,324

③ The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2022 and 2021 for the defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Funded retirement benefit obligation	¥4,686	¥4,575	\$38,290
Pension plan assets at fair value	(4,935)	(4,843)	(40,324)
	(248)	(268)	(2,034)
Unfunded retirement benefit obligation	8,603	8,786	70,297
Net retirement benefit liability recognized			
in the consolidated balance sheet	8,354	8,518	68,263
Retirement benefit liability	8,354	8,518	68,263
Net retirement benefit liability recognized			
in the consolidated balance sheet	¥8,354	¥8,518	\$68,263

④The components of retirement benefit expense for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Service cost	¥820	¥898	\$6,703
Interest assets	0	0	6
Expected return on pension assets	(56)	(58)	(464)
Actuarial gain or loss	140	200	1,145
Retirement benefit expense	¥904	¥1,040	\$7,390

Note: Other than the retirement benefit expense above, ¥264 million is posted in extra retirement payments under other expenses and losses for the years ended March 31, 2021.

⑤Remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Actuarial gain or loss	¥273	¥632	\$2,238
Total	¥273	¥632	\$2,238

⑥Remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unrecognized actuarial loss	¥259	¥533	\$2,117
Total	¥259	¥533	\$2,117

⑦The fair value of pension plan assets, by major category, as a percentage of total plan assets as of March 31, 2022 and 2021 were as follows:

	2022	2021
Domestic bonds	51%	52%
Domestic equity securities	13	12
Foreign bonds	14	14
Foreign equity securities	13	13
Insurance assets (General accounts)	7	7
Other	2	2
Total	100%	100%

The expected return on pension plan assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

⑧The assumptions used in accounting for the above plans were as follows:

	2022	2021
Discount rate	0.1%	0.0%
Expected rate of return on pension plan assets	0.8	1.2
Expected rate of salary increase	9.0	9.4

The expected rate of salary increase was the rate of increase points calculated using the age specific index of the expected rate of salary increase under the retirement benefits point system.

(c) Defined contribution plans

The required contributions to defined contribution plans of the Company and certain domestic consolidated subsidiaries for the years ended March 31, 2022 and 2021 were ¥152 million (\$1,246 thousand) and ¥159 million, respectively.

(d) Multiemployer pension plans

The required contributions to the multiemployer pension plans for the years ended March 31, 2022 and 2021 were ¥27 million (\$222 thousand) and ¥30 million, respectively.

①Funded status of the multiemployer pension plans as of the most recent calculation dates

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Amount of pension assets	¥129,661	¥119,769	\$1,059,409
Total amount of actuarial obligations and minimum reserve in the pension financial calculation (Note)	132,336	136,406	1,081,269
Difference	¥(2,675)	¥(16,637)	\$(21,860)

Note: This item was presented as "Amount of obligations" in the previous fiscal year.

②The Companies' portion of contributions in multiemployer pension plans

	2022	2021
The Companies' portion in the total contributions of the multiemployer plans	0.571%	0.630%

The difference above was principally attributable to the differences in retained earnings of ¥— million (\$— thousand) and ¥(4,405) million in the pension financial calculation, at March 31, 2022 and 2021, respectively special reserve of ¥10,143 million (\$82,881 thousand) and ¥2,524 million at March 31, 2022 and 2021 and unrecognized prior service cost of ¥12,819 million (\$104,741 thousand) and ¥14,756 million at March 31, 2022 and 2021, respectively.

Prior service cost of the plans is amortized by the straight-line method over 20 years. The Companies paid and recognized premium contributions of ¥24 million (\$197 thousand) and ¥27 million for amortization of prior service cost in the consolidated financial statements for the years ended March 31, 2022 and 2021, respectively.

The Companies' portion of contributions described above was not equal to the actual share to be allocated to the Companies.

24. Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries generally comprise corporation, enterprise and prefectural and municipal inhabitants taxes. The statutory tax rates for both years ended March 31, 2022 and 2021 were approximately 29.9%, respectively.

The reconciliation between the statutory tax rate and effective tax rate for the years ended March 31, 2022 and 2021 were as follows:

	2022	2021
Statutory tax rate	29.9%	29.9%
Per-capita portion of inhabitant tax	0.9	13.1
Permanently non-deductible expenses	0.5	2.3
Permanently non-taxable revenue such as dividends income	(0.7)	(29.0)
Change in valuation allowance	(5.3)	1,087.5
Effects of elimination in consolidation	0.2	2.4
Difference in statutory tax rates for foreign subsidiaries	(0.2)	5.0
Expiration of loss carryforward	0.6	41.1
Tax on pensions	6.3	18.4
Effects of Accounting policy changes	(20.9)	-
Others	(2.6)	11.2
Effective tax rate	<u>8.7%</u>	<u>1,181.9%</u>

The significant components of deferred tax assets and liabilities at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred tax assets:			
Tax loss carry forwards (Note)	¥1,884	¥1,932	\$15,398
Allowance for doubtful receivables	439	402	3,594
Net defined benefit liability	2,430	2,347	19,860
Devaluation of inventories	905	906	7,395
Unrealized intercompany profit on inventories	603	341	4,934
Provision for bonuses	580	375	4,742
Devaluation of securities	256	175	2,097
Enterprise taxes payable	90	24	737
Other	1,539	1,715	12,577
Total deferred tax assets	<u>¥8,730</u>	<u>¥8,220</u>	<u>\$71,333</u>
Valuation allowance of tax loss carry forwards	(1,436)	(1,904)	(11,733)
Valuation allowance of deductible temporary difference	(4,158)	(3,907)	(33,975)
Subtotal Valuation allowance	<u>(5,594)</u>	<u>(5,812)</u>	<u>(45,708)</u>
Net deferred tax assets	¥3,136	¥2,408	\$25,624
Deferred tax liabilities:			
Deferral of gain on sale of fixed assets	(80)	(84)	(660)
Unrealized holding gain on securities	(1,823)	(1,567)	(14,897)
Asset retirement obligations	(104)	(24)	(852)
Foreign consolidated subsidiaries' retained earnings	(983)	(728)	(8,038)
Enterprise taxes receivable	(0)	(126)	(1)
Others	(18)	(38)	(154)
Total deferred tax liabilities	<u>¥(3,011)</u>	<u>¥(2,569)</u>	<u>\$(24,602)</u>
Net deferred tax assets	<u>¥125</u>	<u>¥(160)</u>	<u>\$1,022</u>

Note: A breakdown of tax loss carryforwards and valuation allowance by expiry date as of March 31, 2022 and 2021 were as follows:

Millions of yen							
2022							
	Due in one years or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four year through five years	After five years	Total
Tax loss carryforwards	¥34	¥19	¥28	¥23	¥17	¥1,760	¥1,884
Valuation allowance	(34)	(19)	(28)	(23)	(17)	(1,311)	(1,436)
Deferred tax assets	¥-	¥-	¥-	¥-	¥-	¥448	¥448

Millions of yen							
2021							
	Due in one years or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four year through five years	After five years	Total
Tax loss carryforwards	¥65	¥17	¥19	¥51	¥45	¥1,733	¥1,932
Valuation allowance	(65)	(17)	(19)	(51)	(45)	(1,705)	(1,904)
Deferred tax assets	¥-	¥-	¥-	¥-	¥-	¥28	¥28

Thousands of U.S. dollars							
2022							
	Due in one years or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four year through five years	After five years	Total
Tax loss carryforwards	\$284	\$162	\$232	\$191	\$146	\$14,383	\$15,398
Valuation allowance	(284)	(162)	(232)	(191)	(146)	(10,719)	(11,733)
Deferred tax assets	\$-	\$-	\$-	\$-	\$-	\$3,664	\$3,664

25. Asset Retirement Obligations

This disclosure has been omitted for the year ended March 31, 2022 based on immateriality.

26. Rental Property

This disclosure has been omitted for the year ended March 31, 2022 based on immateriality.

27. Revenue

(a) Breakdown of revenue from contracts with customers

Sales revenue breakdown by destination (location of external customers) and relationships between sales revenue breakdown and each business segment for the year ended March 31, 2022 are as follows:

Year ended March 31, 2022	Millions of yen					
	Reportable segments				Other Products	Total
	Molding Machinery	Machine Tools	Control Systems	Sub total		
Japan	¥18,685	¥11,161	¥5,671	¥35,517	¥972	¥36,490
United states	11,299	2,706	55	14,061	0	14,062
China	22,747	7,411	1,414	31,573	—	31,573
Other Asia	19,525	1,669	444	21,639	1	21,640
Other	3,297	623	82	4,003	6	4,010
Revenue from contracts with customers	¥75,554	¥23,572	¥7,669	¥106,796	¥981	¥107,777
Revenue from other sources	¥—	¥—	¥—	¥—	¥—	¥—
Sales to external customers	¥75,554	¥23,572	¥7,669	¥106,796	¥981	¥107,777

Year ended March 31, 2022	Thousands of U.S. dollars					
	Reportable segments				Other Products	Total
	Molding Machinery	Machine Tools	Control Systems	Sub total		
Japan	\$152,670	\$91,193	\$46,340	\$290,203	\$7,949	\$298,152
United states	92,324	22,113	455	114,892	4	114,895
China	185,859	60,560	11,557	257,976	—	257,976
Other Asia	159,531	13,643	3,633	176,807	12	176,819
Other	26,944	5,095	676	32,715	52	32,767
Revenue from contracts with customers	\$617,329	\$192,604	\$62,661	\$872,593	\$8,017	\$880,611
Revenue from other sources	\$—	\$—	\$—	\$—	\$—	\$—
Sales to external customers	\$617,329	\$192,604	\$62,661	\$872,593	\$8,017	\$880,611

Note: "Other products" is a business segment that is not included in the reportable segments. It included business activities related to casting, machining and environmental measurements, etc.

(b) Underlying information in understanding revenue from contracts with customers

Underlying information in understanding revenue is as presented in Note 2, "Summary of Significant Accounting Policies", "(o) Method of significant revenue and expense recognition standards."

- (c) Reconciliation of satisfaction of performance obligations within contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue arising from contracts with customers existing at the end of the fiscal year expected to be recognized in and after the following fiscal year

①Balance of contract assets and contract liabilities, etc.

Year ended March 31, 2022	Millions of yen	
	Beginning balance	Ending balance
Receivables arising from contracts with customers	¥19,812	¥22,618
Contract assets	1,985	995
Contract liabilities	18,590	28,887

Year ended March 31, 2022	Thousands of U.S. dollars	
	Beginning balance	Ending balance
Receivables arising from contracts with customers	\$161,877	\$184,805
Contract assets	16,226	8,131
Contract liabilities	151,898	236,032

Contract liabilities are mainly advances received from customers in relation to product purchases and are reversed upon recognition of revenue. Revenue recognized in the fiscal year ended March 31, 2022 and included in the contract liability balance at the beginning of the fiscal year amounted to ¥16,601 million. (\$135,642 thousand).

The amount of revenue recognized in the fiscal year ended March 31, 2022 from performance obligations that were satisfied (or partially satisfied) in previous fiscal years is immaterial.

②Transaction price allocated to the remaining performance obligations

The total transaction price allocated to the remaining performance obligations and the time frame the Companies expect to recognize the amount as revenue are as follows:

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Due in one years or less	¥93,460	\$763,630
Due after one year through two years	46,670	381,325
Due after two year through three years	657	5,373
More than three years	1	12
Total	¥140,790	\$1,150,340

28. Segment Information

(a) General information on reportable segments

The reportable segments of the Companies are the business units for which the Company is able to obtain respective financial information separately in order for Board of Directors to conduct periodic assessments to determine distribution of management resources and evaluate their business results.

The Companies' business is classified into certain segments based on the types of products and services. The Companies' segments are categorized into the following three reportable segments: "Molding Machinery", "Machine Tools" and "Control Systems" based on the similarities of the economic nature, type of business and manufacturing method:

Molding Machinery: Injection molding machines, Die casting machines, Plastic extrusion

Machine Tools: Large size machine tools, Portal type machine tools, Machining centers, Horizontal boring machines, High-precision machines

Control Systems: Controller, Industrial robot, Servo motor, Servo amplifier

(b) Basis of measurement for reportable segment profit or loss, segment assets and other material items

The accounting treatment for the reportable business segments is generally the same as described in Note 2, "Summary of Significant Accounting Policies." Reportable segment income is calculated on the basis of operating income. The prices of intersegment transactions and transfers are calculated based on the market prices.

(c) Reportable segment information

Reportable segment information of the Companies for the years ended March 31, 2022 and 2021 were as follows:

Year ended March 31, 2022		Millions of yen						
	Reportable segments				Other Products	Total	Adjustments	Consolidated
	Molding Machinery	Machine Tools	Control Systems	Sub total				
Net sales:								
External customers	¥75,554	¥23,572	¥7,669	¥106,796	¥981	¥107,777	¥-	¥107,777
Inter-segment	-	47	1,550	1,598	372	1,971	(1,971)	-
Total	75,554	23,620	9,219	108,395	1,354	109,749	(1,971)	107,777
Segment income	¥3,683	¥7	¥425	¥4,117	¥78	¥4,196	¥40	¥4,236
Segment assets	¥91,097	¥29,612	¥11,313	¥132,023	¥3,759	¥135,782	¥31,207	¥166,989
Others								
Depreciation Capital expenditures	¥1,231 958	¥525 246	¥171 46	¥1,928 1,252	¥24 557	¥1,952 1,810	¥- -	¥1,952 1,810
Year ended March 31, 2021		Millions of yen						
	Reportable segments				Other Products	Total	Adjustments	Consolidated
	Molding Machinery	Machine Tools	Control Systems	Sub total				
Net sales:								
External customers	¥64,308	¥20,866	¥5,838	¥91,014	¥1,620	¥92,635	¥-	¥92,635
Inter-segment	-	19	1,555	1,575	405	1,980	(1,980)	-
Total	64,308	20,886	7,394	92,589	2,026	94,615	(1,980)	92,635
Segment income	¥1,157	¥(828)	¥(39)	¥289	¥35	¥325	¥56	¥381
Segment assets	¥67,308	¥29,191	¥9,254	¥105,754	¥4,762	¥110,516	¥23,779	¥134,296
Others								
Depreciation Capital expenditures	¥1,045 510	¥479 181	¥186 242	¥1,711 935	¥44 863	¥1,755 1,799	¥- -	¥1,755 1,799
Year ended March 31, 2022		Thousands of U.S. dollars						
	Reportable segments				Other Products	Total	Adjustments	Consolidated
	Molding Machinery	Machine Tools	Control Systems	Sub total				
Net sales:								
External customers	\$617,329	\$192,604	\$62,661	\$872,593	\$8,017	\$880,611	\$-	\$880,611
Inter-segment	-	390	12,672	13,062	3,048	16,109	(16,109)	-
Total	617,329	192,994	75,333	885,655	11,065	896,720	(16,109)	880,611
Segment income	\$30,097	\$64	\$3,481	\$33,641	\$644	\$34,285	\$330	\$34,615
Segment assets	\$744,321	\$241,948	\$92,440	\$1,078,709	\$30,714	\$1,109,423	\$254,986	\$1,364,409
Others								
Depreciation Capital expenditures	\$10,063 7,834	\$4,297 2,016	\$1,399 383	\$15,759 10,233	\$198 4,556	\$15,957 14,789	\$- -	\$15,957 14,789

Note: "Other products" is a business segment that is not included in the reportable segments. It included business activities related to casting, machining and environmental measurements, etc.

(d) Difference between total reportable segments and consolidated financial statements

The main differences between total reportable segments and consolidated financial statements for the years ended March 31, 2022 and 2021 were as follows:

Sales	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Total reportable segments	¥108,395	¥92,589	\$885,655
Other products	1,354	2,026	11,065
Eliminations	(1,971)	(1,980)	(16,109)
Net sales in the consolidated financial statements	¥107,777	¥92,635	\$880,611

Income	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Total reportable segments	¥4,117	¥289	\$33,641
Other products	78	35	644
Eliminations	40	56	330
Operating income in the consolidated financial statements	¥4,236	¥381	\$34,615

Assets	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Total reportable segments	¥132,023	¥105,754	\$1,078,709
Other products	3,759	4,762	30,714
Company-wide assets	31,474	24,126	257,169
Eliminations	(267)	(347)	(2,183)
Net assets in the consolidated financial statements	¥166,989	¥134,296	\$1,364,409

Note: Company-wide assets are mainly cash and cash equivalents, securities and investment securities that are not allocated to the reportable segments.

(e) Other information

① Information on products and services

Information on products and services is not disclosed because reportable segment information is based on products and services.

② Information on geographical areas

Sales information by country or geographical areas for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Japan	¥36,490	¥40,850	\$298,152
United States	14,062	12,042	114,895
China	31,573	21,976	257,976
Other Asia	21,640	14,093	176,819
Other	4,010	3,671	32,767
Total	¥107,777	¥92,635	\$880,611

Note: Sales figures are classified based on customer locations.

Property, plant and equipment information by country or geographical areas as of March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Japan	¥18,453	¥18,214	\$150,776
North America	181	175	1,480
Asia	2,511	2,369	20,522
Total	¥21,146	¥20,758	\$172,778

③ Information on major customers

Information on major customers is not disclosed, because net sales to any customer did not exceed 10% of the consolidated net sales for the years ended March 31, 2022 and 2021.

(f) Information on impairment loss on fixed assets for each reportable segment

Information on impairment loss on long-lived assets for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Molding Machinery	¥—	¥371	\$—
Machine Tools	—	—	—
Control Systems	—	—	—
Other products	—	—	—
Adjustments	40	—	331
Total	¥40	¥371	\$331

(g) Information on amortization of goodwill and unamortized balance for each reportable segment

There was no amortization of goodwill for the year ended March 31, 2022 and 2021.

(h) Information on gain on negative goodwill for each reportable segment

There was no applicable matter for the years ended March 31, 2022 and 2021.

29. Related Party Transactions

(a) Transactions with related parties

This disclosure has been omitted for the year ended March 31, 2022 and 2021 based on immateriality.

(b) Summary of financial information for significant affiliate company

There was no applicable matter for the years ended March 31, 2022 and 2021.

30. Net Income and Net Assets per Share

Net income and net assets per share as of and for the years ended March 31, 2022 and 2021 were as follows:

	Yen		U.S. dollars
	2022	2021	2022
Net income (loss) per share	¥154.27	¥(120.05)	\$1.26
Net assets per share	3,457.58	3,402.36	28.25

Basic information for the calculation of net income per share was as follows:

	Thousands of shares		
	2022	2021	
Weighted-average number of shares of common stock	24,151	24,141	

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Net income (loss)	¥3,725	¥(2,898)	\$30,442
Net income not applicable to shareholders of common stock	—	—	—
Net income (loss) applicable to shareholders of common stock	¥3,725	¥(2,898)	\$30,442

Basic information for the calculation of net income per share was as follows:

	Thousands of shares		
	2022	2021	
Number of shares at year-end	24,154	24,145	

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Net assets	¥83,515	¥82,152	\$682,374
Non-controlling interests in consolidated subsidiaries	—	—	—
Net assets applicable to shareholders of common stock	¥83,515	¥82,152	\$682,374

The Company has adopted the "Application of Accounting Standard for Revenue Recognition, etc." as described in Note 5, "Accounting Changes". As a result of this change, net asset per share decreased by ¥105.99 (\$0.87) and net income per share increased by ¥20.70 (\$0.17) for the year ended March 31, 2022.

31. Short-term Bank Loans and Long-term Debt

The annual interest rates applicable to the short-term bank loans outstanding as of March 31, 2022 and 2021 ranged principally from 0.49% to 3.62% and 0.50% to 0.58%, respectively. Long-term debt as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Loans, principally from Japanese banks and insurance companies:			
maturing 2023, interest 0.53% - 0.85%	¥3,800	¥4,300	\$31,048
	3,300	4,300	31,048
Less current portion	500	500	4,085
	¥3,300	¥3,800	\$26,963

The aggregate annual maturities of long-term debt at March 31, 2022 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2023	¥500	\$4,085
2024	3,300	26,963
2025	—	—
2026	—	—
2027 and later	—	—
Total	¥3,800	\$31,048

The aggregate annual maturities of finance lease obligations at March 31, 2022 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2023	¥94	\$772
2024	71	584
2025	36	298
2026	18	151
2027 and later	15	128
Total	¥236	\$1,934

32. Subsequent Event

Cash dividends

The following appropriation of retained earnings, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2022, was approved at the meeting of the Board of Directors held on May 26, 2022.

	Type of shares	Cash dividends	Cash dividends per share	Record date	Effective date
Meeting of the Board of Directors held on May 26, 2022	Common stock	¥905 (\$7,401)	¥37.50 (\$0.31)	March 31, 2022	June 16, 2022

Independent Auditor's Report

The Board of Directors
Shibaura Machine Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Shibaura Machine Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2022, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in 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 ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Consideration on recoverability of deferred tax assets of Shibaura Machine Co., Ltd.	
Description of Key Audit Matter	Auditor's Response
As described in "Accounting Estimates" in the Notes to Consolidated Financial Statements, the Group recorded deferred tax assets of 3,136 million yen before offsetting against deferred tax liabilities, as of March 31, 2022 of which 2,217 million yen was	The audit procedures we performed to assess the recoverability of deferred tax assets mainly included the following, among others: Considerations related to balances and scheduling of reversals of deductible temporary differences and tax loss

recorded by Shibaura Machine Co., Ltd. (the Company). The Company determines the recoverability of deferred tax assets for future deductible temporary differences and unused tax loss carryforwards by estimating taxable income based on expected future profitability.

Estimated taxable income based on expected future profitability is calculated using the business plan for the following period, and the key assumptions included in the business plan are forecasts regarding the anticipated timing for clearing order backlogs on certain products and orders received for the following period. The Company discloses these key assumptions and the impact of COVID-19 in “Accounting Estimates.”

Given that the key assumptions applied in the future business plan involve uncertainties and require management judgement in assessing the recoverability of deferred tax assets, we determined that it was of most significance and therefore a key audit matter.

carryforwards were assessed.

- We considered the balances of deductible temporary differences and tax loss carryforwards by involving our tax professionals. We also considered the schedule of when they were expected to be reversed.

Consideration related to estimates of taxable income

- We assessed the underlying business plan for the following period to evaluate estimates of future taxable income. We assessed the business plan for the following period by evaluating the consistency with the most recent budget approved by the Board of Directors.
- In order to evaluate the effectiveness of management’s estimation process in business planning, we compared business plans in previous years to their actual results.
- In order to evaluate the forecasts regarding the anticipated timing for clearing order backlogs on certain products and orders received for the following period, which are key assumptions underlying the business plan for the following period, we considered the consistency of the key assumptions with actual data on orders received and trends in past orders received as well as with trends in external economic indicators.
- We agreed the data on orders received with their purchase orders to test the accuracy of the data.
- We discussed the impact of COVID-19 with management and evaluated the assumptions on the duration of the economic fallout.

Other Information

The other information comprises the information included in the Annual Financial Report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor’s report thereon. Management is responsible for preparation and disclosure of the other information. The Audit and Supervisory Committee is responsible for overseeing the Group’s reporting process of the other information.

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, the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing 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. 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, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not 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 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 in accordance with accounting principles generally accepted in Japan.
- 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 the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them 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.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

August 4, 2022



Yuji Mukaide
Designated Engagement Partner
Certified Public Accountant



Masatomo Kondo
Designated Engagement Partner
Certified Public Accountant