

**Shibaura Machine**

***Annual Financial Report 2023***

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## FINANCIAL HIGHLIGHTS (consolidated)

	2023	2022	2021	2020	2019
Net sales	¥123,197 \$922,619	¥107,777	¥92,635	¥116,761	¥117,405
Cost of sales	¥84,387 \$631,975	¥75,262	¥67,730	¥83,301	¥84,493
Selling, general and administrative expenses	¥33,043 \$247,464	¥28,278	¥24,522	¥29,930	¥29,078
Operating income	¥5,765 \$43,180	¥4,236	¥381	¥3,529	¥3,834
Net income before income taxes	¥6,480 \$48,535	¥4,079	¥267	¥12,648	¥5,742
Income taxes	¥39 \$292	¥353	¥3,165	¥5,309	¥1,662
Net income (loss)	¥6,441 \$48,243	¥3,725	¥(2,898)	¥7,338	¥4,079
Comprehensive income	¥7,392 \$55,361	¥6,212	¥43	¥5,784	¥3,475
Per common share:					
Net income (loss)	¥266.63 \$2.00	¥154.27	¥(120.05)	¥304.06	¥169.03
Cash dividends	¥107.50 \$0.81	¥75.00	¥199.30	¥85.00	¥45.00
Total assets	¥205,100 \$1,535,989	¥166,989	¥134,296	¥154,283	¥150,724
Net assets	¥89,118 \$667,402	¥83,515	¥82,152	¥87,018	¥83,197
Capital expenditures (property, plant and equipment)	¥2,160 \$16,178	¥1,810	¥1,799	¥1,741	¥1,195
Depreciation	¥2,167 \$16,232	¥1,952	¥1,755	¥1,781	¥1,868
R & D costs	¥3,127 \$23,422	¥2,771	¥2,218	¥2,378	¥1,835
Number of employees	3,037	3,049	3,081	3,360	3,346

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 ¥133.53=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, 2019. 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.

# CONSOLIDATED BALANCE SHEET

SHIABURA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

March 31, 2023

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	2023	2022	2023
Current assets:			
Cash and deposits (Notes 17 and 19)	¥50,855	¥51,710	\$380,853
Notes and accounts receivable - trade, and contract assets (Note 10, 19 and 26)	26,201	23,613	196,223
Allowance for doubtful receivables	(60)	(37)	(452)
Net receivables	26,141	23,575	195,771
Inventories:			
Finished products	39,086	23,000	292,720
Work in process	41,142	28,541	308,113
Raw materials and supplies	46	65	349
Total inventories	80,275	51,607	601,182
Other current assets (Notes 19 and 21)	16,016	7,566	119,944
Total current assets	173,288	134,461	1,297,750
Property, plant and equipment, net (Note 6)	20,277	21,146	151,854
Intangible assets (Note 7)	821	843	6,156
Investments and other assets:			
Investments in:			
Unconsolidated subsidiaries and affiliates (Note 19)	398	436	2,984
Other securities (Notes 19 and 20)	7,815	8,249	58,533
Long-term loans	4	5	32
Deferred tax assets (Note 4 and 23)	1,497	565	11,212
Other investments	997	1,281	7,467
Total investments and other assets	10,712	10,538	80,229
Total assets	¥205,100	¥166,989	\$1,535,989

See accompanying notes to financial statements.



	Millions of yen		Thousands of U.S. dollars (Note 3)
LIABILITIES AND NET ASSETS	2023	2022	2023
Current liabilities:			
Short-term bank loans (Notes 19 and 30)	¥10,711	¥10,417	\$80,217
Current portion of long-term debt (Notes 19 and 30)	3,300	500	24,714
Notes and accounts payable, trade (Note 19)	36,544	23,729	273,682
Income taxes payable (Note 23)	521	465	3,903
Accrued expenses	2,468	2,248	18,490
Provision for bonuses	1,904	1,894	14,261
Warranty reserve	1,033	618	7,741
Contract liabilities (Note 26)	48,755	28,887	365,125
Other current liabilities (Notes 19, 21 and 30)	1,761	2,003	13,193
Total current liabilities	107,001	70,766	801,326
Long-term liabilities:			
Long-term debt (Notes 19 and 30)	—	3,300	—
Long-term accounts payable, other	5	5	43
Accrued directors' retirement benefits	48	63	361
Net retirement benefit liability (Note 22)	8,392	8,354	62,853
Asset retirement obligations	361	384	2,706
Deferred tax liabilities (Note 23)	0	440	7
Other long-term liabilities (Note 30)	172	158	1,291
Total long-term liabilities	8,981	12,707	67,261
Total liabilities	115,982	83,474	868,587
Contingent liabilities (Note 8)			
Net assets:			
Shareholders' equity: (Note 15)			
Common stock			
Authorized - 72,000,000 shares			
Issued - 26,977,106 shares	12,484	12,484	93,498
Additional paid-in capital	11,538	11,538	86,409
Retained earnings	64,594	68,374	483,742
Treasury stock, at cost			
(2,814,565 shares in 2023, 5,822,705 shares in 2022)	(7,889)	(16,322)	(59,086)
Total shareholders' equity	80,727	76,075	604,562
Accumulated other comprehensive income			
Unrealized holding gain on securities, net of tax (Note 20)	4,065	4,350	30,445
Foreign currency translation adjustments	4,478	3,348	33,540
Remeasurements of defined benefit plans (Note 22)	(152)	(259)	(1,146)
Total accumulated other comprehensive income	8,390	7,440	62,840
Total net assets (Note 29)	89,118	83,515	667,402
Total liabilities and net assets	¥205,100	¥166,989	\$1,535,989

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF INCOME

SHIABURA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Year ended March 31, 2023

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Net sales (Note 26)	¥123,197	¥107,777	\$922,619
Cost of sales (Note 13)	84,387	75,262	631,975
Gross profit	38,809	32,515	290,644
Selling, general and administrative expenses (Notes 12 and 13)	33,043	28,278	247,464
Operating income	5,765	4,236	43,180
Other income:			
Interest and dividend income	453	346	3,395
Rent income	48	48	367
Foreign exchange gain	—	363	—
Subsidies for employment adjustment	—	289	—
Gain on sales of property, plant and equipment	1,334	15	9,997
Gain on sales of investment securities (Note 20)	157	25	1,182
Others	262	311	1,964
	2,257	1,399	16,905
Other expenses and losses:			
Interest expense	219	117	1,645
Foreign exchange losses	469	—	3,517
Outsourcing expenses	91	118	684
Loss on disposal of property, plant and equipment and intangible assets	14	136	111
Loss on sale of investment securities (Note 20)	—	3	—
Loss on valuation of investment securities (Note 20)	5	17	41
Loss on valuation of shares of subsidiaries and affiliates (Note 20)	—	307	—
Loss on valuation of investments in capital of subsidiaries and affiliates (Note 20)	251	—	1,886
Loss on impairment of fixed assets (Note 14)	19	40	143
Others	470	814	3,522
	1,542	1,555	11,550
Net income before income taxes	6,480	4,079	48,535
Income taxes (Note 23)			
Current	1,258	847	9,422
Deferred	(1,219)	(493)	(9,130)
	39	353	292
Net income (loss)	6,441	3,725	48,243
Net income (loss) attributable to owners of parent	¥6,441	¥3,725	\$48,243

See accompanying notes to financial statements.

# **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

SHIABURA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Year ended March 31, 2023

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Net income (loss)	¥6,441	¥3,725	\$48,243
Other comprehensive income (loss): (Note 16)			
Unrealized holding gain (loss) on securities, net of tax	(285)	601	(2,138)
Foreign currency translation adjustments	1,129	1,611	8,462
Remeasurements of defined benefit plans	106	273	795
Total other comprehensive income (loss)	950	2,486	7,119
Comprehensive income	7,392	6,212	55,361
Comprehensive income attributable to:			
Owners of parent	7,392	6,212	55,361
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, 2023

	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	Translation adjustments	Remeasurements of defined benefit plans	
Balance at April 1, 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 April 1, 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
Net income attributable to owners of parent				6,441					6,441
Purchases of treasury stock					(0)				(0)
Cancellation of treasury stock	(3,000,000)			(8,409)	8,409				—
Cash dividends				(1,811)					(1,811)
Restricted stock compensation				(0)	23				22
Net changes in items other than shareholders' equity						(285)	1,129	106	950
Balance at March 31, 2023	26,977,106	¥12,484	¥11,538	¥64,594	¥(7,889)	¥4,065	¥4,478	¥(152)	¥89,118

	Number of Shares	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	Translation adjustments	Remeasurements of defined benefit plans	
Balance at March 31, 2022		\$93,498	\$86,409	\$512,054	\$(122,236)	\$32,584	\$25,078	\$(1,940)	\$625,445
Net income attributable to owners of parent				48,243					48,243
Purchases of treasury stock					(4)				(4)
Cancellation of treasury stock				(62,979)	62,979				—
Cash dividends				(13,569)					(13,569)
Restricted stock compensation				(6)	175				169
Net changes in items other than shareholders' equity						(2,138)	8,462	795	7,119
Balance at March 31, 2023		\$93,498	\$86,409	\$483,742	\$(59,086)	\$30,445	\$33,540	\$(1,146)	\$667,402

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

SHIABURA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Year ended March 31, 2023

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Operating activities:			
Net income before income taxes	¥6,480	¥4,079	\$48,535
Adjustments to reconcile net income before income taxes to net cash provided by operating activities:			
Depreciation	¥2,167	¥1,952	16,232
Loss on impairment of fixed assets	19	40	143
Allowance for doubtful receivables	(905)	125	(6,781)
Provision for bonuses	9	798	70
Warranty reserve	414	27	3,107
Directors' retirement benefit	(15)	5	(113)
Net defined benefit liability	144	110	1,079
Interest and dividend income	(453)	(346)	(3,395)
Interest expense	219	117	1,645
Loss (gain) on sales of investment securities	(157)	(22)	(1,182)
Loss on valuation of investment securities	5	17	41
Loss on valuation of shares of subsidiaries and affiliates	—	307	—
Loss on valuation of investments in capital of subsidiaries and affiliates	251	—	1,886
Gain or loss on sales and disposal of property, plant and equipment and intangible assets	(1,320)	120	(9,886)
Changes in operating assets and liabilities:			
Notes and accounts receivable, trade	(2,588)	(1,815)	(19,383)
Inventories	(28,667)	(8,537)	(214,693)
Notes and accounts payable, trade	12,941	6,555	96,922
Contract liabilities	19,813	10,275	148,380
Accrued expenses	225	262	1,688
Others	(6,555)	(2,884)	(49,093)
Sub total	2,030	11,190	15,203
Interest and dividend income received	398	346	2,985
Interest paid	(170)	(88)	(1,279)
Income taxes paid	(1,323)	(149)	(9,910)
Net cash provided by operating activities	934	11,299	6,998

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Investing activities:			
Purchases of property, plant and equipment	(2,283)	(1,252)	(17,099)
Proceeds from sales of property, plant and equipment	1,944	86	14,563
Purchases of intangible assets	(367)	(353)	(2,752)
Proceeds from sales of investment securities	169	209	1,266
(Increase) decrease in short-term loans receivable	5	1	44
Collection of long-term loans receivable	1	1	8
Others	(33)	42	(247)
Net cash used in investing activities	(563)	(1,264)	(4,218)
Financing activities:			
Proceeds from short-term borrowings	291	327	2,182
Repayments of long-term borrowings	(500)	(500)	(3,744)
Purchases of treasury stock	(0)	(0)	(4)
Cash dividends paid	(1,811)	(1,811)	(13,569)
Others	(256)	(123)	(1,920)
Net cash used in financing activities	(2,277)	(2,108)	(17,056)
Effect of exchange rate changes on cash and cash equivalents	1,050	1,365	7,868
Net increase (decrease) in cash and cash equivalents	(855)	9,292	(6,407)
Cash and cash equivalents at beginning of year	51,710	42,417	387,260
Cash and cash equivalents at end of year (Note 17)	¥50,855	¥51,710	\$380,853

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.

### 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 ¥133.53=U.S.\$1, the approximate exchange rate prevailing in the Japanese foreign exchange market on March 31, 2023. 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
	2023	2022	2023
Deferred tax assets (Balance Sheet amount)	¥1,497	¥565	\$11,211
Deferred tax assets (Before offsetting)	4,452	3,136	33,341
Deferred tax liabilities (Balance Sheet amount)	0	440	0
Deferred tax liabilities (Before offsetting)	2,955	3,011	22,130

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

###### ①Method 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.

###### ②Key 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.

###### ③Impact 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 Standards Issued but Not yet Effective

#### Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022)

#### Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022)

#### Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022)

##### (1) Outline

The above standards and guidance establish the accounting classification of income taxes on other comprehensive income and the treatment of tax effect related to sales of shares of subsidiaries, etc. under the group taxation regime.

##### (2) Scheduled date of adoption

The Companies plan to apply the aforementioned standards and guidance from the beginning of the fiscal year ending March 31, 2025.

##### (3) Impacts of the adoption of accounting standard and implementation guidance

The impact of the application is under review as of preparation of the consolidated financial statements for the fiscal year ended March 31, 2023.

## 6. Property, Plant and Equipment

Property, plant and equipment at March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Land	¥6,643	¥7,142	\$49,754
Buildings and structures	36,484	37,040	273,228
Machinery and equipment	23,974	23,187	179,544
Vehicles	273	275	2,051
Tools, furniture and fixtures	7,190	7,084	53,849
Lease assets	783	469	5,864
Construction in progress	448	842	3,361
Sub total	75,798	76,042	567,650
Less accumulated depreciation	(55,521)	(54,895)	(415,796)
Property, plant and equipment, net	¥20,277	¥21,146	\$151,854

Depreciation expenses for the years ended March 31, 2023 and 2022 were ¥2,167 million (\$16,232 thousand) and ¥1,952 million, respectively.

## 7. Intangible Assets

Intangible assets at March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Others	¥821	¥843	\$6,156
Total	¥821	¥843	\$6,156

## 8. Contingent Liabilities

As of March 31, 2023, contingent liabilities for loans guaranteed by the Company, principally on behalf of non-consolidated subsidiaries and affiliated companies, amounted to ¥436 million (\$3,272 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
	2023	2022	2023
Total amount of commitment line	¥10,000	¥10,000	\$74,890
Funds borrowed	—	—	—
Unused amount	¥10,000	¥10,000	\$74,890

**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
	2023	2022	2023
Notes	¥4,699	¥5,166	\$35,194
Accounts receivable, trade	19,511	17,451	146,114
Contract assets	1,991	995	14,915

**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 26, "Revenue".

**12. Selling, General and Administrative Expenses**

Major components of selling, general and administrative expenses for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Sales commission	¥2,375	¥1,697	\$17,791
Shipping expenses	5,436	4,067	40,710
Provision for warranty reserve	889	501	6,658
Personnel-expenses	12,723	11,649	95,289
Retirement benefit expenses	584	593	4,374
Depreciation	973	788	7,291
Rent expenses	1,044	1,003	7,822
Travel expenses	978	671	7,328
Research and development expenses	2,022	1,799	15,148
Subcontract expenses	631	498	4,729
Others	5,384	5,008	40,325
Total	¥33,043	¥28,278	\$247,464

**13. Research and Development Costs**

Research and development costs charged to income were ¥3,127 million (\$23,422 thousand) and ¥2,771 million for the years ended March 31, 2023 and 2022, respectively.

## 14. Loss on Impairment of Fixed Assets

The Companies accounted for impairment losses for the year ended March 31, 2023 as follows:

	Millions of yen	Thousands of U.S. dollars
	2023	2023
Numazu, Shizuoka, Japan:		
Idle property		
Buildings and structures	¥1	\$12
Land	1	9
Sub total	2	21
Nagaizumi, Shizuoka, Japan:		
Idle property		
Buildings and structures	¥16	122
Sub total	16	122
Total	¥19	\$143

### (a) Reason for the recognition of impairment loss

Because a part of company housing and offices of the Company were not expected to be used in the future, the carrying amount of the assets was reduced to the recoverable 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.

### (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 of buildings and structures is calculated based on the memorandum value as it is practically difficult to convert the assets to other use or sell them. The net selling value of land is calculated based on land tax assessment.

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

	Millions of yen
	2022
Sendai, Miyagi, Japan:	
Idle property	
Buildings and structures	¥36
Other intangible assets	3
Total	¥40

**(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. 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.

## 16. Other Comprehensive Income

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unrealized holding gain (loss) on securities:			
Current period changes in unrealized gain (loss)	¥(259)	¥879	\$(1,940)
Reclassification adjustment	(157)	(22)	(1,182)
Total unrealized holding gain (loss) on securities before tax effects	(416)	857	(3,122)
Tax effects	131	(255)	984
Unrealized holding gain (loss) on securities, net of tax effects	(285)	601	(2,138)
Foreign currency translation adjustments:			
Current period changes	1,129	1,611	8,462
Reclassification adjustment	—	—	—
Total Foreign currency translation adjustments	1,129	1,611	8,462
Remeasurements of defined benefit plans			
Current period changes in remeasurements of defined benefit plans	12	133	93
Reclassification adjustment	93	140	702
Total remeasurements of defined benefit plans before tax effect	106	273	795
Tax effects	—	—	—
Remeasurements of defined benefit plans, net of tax effects	106	273	795
Total other comprehensive income (loss)	¥950	¥2,486	\$7,119

## 17. Cash Flow Information

### (a) 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, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Cash and deposits	¥50,855	¥51,710	\$380,853
Cash and cash equivalents	¥50,855	¥51,710	\$380,853

### (b) Significant non-cash transactions

Significant non-cash transactions for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Cancellation of treasury stocks	¥8,409	¥—	\$62,979

## 18. Leases

This disclosure has been omitted for the year ended March 31, 2023 based on immateriality.

## 19. 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 21, "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 (¥3,000 million (\$22,467 thousand) at March 31, 2023) 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 (\$433,161 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 21, "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, 2023 and 2022, and their fair value were as follows:

Year ended March 31, 2023	Millions of yen		
	Carrying value	Fair value	Difference
Notes and accounts receivable – trade, and contract assets	26,201	26,200	(1)
Investment securities	7,754	7,754	–
Total assets	¥33,956	¥33,955	¥ (1)
Long-term debt including current portion	3,300	3,307	7
Total liabilities	¥3,300	¥3,307	¥7
Derivatives	¥(8)	¥(8)	¥–

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, 2023	Thousands of U.S. dollars		
	Carrying value	Fair value	Difference
Notes and accounts receivable – trade, and contract assets	196,223	196,214	(9)
Investment securities	58,076	58,076	–
Total assets	\$254,299	\$254,291	\$(9)
Long-term debt including current portion	24,714	24,768	54
Total liabilities	\$24,714	\$24,768	\$54
Derivatives	\$(61)	\$(61)	\$–

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, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unlisted stocks	¥459	¥503	\$3,441

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, 2023

	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	¥50,851	¥—	¥—	¥—
Notes and accounts receivable – trade, and contract assets	26,195	5	—	—
Total	¥77,047	¥5	¥—	¥—

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, 2023

	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	\$380,822	\$—	\$—	\$—
Notes and accounts receivable – trade, and contract assets	196,181	42	—	—
Total	\$577,003	\$42	\$—	\$—

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

Year ended March 31, 2023

	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	¥10,711	¥—	¥—	¥—	¥—	¥—
Long-term debt	3,300	—	—	—	—	—
Total	¥14,011	¥—	¥—	¥—	¥—	¥—

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, 2023

	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	\$80,217	\$—	\$—	\$—	\$—	\$—
Long-term debt	24,714	—	—	—	—	—
Total	\$104,931	\$—	\$—	\$—	\$—	\$—

**(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, 2023

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Equity securities	¥7,754	¥—	¥—	¥7,754
Total Assets	¥7,754	¥—	¥—	¥7,754
Derivative Transactions				
Currency-Related Transactions	¥—	¥8	¥—	¥8
Total Liabilities	¥—	¥8	¥—	¥8

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, 2023

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Equity securities	\$58,076	\$—	\$—	\$58,076
Total Assets	\$58,076	\$—	\$—	\$58,076
Derivative Transactions				
Currency-Related Transactions	\$—	\$61	\$—	\$61
Total Liabilities	\$—	\$61	\$—	\$61

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

Year ended March 31, 2023

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable – trade, and contract assets	¥ –	¥26,200	¥ –	¥26,200
Total Assets	¥ –	¥26,200	¥ –	¥26,200
Long-term debt including current portion	¥ –	¥3,307	¥ –	¥3,307
Total Liabilities	¥ –	¥3,307	¥ –	¥3,307

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, 2023

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable – trade, and contract assets	\$ –	\$196,214	\$ –	\$196,214
Total Assets	\$ –	\$196,214	\$ –	\$196,214
Long-term debt including current portion	\$ –	\$24,768	\$ –	\$24,768
Total Liabilities	\$ –	\$24,768	\$ –	\$24,768

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 are 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.

## 20. Securities

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

Year ended March 31, 2023	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gains
Equity securities	¥1,997	¥7,754	¥5,757
	¥1,997	¥7,754	¥5,757
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, 2023	Thousands of U.S. dollars		
	Acquisition cost	Carrying value	Unrealized gains
Equity securities	\$14,961	\$58,076	\$43,115
	\$14,961	\$58,076	\$43,115

Proceeds from sales and gain on sales of investment securities classified as other securities were ¥169 million (\$1,266 thousand) and ¥157 million (\$1,182 thousand) for the year ended March 31, 2023, and ¥204 million and ¥25 million for the year ended March 31, 2022, respectively. Proceeds from sales and loss of investment securities classified as other securities was ¥5 million and ¥3 million for the year ended March 31, 2022.

Loss on valuation of shares of subsidiaries and affiliates classified as other securities were ¥307 million for the year ended March 31, 2022, 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 ¥5 million (\$41 thousand) for the year ended March 31, 2023, and ¥17 million 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 ¥60 million (\$457 thousand) and ¥66 million as of March 31, 2023 and 2022, respectively.

## 21. 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, 2023 and 2022 were as follows:

Year ended March 31, 2023		Millions of yen			
	Hedged item	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Forward foreign currency exchange contracts:					
Foreign exchange contracts:					
Sell: U.S. dollars	Accounts receivable	¥—	¥—	¥—	¥—
Buy: Japanese yen	Accounts payable	550	—	(8)	(8)
Total		¥550	¥—	¥(8)	¥(8)

Year ended March 31, 2022		Millions of yen			
	Hedged item	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
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, 2023		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	\$ —	\$ —	\$ —	\$ —
Buy: Japanese yen	Accounts payable	4,125	—	(61)	(61)
Total		\$4,125	\$ —	\$(61)	\$(61)

**Derivatives for which hedge accounting is adopted at March 31, 2023 and 2022 were as follows:**

Year ended March 31, 2023		Millions of yen			
		Hedged item	Contract amount	Contract amount due after one year	Fair value
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	2,604	—	—	*
Buy: U.S. dollars	Accounts payable	—	—	—	—
Total		¥2,604	¥—	¥—	

Year ended March 31, 2022		Millions of yen		
	Hedged item	Contract amount	Contract amount due after one year	Fair value
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, 2023		Thousands of U.S. dollars		
	Hedged item	Contract amount	Contract amount due after one year	Fair value
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	\$19,502	—	*
Buy: U.S. dollars	Accounts payable	—	—	—
Total		\$19,502	\$—	\$—

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.

## 22. 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, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Retirement benefit obligation at beginning of year	¥13,290	¥13,362	\$99,528
Service cost	828	820	6,203
Interest cost	12	0	91
Actuarial gain or loss	(66)	(112)	(497)
Retirement benefit paid	(751)	(780)	(5,631)
Retirement benefit obligation at end of year	¥13,312	¥13,290	\$99,694

② The changes in pension plan assets during the year ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Pension plan assets at beginning of year	¥4,935	¥4,843	\$36,960
Expected return on pension plan assets	39	56	299
Actuarial gain or loss	(54)	21	(405)
Contribution by the Companies	176	176	1,324
Retirement benefit paid	(178)	(162)	(1,337)
Pension plan assets at end of year	¥4,919	¥4,935	\$36,841

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, 2023 and 2022 for the defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Funded retirement benefit obligation	¥4,732	¥4,686	\$35,441
Pension plan assets at fair value	(4,919)	(4,935)	(36,841)
	(186)	(248)	(1,400)
Unfunded retirement benefit obligation	8,579	8,603	64,253
Net retirement benefit liability recognized			
in the consolidated balance sheet	8,392	8,354	62,853
Retirement benefit liability	8,392	8,354	62,853
Net retirement benefit liability recognized			
in the consolidated balance sheet	¥8,392	¥8,354	62,853



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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Service cost	¥828	¥820	\$6,203
Interest assets	12	0	91
Expected return on pension assets	(39)	(56)	(299)
Actuarial gain or loss	93	140	702
Retirement benefit expense	¥894	¥904	\$6,698

- ⑤ Remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Actuarial gain or loss	¥106	¥273	\$795
Total	¥106	¥273	\$795

- ⑥ Remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unrecognized actuarial loss	¥152	¥259	\$1,146
Total	¥152	¥259	\$1,146

- ⑦ The fair value of pension plan assets, by major category, as a percentage of total plan assets as of March 31, 2023 and 2022 were as follows:

	2023	2022
Domestic bonds	52%	51%
Domestic equity securities	14	13
Foreign bonds	13	14
Foreign equity securities	13	13
Insurance assets (General accounts)	7	7
Other	1	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.

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

	2023	2022
Discount rate	0.1%	0.1%
Expected rate of return on pension plan assets	0.6	0.8
Expected rate of salary increase	9.0	9.0

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, 2023 and 2022 were ¥150 million (\$1,126 thousand) and ¥152 million, respectively.

**(d) Multiemployer pension plans**

The required contributions to the multiemployer pension plans for the years ended March 31, 2023 and 2022 were ¥24 million (\$180 thousand) and ¥27 million, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Amount of pension assets	¥129,474	¥129,661	\$969,631
Total amount of actuarial obligations and minimum reserve			
in the pension financial calculation (Note)	128,468	132,336	962,095
Difference	¥1,006	¥(2,675)	\$7,536

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

**②The Companies' portion of contributions in multiemployer pension plans**

	2023	2022
The Companies' portion		
in the total contributions of the multiemployer plans	0.533%	0.571%

The difference above was principally attributable to special reserve of ¥12,312 million (\$92,205 thousand) and ¥10,143 million at March 31, 2023 and 2022 and unrecognized prior service cost of ¥11,305 million (\$84,670 thousand) and ¥12,819 million at March 31, 2023 and 2022, 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 ¥23 million (\$177 thousand) and ¥24 million for amortization of prior service cost in the consolidated financial statements for the years ended March 31, 2023 and 2022, respectively.

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

## 23. 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, 2023 and 2022 were approximately 29.9%, respectively.

The reconciliation between the statutory tax rate and effective tax rate for the years ended March 31, 2023 and 2022 were as follows:

	2023	2022
Statutory tax rate	29.9%	29.9%
Per-capita portion of inhabitant tax	0.5	0.9
Permanently non-deductible expenses	3.8	0.5
Permanently non-taxable revenue such as dividends income	(0.8)	(0.7)
Change in valuation allowance	(27.3)	(5.3)
Effects of elimination in consolidation	0.2	0.2
Difference in statutory tax rates for foreign subsidiaries	(0.7)	(0.2)
Expiration of loss carryforward	0.3	0.6
Tax on pensions	1.5	6.3
Tax deductions	(4.6)	(0.9)
Effects of Accounting policy changes	—	(20.9)
Others	(2.2)	(1.7)
Effective tax rate	0.6%	8.7%

The significant components of deferred tax assets and liabilities at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets:			
Tax loss carry forwards (Note)	¥1,330	¥1,884	\$9,691
Allowance for doubtful receivables	166	439	1,249
Net defined benefit liability	2,470	2,430	18,498
Devaluation of inventories	876	905	6,565
Unrealized intercompany profit on inventories	676	603	5,068
Provision for bonuses	565	580	4,235
Devaluation of securities	333	256	2,494
Enterprise taxes payable	86	90	650
Other	1,773	1,539	13,284
Total deferred tax assets	¥8,279	¥8,730	\$62,004
Valuation allowance of tax loss carry forwards	(219)	(1,436)	(1,645)
Valuation allowance of deductible temporary difference	(3,607)	(4,158)	(27,019)
Subtotal Valuation allowance	(3,827)	(5,594)	(28,663)
Net deferred tax assets	¥4,452	¥3,136	\$33,341
Deferred tax liabilities:			
Deferral of gain on sale of fixed assets	(77)	(80)	(584)
Unrealized holding gain on securities	(1,691)	(1,823)	(12,670)
Asset retirement obligations	(74)	(104)	(557)
Foreign consolidated subsidiaries' retained earnings	(1,082)	(983)	(8,107)
Enterprise taxes receivable	—	(0)	0
Others	(29)	(18)	(217)
Total deferred tax liabilities	¥(2,955)	¥(3,011)	\$(22,135)
Net deferred tax assets	¥1,496	¥125	\$11,206

Note: A breakdown of tax loss carryforwards and valuation allowance by expiry date as of March 31, 2023 and 2022 were as follows:

	Millions of yen						
	2023						
	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	¥66	¥44	¥19	¥21	¥39	¥1,138	¥1,330
Valuation allowance	(66)	(44)	(19)	(21)	(39)	(28)	(219)
Deferred tax assets	¥－	¥－	¥－	¥－	¥－	¥1,110	¥1,110

	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

	Thousands of U.S. dollars						
	2023						
	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	\$494	\$332	\$148	\$158	\$298	\$8,529	\$9,961
Valuation allowance	(494)	(332)	(148)	(158)	(298)	(213)	(1,645)
Deferred tax assets	\$ —	\$ —	\$ —	\$ —	\$ —	\$8,316	\$8,316

Note: The Company and its domestic consolidated subsidiaries have applied the group tax sharing system from the fiscal year ended March 31, 2023. In accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ Practical Issues Task Force No. 42, August 12, 2021), the Company conducts accounting treatment and disclosure of corporate tax and local corporate tax or of their tax effect accounting.

## 24. Asset Retirement Obligations

This disclosure has been omitted for the year ended March 31, 2023 based on immateriality.

## 25. Rental Property

This disclosure has been omitted for the year ended March 31, 2023 based on immateriality.

## 26. 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, 2023 are as follows:

Year ended March 31, 2023	Millions of yen					
	Reportable segments				Other Products	Total
	Molding Machinery	Machine Tools	Control Systems	Sub total		
Japan	¥15,243	¥13,816	¥7,476	¥36,535	¥1,233	¥37,769
United states	14,121	3,664	91	17,878	0	17,878
China	33,396	7,100	590	41,088	6	41,094
Other Asia	18,628	1,746	430	20,805	2	20,808
Other	4,567	995	76	5,638	7	5,646
Revenue from contracts with customers	¥85,957	¥27,324	¥8,665	¥121,947	¥1,250	¥123,197
Revenue from other sources	¥—	¥—	¥—	¥—	¥—	¥—
Sales to external customers	¥85,957	¥27,324	¥8,665	¥121,947	¥1,250	¥123,197

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, 2023	Thousands of U.S. dollars					
	Reportable segments				Other Products	Total
	Molding Machinery	Machine Tools	Control Systems	Sub total		
Japan	\$114,156	\$103,472	\$55,988	\$273,615	\$9,238	\$282,853
United states	105,759	27,443	686	133,888	1	133,889
China	250,105	53,179	4,424	307,708	50	307,758
Other Asia	139,507	13,082	3,226	155,815	19	155,834
Other	34,203	7,457	570	42,230	55	42,285
Revenue from contracts with customers	\$643,730	\$204,633	\$64,894	\$913,256	\$9,362	\$922,619
Revenue from other sources	\$—	\$—	\$—	\$—	\$—	\$—
Sales to external customers	\$643,730	\$204,633	\$64,894	\$913,256	\$9,362	\$922,619

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**

① Balance of contract assets and contract liabilities, etc.

Year ended March 31, 2023	Millions of yen	
	Beginning balance	Ending balance
Receivables arising from contracts with customers	¥22,618	¥24,210
Contract assets	995	1,991
Contract liabilities	28,887	48,755

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, 2023	Thousands of U.S. dollars	
	Beginning balance	Ending balance
Receivables arising from contracts with customers	\$169,387	\$181,308
Contract assets	7,453	14,915
Contract liabilities	216,341	365,125

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, 2023 and 2022, and included in the contract liability balance at the beginning of the fiscal year amounted to ¥19,119 million. (\$143,181 thousand) and ¥16,601 million, respectively.

The amount of revenue recognized in the fiscal year ended March 31, 2023 and 2022 from performance obligations that were satisfied (or partially satisfied) in previous fiscal years is immaterial.

**② Transaction 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	Thousands of U.S. dollars
	2023	2022	2023
Due in one years or less	¥142,347	¥93,460	\$1,066,036
Due after one year through two years	66,878	46,670	500,849
Due after two years through three years	20	657	151
More than three years	—	1	—
Total	¥209,246	¥140,790	\$1,567,035

## 27. 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, 2023 and 2022 were as follows:

Year ended March 31, 2023	Millions of yen							
	Reportable segments				Other Products	Total	Adjustments	Consolidated
	Molding Machinery	Machine Tools	Control Systems	Sub total				
Net sales:								
External customers	¥85,957	¥27,324	¥8,665	¥121,947	¥1,250	¥123,197	¥—	¥123,197
Inter-segment	—	4	1,810	1,814	329	2,143	(2,143)	—
Total	85,957	27,328	10,475	123,761	1,579	125,340	(2,143)	123,197
Segment income	¥4,612	¥535	¥486	¥5,634	¥141	¥5,775	¥ (10)	¥5,765
Segment assets	¥127,022	¥30,700	¥12,999	¥170,722	¥4,484	¥175,206	¥29,893	¥205,100
Others								
Depreciation	¥1,437	¥495	¥211	¥2,145	¥22	¥2,167	¥—	¥2,167
Capital expenditures	1,332	519	179	2,031	128	2,160	—	2,160
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	¥1,231	¥525	¥171	¥1,928	¥24	¥1,952	¥—	¥1,952
Capital expenditures	958	246	46	1,252	557	1,810	—	1,810

Year ended  
March 31, 2023

Thousands of U.S. dollars

	Reportable segments				Other Products	Total	Adjustments	Consolidated
	Molding Machinery	Machine Tools	Control Systems	Sub total				
Net sales:								
External customers	\$643,730	\$204,633	\$64,894	\$913,256	\$9,362	\$922,619	\$—	\$922,619
Inter-segment	—	30	13,555	13,586	2,465	16,051	(16,051)	—
Total	643,730	204,663	78,449	926,842	11,828	938,670	(16,051)	922,619
Segment income	\$34,543	\$4,014	\$3,640	\$42,197	\$1,057	\$43,255	\$ (75)	\$43,180
Segment assets	\$951,265	\$229,913	\$97,353	\$1,278,531	\$33,584	\$1,312,115	\$223,874	\$1,535,989
Others								
Depreciation	\$10,769	\$3,714	\$1,582	\$16,064	\$168	\$16,232	\$—	\$16,232
Capital expenditures	9,977	3,889	1,348	15,214	964	16,178	—	16,178

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, 2023 and 2022 were as follows:

Sales	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Total reportable segments	¥123,761	¥108,395	\$926,842
Other products	1,579	1,354	11,828
Eliminations	(2,143)	(1,971)	(16,051)
Net sales in the consolidated financial statements	¥123,197	¥107,777	\$922,619
Income	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Total reportable segments	¥5,634	¥4,117	\$42,197
Other products	141	78	1,057
Eliminations	(10)	40	(75)
Operating income in the consolidated financial statements	¥5,765	¥4,236	\$43,180
Assets	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Total reportable segments	¥170,722	¥132,023	\$1,278,531
Other products	4,484	3,759	33,584
Company-wide assets	30,206	31,474	226,213
Eliminations	(312)	(267)	(2,338)
Net assets in the consolidated financial statements	¥205,100	¥166,989	\$1,535,989

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, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Japan	¥37,769	¥36,490	\$282,853
United States	17,878	14,062	133,889
China	41,094	31,573	307,758
Other Asia	20,808	21,640	155,834
Other	5,646	4,010	42,285
Total	¥123,197	¥107,777	\$922,619

Note: Sales figures are classified based on customer locations.

Property, plant and equipment information by country or geographical areas as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Japan	¥17,193	¥18,453	\$128,759
North America	289	181	2,167
Asia	2,794	2,511	20,928
Total	¥20,277	¥21,146	\$151,854

**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, 2023 and 2022.

**(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, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Molding Machinery	¥—	¥—	\$—
Machine Tools	—	—	—
Control Systems	—	—	—
Other products	—	—	—
Adjustments	19	40	143
Total	¥19	¥40	\$143

**(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, 2023 and 2022.

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

There was no applicable matter for the years ended March 31, 2023 and 2022.

## 28. Related Party Transactions

### (a) Transactions with related parties

This disclosure has been omitted for the year ended March 31, 2023 and 2022 based on immateriality.

### (b) Summary of financial information for significant affiliate company

There was no applicable matter for the years ended March 31, 2023 and 2022.

## 29. Net Income and Net Assets per Share

Net income and net assets per share as of and for the years ended March 31, 2023 and 2022 were as follows:

	Yen		U.S. dollars
	2023	2022	2023
Net income (loss) per share	¥266.63	¥154.27	\$2.00
Net assets per share	3688.28	3,457.58	27.62

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

	Thousands of shares		
	2023	2022	
Weighted-average number of shares of common stock	24,160	24,151	

  

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Net income (loss)	¥6,441	¥3,725	\$48,243
Net income not applicable to shareholders of common stock	—	—	—
Net income (loss) applicable to shareholders of common stock	¥6,441	¥3,725	\$48,243

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

	Thousands of shares		
	2023	2022	
Number of shares at year-end	24,162	24,154	

  

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Net assets	¥89,118	¥83,515	\$667,402
Non-controlling interests in consolidated subsidiaries	—	—	—
Net assets applicable to shareholders of common stock	¥89,118	¥83,515	\$667,402

### 30. Short-term Bank Loans and Long-term Debt

The annual interest rates applicable to the short-term bank loans outstanding as of March 31, 2023 and 2022 ranged principally from 0.49% to 0.85% and 0.49% to 3.62%, respectively. Long-term debt as of March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Loans, principally from Japanese banks and insurance companies:			
maturing 2023, interest 0.53% - 0.85%	¥3,300	¥3,800	\$24,714
	3,300	3,800	24,714
Less current portion	3,300	500	24,714
	¥—	¥3,300	\$—

The aggregate annual maturities of long-term debt at March 31, 2023 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2023	¥3,300	\$24,714
2024	—	—
2025	—	—
2026	—	—
2027 and later	—	—
Total	¥3,300	\$24,714

The aggregate annual maturities of finance lease obligations at March 31, 2023 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2023	¥207	\$1,554
2024	109	817
2025	42	315
2026	13	98
2027 and later	7	56
Total	¥379	\$2,840

### 31. 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, 2023, was approved at the meeting of the Board of Directors held on May 15, 2023.

	Type of shares	Cash dividends	Cash dividends per share	Record date	Effective date
Meeting of the Board of Directors held on May 15, 2023	Common stock	¥1,691 (\$12,667)	¥70.00 (\$0.52)	March 31, 2023	June 5, 2023

## 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, 2023, 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, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### **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 of recoverability of deferred tax assets of Shibaura Machine Co., Ltd.	
Description of Key Audit Matter	Auditor's Response
<p>As described in “Accounting Estimates” in the Notes to Consolidated Financial Statements, the Group recorded deferred tax assets of 4,452 million yen before offsetting against deferred tax liabilities, as of March 31, 2023 of which 3,126 million yen was recorded by Shibaura Machine Co., Ltd. (the Company). The Company determines the recoverability of deferred tax assets for deductible temporary differences, unused tax loss carryforwards, and unused foreign tax credit carryforwards by estimating taxable income based on expected future profitability.</p> <p>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 for each product and orders received for the following period. The Company discloses these key assumptions in “Accounting Estimates.”</p> <p>Given that forecasts regarding the anticipated timing for clearing order backlogs for each product and orders received for the following period, which are the key assumptions applied in the future business plan, involve uncertainty and require management judgement in assessing the recoverability of deferred tax assets since these forecasts are exposed to factors such as delays in deliveries resulting from natural disasters, pandemics, war, acts of terrorism, and other events, as well as inflation, exchange rate fluctuations, and sales competition, we determined that the recoverability of deferred tax assets of the Company is of most significance and therefore a key audit matter.</p>	<p>We mainly performed the following audit procedures to assess the recoverability of deferred tax assets:</p> <p>Considerations related to balances and scheduling of reversals of deductible temporary differences and tax loss carryforwards.</p> <ul style="list-style-type: none"> <li>• We considered the balances of deductible temporary differences and tax loss carryforwards by involving our tax professionals.</li> <li>• We also considered the schedule of when these balances were expected to be reversed.</li> </ul> <p>Considerations related to estimates of taxable income</p> <ul style="list-style-type: none"> <li>• In order to evaluate estimates of future taxable income, we assessed the underlying business plan for the following period. We assessed the business plan for the following period by evaluating the consistency with the most recent budget approved by the Board of Directors.</li> <li>• In order to evaluate the effectiveness of management's estimation process in business planning, we compared business plans in previous years to actual results.</li> <li>• In order to evaluate the forecasts regarding the anticipated timing for clearing order backlogs for each product 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.</li> <li>• We agreed the data on orders received with purchase orders to test the accuracy of the data.</li> </ul>



## **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, 2023 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

September 28, 2023



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Yuji Mukaide  
Designated Engagement Partner  
Certified Public Accountant



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Yoshikatsu Nakahara  
Designated Engagement Partner  
Certified Public Accountant