

Annual Financial Report **2024**

For the Fiscal Year Ended March 31, 2024

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CONSOLIDATED FINANCIAL HIGHLIGHTS

SHIBAURA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

March 31,	2024	2023	2022	2021	2020
Net sales	¥160,653	¥123,197	¥107,777	¥92,635	¥116,761
	\$1,061,046				
Operating income	¥13,614	¥5,765	¥4,236	¥381	¥3,529
	\$89,918				
Net income (loss)	¥17,920	¥6,441	¥3,725	¥(2,898)	¥7,338
	\$118,358				
Comprehensive income	¥25,949	¥7,392	¥6,212	¥43	¥5,784
	\$171,382				
Net assets	¥111,705	¥89,118	¥83,515	¥82,152	¥87,018
	\$737,770				
Total assets	¥253,172	¥205,100	¥166,989	¥134,296	¥154,283
	\$1,672,099				
Net assets per share	¥4,622.22	¥3,688.28	¥3,457.58	¥3,402.36	¥3,605.47
	\$30.53				
Net income (loss) per share	¥741.57	¥266.63	¥154.27	¥(120.05)	¥304.06
	\$4.90				
Cash dividends per share	¥140.00	¥107.50	¥75.00	¥199.30	¥85.00
	\$0.92				
Equity Ratio (%)	44.1	43.5	50.0	61.2	56.4
Return on equity (%)	17.8	7.5	4.6	(3.4)	8.6
Net cash provided by operating activities	¥9,307	¥934	¥11,299	¥192	¥5,312
	\$61,469				
Net cash used in investing activities	¥(3,805)	¥(563)	¥(1,264)	¥(1,537)	¥19,772
	\$(25,132)				
Net cash used in financing activities	¥(6,703)	¥(2,277)	¥(2,108)	¥(4,956)	¥(1,964)
	\$(44,273)				
Cash and cash equivalents at end of year	¥51,588	¥50,855	¥51,710	¥42,417	¥48,011
	\$340,724				
Capital expenditures	¥12,847	¥2,160	¥1,810	¥1,799	¥1,741
(property, plant and equipment)	\$84,851				
Depreciation	¥2,443	¥2,167	¥1,952	¥1,755	¥1,781
	\$16,136				
R & D costs	¥3,157	¥3,127	¥2,771	¥2,218	¥2,378
	\$20,854				
Number of employees	3,057	3,037	3,049	3,081	3,360

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 ¥151.41=U.S.\$1.

See [Note 3, "U.S. Dollar Amounts"](#) of the Notes to the Consolidated Financial Statements.

Note 3: Cash dividends per shares includes a commemorative dividend ¥10.00 at the end of March 31, 2020.

Note 4: Cash dividends per shares includes a special dividend ¥124.30 at the end of March 31, 2021.

CONSOLIDATED BALANCE SHEET

SHIBAURA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

March 31, 2024

		Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	Note	2024	2023	2024
Current assets:				
Cash and deposits	18, 20	¥51,669	¥50,855	\$341,255
Notes and accounts receivable - trade, and contract assets	10, 11, 20, 28	30,354	26,201	200,481
Allowance for doubtful receivables		(51)	(60)	(338)
Net receivables		30,303	26,141	200,142
Inventories:				
Finished products		69,097	39,086	456,363
Work in process		33,283	41,142	219,824
Raw materials and supplies		42	46	280
Total inventories		102,423	80,275	676,466
Other current assets	20, 22	18,662	16,016	123,259
Total current assets		203,059	173,288	1,341,123
Property, plant and equipment, net	6, 27	33,522	20,277	221,405
Intangible assets	7	1,219	821	8,052
Investments and other assets:				
Investments in:				
Unconsolidated subsidiaries and affiliates	20	249	398	1,648
Other securities	20, 21	13,503	7,815	89,182
Long-term loans		3	4	23
Deferred tax assets	4, 24	584	1,497	3,858
Other investments		1,030	997	6,806
Total investments and other assets		15,370	10,712	101,519
Total assets		¥253,172	¥205,100	\$1,672,099

LIABILITIES AND NET ASSETS	Note	Millions of yen		Thousands of U.S. dollars (Note 3)
		2024	2023	2024
Current liabilities:				
Short-term bank loans	20, 32	¥11,030	¥10,711	\$72,853
Current portion of long-term debt	20, 32	—	3,300	—
Notes and accounts payable, trade	10, 20	31,016	36,544	204,848
Income taxes payable	24	4,134	521	27,304
Accrued expenses		3,310	2,468	21,863
Provision for bonuses		2,725	1,904	18,001
Warranty reserve		877	1,033	5,796
Contract liabilities	28	75,070	48,755	495,810
Other current liabilities	20, 22, 32	2,164	1,761	14,295
Total current liabilities		130,329	107,001	860,769
Long-term liabilities:				
Long-term accounts payable, other		5	5	38
Accrued directors' retirement benefits		27	48	181
Net retirement benefit liability	23	6,610	8,392	43,657
Asset retirement obligations		393	361	2,597
Deferred tax liabilities	4, 24	3,574	0	23,611
Other long-term liabilities	32	526	172	3,474
Total long-term liabilities		11,137	8,981	73,559
Total liabilities		141,466	115,982	934,329
Contingent liabilities				
	8			
Net assets:				
Shareholders' equity:				
	17			
Common stock		12,484	12,484	82,457
Additional paid-in capital		11,538	11,538	76,205
Retained earnings		79,140	64,594	522,690
Treasury stock, at cost		(7,877)	(7,889)	(52,025)
Total shareholders' equity		95,286	80,727	629,327
Accumulated other comprehensive income				
Unrealized holding gain on securities, net of tax	21	8,123	4,065	53,654
Foreign currency translation adjustments		6,672	4,478	44,067
Remeasurements of defined benefit plans	23	1,623	(152)	10,722
Total accumulated other comprehensive income		16,419	8,390	108,443
Total net assets	31	111,705	89,118	737,770
Total liabilities and net assets		¥253,172	¥205,100	\$1,672,099

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF INCOME

SHIBAURA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Year ended March 31, 2024

		Millions of yen		Thousands of U.S. dollars (Note 3)
	Note	2024	2023	2024
Net sales	28	¥160,653	¥123,197	\$1,061,046
Cost of sales	13	110,024	84,387	726,665
Gross profit		50,628	38,809	334,382
Selling, general and administrative expenses	12, 13	37,014	33,043	244,464
Operating income		13,614	5,765	89,918
Other income:				
Interest and dividend income		697	453	4,609
Rent income		45	48	302
Foreign exchange gain		572	—	3,780
Received settlement fee		207	—	1,370
Gain on sales of property, plant and equipment		10,829	1,334	71,521
Gain on sales of investment securities	21	91	157	606
Others		321	262	2,125
		12,766	2,257	84,315
Other expenses and losses:				
Interest expense		201	219	1,331
Foreign exchange losses		—	469	—
Outsourcing expenses		88	91	587
Loss on disposal of property, plant and equipment and intangible assets		55	14	366
Loss on valuation of investment securities	21	—	5	—
Loss on valuation of shares of subsidiaries and affiliates	21	148	—	984
Loss on valuation of investments in capital of subsidiaries and affiliates		—	251	—
Loss on impairment of fixed assets	15	—	19	—
Others		564	470	3,729
		1,059	1,542	6,997
Net income before income taxes		25,321	6,480	167,235
Income taxes	24			
Current		4,558	1,258	30,109
Deferred		2,841	(1,219)	18,768
		7,400	39	48,877
Net income		17,920	6,441	118,358
Net income attributable to owners of parent	31	¥17,920	¥6,441	\$118,358

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SHIBAURA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Year ended March 31, 2024

		Millions of yen		Thousands of U.S. dollars (Note 3)
	Note	2024	2023	2024
Net income (loss)		¥17,920	¥6,441	\$118,358
Other comprehensive income (loss):				
Unrealized holding gain (loss) on securities, net of tax		4,058	(285)	26,805
Foreign currency translation adjustments		2,193	1,129	14,487
Remeasurements of defined benefit plans		1,776	106	11,732
Total other comprehensive income (loss)	16	8,028	950	53,024
Comprehensive income		25,949	7,392	171,382
Comprehensive income attributable to:				
Owners of parent		25,949	7,392	171,382
Non-controlling interests		—	—	—

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

SHIBAURA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Year ended March 31, 2024

	Millions of yen							
	Common stock (Note 17)	Additional paid in capital	Retained earnings	Treasury stock (Note 17)	Unrealized gain on securities, net of tax	Translation adjustments	Remeasurements of defined benefit plans	Total net assets
Balance at April 1, 2022	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			(8,409)	8,409				
Cash dividends (Note 17)			(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	12,484	11,538	64,594	(7,889)	4,065	4,478	(152)	89,118
Net income attributable to owners of parent			17,920					17,920
Purchases of treasury stock				(0)				(0)
Cash dividends (Note 17)			(3,383)					(3,383)
Restricted stock compensation			8	13				22
Net changes in items other than shareholders' equity					4,058	2,193	1,776	8,028
Balance at March 31, 2024	¥12,484	¥11,538	¥79,140	¥(7,877)	¥8,123	¥6,672	¥1,623	¥111,705

	Thousands of U.S. dollars (Note 3)							
	Common stock (Note 17)	Additional paid in capital	Retained earnings	Treasury stock (Note 17)	Unrealized gain on securities, net of tax	Translation adjustments	Remeasurements of defined benefit plans	Total net assets
Balance at March 31, 2023	\$82,457	\$76,205	\$426,617	\$(52,109)	\$26,850	\$29,579	\$(1,010)	\$588,588
Net income attributable to owners of parent			118,358					118,358
Purchases of treasury stock				(6)				(6)
Cash dividends (Note 17)			(22,344)					(22,344)
Restricted stock compensation			59	90				149
Net changes in items other than shareholders' equity					26,805	14,487	11,732	53,024
Balance at March 31, 2024	\$82,457	\$76,205	\$522,690	\$(52,025)	\$53,654	\$44,067	\$10,722	\$737,770

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

SHIBAURA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Year ended March 31, 2024

	Millions of yen		Thousands of U.S. dollars (Note 3)
Note	2024	2023	2024
Operating activities:			
Net income before income taxes	¥25,321	¥6,480	\$167,235
Adjustments to reconcile net income before income taxes to net cash provided by operating activities:			
Depreciation	¥2,443	¥2,167	16,136
Loss on impairment of fixed assets	—	19	—
Allowance for doubtful receivables	15	(905)	100
Provision for bonuses	803	9	5,305
Warranty reserve	(156)	414	(1,031)
Directors' retirement benefit	(20)	(15)	(137)
Net defined benefit liability	(37)	144	(247)
Interest and dividend income	(697)	(453)	(4,609)
Interest expense	201	219	1,331
Loss (gain) on sales of investment securities	(91)	(157)	(606)
Loss on valuation of investment securities	—	5	—
Loss on valuation of shares of subsidiaries and affiliates	148	—	984
Loss on valuation of investments in capital of subsidiaries and affiliates	—	251	—
Received settlement fee	(207)	—	(1,370)
Gain or loss on sales and disposal of property, plant and equipment and intangible assets	(10,773)	(1,320)	(71,155)
Changes in operating assets and liabilities:			
Notes and accounts receivable - trade, and contract assets	(3,892)	(2,588)	(25,711)
Inventories	(21,975)	(28,667)	(145,142)
Notes and accounts payable, trade	(5,939)	12,941	(39,225)
Contract liabilities	26,141	19,813	172,654
Accrued expenses	826	225	5,460
Deposits received	70	55	463
Other accounts payable	51	114	338
Others	(2,921)	(6,725)	(19,297)
Sub total	9,308	2,030	61,476
Interest and dividend income received	746	398	4,933
Interest paid	(122)	(170)	(808)
Receipt of settlement fee	207	—	1,370
Income taxes paid	(832)	(1,323)	(5,501)
Net cash provided by operating activities	9,307	934	61,469

		Millions of yen		Thousands of U.S. dollars (Note 3)
	Note	2024	2023	2024
Investing activities:				
Purchases of property, plant and equipment		(3,111)	(2,283)	(20,552)
Proceeds from sales of property, plant and equipment		4	1,944	30
Purchases of intangible assets		(107)	(367)	(711)
Proceeds from sales of investment securities		140	169	928
(Increase) decrease in short-term loans receivable		8	5	57
Collection of long-term loans receivable		0	1	5
Purchase of shares of subsidiaries resulting in change in scope of consolidation		(682)	—	(4,510)
Decrease (increase) in deposit in trust		(117)	—	(773)
Others		59	(33)	394
Net cash used in investing activities		(3,805)	(563)	(25,132)
Financing activities:				
Proceeds from short-term borrowings		274	291	1,811
Repayments of long-term borrowings		(3,300)	(500)	(21,795)
Purchases of treasury stock		(0)	(0)	(4)
Cash dividends paid		(3,383)	(1,811)	(22,344)
Others		(293)	(256)	(1,939)
Net cash used in financing activities		(6,703)	(2,277)	(44,273)
Effect of exchange rate changes on cash and cash equivalents		1,935	1,050	12,781
Net increase (decrease) in cash and cash equivalents		733	(855)	4,845
Cash and cash equivalents at beginning of year		50,855	51,710	335,878
Cash and cash equivalents at end of year	18	¥51,588	¥50,855	\$340,724

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) Goodwill

Goodwill is amortized by the straight-line method over a reasonable estimated period of benefit.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) Directors' retirement benefits

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

(p) Method of significant revenue and expense recognition standards**(1) Revenue from contracts with customers**

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.

(2) Other revenues

Revenue from real estate lease transactions is recognized over the lease period in accordance with the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13).

(q) 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.

(r) 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 ¥151.41=U.S.\$1, the approximate exchange rate prevailing in the Japanese foreign exchange market on March 31, 2024. 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

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
March 31,			
Deferred tax assets (Balance Sheet amount)	¥584	¥1,497	\$3,858
Deferred tax assets (Before offsetting)	3,574	0	23,611
Deferred tax liabilities (Balance Sheet amount)	4,162	4,452	27,491
Deferred tax liabilities (Before offsetting)	7,153	2,955	47,244

(2) 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.

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, economic stagnation, inflation and monetary tightening in many countries caused by geopolitical risks. 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, 2024.

6. Property, Plant and Equipment

Property, plant and equipment at March 31, 2024 and 2023 consisted of the following:

March 31,	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Land	¥6,852	¥6,643	\$45,259
Buildings and structures	47,794	36,484	315,663
Machinery and equipment	24,656	23,974	162,844
Vehicles	283	273	1,876
Tools, furniture and fixtures	7,249	7,190	47,877
Lease assets	1,353	783	8,936
Construction in progress	2,566	448	16,947
Sub total	90,755	75,798	599,402
Less accumulated depreciation	(57,232)	(55,521)	(377,997)
Property, plant and equipment, net	¥33,522	¥20,277	\$221,405

Depreciation expenses for the years ended March 31, 2024 and 2023 were ¥2,443 million (\$16,136 thousand) and ¥2,167 million, respectively.

7. Intangible Assets

Intangible assets at March 31, 2024 and 2023 consisted of the following:

March 31,	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Goodwill	¥463	¥—	\$3,061
Others	755	821	4,992
Total	¥1,219	¥821	\$8,052

8. Contingent Liabilities

Contingent liabilities for loans guaranteed by the Company, principally on behalf of non-consolidated subsidiaries and affiliated companies, were ¥560 million (\$3,702 thousand) and ¥436 million for the years ended March 31, 2024 and 2023, respectively.

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:

March 31,	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Total amount of commitment line	¥10,000	¥10,000	\$66,046
Funds borrowed	—	—	—
Unused amount	¥10,000	¥10,000	\$66,046

10. Treatment of notes matured at the end of the fiscal year

Settlement of notes receivables/payables maturing at the end of the fiscal year were accounted for on their actual clearing date. For the year ended March 31, 2024, since the end of the fiscal year was a holiday of financial institutions, the following notes maturing at the end of the fiscal year were included in the consolidated balance sheet at the end of the fiscal year:

	Millions of yen		Thousands of U.S. dollars
March 31,	2024	2023	2024
Notes and accounts receivable, trade	¥183	¥—	\$1,210
Notes and accounts payable, trade	34	—	227

11. Notes and Accounts Receivable - Trade, and Contract Assets

Notes and accounts receivable - trade, and contract assets arising from contracts with customers and contract assets at March 31, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
March 31,	2024	2023	2024
Notes	¥5,591	¥4,699	\$36,927
Accounts receivable, trade	23,129	19,510	152,759
Contract assets	1,634	1,991	10,794

12. 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 28, "Revenue"](#).

13. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2024	2023	2024
Sales commission	¥3,305	¥2,375	\$21,831
Shipping expenses	6,726	5,436	44,427
Provision for warranty reserve	(175)	889	(1,156)
Personnel-expenses	13,550	12,723	89,496
Retirement benefit expenses	532	584	3,516
Depreciation	1,006	973	6,648
Rent expenses	1,147	1,044	7,582
Travel expenses	1,186	978	7,839
Research and development expenses	1,890	2,022	12,486
Subcontract expenses	756	631	4,993
Others	7,086	5,384	46,801
Total	¥37,014	¥33,043	\$244,464

14. Research and Development Costs

Research and development costs charged to income were ¥3,157 million (\$20,854 thousand) and ¥3,127 million for the years ended March 31, 2024 and 2023, respectively.

15. Loss on Impairment of Fixed Assets

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

March 31, 2023	Millions of yen
Numazu, Shizuoka, Japan:	
Idle property	
Buildings and structures	¥1
Land	1
Sub total	2
Nagaizumi, Shizuoka, Japan:	
Idle property	
Buildings and structures	¥16
Sub total	16
Total	¥19

(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.

16. Other Comprehensive Income

The components of other comprehensive income (loss) for the years ended March 31, 2024 and 2023 were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Unrealized holding gain (loss) on securities:			
Current period changes in unrealized gain (loss)	¥5,825	¥(259)	\$38,477
Reclassification adjustment	(91)	(157)	(606)
Total unrealized holding gain (loss) on securities before tax effects	5,734	(416)	37,871
Tax effects	(1,675)	131	(11,066)
Unrealized holding gain (loss) on securities, net of tax effects	4,058	(285)	26,805
Foreign currency translation adjustments:			
Current period changes	2,193	1,129	14,487
Reclassification adjustment	—	—	—
Total Foreign currency translation adjustments	2,193	1,129	14,487
Remeasurements of defined benefit plans			
Current period changes in remeasurements of defined benefit plans	1,760	12	11,628
Reclassification adjustment	15	93	105
Total remeasurements of defined benefit plans before tax effect	1,776	106	11,732
Tax effects	—	—	—
Remeasurements of defined benefit plans, net of tax effects	1,776	106	11,732
Total other comprehensive income (loss)	¥8,028	¥950	\$53,024

17. Shareholders' Equity

The Corporation Law of Japan, 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.

(a) Class and total number of shares outstanding, and class and number of treasury stocks

For the years ended March 31, 2024	Number of shares			
	April 1, 2023	Increase	Decrease	March 31, 2024
Shares issued:				
Common stocks	26,977,106	—	—	26,977,106
Treasury stock				
Common stocks (Note 1)	2,814,565	233	4,845	2,809,953

Note 1: Details of increase was as follows:

Increase due to purchase of shares of less than standard unit 233 Shares

Details of decrease was as follows:

Decrease due to the grant of restricted stock 4,845 Shares

For the years ended March 31, 2023	Number of shares			
	April 1, 2022	Increase	Decrease	March 31, 2023
Shares issued:				
Common stocks	29,977,106	—	3,000,000	26,977,106
Treasury stock				
Common stocks (Note 1)	5,822,705	181	3,008,321	2,814,565

Note 1: Details of decrease was as follows:

Decrease due to the retirement of treasury shares 3,000,000 Shares

Note 2: Details of decrease was as follows:

Increase due to purchase of shares of less than standard unit 181 Shares

Details of decrease was as follows:

Decrease due to the grant of restricted stock 8,321 Shares

Decrease due to the retirement of treasury shares 3,000,000 Shares

(b) Dividends paid

For the years ended March 31, 2024	Type of shares	Cash dividends	Cash dividends per share	Record date	Effective date
Meeting of the Board of Directors held on May 25, 2023	Common stock	¥1,691 (\$11,171)	¥70.00 (\$0.46)	March 31, 2023	June 5, 2023
Meeting of the Board of Directors held on November 8, 2023	Common stock	¥1,691 (\$11,171)	¥70.00 (\$0.46)	September 30, 2023	December 4, 2023

For the years ended March 31, 2023	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	¥70.00	March 31, 2022	June 16, 2022
Meeting of the Board of Directors held on November 9, 2022	Common stock	¥906	¥70.00	September 30, 2022	December 2, 2022

Note: In millions of yen (thousands of U.S. dollars), except for cash dividends per share.

18. 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, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2024	2023	2024
Cash and deposits	¥51,669	¥50,855	\$341,255
Deposit in trust	(80)	—	(531)
Cash and cash equivalents	¥51,588	¥50,855	\$340,724

(b) Significant non-cash transactions

Significant non-cash transactions for the years ended March 31, 2024 and 2023 were as follows:

(1) Cancellation of treasury stocks

	Millions of yen		Thousands of U.S. dollars
March 31,	2024	2023	2024
Cancellation of treasury stocks	¥—	¥8,409	\$—

(2) Transfer and acquisition of fixed assets by equivalent exchange

	Millions of yen		Thousands of U.S. dollars
March 31,	2024	2023	2024
Increase in buildings and structures	¥10,991	¥—	\$72,592
Decrease in land	29	—	196
Other payments	136	—	903
Gain on sales of property, plant and equipment	¥10,824	¥—	\$71,493

(c) The major components of assets and liabilities of the company that has become a consolidated subsidiary through the acquisition of shares

The main components of assets and liabilities at the time of consolidation associated with the inclusion of TECHNOLINK CO., LTD. in the scope of consolidation through the acquisition of shares, as well as the relationship between the cost of acquiring its shares and expenditures (net) for its acquisition for the years ended March 31, 2024 were as follows:

March 31, 2024	Millions of yen	Thousands of U.S. dollars
Current assets	¥674	\$4,452
Fixed assets	196	1,299
Goodwill	463	3,061
Current liabilities	(342)	(2,260)
Long-term liabilities	(104)	(687)
Acquisition cost of shares	888	5,865
Cash and cash equivalents	(205)	(1,354)
Balance: Expenditures for acquisition	682	4,510

19. Leases

(a) Finance lease transactions (Lessee)

Notes have been omitted based on immateriality.

(b) Operating lease transactions (Lessee)

Notes have been omitted based on immateriality.

(c) Finance lease transactions (Lessor)

Not applicable.

(d) Operating lease transactions (Lessor)

Future lease payments pertaining to non-cancelable operating lease transactions for the years ended March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2024	2023	2024
Due within one year	¥76	¥—	\$507
Due after one year	294	—	1,943
Total	¥370	¥—	\$2,449

20. Financial Instruments

Overview

(1) 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.

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

Operating receivables, such as notes and accounts receivable - trade, and contract assets 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 22, "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.

(3) 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 22, "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, 2024 and 2023, and their fair value were as follows:

	Millions of yen		
	Carrying value	Fair value	Difference
Year ended March 31, 2024			
Notes and accounts receivable - trade, and contract assets	30,354	30,353	(1)
Investment securities	13,476	13,476	—
Total assets	¥43,831	¥43,830	¥(1)
Long-term debt including current portion	—	—	—
Total liabilities	¥—	¥—	¥—
Derivatives	¥(11)	¥(11)	¥—
	Millions of yen		
	Carrying value	Fair value	Difference
Year ended March 31, 2023			
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)	¥—
	Thousands of U.S. dollars		
	Carrying value	Fair value	Difference
Year ended March 31, 2024			
Notes and accounts receivable - trade, and contract assets	200,481	200,472	(9)
Investment securities	89,007	89,007	—
Total assets	\$289,487	\$289,478	\$(9)
Long-term debt including current portion	—	—	—
Total liabilities	\$—	\$—	\$—
Derivatives	\$(76)	\$(76)	\$—

Note 1: "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.

Note 2: 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, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
March 31,			
Unlisted stocks	¥276	¥459	\$1,824

Note 3: Derivatives are presented as net amounts receivable or payable with net amounts payable in parentheses.

(1) The aggregate annual maturities of financial assets

	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
Year ended March 31, 2024				
Cash and deposits	¥51,665	¥—	¥—	¥—
Notes and accounts receivable - trade, and contract assets	30,270	84	—	—
Total	¥81,935	¥84	¥—	¥—

	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
Year ended March 31, 2023				
Cash and deposits	¥50,851	¥—	¥—	¥—
Notes and accounts receivable - trade, and contract assets	26,195	5	—	—
Total	¥77,047	¥5	¥—	¥—

	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
Year ended March 31, 2024				
Cash and deposits	\$341,226	\$—	\$—	\$—
Notes and accounts receivable - trade, and contract assets	199,922	559	—	—
Total	\$541,148	\$559	\$—	\$—

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

	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
Year ended March 31, 2024						
Short-term bank loans	¥11,030	¥—	¥—	¥—	¥—	¥—
Long-term debt	—	—	—	—	—	—
Total	¥11,030	¥—	¥—	¥—	¥—	¥—

	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
Year ended March 31, 2023						
Short-term bank loans	¥10,711	¥—	¥—	¥—	¥—	¥—
Long-term debt	3,300	—	—	—	—	—
Total	¥14,011	¥—	¥—	¥—	¥—	¥—

	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
Year ended March 31, 2024						
Short-term bank loans	\$72,853	\$—	\$—	\$—	\$—	\$—
Long-term debt	—	—	—	—	—	—
Total	\$72,853	\$—	\$—	\$—	\$—	\$—

(3) 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, 2024	Millions of yen			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Equity securities	¥13,476	¥—	¥—	¥13,476
Total Assets	¥13,476	¥—	¥—	¥13,476
Derivative Transactions				
Currency-Related Transactions	¥—	¥11	¥—	¥11
Total Liabilities	¥—	¥11	¥—	¥11

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, 2024	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Equity securities	\$89,007	\$—	\$—	\$89,007
Total Assets	\$89,007	\$—	\$—	\$89,007
Derivative Transactions				
Currency-Related Transactions	\$—	\$76	\$—	\$76
Total Liabilities	\$—	\$76	\$—	\$76

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

Year ended March 31, 2024	Millions of yen			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable - trade, and contract assets	¥—	¥30,353	¥—	¥30,353
Total Assets	¥—	¥30,353	¥—	¥30,353
Long-term debt including current portion	¥—	¥—	¥—	¥—
Total Liabilities	¥—	¥—	¥—	¥—

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, 2024	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable - trade, and contract assets	\$—	\$200,472	\$—	\$200,472
Total Assets	\$—	\$200,472	\$—	\$200,472
Long-term debt including current portion	\$—	\$—	\$—	\$—
Total Liabilities	\$—	\$—	\$—	\$—

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.

21. Securities

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

	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gains
Year ended March 31, 2024			
Equity securities	¥1,985	¥13,476	¥11,491
	¥1,985	¥13,476	¥11,491
	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gains
Year ended March 31, 2023			
Equity securities	¥1,997	¥7,754	¥5,757
	¥1,997	¥7,754	¥5,757
	Thousands of U.S. dollars		
	Acquisition cost	Carrying value	Unrealized gains
Year ended March 31, 2024			
Equity securities	\$13,112	\$89,007	\$75,895
	\$13,112	\$89,007	\$75,895

Proceeds from sales and gain on sales of investment securities classified as other securities were ¥159 million (\$1,056 thousand) and ¥91 million (\$606 thousand) for the year ended March 31, 2024, and ¥169 million and ¥157 million for the year ended March 31, 2023, respectively.

Loss on valuation of shares of subsidiaries and affiliates classified as other securities were ¥148 million (\$984 thousand) for the year ended March 31, 2024. 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 for the year ended March 31, 2023. 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 ¥26 million (\$176 thousand) and ¥60 million as of March 31, 2024 and 2023, 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 transactions to which hedge accounting is not adopted

		Millions of yen			
Year ended March 31, 2024	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	¥262	¥—	¥5	¥5
Buy: Japanese yen	Accounts payable	819	—	(17)	(17)
Total		¥1,082	¥—	¥(11)	¥(11)

		Millions of yen			
Year ended March 31, 2023	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, 2024	Hedged item	Thousands of U.S. dollars			
		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	¥1,736	¥—	¥40	¥40
Buy: Japanese yen	Accounts payable	5,411	—	(115)	(115)
Total		¥7,146	¥—	¥(76)	¥(76)

Derivatives transactions to which hedge accounting is adopted

Self-dividend transactions to which hedge accounting is adopted				
Year ended March 31, 2024	Hedged item	Millions of yen		
		Contract amount	Contract amount due after one year	Fair value
Accounted for by the allocation method:				
Foreign exchange contracts:				
Sell: U.S. dollars	Accounts receivable	¥876	¥—	*
Buy: U.S. dollars	Accounts payable	—	—	—
Total		¥876	¥—	¥—

Year ended March 31, 2023	Hedged item	Millions of yen		
		Contract amount	Contract amount due after one year	Fair value
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, 2024	Hedged item	Thousands of U.S. dollars		
		Contract amount	Contract amount due after one year	Fair value
Accounted for by the allocation method:				
Foreign exchange contracts:				
Sell: U.S. dollars	Accounts receivable	\$5,787	\$—	*
Buy: U.S. dollars	Accounts payable	—	—	—
Total		\$5,787	\$—	\$—

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, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
March 31,			
Retirement benefit obligation at beginning of year	¥13,312	¥13,290	\$87,921
Service cost	784	828	5,184
Interest cost	12	12	81
Actuarial gain or loss	(1,308)	(66)	(8,645)
Retirement benefit paid	(830)	(751)	(5,485)
Increase due to change in scope of consolidation	31	—	206
Retirement benefit obligation at end of year	¥12,001	¥13,312	\$79,263

② The changes in pension plan assets during the year ended March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
March 31,			
Pension plan assets at beginning of year	¥4,919	¥4,935	\$32,491
Expected return on pension plan assets	30	39	204
Actuarial gain or loss	451	(54)	2,983
Contribution by the Companies	169	176	1,118
Retirement benefit paid	(180)	(178)	(1,189)
Pension plan assets at end of year	¥5,391	¥4,919	\$35,606

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, 2024 and 2023 for the defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
March 31,			
Funded retirement benefit obligation	¥4,398	¥4,732	\$29,050
Pension plan assets at fair value	(5,391)	(4,919)	(35,606)
	(992)	(186)	(6,556)
Unfunded retirement benefit obligation	7,602	8,579	50,213
Net retirement benefit liability recognized in the consolidated balance sheet	6,610	8,392	43,657
Retirement benefit liability	6,610	8,392	43,657
Net retirement benefit liability recognized in the consolidated balance sheet	¥6,610	¥8,392	43,657

④ The components of retirement benefit expense for the years ended March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2024	2023	2024
Service cost	¥784	¥828	\$5,184
Interest assets	12	12	81
Expected return on pension assets	(30)	(39)	(204)
Actuarial gain or loss	15	93	105
Retirement benefit expense	¥782	¥894	\$5,167

⑤ Remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2024	2023	2024
Actuarial gain or loss	¥1,776	¥106	\$11,732
Total	¥1,776	¥106	\$11,732

⑥ Remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2024	2023	2024
Unrecognized actuarial loss	¥(1,623)	¥152	\$(10,722)
Total	¥(1,623)	¥152	\$(10,722)

⑦ The fair value of pension plan assets, by major category, as a percentage of total plan assets as of March 31, 2024 and 2023 were as follows:

March 31,	2024	2023
Domestic bonds	52%	52%
Domestic equity securities	14	13
Foreign bonds	13	13
Foreign equity securities	13	13
Insurance assets (General accounts)	7	7
Other	1	1
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:

March 31,	2024	2023
Discount rate	1.5%	0.1%
Expected rate of return on pension plan assets	0.6	0.6
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, 2024 and 2023 were ¥148 million (\$982 thousand) and ¥150 million, respectively.

(d) Multiemployer pension plans

The required contributions to the multiemployer pension plans for the years ended March 31, 2024 and 2023 were ¥23 million (\$156 thousand) and ¥24 million, respectively.

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

	Millions of yen		Thousands of U.S. dollars
March 31,	2024	2023	2024
Amount of pension assets	¥124,050	¥129,474	\$819,299
Total amount of actuarial obligations and minimum reserve			
in the pension financial calculation (Note)	124,414	128,468	821,707
Difference	¥(364)	¥1,006	\$(2,408)

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

② The Companies' portion of contributions in multiemployer pension plans

March 31,	2024	2023
The Companies' portion in the total contributions of the multiemployer plans	0.529%	0.533%

The difference above was principally attributable to special reserve of ¥9,450 million (\$62,417 thousand) and ¥12,312 million at March 31, 2024 and 2023 and unrecognized prior service cost of ¥9,815 million (\$64,825 thousand) and ¥11,305 million at March 31, 2024 and 2023, 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 ¥22 million (\$147 thousand) and ¥23 million for amortization of prior service cost in the consolidated financial statements for the years ended March 31, 2024 and 2023, 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, 2024 and 2023 were approximately 29.9%, respectively.

The reconciliation between the statutory tax rate and effective tax rate for the years ended March 31, 2024 and 2023 were as follows:

March 31,	2024	2023
Statutory tax rate	29.9%	29.9%
Per-capita portion of inhabitant tax	0.1	0.5
Permanently non-deductible expenses	1.6	3.8
Permanently non-taxable revenue such as dividends income	(0.2)	(0.8)
Change in valuation allowance	(1.8)	(27.3)
Effects of elimination in consolidation	0.0	0.2
Difference in statutory tax rates for foreign subsidiaries	0.1	(0.7)
Expiration of loss carryforward	0.1	0.3
Tax on pensions	0.4	1.5
Tax deductions	(1.2)	(4.6)
Others	0.2	(2.2)
Effective tax rate	29.2%	0.6%

The significant components of deferred tax assets and liabilities at March 31, 2024 and 2023 were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Deferred tax assets:			
Tax loss carry forwards (Note)	¥207	¥1,330	\$1,371
Allowance for doubtful receivables	174	166	1,150
Net defined benefit liability	2,469	2,470	16,309
Devaluation of inventories	869	876	5,742
Unrealized intercompany profit on inventories	510	676	3,371
Provision for bonuses	819	565	5,415
Devaluation of securities	354	333	2,339
Enterprise taxes payable	224	86	1,485
Other	1,651	1,773	10,910
Total deferred tax assets	¥7,281	¥8,279	\$48,092
Valuation allowance of tax loss carry forwards	(201)	(219)	(1,329)
Valuation allowance of deductible temporary difference	(2,917)	(3,607)	(19,272)
Subtotal Valuation allowance	(3,119)	(3,827)	(20,601)
Net deferred tax assets	¥4,162	¥4,452	\$27,491
Deferred tax liabilities:			
Deferral of gain on sale of fixed assets	(2,473)	(77)	(16,337)
Unrealized holding gain on securities	(3,398)	(1,691)	(22,445)
Asset retirement obligations	(62)	(74)	(413)
Foreign consolidated subsidiaries' retained earnings	(1,179)	(1,082)	(7,792)
Others	(38)	(29)	(257)
Total deferred tax liabilities	¥(7,153)	¥(2,955)	\$(47,244)
Net deferred tax assets	¥2,990	¥1,496	\$19,753

Note: A breakdown of tax loss carryforwards and valuation allowance by expiry date as of March 31, 2024 and 2023 were as follows:

Year ended March 31, 2024	Millions of yen						Total
	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	
Tax loss carryforwards	¥62	¥21	¥22	¥32	¥51	¥17	¥207
Valuation allowance	(62)	(21)	(22)	(32)	(51)	(11)	(201)
Deferred tax assets	¥—	¥—	¥—	¥—	¥—	¥6	¥6

Year ended March 31, 2023	Millions of yen						Total
	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	
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

Year ended March 31, 2024	Thousands of U.S. dollars						Total
	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	
Tax loss carryforwards	\$414	\$139	\$148	\$212	\$340	\$118	\$1,371
Valuation allowance	(414)	(139)	(148)	(212)	(340)	(76)	(1,329)
Deferred tax assets	\$—	\$—	\$—	\$—	\$—	\$42	\$42

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.

25. Business combinations

At the Board of Directors meeting held on January 31, 2024, the Company resolved to acquire all stocks of POKKA MACHINE Co., Ltd. Based on the resolution, the Company signed a stock transfer agreement with POKKA SAPPORO FOOD & BEVERAGE LTD. on the same day, pursuant to which the acquisition of the stocks was completed on March 1, 2024.

Effective April 1, 2024, POKKA MACHINE Co., Ltd. was renamed TECHNOLINK CO., LTD.

(a) Outline of the business combination

(1) Name and business description of the acquired enterprise

Name of the acquired enterprise

POKKA MACHINE Co., Ltd.

Business description

Production plants (food, beverages, brewing, pharmaceuticals, and commodities), packing machines (films, gift boxes, and corrugated cardboards), sterilized systems (equipment in a clean room), various assembling machines (automobile parts and resins), equipment using robots and image processing, small aircraft transportation and maintenance equipment, robots for injection molding machines, OEM products, electrolytic deburring machines, cutting parts and more.

(2) Reason for business combination

To transform into a highly profitable company under the medium-term management plan “Management Reform Plan,” which concluded in FY2023, the Companies has been implementing its financial strategy. This strategy focuses on achieving management reform with reorganization as a central element, promoting investments in growth areas, and increasing return

on equity (ROE).

To this end, the Company has decided to acquire the stocks of POKKA MACHINE Co., Ltd., which possesses know-how in automation and laborsaving equipment business, and a customer base in a wide spectrum of industries, including food and beverages. We believe that by leveraging these assets of POKKA MACHINE Co., Ltd., we can create synergy effects such as further expanding our engineering solutions business and bolstering proposal-based sales of systems for our product line, which includes injection molding machines and machine tools.

(3) Date of the business combination

March 1, 2024 (stock acquisition date)

March 31, 2024 (deemed acquisition date)

(4) Legal form of the business combination

Stock acquisition with cash paid as consideration

(5) Company name after the combination

No change.

Effective April 1, 2024, the acquired enterprise was renamed TECHNOLINK CO., LTD.

(6) Ratio of voting rights acquired

100%

(7) Main grounds behind the decision to acquire the enterprise

The Company has acquired the acquired enterprise's stocks with cash and deposits paid as consideration.

(b) Period of performance of the acquired enterprise included in the consolidated financial statements

The performance of the acquired enterprise is not included in the consolidated financial statements as March 31, 2024 is the deemed acquisition date and only the balance sheets are consolidated for the fiscal year ended March 31, 2024.

(c) Acquisition cost of the acquired enterprise and the breakdown of the cost by type of consideration

	Millions of yen	Thousands of U.S. dollars
Consideration for acquisition		
Cash and deposits	¥888	\$5,865
Balance: Expenditures for acquisition	¥888	\$5,865

(d) Description and amount of major costs related to acquisition

	Millions of yen	Thousands of U.S. dollars
Compensation, fees, etc. for advisory service	¥22	\$147

(e) Amount of goodwill incurred, cause of goodwill, amortization method, and amortization period

(1) Amount of goodwill incurred

	Millions of yen	Thousands of U.S. dollars
Goodwill	¥463	\$3,061

(2) Cause of goodwill

In reflection of future excess earning power expected from subsequent business development and synergy effects between the Companies and the acquired enterprise.

(3) Amortization method and amortization period

To be amortized in equal amounts over 8 years

(f) Amount of assets accepted and liabilities assumed on the date of the business combination and major components thereof

March 31, 2024	Millions of yen	Thousands of U.S. dollars
Current assets	¥674	\$4,452
Fixed assets	196	1,299
Total Assets	870	5,751
Current liabilities	342	2,260
Long-term liabilities	104	687
Total liabilities	446	2,947

(g) Estimated amount of impact on the consolidated statement of income for the fiscal year ended March 31, 2024 if the business combination is assumed to have been completed on the day of commencement of the consolidated fiscal year, and the calculation method thereof

This disclosure has been omitted as the estimated amount of impact is immaterial.

26. Asset Retirement Obligations

This disclosure has been omitted for the year ended March 31, 2024 based on immateriality.

27. Rental Property

The Company owns logistics facilities, etc., for rent (including land) in Kanagawa Prefecture. Net loss from said rental properties was ¥321 million (\$2,122 thousand) for the fiscal year ended March 31, 2024 (rental income and rental expenses are recorded under net sales and non-operating income, and cost of sales and non-operating expenses, respectively).

The carrying value of said rental properties recorded in the consolidated balance sheet, the amount of increase/decrease during the fiscal year ended March 31, 2024, and the fair value at the end of the consolidated fiscal year were as follows:

March 31, 2024	Millions of yen	Thousands of U.S. dollars
Carrying values recorded in the consolidated balance sheet		
Beginning balance	¥22	\$146
Increase/decrease during the consolidated fiscal year	10,349	68,351
Ending balance	¥10,371	\$68,496
Fair value at the end of the consolidated fiscal year	¥26,131	\$172,588

Note 1: The carrying values recorded in the consolidated balance sheet are the acquisition cost less accumulated depreciation.

Note 2: The main component of the increase/decrease during the consolidated fiscal year ended March 31, 2024 is an increase due to the acquisition of real estate (¥10,543 million (\$69,639 thousand)).

Note 3: The fair value of land at the end of the consolidated fiscal year has been calculated using indices deemed to appropriately reflect its market value. The fair value for buildings and other depreciable assets is recorded at their carrying value on the consolidated balance sheet.

Note 4: The amount of increase/decrease during the fiscal year ended March 31, 2023, and the fair value at the end of the fiscal year ended March 31, 2023 are omitted based on immateriality.

28. 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, 2024 and 2023 were as follows:

Year ended March 31, 2024	Millions of yen					
	Reportable segments				Other Products	Total
	Molding Machinery	Machine Tools	Control Systems	Sub total		
Japan	¥19,434	¥12,302	¥9,319	¥41,056	¥1,199	¥42,255
United states	12,897	3,966	90	16,954	—	16,954
China	68,252	6,425	157	74,835	7	74,843
Other Asia	19,671	1,629	271	21,573	4	21,577
Other	3,265	1,655	80	5,001	10	5,012
Revenue from contracts with customers	¥123,521	¥25,980	¥9,919	¥159,421	¥1,221	¥160,643
Revenue from other sources	¥—	¥—	¥—	¥—	¥9	¥9
Sales to external customers	¥123,521	¥25,980	¥9,919	¥159,421	¥1,231	¥160,653

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, 2024	Thousands of U.S. dollars					
	Reportable segments				Other Products	Total
	Molding Machinery	Machine Tools	Control Systems	Sub total		
Japan	\$128,354	\$81,252	\$61,552	\$271,158	\$7,923	\$279,081
United states	85,183	26,199	595	111,976	—	111,976
China	450,781	42,438	1,040	494,259	51	494,310
Other Asia	129,924	10,765	1,792	142,481	28	142,509
Other	21,565	10,936	534	33,036	69	33,105
Revenue from contracts with customers	\$ 815,807	\$171,590	\$65,514	\$1,052,911	\$8,070	\$1,060,981
Revenue from other sources	\$—	\$—	\$—	\$—	\$66	\$66
Sales to external customers	\$815,807	\$171,590	\$65,514	\$1,052,911	\$8,136	\$1,061,046

Note 1: "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.

Note 2: "Revenue from other sources" is recognized in accordance with lease accounting standards. the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13)

(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", "\(p\) 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, 2024	Millions of yen	
	Beginning balance	Ending balance
Receivables arising from contracts with customers	¥24,210	¥28,720
Contract assets	1,991	1,634
Contract liabilities	48,755	75,070

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, 2024	Thousands of U.S. dollars	
	Beginning balance	Ending balance
Receivables arising from contracts with customers	\$159,987	\$189,686
Contract assets	13,154	10,794
Contract liabilities	322,007	495,810

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, 2024 and 2023, and included in the contract liability balance at the beginning of the fiscal year amounted to ¥35,354 million. (\$233,499 thousand) and ¥19,119 million, respectively.

The amount of revenue recognized in the fiscal year ended March 31, 2024 and 2023 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:

March 31,	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Due in one years or less	¥143,523	¥142,347	\$947,916
Due after one year through two years	23,404	66,878	154,574
Due after two years through three years	2,304	20	15,221
More than three years	1,089	—	7,196
Total	¥170,322	¥209,246	\$1,124,908

29. 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, 2024 and 2023 were as follows:

Year ended March 31, 2024	Millions of yen							
	Reportable segments				Other Products	Total	Adjustments	Consolidated
	Molding Machinery	Machine Tools	Control Systems	Sub total				
Net sales:								
External customers	¥123,521	¥25,980	¥9,919	¥159,421	¥1,231	¥160,653	¥—	¥160,653
Inter-segment	—	3	1,916	1,920	365	2,286	(2,286)	—
Total	123,521	25,983	11,836	161,341	1,597	162,939	(2,286)	160,653
Segment income	¥12,956	¥508	¥333	¥13,798	¥(223)	¥13,574	¥39	¥13,614
Segment assets	¥161,638	¥32,413	¥13,485	¥207,538	¥14,410	¥221,949	¥31,223	¥253,172
Others								
Depreciation	¥1,502	¥449	¥173	¥2,125	¥317	¥2,443	¥—	¥2,443
Capital expenditures	1,357	160	49	1,566	11,280	12,847	—	12,847

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, 2024	Thousands of U.S. dollars							
	Reportable segments				Other Products	Total	Adjustments	Consolidated
	Molding Machinery	Machine Tools	Control Systems	Sub total				
Net sales:								
External customers	\$815,807	\$171,590	\$65,514	\$1,052,911	\$8,136	\$1,061,046	\$—	\$1,061,046
Inter-segment	—	22	12,659	12,681	2,417	15,098	(15,098)	—
Total	815,807	171,611	78,173	1,065,592	10,553	1,076,145	(15,098)	1,061,046
Segment income	\$85,570	\$3,357	\$2,204	\$91,131	\$(1,476)	\$89,654	\$ 264	\$89,918
Segment assets	\$1,067,556	\$214,081	\$89,068	\$1,370,705	\$95,177	\$1,465,882	\$206,217	\$1,672,099
Others								
Depreciation	\$9,923	\$2,968	\$1,145	\$14,036	\$2,100	\$16,136	\$—	\$16,136
Capital expenditures	8,964	1,057	325	10,346	74,505	84,851	—	84,851

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, 2024 and 2023 were as follows:

Sales	Millions of yen		Thousands of U.S. dollars
March 31,	2024	2023	2024
Total reportable segments	¥161,341	¥123,761	\$1,065,592
Other products	1,597	1,579	10,553
Eliminations	(2,286)	(2,143)	(15,098)
Net sales in the consolidated financial statements	¥160,653	¥123,197	\$1,061,046

Income	Millions of yen		Thousands of U.S. dollars
March 31,	2024	2023	2024
Total reportable segments	¥13,798	¥5,634	\$91,131
Other products	(223)	141	(1,476)
Eliminations	39	(10)	264
Operating income in the consolidated financial statements	¥13,614	¥5,765	\$89,918

Assets	Millions of yen		Thousands of U.S. dollars
Year ended March 31,	2024	2023	2024
Total reportable segments	¥207,538	¥170,722	\$1,370,705
Other products	14,410	4,484	95,177
Company-wide assets	31,569	30,206	208,506
Eliminations	(346)	(312)	(2,289)
Net assets in the consolidated financial statements	¥253,172	¥205,100	\$1,672,099

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, 2024 and 2023 were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Japan	¥42,265	¥37,769	\$279,147
United States	16,954	17,878	111,976
China	74,843	41,094	494,310
Other Asia	21,577	20,808	142,509
Other	5,012	5,646	33,105
Total	¥160,653	¥123,197	\$1,061,046

Note: Sales figures are classified based on customer locations.

Property, plant and equipment information by country or geographical areas as of March 31, 2024 and 2023 were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Japan	¥27,327	¥17,193	\$180,487
North America	811	289	5,360
India	4,098	1,391	27,068
Other Asia	1,285	1,402	8,490
Total	¥33,522	¥20,277	\$221,405

Note: India, included within Asia until the fiscal year ended March 31, 2023, is separately stated from the fiscal year ended March 31, 2024, as it has exceeded 10% of the total property, plant and equipment.

(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, 2024 and 2023.

(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, 2024 and 2023 were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Molding Machinery	¥—	¥—	\$—
Machine Tools	—	—	—
Control Systems	—	—	—
Other products	—	—	—
Adjustments	—	19	—
Total	¥—	¥19	\$—

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

Information on amortization of goodwill and unamortized balance for the year ended March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
March 31,			
Molding Machinery	¥—	¥—	\$—
Machine Tools	—	—	—
Control Systems	—	—	—
Other products	463	—	3,061
Adjustments	—	—	—
Total	¥463	¥—	\$3,061

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

There was no applicable matter for the years ended March 31, 2024 and 2023.

30. Related Party Transactions**(a) Transactions with related parties**

This disclosure has been omitted for the year ended March 31, 2024 and 2023 based on immateriality.

(b) Summary of financial information for significant affiliate company

There was no applicable matter for the years ended March 31, 2024 and 2023.

31. Net Income and Net Assets per Share

Net income and net assets per share as of and for the years ended March 31, 2024 and 2023 were as follows:

	Yen		U.S. dollars
	2024	2023	2024
March 31,			
Net income per share	¥741.57	¥266.63	\$4.90
Net assets per share	4,622.22	3,688.28	30.53

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

	Thousands of shares	
	2024	2023
March 31,		
Weighted-average number of shares of common stock	24,166	24,160

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
March 31,			
Net income	¥17,920	¥6,441	\$118,358
Net income not applicable to shareholders of common stock	—	—	—
Net income applicable to shareholders of common stock	¥17,920	¥6,441	\$118,358

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

	Thousands of shares		
	2024	2023	
March 31,			
Number of shares at year-end	24,167	24,162	

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
March 31,			
Net assets	¥111,705	¥89,118	\$737,770
Non-controlling interests in consolidated subsidiaries	—	—	—
Net assets applicable to shareholders of common stock	¥111,705	¥89,118	\$737,770

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

The annual interest average rates applicable to the short-term bank loans outstanding as of March 31, 2024 and 2023 were 0.93% and 0.72%, respectively. Long-term debt as of March 31, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
March 31,			
Loans, principally from Japanese banks and insurance companies:			
maturing 2023	¥—	¥3,300	\$—
	—	3,300	—
Less current portion	—	3,300	—
	¥—	¥3,300	\$—

The aggregate annual maturities of finance lease obligations at March 31, 2024 were as follows:

	Millions of yen	Thousands of U.S. dollars
March 31, 2024		
2024	¥247	\$1,634
2025	165	1,091
2026	130	863
2027	126	838
2028 and later	103	682
Total	¥773	\$5,108

33. Subsequent Event

Purchase and cancellation of treasury stock

At the Board of Directors meeting held on May 13, 2024, the Company resolved on matters concerning the repurchase of its own shares pursuant to the provisions of *Article 459, Paragraph 1 of The Corporation Law of Japan* and the cancellation of its own shares pursuant to the provisions of *Article 178 of The Corporation Law of Japan*. Accordingly, the Company cancelled its own shares as follows.

(1) Reason for purchase and cancellation of own shares

In order to implement expeditious capital policies in response to changes in the management environment, improve capital efficiency, and enhance shareholder returns.

(2) Details of matters related to purchase

Class of shares to be purchased:

Common stock

Total number of shares to be purchased:

740,000 shares (maximum) (3.06% of total number of issued shares (excluding treasury stock))

Total amount of share purchase costs:

2,000,000,000 yen (maximum)

Purchase period:

May 14, 2024 to September 30, 2024

Purchase method:

Market purchases based on a discretionary transaction contract concerning the acquisition of treasury stock

(3) Details of matters related to cancellation

Class of shares cancelled:

Common stock

Total number of shares cancelled:

1,600,000 shares (5.93% of total number of issued shares before cancellation)

Total number of issued shares after cancellation:

25,377,106 shares

Cancellation date:

May 28, 2024

Transfer of fixed assets

At the Board of Directors meeting held on June 24, 2024, the Company resolved to transfer its fixed assets as follows and entered into a sales contract on the same day.

(1) Reason for the transfer

The Company decided to transfer the following fixed assets in order to improve asset efficiency through effective utilization of management resources.

(2) Details of assets to be transferred**Asset to be transferred:**

Land

Address:

840 Shimotogari, Nagaizumi-cho, Sunto-gun, Shizuoka Prefecture

Present condition:

Factory site

Land area:

25,032.77 m²

Transfer price:

¥4.4 billion

Gain on transfer:

Approx. ¥4.0 billion

* The gain on transfer is an estimated value calculated by deducting the book value and the projected amount of various costs and expenses related to the transfer from the transfer price.

(3) Outline of the transferee**Name:**

Nagaizumi-cho

Address:

828 Nakatogari, Nagaizumi-cho, Sunto-gun, Shizuoka Prefecture

Relationship between the transferee and the Company:

There are no capital, personnel, or business relationships that should be disclosed between the transferee and the Company, and the Company does not fall under the definition of a related party.

(4) Schedule of the transfer**Date of resolution at the meeting of the Board of Directors:**

June 24, 2024

Date of contract:

June 24, 2024

Date of property handover:

Late August 2024 (planned)

* The contract is subject to a condition precedent and will take effect upon approval by the transferee's municipal assembly (on June 27 (planned)).

(5) Impact of the event on profit and loss

The gain on transfer of said fixed asset will be recorded as gain on sales of property, plant and equipment under extraordinary income in the second quarter of the fiscal year ending March 31, 2025.

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, 2024, was approved at the meeting of the Board of Directors held on May 13, 2024.

	Type of shares	Cash dividends	Cash dividends per share	Record date	Effective date
Meeting of the Board of Directors held on May 13, 2024	Common stock	¥1,691 (\$11,171)	¥70.00 (\$0.46)	March 31, 2024	June 3, 2024

Independent Auditor's Report

The Board of Directors
Shibaura Machine Co., Ltd.

The Audit of the Consolidated Financial Statements

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, 2024, 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, 2024, 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.

Cutoff of sales of lithium-ion battery separator film production lines by Shibaura Machine Co., Ltd.	
Description of Key Audit Matter	Auditor's Response
<p>SHIBAURA MACHINE Co., Ltd. (the "Company") is engaged in manufacturing, sale, and maintenance services of products for the molding machinery, machine tools, control systems, and other businesses and recorded sales of 160,653 million yen in the consolidated statement of income for the fiscal year ended March 31, 2024. As described in "(a) Breakdown of revenue from contracts with customers" under "28. Revenue" in the Notes to Consolidated Financial Statements, of this amount, sales of the Molding Machinery segment to China were 68,252 million yen and included sales of lithium-ion battery separator film production lines (hereinafter, "BSF") that are extrusion machines.</p> <p>As described in "(p) Methods of significant revenues and expenses recognition standards" under "2. Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements, the Company normally recognizes revenue from the sale of products when control of the products transfers to the customer, that is, when products are delivered to a location specified by the customer and then received, inspected, and accepted by the customer, since it is at that point that legal title and physical possession of the products as well as the significant risks and rewards of ownership of the products pass to the customer and the Company is entitled to receive payment for the products.</p> <p>BSFs are large production lines and it normally takes a long time until they are accepted by customers because, after being shipped from the Company's factory in Japan to customers in China, they are installed and undergo testing to ensure functionality. Depending upon factors such as the customer's readiness to accept equipment, the actual inspection might be delayed from the scheduled inspection date. Additionally, considering that the transaction amount per BSF is large, a delay in an inspection to the following fiscal year could have a significant impact on earnings. Given that management is under pressure to achieve earnings targets, there is a potential risk of revenue being recognized in the incorrect accounting period depending on the status of achievement of revenue targets.</p> <p>Based on the above, we determined that the cutoff of sales of BSFs is of particular significance for the fiscal year ended March 31, 2024 and therefore a key audit matter.</p>	<p>We mainly performed the following audit procedures to assess the Company's cutoff of sales of BSFs:</p> <ul style="list-style-type: none"> • In order to obtain an understanding of the operating environment and status of earnings for the period, we made inquiries of the president, the chief financial officer, and the heads of each company, amongst others, and considered the consistency between their responses and change in BSF sales as well as sales volume. • We performed analysis of BSF sales, including year-on-year comparison, budget-to-actual comparison, and analysis of change by month, and considered the existence of significant changes as well as the factors contributing to such changes. • In addition to sales recorded as part of the normal workflow through the linkage between the business system and the accounting system, we considered whether there were any sales-related journal entries recorded directly in the accounting system and, for these cases, we considered the reason why they were outside of the normal workflow as well as the basis for the amounts and dates. • We inspected the contracts for all BSF sales transactions for the period, considered the consistency between the contract amounts and the recorded sales amounts, and considered whether payments were received in accordance with contract terms, whether there were instances of deliveries being made in advance of the agreed upon date, and whether there were any special contractual provisions. • We considered the timing with which all BSF sales transactions for the period were recorded by agreeing such timing with the dates of supporting documentation signifying inspection and acceptance by the customer. • During the following fiscal year, we inspected relevant sales schedules in the month following the end of the fiscal year ended March 31, 2024 to consider whether there were any significant cancellations or modifications related to BSF sales transactions.

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, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

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.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 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.

Fee-related Information

The fees for the audits of the financial statements of Shibaura Machine Co., Ltd. and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2024 are 87 million yen and 14 million yen, respectively.

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.

Ernst & Young ShinNihon LLC

Tokyo, Japan

September 20, 2024

中原 義勝

Yoshikatsu Nakahara

Designated Engagement Partner

Certified Public Accountant

大久保 豊

Yutaka Okubo

Designated Engagement Partner

Certified Public Accountant

Notes: The original copy of the above Independent Auditor's Report is in the custody of the Company—the submitter of this Annual Financial Report.