Financial Statements for the Fiscal Year Ended March 31, 2023

Contents

Consolidated Balance Sheet

Daiichi Jitsugyo Co., Ltd. And Consolidated Subsidiaries
March 31, 2023

	Millions of yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2023**	2022	**2023**
Current assets:			
Cash and cash equivalents (Note 17)	**¥ 32,309**	¥ 26,782	**$ 241,964**
Time deposits (Note 17)	**2,208**	1,640	**16,542**
Receivables (Note 17):			
Notes receivable	**1,223**	2,312	**9,161**
Accounts receivable	**34,441**	32,866	**257,931**
Unconsolidated subsidiaries and associated companies	**48**	5	**364**
Other	**4,387**	2,727	**32,859**
Contract assets (Note 13)	**2,387**		**17,880**
Securities (Notes 6 and 17)	**9**		**74**
Electronically recorded monetary claims (Note 17)	**7,141**	9,486	**53,484**
Inventories (Note 7)	**23,587**	21,345	**176,648**
Accounts prepaid	**25,434**	15,938	**190,480**
Other current assets	**2,221**	2,025	**16,639**
Allowance for doubtful receivables	**(125)**	(109)	**(936)**
Total current assets	**135,278**	115,021	**1,013,095**
Property, plant and equipment:			
Land	**527**	527	**3,952**
Buildings and structures	**2,857**	2,219	**21,399**
Machinery and equipment	**1,733**	1,475	**12,984**
Furniture and fixtures	**1,427**	1,458	**10,689**
Leased assets (Note 16)	**729**	909	**5,462**
Construction in progress	**47**	88	**359**
Total	**7,323**	6,679	**54,847**
Accumulated depreciation	**(4,123)**	(3,606)	**(30,882)**
Net property, plant and equipment	**3,200**	3,073	**23,964**
Investment and other assets:			
Investment securities (Notes 6 and 17)	**8,079**	7,745	**60,505**
Investments in unconsolidated subsidiaries and associated companies	**1,962**	2,113	**14,694**
Manufacturing and sales rights	**22**	45	**170**
Software	**1,356**	111	**10,156**
Long-term deposits	**734**	748	**5,498**
Deferred tax assets (Note 12)	**543**	484	**4,070**
Assets for retirement benefits (Notes 3 and 9)	**1,209**	1,270	**9,056**
Construction in progress (Software)	**33**	1,491	**253**
Other assets	**274**	271	**2,055**
Allowance for doubtful accounts	**(159)**	(142)	**(1,192)**
Total Investments and other assets	**14,056**	14,140	**105,269**
TOTAL	**¥152,535**	¥132,235	**$1,142,329**

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND EQUITY	**2023**	2022	**2023**
Current liabilities:			
Short-term bank loans (Notes 8 and 17)	**¥ 5,023**	¥ 6,962	**$ 37,618**
Current portion of long-term debt (Notes 8 and 17)	**120**	120	**898**
Payables (Note 17):			
Notes payable	**26**	45	**198**
Accounts payable	**32,755**	27,686	**245,304**
Unconsolidated subsidiaries and associated companies	**942**	950	**7,057**
Other	**699**	536	**5,236**
Income taxes payable	**1,439**	1,375	**10,779**
Accrued expenses	**2,381**	1,853	**17,837**
Advances received (Note 13)	**38,219**	27,362	**286,225**
Other current liabilities	**4,903**	4,399	**36,722**
Total current liabilities	**86,511**	71,292	**647,879**
Long-term liabilities:			
Long-term debt (Notes 8 and 17)	**240**	360	**1,797**
Liability for retirement benefits (Note 9)	**492**	463	**3,688**
Deferred tax liabilities (Note 12)	**1,123**	974	**8,413**
Other long-term liabilities	**509**	422	**3,818**
Total long-term liabilities	**2,365**	2,220	**17,717**
Commitments and contingent liabilities (Notes 16 and 18)			
Equity (Notes 10, 11, and 22)**:**			
Common stock, authorized - 32,000,000 shares issued - 11,086,400 shares in 2023 and 2022	**5,105**	5,105	**38,231**
Capital surplus	**3,826**	3,812	**28,657**
Stock acquisition rights	**96**	96	**719**
Retained earnings	**51,319**	46,683	**384,333**
Treasury stock, at cost 527,625 shares in 2023 and 377,294 shares in 2022	**(1,546)**	(858)	**(11,582)**
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	**2,991**	2,737	**22,399**
Deferred loss on derivatives under hedge accounting	**(217)**	(414)	**(1,626)**
Foreign currency translation adjustments	**1,800**	1,274	**13,482**
Defined retirement benefit plans	**220**	248	**1,654**
Total	**63,596**	58,684	**476,267**
Non Controlling Interests	**62**	38	**465**
Total equity	**63,658**	58,722	**476,732**
TOTAL	**¥152,535**	¥132,235	**$1,142,329**

Consolidated Statement of Income

Daiichi Jitsugyo Co., Ltd. And Consolidated Subsidiaries
Year ended March 31, 2023

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	**2023**
Net sales (Note 13)	**¥ 153,674**	¥148,075	**$1,150,859**
Cost of sales	**127,003**	123,936	**951,119**
Gross profit	**26,671**	24,138	**199,739**
Selling, general and administrative expenses (Notes 14 and 15)	**19,953**	17,271	**149,432**
Operating income	**6,717**	6,866	**50,307**
Other income (expenses):			
Interest and dividend income	**406**	327	**3,045**
Interest expense	**(45)**	(30)	**(341)**
Purchase discount	**199**	273	**1,493**
Accident related loss		(21)	
Loss on sales on property plant and equipment	**(12)**	(5)	**(95)**
Gain on sales of investment securities	**1,947**	237	**14,584**
Loss on valuation of investment securities	**(15)**		**(113)**
Loss on investments in silent partnerships	**(2)**	(29)	**(22)**
Other – net	**(153)**	412	**(1,153)**
Other income (expense) – net	**2,323**	1,163	**17,397**
Income before income taxes	**9,040**	8,030	**67,704**
Income taxes (Note 12)**:**			
Current	**2,814**	2,440	**21,080**
Deferred	**(47)**	215	**(356)**
Total income taxes	**2,767**	2,656	**20,724**
Net income	**6,273**	5,374	**46,980**
Net income attributable to non-controlling interests	**(43)**	11	**(323)**
Net income attributable to owners of the parent	**¥ 6,316**	¥ 5,363	**$ 47,303**
	Yen		U.S. Dollars (Note 1)
Per share of common stock (Notes 2u and 20)**:**			
Basic net income	**¥ 591.91**	¥ 501.02	**$ 4.43**
Diluted net income	**589.58**	498.97	**4.42**
Cash dividends applicable to the year (Note 10)	**178.0**	145.00	**1.33**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Daiichi Jitsugyo Co., Ltd. And Consolidated Subsidiaries
Year ended March 31, 2023

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	**2023**
Net income	**¥ 6,273**	¥ 5,374	**$ 46,980**
Other comprehensive income (Note 19):			
Unrealized gain (loss) on available-for-sale-securities	**253**	(361)	**1,897**
Deffered gain (loss) on derivatives under hedge accounting	**197**	(273)	**1,479**
Foreign currency translation adjustment	**540**	1,193	**4,048**
Defined retirement benefit plans	**(27)**	11	**(204)**
Total other comprehensive income	**964**	570	**7,221**
Comprehensive income	**¥ 7,237**	¥ 5,944	**$ 54,201**
Total comprehensive income attributable to :			
Owners of the parent	**¥ 7,265**	¥ 5,932	**$ 54,412**
Non-controlling interests	**(28)**	12	**(210)**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Daiichi Jitsugyo Co., Ltd. And Consolidated Subsidiaries
Year ended March 31, 2023

	Thousands	Millions of yen											
							Accumulated other comprehensive income (loss)						
	Number of shares of common stock outstanding	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Deferred loss on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Non-controlling interests	Total equity
BALANCE, APRIL 1, 2021	10,691	¥ 5,105	¥3,788	¥ 107	¥ 42,436	¥ (895)	¥3,099	¥ (141)	¥ 81	¥ 237	¥53,818	¥ 26	¥ 53,845
Cumulative effects of accounting change					274						274		274
Restated balance	10,691	5,105	3,788	107	42,711	(895)	3,099	(141)	81	237	54,093	26	54,120
Net income attributable to owners of the parent					5,363						5,363		5,363
Cash dividends,¥145.00 per share					(1,390)						(1,390)		(1,390)
Purchase of treasury stock	(1)					(5)					(5)		(5)
Disposal of treasury stock	18		23			42					66		66
Net change in the year				(11)			(361)	(273)	1,192	11	557	12	569
BALANCE, MARCH 31, 2022	10,709	¥ 5,105	¥3,812	¥ 96	¥ 46,683	¥ (858)	¥2,737	¥ (414)	¥1,274	¥ 248	¥58,684	¥ 38	¥ 58,722
Cumulative effects of accounting change													
Restated balance	10,709	5,105	3,812	96	46,683	(858)	2,737	(414)	1,274	248	58,684	38	58,722
Adjustment of retained earning for newly consolidated subsidiaries					(83)						(83)		(83)
Net income attributable to owners of the parent					6,316						6,316		6,316
Cash dividends,¥178.00 per share					(1,596)						(1,596)		(1,596)
Purchase of treasury stock	(164)					(720)					(720)		(720)
Disposal of treasury stock	14		14			31					46		46
Net change in the year							253	197	525	(27)	949	23	972
BALANCE, MARCH 31, 2023	**10,558**	**¥ 5,105**	**¥3,826**	**¥ 96**	**¥ 51,319**	**¥(1,546)**	**¥2,991**	**¥ (217)**	**¥1,800**	**¥ 220**	**¥63,596**	**¥ 62**	**¥ 63,658**

	Thousands of U.S. Dollars (Note 1)											
						Accumulated other comprehensive income (loss)						
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Deferred loss on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Non-controlling interests	Total equity
BALANCE, MARCH 31, 2022	$ 38,231	$28,550	$ 719	$349,609	$ (6,429)	$20,502	$(3,105)	$ 9,545	$1,858	$439,482	$ 290	$ 439,772
Cumulative effects of accounting change												
Restated balance	38,231	28,550	719	349,609	(6,429)	20,502	(3,105)	9,545	1,858	439,482	290	439,772
Adjustment of retained earning for newly consolidated subsidiaries				(623)						(623)		(623)
Net income attributable to owners of the parent				47,303						47,303		47,303
Cash dividends,$1.33 per share				(11,956)						(11,956)		(11,956)
Purchase of treasury stock					(5,393)					(5,393)		(5,393)
Disposal of treasury stock		106			239					346		346
Net change in the year						1,897	1,479	3,936	(204)	7,108	174	7,283
BALANCE, MARCH 31, 2023	**$ 38,231**	**$28,657**	**$ 719**	**$384,333**	**$(11,582)**	**$22,399**	**$(1,626)**	**$13,482**	**$1,654**	**$476,267**	**$ 465**	**$ 476,732**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Daiichi Jitsugyo Co., Ltd. And Consolidated Subsidiaries
Year ended March 31, 2023

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
Operating activities:			
Income before income taxes and non controlling interests	¥ 9,040	¥ 8,030	$ 67,704
Adjustments for:			
Income taxes - paid	(2,601)	(2,190)	(19,485)
Depreciation and amortization	1,033	774	7,737
Gain on sales of investment securities	(1,947)	(237)	(14,584)
Loss on valuation of investment securities	15		113
Changes in operating assets and liabilities:			
(Increase) in allowanse for after - sales service		(542)	
Loss on investments in silent partnerships	2	29	22
(Increase) in notes and accounts receivable - trade	(99)	(9,303)	(747)
(Increase) in advance payments to suppliers	(9,014)	(1,477)	(67,508)
(Increase) in inventories	(2,028)	(6,009)	(15,191)
Increase (decrease) in notes and accounts payable - trade	4,694	(2,573)	35,158
Increase in advances from customers	10,058	5,087	75,325
Other - net	(212)	4,984	(1,588)
Total adjustments	(99)	(11,456)	(748)
Net cash provided by operating activities	8,940	(3,426)	66,956
Investing activities:			
(Increase) decrease in time deposit - net	(458)	475	(3,434)
Acquisition of property, plant and equipment	(498)	(215)	(3,735)
Proceeds from sales of property, plant and equipment	53	0	403
Purchase of intangible assets	(338)	(359)	(2,534)
Acquisition of marketable and investment securities	(227)	(779)	(1,702)
Proceeds from sales of investment securities	2,239	536	16,775
Payments for investments in capital	(79)	(52)	(591)
Payments of loans receivable	(2)	(1)	(20)
Collection of loans receivable	0	5	1
Payments of long-term deposits	(41)	(38)	(308)
Other - net	12	20	93
Net cash used in investing activities	660	(409)	4,946
Financing activities:			
(Decrease) increase in short-term bank loans - net	(1,907)	35	(14,287)
Repayment of long-term debt	(120)	(195)	(898)
Purchase of treasury stock	(720)	(5)	(5,393)
Dividends paid	(1,595)	(1,391)	(11,948)
Repayments of finance lease obligations	(211)	(186)	(1,584)
Other - net	(14)	0	(105)
Net cash used in financing activities	(4,569)	(1,742)	(34,218)
Foreign currency translation adjustment on cash and cash equivalents	301	1,093	2,259
Net increase (decrease) in cash and cash equivalents	5,333	(4,484)	39,944
Cash and cash equivalents of newly consolidated subsidiaries, beginning of year	193		1,447
Cash and cash equivalents,beginning of year	26,782	31,267	200,572
Cash and cash equivalents,end of year	¥ 32,309	¥ 26,782	$ 241,964

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Daiichi Jitsugyo Co., Ltd. And Consolidated Subsidiaries
Year ended March 31, 2023

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2022 consolidated financial statements to conform to the classifications used in 2023.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which DAIICHI JITSUGYO CO., LTD. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133.53 to $1, the approximate rate of exchange at March 31, 2023. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Amounts of less than one million yen and one thousand U.S. dollars have been rounded down to the nearest million and thousand in the presentation of the accompanying consolidated financial statements. As a result, the totals in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements as of March 31, 2023, include the accounts of the Company and its 17 significant (17 in 2022) subsidiaries (together, the "Group"). Consolidation of the remaining unconsolidated subsidiaries would not have a material effect on the accompanying consolidated financial statements.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

DC ENERGY GMBH was newly included in the scope of consolidation from the fiscal year ended March 31, 2023 as it became material.

DJK SOLAR SOLUTION CO., LTD. was excluded from the scope of consolidation from the fiscal year ended March 31, 2023 due to its liquidation.

Investments in one (one in 2022) associated company are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and other associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

The accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and 5) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

The accounting standard requires adjustments to be made to conform the associates' accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associates' financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (3) expensing capitalized development costs of R&D; (4) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (5) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

d. Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificates of deposit, commercial paper, and bond funds, all of which mature or become due within three months of the date of acquisition.

e. Inventories

Inventories are stated at the lower of cost, determined by the average cost method for merchandise and finished products and work in process, and by the first-in, first-out method for raw materials, or net selling value.

f. Marketable and Investment Securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:
i) held-to-maturity debt securities for which there is a positive intent and ability to hold to maturity are reported at amortized cost; and
ii) available-for-sale securities are reported at their fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.
Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, marketable and investment securities are reduced to net realizable value by a charge to income.

g. Property, Plant and Equipment

Property, plant and equipment are stated at cost.

Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is principally applied to the property, plant and equipment of consolidated foreign subsidiaries.

Depreciation of leased assets is computed by the straight-line method based on the lease term of the respective assets.

The range of useful lives is principally from 2 to 50 years for buildings; from 2 to 26 years for machinery, equipment, and vehicles; and from 2 to 20 years for furniture and fixtures.

h. Investment and Other Assets

Manufacture and selling rights are domestic exclusive rights to manufacturing, selling, and etc. of binary power generation systems. It is amortized by the straight-line method based on a 10-year prospective usable period.

Software is amortized by the straight-line method based on a 3 to 8-year prospective usable period.

i. Long-Lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group.

The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from continued use and eventual disposition of the asset or the net selling price at disposition.

j. Retirement and Pension Plans

The Company and certain consolidated subsidiaries have defined benefit pension plans and defined contribution pension plans for employees.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and are recognized in profit or loss over 14 years, no longer than the expected average remaining service period of the employees.

Retirement benefits for directors and Audit & Supervisory Board members of certain domestic consolidated subsidiaries are provided at the amount that would be required if all directors and Audit & Supervisory Board Members retired at the balance sheet date.

k. Asset Retirement Obligations

An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

l. Stock Options

The cost of employee stock options is measured based on the fair value at the date of grant and recognized as compensation expense over the vesting period as consideration for receiving goods or services. In the consolidated balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised.

m. Revenue Recognition

The Company and its consolidated subsidiaries handle goods and products related to the Plant & Energy Business, Energy Solutions Business, Industrial Machinery Business, Electronics Business, Automotive Business, Health care Business, and Aviation & Social Infrastructure Business. In selling these goods and products, it is deemed that customers acquire control over such goods and products and our performance obligations are fulfilled upon delivery or acceptance inspection. Accordingly, the Company recognizes revenue upon delivery or acceptance inspection. However, in export transactions, revenue is recognized when risk bearing is transferred to customers in accordance with trade terms defined mainly by Incoterms rules. Moreover, some transactions mainly in the Plant & Energy Business in which the role of the Company is considered to be an agent based on the contents of a relevant contract are accounted for on a net basis.

Meanwhile, revenue related to long-term contracted construction agreements for some transactions mainly in the Energy Solutions Business is recognized over time during which our performance obligations are fulfilled. The progress of the fulfillment of performance obligations is measured based on the ratio of costs incurred by the end of each reporting period to the total cost expected to be incurred. In addition, the Company recognizes revenue using the cost recovery method if the progress of the fulfillment of its performance obligations cannot be reasonably estimated but the costs incurred are expected to be recovered.

Transaction prices are calculated by deducting discounts, incentives, etc. from the consideration agreed in contracts with customers.

Considerations of transactions are generally received within a year from the fulfillment of the performance obligations and do not involve significant financial elements.

Revenue related to finance leases is recorded by recording sales and cost of sales on the date of commencement of a lease transaction.

n. Research and Development Costs

Research and development costs are charged to income as incurred.

o. Leases

(Lessee)
Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the balance sheet.

(Lessor)
Finance leases that are deemed to transfer ownership of the leased property to the lessee are recognized as lease receivables, and finance leases that are not deemed to transfer ownership of the leased property to the lessee are recognized as investments in lease.

p. Bonuses to Directors and Audit & Supervisory Board Members

Bonuses to directors and Audit & Supervisory Board members are accrued at the end of the year to which such bonuses are attributable.

q. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

r. Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. 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 forward exchange contracts.

s. Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

t. Derivatives and Hedging Activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income; and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts employed to hedge foreign exchange exposures for export sales and import purchases are measured at fair value and the unrealized gains/losses are deferred until maturity of the hedged transaction. Forward contracts applied for forecasted (or committed) transactions are also measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

Foreign currency forward contracts are utilized to hedge foreign currency exposures in procurement of machinery from overseas customers/suppliers. Trade account receivables/payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

u. Per Share Information

Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

v. New Accounting Pronouncements

- 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) Summary

These accounting standards and guidance define the accounting classification of income taxes in the case of taxation on other comprehensive income and the treatment of tax effects on sales of shares of subsidiaries, etc. in the case of application of the group taxation regime.

(2) Scheduled date of application

These accounting standards and guidance are scheduled to be applied from the beginning of the fiscal year ending March 31, 2025.

(3) Impact of the application

The amount of impact is under evaluation at the time of preparation of the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATE

Liability for retirement benefits and retirement benefit costs

(1) Carrying amounts

	Millions of yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Assets for retirement benefits (Note 9)	**¥ 1,209**	¥ 1,270	**$ 9,056**

(2) Information on the significant accounting estimate

Accounting estimate and prerequisite for liability for retirement benefits and retirement benefit costs is included in aforementioned 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES`s j. Retirement and Pension Plans.

Discount rate used in calculation for retirement benefits obligation is determined by considering the rate of yield of leading stock which is available from now to the time of payment of pension benefit.

Expected rate of return on plan assets is determined by considering present and future expected allocation of pension assets and present and future expected long term rate of return on the basis of various assets which compose the pension assets.

Used prerequisite and methods are judged as appropriate but in case of differences occur between prerequisite and actual conditions, or in case of the changes occur in prerequisite, then there is a possibility to have a significant effect on the recognized amount in the next consolidated fiscal year`s consolidated financial statements because these prerequisite include the unmanageable uncertainty.

4. ACCOUNTING CHANGE

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Fair Value Measurement Guidance") from the beginning of the consolidated fiscal year under review. Consequently, in accordance with the transitional treatment stipulated in Paragraph 27-2 of the Fair Value Measurement Guidance, the Company intends to prospectively apply the new accounting policy stipulated in the Fair Value Measurement Guidance.

This has no impact on the consolidated financial statements for the consolidated fiscal year under review.

5. CHANGE IN PRESENTATION

Prior to April 1, 2022, Purchase of treasury stock was included in the other among the financing activities section of the statement of cash flows.

Since during this fiscal year ended March 31,2023, the amount increased significantly due to the reason that the Company repurchased own shares in accordance with Article 156 of the Companies Act of Japan, as applied pursuant to Paragraph 3, Article 165 of the Companies Act of Japan, such amount is disclosed separately in the financing activities section of the statement of cash flows as of March 31, 2023.

The amount included in the other as of March 31, 2022, was ¥ 5 million.

6. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31,2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Current:			
Government bonds	**¥ 9**		**$ 74**
Non-current:			
Marketable equity securities	**¥ 7,178**	¥ 6,658	**$ 53,760**
Government bonds		9	
Other	**900**	1,077	**6,744**
Total	**¥ 8,089**	¥ 7,745	**$ 60,579**

The ¥9 million of government bonds are a mortgage for guarantee of dealings.

The costs and aggregate fair values of investment securities at March 31, 2023 and 2022, were as follows:

	Millions of yen			
March 31, 2023	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥2,987**	**¥4,312**	**¥ 121**	**¥7,178**
Held-to-Maturity	**¥ 9**	**¥ 0**		**¥ 10**

	Millions of yen			
March 31, 2022	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥2,681	¥4,029	¥ 52	¥6,658
Held-to-Maturity	¥ 9	¥ 0		¥ 10

	Thousands of U.S. Dollars			
March 31, 2023	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$ 22,372**	**$ 32,296**	**$ 909**	**$ 53,760**
Held-to-Maturity	**$ 74**	**$ 0**		**$ 74**

7. INVENTORIES

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

	Millions of yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Merchandise and finished products	**¥ 21,408**	¥ 19,402	**$ 160,328**
Work in process	**1,401**	1,392	**10,497**
Raw materials and supplies	**777**	550	**5,823**
Total	**¥ 23,587**	¥ 21,345	**$ 176,648**

8. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2023 and 2022, consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.40% to 6.29% and 0.42% to 1.40% at March 31, 2023 and 2022, respectively.

Long-term debt at March 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. Dollars
	2023	2022	2023
Loan from financial institution, due serially to 2025, with interest rates ranging to 0.45% (2023 and 2022)			
Unsecured	¥ 360	¥ 480	$ 2,695
Total	360	480	2,695
Less current portion	(120)	(120)	(898)
Long-term debt, less current portion	¥ 240	¥ 360	$ 1,797

Annual maturities of long-term debt as of March 31, 2023, were as follows:

Year ending March 31:	Millions of yen	Thousands of U.S. Dollars
2024	¥ 120	$ 898
2025	120	898
2026	120	898
2027 and thereafter		
Total	¥ 360	$ 2,695

In order to procure operating funds efficiently and stably, loan commitments were signed with five banks. The unused credit balance under those loans as of March 31, 2023, was as follows:

	Millions of yen	Thousands of U.S. Dollars
Maximum amount of the loan commitment	¥ 12,000	$ 89,867
Amount loaned	3,000	22,466
Unused credit balance	¥ 9,000	$ 67,401

9. RETIREMENT AND PENSION PLANS

The Company and certain domestic consolidated subsidiaries have severance payment plans for employees, directors, and Audit & Supervisory Board members.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. In certain circumstances, the Company might pay the severance premium on termination of employment.

The Company and certain domestic consolidated subsidiaries have non-contributory and contributory funded defined benefit pension plans for employees which cover their benefits. Other consolidated subsidiaries have unfunded retirement benefit plans.

The contributory funded defined benefit pension plan, which was established under the Japanese Welfare Pension Insurance Law, covers a substitutional portion of the governmental pension program managed by the Company on behalf of the government and a corporate portion established at the discretion of the Company.

The liability for retirement benefits for directors and Audit & Supervisory Board members was ¥24 million ($184 thousand) and ¥20 million at March 31, 2023 and 2022, respectively. The retirement benefits for directors and Audit & Supervisory Board members are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2023 and 2022, consisted of the following:

Contributory funded defined benefit pension plan

(1) The changes in defined benefit obligation for the years ended March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥ 3,727	¥ 3,608	$ 27,915
Current service cost	229	225	1,720
Interest cost	21	16	160
Actuarial (gains) losses	(169)	43	(1,271)
Benefits paid	(131)	(68)	(982)
Others	28	(97)	215
Balance at end of year	¥ 3,706	¥ 3,727	$ 27,758

(2) The changes in plan assets for the years ended March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥ 4,534	¥ 4,471	$ 33,955
Expected return on plan assets	29	23	224
Actuarial losses	(208)	(57)	(1,559)
Contributions from the employer	198	194	1,488
Benefits paid	(131)	(97)	(982)
Balance at end of year	¥ 4,423	¥ 4,534	$ 33,125

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Millions of yen		Thousands of U.S. Dollars
	2023	2022	2023
Funded defined benefit obligation	¥ 3,214	¥ 3,263	$ 24,070
Plan assets	(4,423)	(4,534)	(33,125)
	(1,209)	(1,270)	(9,055)
Unfunded defined benefit obligation	492	463	3,688
Net asset arising from defined benefit obligation	¥ (716)	¥ (806)	$ (5,368)

	Millions of yen		Thousands of U.S. Dollars
	2023	2022	2023
Liability for retirement benefits	¥ 492	¥ 463	$ 3,688
Assets for retirement benefits	(1,209)	(1,270)	(9,056)
Net asset arising from defined benefit obligation	¥ (716)	¥ (806)	$ (5,368)

(4) The components of net periodic benefit costs for the years ended March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2023	2022	2023
Service cost	¥ 229	¥ 225	$ 1,720
Interest cost	21	16	160
Expected return on plan assets	(29)	(23)	(224)
Amortization of prior service cost	24	(5)	186
Recognized actuarial (gains) losses	(27)	24	(206)
Unfunded retirement benefit plans cost	28	43	215
Extra retirement payment	38	23	289
Others	19	10	146
Net periodic benefit costs	¥ 305	¥ 315	$ 2,287

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

	Millions of yen		Thousands of U.S. Dollars
	2023	2022	2023
Prior service cost	¥ 24	¥ 24	$ 186
Actuarial (gains) losses	(66)	6	(495)
Total	¥ (41)	¥ 31	$ (308)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrecognized prior service cost	¥ 47	¥ 72	$ 357
Unrecognized actuarial gains	(385)	(451)	(2,887)
Total	¥ (337)	¥ (379)	$ (2,529)

(7) Plan assets

(1). Components of plan assets

Plan assets as of March 31, 2023 and 2022, consisted of the following:

	2023	2022
Debt investments	50.3%	57.9%
Equity investments	17.5	15.3
General account	5.4	5.0
Others	26.8	21.8
Total	100%	100%

(2). Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31,2023 and 2022, were set forth as follows:

	2023	2022
Discount rate	**1.2%**	0.7%
Expected rate of return on plan assets	**1.2%**	0.7%

The required amount of contribution to the defined-contribution plan for the Company and some of its consolidated subsidiaries was ¥115 million ($862 thousand) for the year ended March 31,2023.

10. EQUITY

Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria and, accordingly, the Board of Directors may declare dividens (except for dividens-in-kind) at any time during the fiscal year.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

11. STOCK OPTIONS

The stock options outstanding as of March 31, 2023, are as follows:

Stock Options	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2011 Stock Options	18 Persons	17,400 Shares	September 2, 2011	¥1 ($0.01)	From September 2, 2011 to September 1, 2041
2013 Stock Options	19 Persons	25,000 Shares	September 3, 2013	¥1 ($0.01)	From September 3, 2013 to September 2, 2043
2015 Stock Options	15 Persons	23,400 Shares	September 2, 2015	¥1 ($0.01)	From September 2, 2015 to September 1, 2045
2017 Stock Options	15 Persons	26,800 Shares	September 4, 2017	¥1 ($0.01)	From September 4, 2017 to September 3, 2047
2019 Stock Options	12 Persons	23,600 Shares	September 4, 2019	¥1 ($0.01)	From September 4, 2019 to September 3, 2049

The stock option activity is as follows:

For the Year ended March 31, 2023	2011 Stock Options (Shares)	2013 Stock Options (Shares)	2015 Stock Options (Shares)	2017 Stock Options (Shares)	2019 Stock Options (Shares)
Non-vested					
March 31, 2022 — Outstanding					
Granted					
Canceled					
Vested					
March 31, 2023 — Outstanding					
Vested					
March 31, 2022 — Outstanding	1,200	4,800	5,000	11,400	19,800
Vested					
Exercised					
Canceled					
March 31, 2023 — Outstanding	1,200	4,800	5,000	11,400	19,800
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
	($ 0.01)	($ 0.01)	($ 0.01)	($ 0.01)	($ 0.01)
Average stock price at exercise					
Fair value price at grant date	¥ 1,665	¥ 1,740	¥ 2,630	¥ 2,635	¥ 2,148
	($ 12.47)	($ 13.03)	($ 19.70)	($ 19.73)	($ 16.09)

12. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in normal effective statutory tax rate of 30.6% for the years ended March 31, 2023 and 2022.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Deferred tax assets:			
Allowance for doubtful accounts	**¥ 58**	¥ 52	**$ 436**
Allowance for bonus payable	**303**	293	**2,270**
Liability for retirement benefits	**104**	102	**785**
Evaluation loss on investment securities	**151**	155	**1,132**
Provision for product warranties	**59**	98	**445**
Investment in and advances to unconsolidated subsidiaries and associated companies	**290**	291	**2,172**
Revenue recognition for tax purposes	**616**	183	**4,618**
Impairment loss	**95**	442	**718**
Tax loss carryforwards	**72**	29	**540**
Inventory valuation loss	**143**	101	**1,073**
Other	**1,075**	847	**8,052**
Less valuation allowance	**(747)**	(625)	**(5,600)**
Total	**2,222**	1,974	**16,645**
Deferred tax liabilities:			
Unrealized gain on availablefor-sale securities	**(1,231)**	(1,122)	**(9,219)**
Assets for retirement benefits	**(341)**	(361)	**(2,555)**
Cost of sales recognition for tax purposes	**(528)**	(385)	**(3,957)**
Retained earnings in certain foreign countries	**(373)**	(457)	**(2,799)**
Other	**(327)**	(136)	**(2,456)**
Total	**(2,802)**	(2,463)	**(20,987)**
Net deferred tax liabilities	**¥ (579)**	¥ (489)	**$ (4,342)**

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2023 is as follows:

	Millions of yen						
March 31, 2023	1 year or less	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
Deferred tax assets relating to tax loss carryforwards						**¥ 72**	**¥ 72**
Less valuation allowances for tax loss carryforwards						**(72)**	**(72)**
Net deferred tax assets relating to tax loss carryforwards							

	Thousands of U.S. Dollars						
March 31, 2023	1 year or less	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
Deferred tax assets relating to tax loss carryforwards						**$540**	**$540**
Less valuation allowances for tax loss carryforwards						**(540)**	**(540)**
Net deferred tax assets relating to tax loss carryforwards							

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the Year ended March 31, 2023, with the corresponding figures for 2022, is as follows:

	2023	2022
Normal effective statutory tax rate	**30.6%**	30.6%
Expenses not deductible for income tax purposes	**1.8**	1.8
Exclusion from charges against revenue	**(6.8)**	(3.1)
Tax deduction	**(0.1)**	(0.3)
Per capita portion of inhabitant tax	**0.3**	0.3
Lower income tax rates applicable to income in certain foreign countries	**(0.6)**	(1.6)
Less valuation allowance	**1.1**	(0.5)
Elimination of inter-company dividend income	**5.0**	2.4
Retained earnings in certain foreign countries	**(0.9)**	1.7
Investment gain on equity method	**(0.1)**	(0.1)
Withholding tax on dividends from foreign subsidiaries	**1.1**	0.4
Other—net	**(0.8)**	1.5
Actual effective tax rate	**30.6%**	33.1%

13. REVENUE

(1) Disaggregation of Revenue

Revenues from contracts with customers on a disaggregated basis for the year ended March 31, 2023 and 2022, were as follows:

	Millions of yen								
	2023								
	Plant & Energy Business	Energy Solutions Business	Industrial Machinery Business	Electronics Business	Automotive Business	Healthcare Business	Aviation & Social Infrastructure Business	Other	Total
Geographical areas:									
Japan	**¥ 10,964**	**¥ 7,929**	**¥ 13,129**	**¥ 11,164**	**¥ 14,845**	**¥ 10,603**	**¥ 2,438**	**¥ 231**	**¥ 71,306**
China	**1,218**	**2,067**	**2,552**	**19,108**	**5,625**	**9**			**30,581**
Asia	**3,735**	**892**	**7,688**	**16,053**	**1,046**	**705**			**30,121**
U.S.A.	**975**	**1,290**	**170**	**1,282**	**9,843**	**60**	**79**		**13,701**
Europe	**292**	**6,329**	**225**	**940**	**97**	**56**	**0**		**7,942**
Other	**5**	**0**		**12**	**1**				**20**
Total	**¥ 17,192**	**¥ 18,509**	**¥ 23,766**	**¥ 48,561**	**¥ 31,459**	**¥ 11,435**	**¥ 2,518**	**¥ 231**	**¥153,674**

	Millions of yen								
	2022								
	Plant & Energy Business	Energy Solutions Business	Industrial Machinery Business	Electronics Business	Automotive Business	Healthcare Business	Aviation & Social Infrastructure Business	Other	Total
Geographical areas:									
Japan	¥ 7,807	¥ 13,368	¥ 9,979	¥ 9,634	¥ 15,463	¥ 10,070	¥ 2,459	¥ 179	¥ 68,962
China	957	1,061	3,115	25,159	7,425	1			37,719
Asia	2,439	58	5,715	14,735	1,204	954			25,108
U.S.A.	338	1,141	370	2,142	7,738	156	0		11,888
Europe	333	3,375	79	423	148	4	4		4,368
Other	5		15	3	0		2		27
Total	¥ 11,881	¥ 19,004	¥ 19,275	¥ 52,098	¥ 31,980	¥ 11,189	¥ 2,466	¥ 179	¥148,075

	Thousands of U.S. Dollars								
	2023								
	Plant & Energy Business	Energy Solutions Business	Industrial Machinery Business	Electronics Business	Automotive Business	Healthcare Business	Aviation & Social Infrastructure Business	Other	Total
Geographical areas:									
Japan	**$ 82,115**	**$ 59,382**	**$ 98,324**	**$ 83,613**	**$ 111,174**	**$ 79,407**	**$ 18,261**	**$ 1,734**	**$ 534,014**
China	**9,124**	**15,482**	**19,115**	**143,099**	**42,129**	**74**			**229,025**
Asia	**27,971**	**6,680**	**57,580**	**120,227**	**7,834**	**5,285**			**225,580**
U.S.A.	**7,306**	**9,665**	**1,275**	**9,601**	**73,715**	**450**	**593**		**102,609**
Europe	**2,191**	**47,400**	**1,689**	**7,040**	**732**	**420**	**2**		**59,477**
Other	**44**	**2**		**89**	**14**				**151**
Total	**$ 128,755**	**$ 138,614**	**$ 177,985**	**$ 363,671**	**$ 235,601**	**$ 85,638**	**$ 18,857**	**$ 1,734**	**$ 1,150,859**

Note: The "Other" segment is a business segment that is not included in the reportable segments and includes machinery and fixtures lease services and insurance agency business. The breakdown of lessors' revenue from leasing included in net sales to external customers is omitted as it is immaterial.

(2) Basic Information to Understand Revenues from Contracts with Customers

Basic information to understand revenues is as stated in "2. Summary of significant accounting policies m. Revenue recognition."

(3) Contract Balances

Receivables from contract with customers , contract assets and contract liabilities at the beginning and end of the years ended March 31 , 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Receivables from contracts with customers:			
Balance at beginning of year	**¥44,653**	¥34,635	**$ 334,405**
Balance at end of year	**42,844**	44,653	**320,857**
Contract assets:			
Balance at beginning of year			
Balance at end of year	**2,387**		**17,880**
Contract liabilities:			
Balance at beginning of year	**27,361**	21,345	**204,905**
Balance at end of year	**38,219**	27,361	**286,221**

(4) Transaction Prices Allocated to Remaining Performance Obligations

The following table shows the summary of the transaction prices allocated to remaining performance obligations that are unsatisfied as of March 31, 2023 and 2022:

	Millions of yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Within one year	**¥ 143,306**	¥ 90,779	**$1,073,214**
Exceeds one year	**56,996**	18,784	**426,841**
Total	**¥ 200,302**	¥ 109,564	**$1,500,056**

14. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the fiscal years ended March 31, 2023 and 2022, principally consisted of the following:

	Millions of yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Salaries and fees	**¥ 7,808**	¥ 6,841	**$ 58,476**
Retirement benefit costs	**378**	378	**2,836**
Depreciation and amortization	**818**	474	**6,129**
Research and development costs	**372**	397	**2,788**
Rental expense	**¥ 1,429**	¥ 1,369	**$ 10,707**

15. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the years ended March 31, 2023 and 2022, were ¥372 million ($2,788 thoutand) and ¥397 million, respectively.

16. LEASES

(1) As Lessee

Total rental expenses including lease payments under finance leases for the years ended March 31, 2023 and 2022, were ¥685 million ($5,134 thousand) and ¥752 million, respectively.

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2023	2022	**2023**
	Operating Leases	Operating Leases	Operating Leases
Due within one year	**¥ 489**	¥ 470	**$ 3,665**
Due after one year	**1,645**	302	**12,322**
Total	**¥ 2,134**	¥ 772	**$ 15,987**

(2) As Lessor

The Group leases machinery, equipment, and other assets.

Total rental revenues for the years ended March 31, 2023 and 2022, were ¥8 million ($63 thousand) and ¥214 million, respectively.

The minimum rental commitments under noncancellable operating leases at March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Due within one year	**¥ 99**	¥ 148	**$ 747**
Due after one year	**106**	133	**794**
Total	**¥ 205**	¥ 282	**$ 1,541**

17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly short-term debt, including bank loans, based on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets. Short-term bank loans are used to fund the Group's ongoing operations. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and Extent of Risks Arising from Financial Instruments

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are hedged by using forward foreign currency contracts.

Marketable and investment securities, mainly held-to-maturity securities and equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations. Payment terms of payables, such as trade notes and trade accounts, are mainly less than one year. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are hedged by using forward foreign currency contracts.

(3) Risk Management for Financial Instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at early stages. With respect to held-to-maturity financial investment, the Group manages its exposure to credit risk by limiting its funding to high credit rated bonds in accordance with its internal guidelines. Please see Note 18 for details about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2023 and 2022.

Market risk management (foreign exchange risk and interest rate risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts.

Interest rate swaps are used to manage exposure to market risks from changes in interest rates of loan payables.

Marketable and investment securities are managed by monitoring market values and the financial positions of issuers on a regular basis.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk by holding an adequate volume of liquid assets at the level of one month's sales volume, along with adequate financial planning by the corporate treasury department.

(4) Concentration of Credit Risk

There are no significant account receivables from any major customer of the Group as of March 31, 2023 and 2022.

(5) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Please see Note 18 for details on fair values of derivatives.

(a) Fair value of financial instruments

	Millions of yen		
At March 31, 2023	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	**¥ 32,309**	**¥32,309**	
Time deposits	**2,208**	**2,208**	
Receivables	**40,101**	**40,096**	**¥ (4)**
Electronically recorded monetary claims	**7,141**	**7,141**	
Marketable and investment securities			
Held-to-maturity	**9**	**10**	**0**
Equity securities	**7,178**	**7,178**	
Total	**¥ 88,950**	**¥88,945**	**¥ (4)**
Payables	**¥ 34,423**	**¥34,423**	**¥ (0)**
Short-term bank loans	**5,023**	**5,023**	
Long-term debt	**360**	**354**	**(5)**
Total	**¥ 39,806**	**¥39,801**	**¥ (5)**

	Millions of yen		
At March 31, 2022	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	¥ 26,782	¥ 26,782	
Time deposits	1,640	1,640	
Receivables	37,911	37,908	¥ (3)
Electronically recorded monetary claims	9,486	9,486	
Marketable and investment securities			
Held-to-maturity	9	10	0
Equity securities	6,658	6,658	
Total	¥ 82,489	¥ 82,486	¥ (2)
Payables	¥ 29,218	¥ 29,217	¥ (1)
Short-term bank loans	6,962	6,962	
Long-term debt	480	476	(3)
Total	¥ 36,661	¥ 36,655	¥ (5)

	Thousands of U.S. Dollars		
At March 31, 2023	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	**$ 241,964**	**$241,964**	
Time deposits	**16,542**	**16,542**	
Receivables	**300,316**	**300,282**	**$ (34)**
Electronically recorded monetary claims	**53,484**	**53,484**	
Marketable and investment securities			
Held-to-maturity	**74**	**74**	**0**
Equity securities	**53,760**	**53,760**	
Total	**$ 666,142**	**$666,108**	**$ (34)**
Payables	**$ 257,797**	**$257,795**	**$ (2)**
Short-term bank loans	**37,618**	**37,618**	
Long-term debt	**2,696**	**2,657**	**(38)**
Total	**$ 298,112**	**$298,071**	**$ (40)**

Cash and cash equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Time deposit

The carrying values of time deposit approximate fair value because of their short maturities.

Electronically recorded monetary claims

The carrying values of electronically recorded monetary claims approximate fair value because of their short maturities.

Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for marketable and investment securities by classification is included in Note 6.

Receivables and payables

The fair values of receivables and payables are measured at the amount to be received or paid at maturity discounted at the Group's assumed corporate discount rate. The foreign currency forward contracts are utilized to hedge foreign currency exposures in the procurement of raw machinery from overseas customers/suppliers. Trade account receivables/payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Short-term bank loans and long-term debt

The carrying values of short-term bank loans approximate fair value because of their short maturities. The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

Derivatives

Fair value information for derivatives is included in Note 18.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Investments in equity instruments that do not have a quoted market price in an active market	**¥2,798**	¥3,190	**$20,955**
Investments in investment limited partnerships (Silent partnership investment)	**¥ 64**		**$ 484**

(6) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of yen		
At March 31, 2023	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
Cash and cash equivalents	**¥ 32,309**		
Time deposits	**2,208**		
Receivables	**39,866**	**¥ 235**	
Electronically recorded monetary claims	**7,141**		
Marketable and investment securities			
Government bonds	**9**		
Total	**¥ 81,536**	**¥ 235**	

	Millions of yen		
At March 31, 2022	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
Cash and cash equivalents	¥ 26,782		
Time deposits	1,640		
Receivables	37,763	¥ 153	
Electronically recorded monetary claims	9,486		
Marketable and investment securities			
Government bonds		9	
Total	¥ 75,673	¥ 163	

	Thousands of U.S. Dollars		
At March 31, 2023	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
Cash and cash equivalents	**$ 241,964**		
Time deposits	**16,542**		
Receivables	**298,555**	**$ 1,761**	
Electronically recorded monetary claims	**53,484**		
Marketable and investment securities			
Government bonds	**74**		
Total	**$ 610,620**	**$ 1,761**	

- Please see Note 8 for annual maturities of long-term debt and Note 16 (1) for obligations under finance leases.

(7) Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level1: Fair values measured by using quoted prices(unadjusted) in active markets for identical assets or liabilities
Level2: Fair values measured by using inputs other than quoted prices included within Level1 that are observable for the assets or liabilities, either directly or indirectly
Level3: Fair values measured by using unobservable inputs for the assets or liabilities

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is categorized at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(a) The financial assets and liabilities measured at the fair values in the consolidated balance sheet

	Millions of yen			
At March 31, 2023	Level1	Level2	Level3	Total
Marketable and investment securities				
Available-for-sale securities				
Equity securities	**¥ 7,178**			**¥ 7,178**
Total	**¥ 7,178**			**¥ 7,178**
Derivative transactions				
Foreign currency forward contracts		**¥ (298)**		**¥ (298)**
Total		**¥ (298)**		**¥ (298)**

	Millions of yen			
At March 31, 2022	Level1	Level2	Level3	Total
Marketable and investment securities				
Available-for-sale securities				
Equity securities	¥ 6,658			¥ 6,658
Total	¥ 6,658			¥ 6,658
Derivative transactions				
Foreign currency forward contracts		¥ (625)		¥ (625)
Total		¥ (625)		¥ (625)

	Thousands of U.S. Dollars			
At March 31, 2023	Level1	Level2	Level3	Total
Marketable and investment securities				
Available-for-sale securities				
Equity securities	**$ 53,760**			**$ 53,760**
Total	**$ 53,760**			**$ 53,760**
Derivative transactions				
Foreign currency forward contracts		**$ (2,233)**		**$ (2,233)**
Total		**$ (2,233)**		**$ (2,233)**

(b) The financial assets and liabilities not measured at the fair values in the consolidated balance sheet

	Millions of yen			
At March 31, 2023	Level1	Level2	Level3	Total
Receivables		**¥ 40,096**		**¥ 40,096**
Marketable and investment securities				
Held-to-maturity securities				
Government bonds	**¥ 10**			**10**
Total	**¥ 10**	**¥ 40,096**		**¥ 40,106**
Payables		**¥ 34,423**		**¥ 34,423**
Long-term debt		**354**		**354**
Total		**¥ 34,778**		**¥ 34,778**

At March 31, 2022	Level1	Level2	Level3	Total
		Millions of yen		
Receivables		¥ 37,908		¥ 37,908
Marketable and investment securities				
Held-to-maturity securities				
Government bonds	¥ 10			10
Total	¥ 10	¥ 37,908		¥ 37,918
Payables		¥ 29,217		¥ 29,217
Long-term debt		476		476
Total		¥ 29,693		¥ 29,693

At March 31, 2023	Level1	Level2	Level3	Total
		Thousands of U.S. Dollars		
Receivables		**$300,282**		**$300,282**
Marketable and investment securities				
Held-to-maturity securities				
Government bonds	**$ 74**			**74**
Total	**$ 74**	**$300,282**		**$300,357**
Payables		**$257,795**		**$257,795**
Long-term debt		**2,657**		**2,657**
Total		**$260,452**		**$260,452**

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities

Marketable and investment securities

The fair values of listed equity securities and government bonds are measured at the quoted market prices. Since listed equity securities and government bonds are traded in active markets, the fair values of listed equity securities and government bonds are categorized as Level1.

Derivatives

The fair values of foreign currency forward contracts are measured by using discounted present value techniques considering observable inputs such as interest rates and foreign currency exchange rate, and are categorized as Level2.

Receivables

Receivables are first classified into groups based on maturities. Then, the fair values of receivables are measured by using discounted present value techniques considering assumptions including expected future cash flows and discount rates taking into account maturity and credit risk, and are categorized as Level2.

Payables

The fair values of each group of payables are measured by using discounted present value techniques considering assumptions including expected future cash flows and discount rates taking into account maturity and credit risk, and are categorized as Level2.

Long-term debt

The fair values of long-term debt are measured by using discounted present value techniques based on the interest rates that would be applicable to new similar types of borrowings with similar terms and remaining maturities, and are categorized as Level2.

18. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

All derivative transactions are entered into hedge foreign currency exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate their authorization.

Derivative Transactions to Which Hedge Accounting Is Not Applied

At March 31, 2023	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
	Millions of yen			
Foreign currency forward contracts:				
Selling				
S$	**¥ 715**	**¥18**	**¥ (19)**	**¥ (19)**
U.S.$	**600**	**266**	**(14)**	**(14)**
JP ¥	**322**		**16**	**16**
CNY	**4**		**0**	**0**
Buying				
JP ¥	**1,905**		**(0)**	**(0)**
U.S.$	**880**		**(5)**	**(5)**
S$	**51**		**0**	**0**
EURO€	**21**		**(0)**	**(0)**
Total	**¥ 4,501**	**¥285**	**¥ (24)**	**¥ (24)**

At March 31, 2022	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
	Millions of yen			
Foreign currency forward contracts:				
Selling				
S$	¥ 617		¥ (39)	¥ (39)
U.S.$	473		(51)	(51)
INR	107		(6)	(6)
JP ¥	92		9	9
CNY	27		(3)	(3)
EURO€	14		(0)	(0)
Buying				
JP ¥	1,487		(70)	(70)
U.S.$	561		21	21
S$	114		(0)	(0)
EURO€	1		0	0
Total	¥ 3,496		¥ (142)	¥ (142)

At March 31, 2023	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain (Loss)
	Thousands of U.S. Dollars			
Foreign currency forward contracts:				
Selling				
S$	**$ 5,358**	**$ 141**	**$ (148)**	**$ (148)**
U.S.$	**4,493**	**1,998**	**(108)**	**(108)**
JP ¥	**2,412**		**121**	**121**
CNY	**37**		**0**	**0**
Buying				
JP ¥	**14,270**		**(5)**	**(5)**
U.S.$	**6,592**		**(42)**	**(42)**
S$	**382**		**2**	**2**
EURO€	**163**		**(0)**	**(0)**
Total	**$ 33,711**	**$ 2,139**	**$ (181)**	**$ (181)**

Derivative Transactions to Which Hedge Accounting is Applied

At March 31, 2023	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
		Millions of yen		
Forecasted transactions				
Foreign currency forward contracts:				
Selling				
U.S.$	Order Backlog	**¥ 6,736**	**¥ 314**	**¥ 195**
CNY	〃	**3,262**	**156**	**(14)**
EURO€	〃	**1,677**	**919**	**(47)**
THB	〃	**69**		**(3)**
UK£	〃	**4**		**(0)**
Buying				
KRW	Released Order	**18,267**	**10,847**	**(459)**
EURO€	〃	**2,062**	**9**	**52**
U.S.$	〃	**2,051**	**143**	**2**
SW₣	〃	**1,623**	**231**	**(21)**
DKK	〃	**1,388**		**38**
CNY	〃	**889**		**(17)**
S$	〃	**4**		**0**
Assigned transactions				
Foreign currency forward contracts:				
Selling				
U.S.$	Receivables	**2,029**	**24**	Note2
CNY	〃	**725**	**0**	Note2
EURO€	〃	**190**		Note2
JP ¥	〃	**0**		Note2
Buying				
EURO€	Payables and other	**155**		Note2
U.S.$	〃	**125**		Note2
CNY	〃	**16**		Note2
SW₣	〃	**11**		Note2
DKK	〃	**2**		Note2
THB	〃	**1**		Note2
Total		**¥41,294**	**¥12,647**	**¥ (274)**

At March 31, 2022	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
		Millions of yen		
Forecasted transactions				
Foreign currency forward contracts:				
Selling				
U.S.$	Order Backlog	¥ 5,985	¥ 4	¥ (537)
CNY	〃	867		(66)
EURO€	〃	468		(15)
UK£	〃	25		(0)
JP ¥	〃	21		0
THB	〃	3		(0)
Buying				
U.S.$	Released Order	1,622	170	95
EURO€	〃	641	49	34
CNY	〃	60		3
SW₣	〃	19		1
DKK	〃	4		0
Assigned transactions				
Foreign currency forward contracts:				
Selling				
U.S.$	Receivables	2,175	1	Note 2
CNY	〃	737	87	Note 2
EURO€	〃	143		Note 2
S$	〃	2		Note 2
JP ¥	〃	2		Note 2
Buying				
U.S.$	Payables and other	391		Note 2
EURO€	〃	165		Note 2
CNY	〃	23		Note 2
Total		¥13,363	¥ 313	¥ (483)

At March 31, 2023	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
		Thousands of U.S. Dollars		
Forecasted transactions				
Foreign currency forward contracts:				
Selling				
U.S.$	Order Backlog	**$ 50,446**	**$ 2,351**	**$ 1,463**
CNY	〃	**24,431**	**1,173**	**(106)**
EURO€	〃	**12,559**	**6,887**	**(354)**
THB	〃	**517**		**(24)**
UK£	〃	**37**		**(1)**
Buying				
KRW	Released Order	**136,802**	**81,236**	**(3,443)**
EURO€	〃	**15,445**	**71**	**394**
U.S.$	〃	**15,365**	**1,073**	**19**
SW₣	〃	**12,156**	**1,734**	**(159)**
DKK		**10,394**		**288**
CNY	〃	**6,663**		**(128)**
S$	〃	**31**		**0**
Assigned transactions				
Foreign currency forward contracts:				
Selling				
U.S.$	Receivables	**15,198**	**180**	Note2
CNY	〃	**5,431**	**6**	Note2
EURO€	〃	**1,426**		Note2
JP ¥	〃	**0**		Note2
Buying				
EURO€	Payables and other	**1,166**		Note2
U.S.$	〃	**941**		Note2
CNY	〃	**123**		Note2
SW₣	〃	**85**		Note2
DKK	〃	**19**		Note2
THB	〃	**10**		Note2
Total		**$ 309,255**	**$94,715**	**$ (2,052)**

Notes: 1. The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.
2. Fair value of the foreign currency forward contracts assigned for receivables and payables is included in the fair value of receivables and payables disclosed at Note 17. (5) (a).

19. OTHER COMPREHENSIVE INCOME

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

	Millions of yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrealized gain (loss) on available-for-sale securities:			
Gain (loss) arising during the year	**¥ 2,309**	¥ (326)	**$ 17,296**
Reclassification adjustments to profit or loss	**(1,947)**	(236)	**(14,586)**
Amount before income tax effect	**361**	(563)	**2,710**
Income tax effect	**(108)**	201	**(812)**
Total	**253**	(361)	**1,897**
Deferred gain (loss) on derivatives under hedge accounting:			
Gain (loss) arising during the year	**286**	(393)	**2,143**
Amount before income tax effect	**286**	(393)	**2,143**
Income tax effect	**(88)**	120	**(664)**
Total	**197**	(273)	**1,479**
Foreign currency translation adjustments:			
Adjustments arising during the year	**540**	1,193	**4,048**
Total	**540**	1,193	**4,048**
Defined retirement benefit plans			
(Loss) gain arising during the year	**(37)**	0	**(277)**
Reclassification adjustments to profit or loss	**(2)**	19	**(20)**
Amount before income tax	**(39)**	20	**(298)**
Income tax effect	**12**	(9)	**94**
Total	**(27)**	11	**(204)**
Total other comprehensive income	**¥ 964**	¥ 570	**$ 7,221**

20. NET INCOME PER SHARE

A reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2023 and 2022, is as follows:

	Millions of yen	Thousands of Shares	Yen	U.S. Dollars
Year ended March 31, 2023	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS				
Net income available to common shareholders	**¥ 6,316**	**10,671**	**¥ 591.91**	**$ 4.43**
Effect of dilutive securities				
Warrants		**42**		
Diluted EPS				
Net income for computation	**¥ 6,316**	**10,713**	**¥ 589.58**	**$ 4.42**
Year ended March 31, 2022				
Basic EPS				
Net income available to common shareholders	¥ 5,363	10,704	¥ 501.02	$ 4.09
Effect of dilutive securities				
Warrants		43		
Diluted EPS				
Net income for computation	¥ 5,363	10,748	¥ 498.97	$ 4.08

21. SUBSEQUENT EVENTS

a) Appropriations of retained earnings

The following appropriations of retained earnings at March 31, 2023, were approved at the shareholders' meeting of the Company held on June 22, 2023:

	Millions of yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥114.00 ($0.85) per share	¥1,203	$9,014

b) Stock Split and Partial Amendment to the Articles of Incorporation in Connection with Stock Split

At the Board of Directors meeting on May 30, 2023, the Company resolved to carry out a stock split.

1. Purpose of the stock split

The aim is to reduce the amount per investment unit of the Company's shares, thereby further expanding the range of investors and enhancing the liquidity of the Company's shares.

2. Method of the stock split

With Saturday, September 30, 2023, as the record date, each share of the Company's common stock held by shareholders who are listed or recorded in the shareholders registry as of the end of September 30, 2023, will be split at a ratio of 3 for 1.

3. Number of shares to be increased by the stock split

Total number of shares issued before the stock split	11,086,400 shares
Number of shares to be increased by the stock split	22,172,800 shares
Total number of shares issued after the stock split	33,259,200 shares
Total number of shares authorized after the stock split	96,000,000 shares

4. Schedule for the stock split

Date of public notice of record date	Friday, September 15, 2023
Record date	Saturday, September 30, 2023 (substantially September 29)
Effective date	Sunday, October 1, 2023

5. Effect on per-share information

If the stock split had been carried out at the beginning of the previous fiscal year, the per-share information would be as follows.

	Millions of yen		Thousands of U.S. Dollars
	2023	2022	2023
Net assets per share of common stock	**¥2,004.65**	¥1,823.62	**$15.01**
Net income per share of common stock	**197.30**	167.01	**1.48**
Diluted net income per share of common stock	**¥ 196.53**	¥ 166.32	**$ 1.47**

6. Other

There will be no changes in the amount of capitalization upon this stock split.

7. Partial amendment to the Articles of Incorporation in connection with the stock split

(1) Reason for the amendment to the Articles of Incorporation
Following the stock split, the Articles of Incorporation of the Company will be partially amended, effective from Sunday, October 1, 2023, in accordance with Article 184, Paragraph 2 of the Companies Act.

(2) Details of amendment to the Articles of Incorporation
Details of the amendment are as follows.

(Amended parts are underlined.)

Current Articles of Incorporation	After the Amendment
(Total number of shares authorized to be issued) Article 5. The total number of shares authorized to be issued by the Company shall be 32,000,000 shares.	(Total number of shares authorized to be issued) Article 5. The total number of shares authorized to be issued by the Company shall be 96,000,000 shares.

(3) Schedule of amendment to the Articles of Incorporation
Effective Date Sunday, October 1, 2023

c) Business Combination through Acquisition

At the Board of Directors meeting on June 14, 2023, the Company resolved to acquire all of the shares of Wave Engineering Corporation (hereinafter "Wave Engineering") and make it a subsidiary. The Company concluded a share transfer agreement on June 30, 2023, and subsequently acquired all the shares on July 31, 2023.

1. Summary of business combination

(1) Name and details of business of acquiree

Name:	Wave Engineering Corporation
Details of business:	Design, production, and consultation related to machinery and parts for a variety of plants, including but not limited to petrochemical and fertilizer plants

(2) Main reason for business combination

As a supplier of industrial machinery for customers in Japan and around the world, the Company is conducting business in seven fields as a solution provider in tune with global demands.

Wave Engineering, which is now incorporated into the Group, specializes in Feasibility Study (FS) and Front End Engineering Design (FEED). It is involved in the sales of software from Aspen Technology, Inc., based in the USA, utilizes said software for simulation purposes, and offers design and consultancy services for oil, petrochemical, and chemical plants, among its other businesses. Moreover, the shift towards carbon neutrality is increasing opportunities to explore and consider hydrogen and ammonia.

The collaborative integration of Wave Engineering brings together its robust simulation engineering prowess with the Group's existing plant engineering functionalities. This synergy will propel the Company closer to its ambition of being a next-generation engineering trading firm, delivering one-stop engineering solutions (FS-FEED-EPC) and fortifying its engineering stature.

Looking ahead, Wave Engineering's collaborative endeavors with the Company's Engineering Division, the group company, Daiichi Engineering Co., Ltd., which is involved in the design, procurement, and construction of environment-related plant facilities, and Tsubame BHB Co., Ltd., in which the Company has invested, will be pivotal. This alliance will seek to contribute to the sustainability of the global environment, focusing on innovative production processes and the design of plants dedicated to blue and green ammonia synthesis.

In addition to the plant & energy industries, the Company also envisions Wave Engineering playing a significant role in the Group's other businesses, including the automotive business, healthcare business, and aviation & social infrastructure business.

This share acquisition represents a conduit to harness mutual synergies and impact the development of a variety of industries through the creation of new businesses and the opening up of the carbon-neutral market, leading to further growth of the Group and elevation of its corporate value.

(3) Date of business combination
July 31, 2023 (Deemed acquisition date: September 30, 2023)

(4) Legal form of business combination
Share acquisition with cash consideration

(5) Name of entity after business combination
No change

(6) Ratio of voting rights to be acquired
100.0%

(7) Main grounds for determining acquirer
Due to the Company's acquisition of shares with cash consideration

2. Acquisition cost of acquiree and the breakdown by type of consideration

Consideration for acquisition	Cash	¥1,120 million
Acquisition cost		¥1,120 million

3. Breakdown and amount of main acquisition-related costs

Advisory service fees and other charges:¥68 million

4. Amount, reason, method, and period of amortization with respect to goodwill incurred

Not determined at this time.

5. Amount and breakdown of main assets acquired and liabilities assumed on the date of business combination

Not determined at this time.

22. SEGMENT INFORMATION

The Group is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and for which such information is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. As such, the Group's reportable segments consist of the Plant & Energy Business, Industrial Machinery Business, Electronics Business, Automotive Business, Pharmaceuticals Business, and Aviation Business.

- Plant & Energy Business: Machinery and equipment for energy development and production, oil and gas refining, chemical, engineering, construction, and pulp and paper industries.
- Energy Solutions Business: Machinery and equipment for Lithium - ion battery production.
- Industrial Machinery Business: Machinery and equipment for plastics, rubber, steel, and food industries.
- Electronics Business: Machinery and equipment for the industries of electronics, IT, electric machinery, precision, optical, audio, and musical instruments.
- Automotive Business: Machinery and equipment for automotive industries.
- Health care Business: Machinery and equipment for pharmaceuticals and medical industries.
- Aviation & Social Infrastructure Business: Machinery and equipment for aviation and disaster prevention.

(2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, Liabilities and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies". The profit showing in the Group`s reportable segments are arranged on the basis of operating income.

(3) Information about Sales, Profit (Loss), Assets, Liabilities and Other Items

Millions of yen

2023

	Reportable segments											
	Plant & Energy Business	Energy Solutions Business	Industrial Machinery Business	Electronics Business	Automotive Business	Health care Business	Aviation & Social Infra-structure Business	Subtotal	Other	Total	Recon-ciliations	Consolidated
Sales												
Sales to external customers	¥17,192	¥18,509	¥23,766	¥48,561	¥31,459	¥11,435	¥2,518	¥153,442	¥231	¥153,674		¥153,674
Intersegment sales or transfers	508	532	468	263	601	72		2,447		2,447	(2,447)	
Total	17,701	19,041	24,234	48,824	32,061	11,507	2,518	155,890	231	156,121	(2,447)	153,674
Segment profit (loss)	855	(68)	642	3,215	909	1,192	(45)	6,701	(93)	6,607	109	6,717
Segment assets	22,933	19,101	19,195	36,766	19,440	11,352	3,384	132,174	374	132,549	19,985	152,535
Other:												
Depreciation	80	1	41	81	53	95	18	374	102	476	556	1,033
Investment in an equity method company			1,290					1,290		1,290		1,290
Increase in property, plant and equipment and intangible assets	¥ 9		¥ 26	¥ 67	¥ 86	¥ 115	¥ 13	¥ 318	¥ 120	¥ 439	¥ 397	¥ 837

Millions of yen

2022

	Reportable segments											
	Plant & Energy Business	Energy Solutions Business	Industrial Machinery Business	Electronics Business	Automotive Business	Health care Business	Aviation & Social Infra-structure Business	Subtotal	Other	Total	Recon-ciliations	Consolidated
Sales												
Sales to external customers	¥11,881	¥19,004	¥19,275	¥52,098	¥31,980	¥11,189	¥2,466	¥147,895	¥179	¥148,075		¥148,075
Intersegment sales or transfers	39	607	568	911	460	6		2,594	27	2,622	(2,622)	
Total	11,921	19,612	19,843	53,009	32,441	11,195	2,466	150,489	207	150,697	(2,622)	148,075
Segment profit (loss)	610	696	646	3,125	1,238	1,161	(79)	7,398	(118)	7,280	(413)	6,866
Segment assets	17,520	20,974	16,672	34,905	15,289	10,454	2,237	118,055	541	118,597	13,637	132,235
Other:												
Depreciation	106	2	29	60	41	137	38	417	86	503	270	774
Investment in an equity method company			1,254					1,254		1,254		1,254
Increase in property, plant and equipment and intangible assets	¥ 5		¥ 58	¥ 64	¥ 38	¥ 131	¥ 8	¥ 306	¥ 26	¥ 333	¥ 387	¥ 720

	Plant & Energy Business	Energy Solutions Business	Industrial Machinery Business	Electronics Business	Automotive Business	Health care Business	Aviation & Social Infra-structure Business	Subtotal	Other	Total	Recon-ciliations	Consolidated
	Thousands of U.S. Dollars											
	2023											
	Reportable segments											
Sales												
Sales to external customers	**$ 128,755**	**$ 138,614**	**$ 177,985**	**$ 363,671**	**$ 235,601**	**$ 85,638**	**$ 18,857**	**$ 1,149,124**	**$ 1,734**	**$ 1,150,859**		**$1,150,859**
Intersegment sales or transfers	**3,807**	**3,990**	**3,508**	**1,972**	**4,507**	**543**		**18,329**		**18,329**	**(18,329)**	
Total	**132,562**	**142,604**	**181,493**	**365,644**	**240,108**	**86,182**	**18,857**	**1,167,454**	**1,734**	**1,169,189**	**(18,329)**	**1,150,859**
Segment profit (loss)	**6,407**	**(510)**	**4,809**	**24,082**	**6,811**	**8,926**	**(343)**	**50,183**	**(698)**	**49,485**	**822**	**50,307**
Segment assets	**171,750**	**143,051**	**143,755**	**275,340**	**145,587**	**85,015**	**25,348**	**989,849**	**2,808**	**992,658**	**149,671**	**1,142,329**
Other:												
Depreciation	**605**	**12**	**311**	**613**	**401**	**717**	**141**	**2,803**	**764**	**3,568**	**4,169**	**7,737**
Investment in an equity method company			**9,666**					**9,666**		**9,666**		**9,666**
Increase in property, plant and equipment and intangible assets	**$ 74**		**$ 198**	**$ 501**	**$ 645**	**$ 865**	**$ 98**	**$ 2,384**	**$ 905**	**$ 3,290**	**$ 2,979**	**$ 6,270**

Notes: 1) Transfers between segments are made at arm's-length prices.
2) Segment profit is adjusted to ensure consistency with the operating income set forth in the consolidated statements of income.
3) No impairment loss was recognized in 2023 and 2022.
4) Segment assets`s reconcilations amount for the years ended March 31, 2023 and 2022, were ¥19,985 million ($149,671 thousand) and ¥13,637 million, respectively include the amount classified as an entire company`s assets which haven`t allocated to the each segments. The major amount are the parent comapny`s surplus funds(cash and fixed term deposit) and funds for long term investment(Investment securities) and assets related to management division.

(4) Information about products and services

Information about products and services is omitted as it is presented in the description of reportable segments.

(5) Information about geographical areas

a. Sales

Japan	China	Asia	Americas	Europe	Other	Total
			Millions of yen			
			2023			
¥71,306	**¥30,581**	**¥30,121**	**¥13,701**	**¥7,942**	**¥20**	**¥153,674**
			Millions of yen			
			2022			
Japan	China	Asia	Americas	Europe	Other	Total
¥68,962	¥37,719	¥25,108	¥11,888	¥4,368	¥27	¥148,075
			Thousands of U.S. Dollars			
			2023			
Japan	China	Asia	Americas	Europe	Other	Total
$534,014	**$229,025**	**$225,580**	**$102,609**	**$59,477**	**$151**	**$1,150,859**

Notes: Sales are classified by country or region based on the location of customers.

b. Property, plant and equipment

Japan	Asia	Other	Total
	Millions of yen		
	2023		
¥2,397	**¥467**	**¥334**	**¥3,200**
	Millions of yen		
	2022		
Japan	Asia	Other	Total
¥2,656	¥325	¥92	¥3,073
	Thousands of U.S. Dollars		
	2023		
Japan	Asia	Other	Total
$17,954	**$3,504**	**$2,506**	**$23,964**

Deloitte.

Deloitte Touche Tohmatsu LLC
Marunouchi Nijubashi Building
3-2-3 Marunouchi
Chiyoda-ku, Tokyo 100-8360
Japan

Tel: +81 (3) 6213 1000
Fax: +81 (3) 6213 1005
www2.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Daiichi Jitsugyo Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Daiichi Jitsugyo Co., Ltd. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside 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 provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Timing of sales based on satisfaction of performance obligations upon customer acceptance	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
The Group recognized net sales of JPY 153,674 million on the consolidated statement of income for the year ended March 31, 2023, of which JPY 99,164 million or 64.5% was sales with performance obligations that are satisfied upon customer acceptance and consisted mainly of the sales recorded by Daiichi Jitsugyo Co., Ltd. (the "Company"). The Group operates seven businesses, including businesses in plant and energy, industrial machinery and electronics, and has a wide variety of products. From the customer's perspective, the Company's products are considered to be fixed assets, such as machinery equipment. As such, the products are tailored for each customer. Therefore, the majority of the Group's sales transactions are recognized based on satisfaction of performance obligations upon customer acceptance. The Group reviews and approves evidence of customer acceptance in determining the appropriateness of timing of the sales prior to recognizing the revenue. Due to the nature of the products mentioned above, the Group's customers may issue an evidence for acceptance at various timings or in various forms for each transaction. When an evidence for acceptance is provided by the customer's procurement personnel at the delivery site, significant judgment is required to determine whether customer acceptance is fully satisfied. In addition, a large portion of sales from domestic customers or their foreign affiliates tends to be recognized in March due to the timing of their capital investment budgets and purchasing budgets. The determination of whether customer acceptance has been satisfied by the end of the fiscal year has a significant impact on the consolidated financial statements and the amount of net sales is one of the key performance indicators of the Group. Based on above, we identified the appropriateness of timing of sales recognized based on satisfaction of performance obligation upon customer acceptance as a key audit matter.	Audit procedures related to the appropriateness of timing of sales recognized based on satisfaction of performance obligation upon customer acceptance included the following, among others: (1) Evaluation of Internal control —We tested the design and operating effectiveness of controls over the appropriateness of the timing of sales recognized, including the review and approval of sales recognition based on evidence such as acceptance certificates and the monitoring of collections of accounts receivable. (2) Inspection of the timing of sales recognized upon customer acceptance —We tested the timing of sales recognized upon acceptance provided by the customer's procurement personnel near the year-end by inquiring of the sales representatives to obtain an understanding of those considerations, and inspecting sales orders, acceptance certificates and bank statements or payments notice issued by the administrative department of the customer for the following specified transactions: 1. Sales where the initial delivery dates were planned in the next year or were not decided 2. Sales where the timing from the order to sales recognition was shorter than the Group's standard transactions 3. Sales where the cost of sales was additionally recognized, and the gross profit margin was negative in the following year —We selected samples of other sales recognized upon customer acceptance provided by the procurement personnel and inspected sales orders, acceptance certificates and so forth for the selected samples.

Information Other than the Financial Statements and Auditor's Report Thereon

Other information comprises the information included in the Group's disclosure documents accompanying the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. 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. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of 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 whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as 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.

- 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 Audit & Supervisory Board members and the Audit & Supervisory Board 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 Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

October 20, 2023