(English Translation)

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(Securities code: 6113)
Date of commencement of electronic provision measures: June 5, 2024

To our shareholders:

Takaaki Yamanashi
Representative Director, President, Corporate Officer
AMADA CO., LTD.
200, Ishida, Isehara-shi, Kanagawa, Japan

Others Matters Subject to the Electronic Provision Measures (Matters Omitted from Documents to be Delivered) for the 86th Ordinary General Meeting of Shareholders

Consolidated Statement of Changes in Equity

(from April 1, 2023 to March 31, 2024)

(Millions of yen; amounts less than one million yen are truncated.)

	Equity attributable to owners of parent			
	Share capital	Capital surplus	Retained earnings	Treasury shares
Balance at April 1, 2023	54,768	143,883	288,300	(12,099)
Profit	–	–	40,638	–
Other comprehensive income	–	–	–	–
Comprehensive income	–	–	40,638	–
Dividends	–	–	(17,603)	–
Purchase of treasury shares	–	(3)	–	(20,004)
Disposal of treasury shares	–	0	–	0
Cancellation of treasury shares	–	(23,343)	–	23,343
Transfer from other components of equity to retained earnings	–	–	(258)	–
Total transactions with owners	–	(23,347)	(17,861)	3,338
Balance at March 31, 2024	54,768	120,536	311,076	(8,760)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Other components of equity					Total		
	Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Share of other comprehensive income of investments accounted for using equity method	Total			
Balance at April 1, 2023	–	1,378	27,881	13	29,273	504,127	4,393	508,521
Profit	–	–	–	–	–	40,638	190	40,828
Other comprehensive income	(258)	40	22,719	6	22,507	22,507	338	22,846
Comprehensive income	(258)	40	22,719	6	22,507	63,145	529	63,675
Dividends	–	–	–	–	–	(17,603)	(187)	(17,791)
Purchase of treasury shares	–	–	–	–	–	(20,008)	–	(20,008)
Disposal of treasury shares	–	–	–	–	–	0	–	0
Cancellation of treasury shares	–	–	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	258	–	–	–	258	–	–	–
Total transactions with owners	258	–	–	–	258	(37,611)	(187)	(37,799)
Balance at March 31, 2024	–	1,418	50,600	20	52,039	529,661	4,735	534,396

Notes to the Consolidated Financial Statements

(Notes on the Basis for Preparation of Consolidated Financial Statements)

Standards for preparation of consolidated financial statements

The Company Group's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS"), pursuant to Article 120, Paragraph 1 of the Regulation on Corporate Accounting. Pursuant to the second sentence of the paragraph, certain disclosure items required under IFRS are omitted in the consolidated financial statements.

1. Scope of consolidation

Number of consolidated subsidiaries:	85
Names of principle consolidated subsidiaries:	Domestic ・ AMADA MACHINERY CO., LTD. and 13 other companies Overseas ・ AMADA NORTH AMERICA, INC. ・ AMADA EUROPE S.A. ・ AMADA UNITED KINGDOM LTD. ・ AMADA GmbH and 67 other companies
Companies newly included in the scope of consolidation:	AMADA SERVICES EUROPE S.A.S. (newly established)
Companies excluded from the scope of consolidation:	AMADA AI INNOVATION LABORATORY Inc. (dissolved through liquidation)

2. Application of the equity method

Number of associates accounted for using equity method:	3
Names of associates accounted for using equity method:	Domestic ・ AMADA LEASE CO., LTD. ・ Fist Co., Ltd. Overseas ・ AMADA LIANYUNGANG MACHINE TECH CO., LTD.

3. Accounting policies

(1) Basis of consolidation

1) Subsidiaries

Subsidiaries are entities (including business entities without corporate status, such as partnerships) which are controlled by the Company Group. An investor is deemed to control an investee only when the investor possesses all of the following elements:

- Power over an investee
- Exposure or rights to variable returns from its involvement with an investee
- Ability to exercise power over an investee to affect the amount of returns of an investor

Control by the Company Group is determined based on a comprehensive evaluation on the status of voting rights or other similar rights and terms of contracts related to an investee.

Subsidiaries' non-consolidated financial statements are included in the Company Group's consolidated financial statements from the day on which the Company acquired control over the subsidiary to the day on which the Company loses control over the subsidiary.

As certain subsidiaries are required by the local legal systems, under which they are governed, to have a different closing date from that of the Company, it is practically impossible to unify their closing dates and therefore they adopt closing dates that differ from that of the Company. If the closing date of a subsidiary differs from that of the Company, financial figures of the subsidiary based on provisional accounting prepared as of the consolidated closing date are used in the consolidated financial statements.

The Company Group prepares consolidated financial statements using unified accounting policies for transactions and events in similar circumstances.

All intergroup transactions, receivables and payables balances, and any unrealized gains and losses arising from intergroup transactions are eliminated in preparing the consolidated financial statements. Total comprehensive income is attributed to owners of parent and non-controlling interests even if the non-controlling interests are in negative balances.

Of the changes in ownership interests in subsidiaries, those that do not result in a loss of control over subsidiaries are accounted for as equity transactions.

2) Associates

Associates are entities over which the Company Group has significant influence but does not have control to govern decision-making on financial and operating policies. Significant influence is presumed to exist when the Company Group holds between 20% and 50% of the voting rights of an entity. Another element considered in the judgment on whether or not the Company Group has significant influence is attendance at the Board of Directors' meetings. If the Company Group holds less than 20% of the voting rights of an investee, it is presumed that the Company Group does not have significant influence, unless significant influence is unambiguously proven.

Investments in associates are accounted for using the equity method from the day on which the Company Group begins to have significant influence to the day on which the Company Group loses its influence. As certain associates are required by the local legal systems, under which they are governed, to have a different closing date from that of the Company, it is practically impossible to unify their closing dates and therefore they adopt closing dates that differ from that of the Company. If the closing date of an associate differs from that of the Company, necessary adjustments are made in the consolidated financial statements for the effects of significant transactions or events that occur between the closing date of the associate and that of the Company. Profit or loss, other comprehensive income, and net assets considered in applying the equity method are the amounts recognized in the associates' non-consolidated financial statements with certain adjustments necessary for applying unified accounting policies made. In the equity method, at the time of initial recognition, investments in associates are recognized at cost and carrying amounts are increased or decreased to recognize an investor's interests in an investee's profit or loss and other comprehensive income after the share acquisition date. Additional losses after reducing the equity in an investee to zero are recognized as liabilities to the extent of the amount of legal obligation and constructive obligation incurred by the Company Group or the amount the Company Group pays on behalf of the associate.

(2) Business combinations

Business combinations are accounted for by the acquisition method.

An acquisition price is measured at the total sum of fair values of the assets transferred by the Company Group, liabilities assumed by the Company Group, and equity interests issued by the Company Group as of the acquisition date. In certain cases, contingent considerations are included in the acquisition price.

An acquiree's identifiable assets, liabilities, and contingent liabilities that satisfy the requirements for recognition pursuant to IFRS 3 *Business Combinations* are measured at fair values as of the acquisition date, except for the following cases:

- Deferred tax assets (or deferred tax liabilities) and liabilities or assets related to employee benefit contracts are recognized and measured in accordance with International Accounting Standard ("IAS") 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively.
- Liability or equity instruments related to share-based payment transactions of an acquiree or a portion of liability or equity instruments associated with the replacement of an acquiree's share-based payment transaction to an acquirer's share-based payment transaction are measured at the acquisition date in accordance with the method in IFRS 2 *Share-based Payment*.
- Assets or disposal groups classified as held for sale pursuant to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with the standard.

Goodwill is measured as an excess amount when an acquisition price exceeds the fair values of identifiable assets and liabilities as of the acquisition date. If the excess amount is negative, it is immediately recognized as profit or loss.

Acquisition-related costs incurred in achieving business combinations are recognized as profit or loss as incurred.

If the initial accounting for a business combination is incomplete by the end of the fiscal year in which the business combination occurs, the Company Group reports provisional amounts for the items for which the accounting is incomplete. During the 'measurement period' (which cannot exceed one year from the acquisition date), the provisional amounts recognized at the acquisition date are adjusted retrospectively to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, additional assets or liabilities are also recognized if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date.

(3) Foreign currencies

1) Functional currency and presentation currency

Non-consolidated financial statements of Group companies are prepared in the respective functional currencies. The Company Group's consolidated financial statements are presented in Japanese yen, which is the Company's functional currency.

2) Foreign currency transactions

Foreign currency transactions are translated into functional currencies using the spot exchange rate as of the date of the transactions. At the end of each fiscal year, monetary items denominated in foreign currencies are translated into functional currencies using the exchange rate at the fiscal year-end. Regarding non-monetary items denominated in foreign currencies, those measured at cost are translated using the exchange rate as of the date of the transaction, while those measured at fair value are translated using the exchange rate on the day on which the fair value was measured.

Exchange differences are recognized as profit or loss as a general rule during the period in which such differences incurred. However, if gains or losses on non-monetary items are recognized in other comprehensive income, exchange differences are also recognized in other comprehensive income.

3) Foreign operations

Assets and liabilities of foreign operations (including goodwill and fair value adjustments arising on the acquisition of foreign operations) are translated using the exchange rate as of the fiscal year-end. Income and expenses are translated at the average exchange rate for the period, unless the exchange rate during the period fluctuates significantly. Exchange differences arising from translation of non-consolidated financial statements of foreign operations are recognized in other comprehensive income and the cumulative amounts are classified as other components of equity under equity.

Cumulative exchange differences on foreign operations are transferred to profit or loss during the period in which gains or losses arising from the disposal of the foreign operation are recognized.

(4) Financial instruments

1) Financial assets

(a) Initial recognition and measurement

For financial assets, trade and other receivables are initially recognized on the date they are incurred, and other financial assets are initially recognized on the date on which the Company becomes a party to the contractual provisions of the instrument. At the initial recognition, financial assets are classified as follows and measured at their fair values. If financial assets are not measured at fair values through profit or loss, transaction costs directly attributable to acquisition of the financial assets are added to their fair values.

(i) Financial assets measured at amortized cost

If both of the following conditions are satisfied, financial assets are classified as financial assets measured at amortized cost:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Financial assets measured at fair value through other comprehensive income (debt financial assets)

If both of the following conditions are satisfied, financial assets are classified as debt financial assets measured at fair value through other comprehensive income:

- The asset is held within a business model whose objective is achieved through collection of contractual cash flows and sale.
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(iii) Financial assets measured at fair value through other comprehensive income (equity financial assets)

If an irrevocable election is made to present subsequent changes in fair value of equity financial assets after initial recognition in other comprehensive income, these are classified as financial assets measured at fair value through other comprehensive income.

(iv) Financial assets measured at fair value through profit or loss

Financial assets other than financial assets measured at amortized cost or financial assets measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss.

The Company Group designates no debt financial assets as financial assets measured at fair value through profit or loss in order to eliminate or significantly reduce mismatches in accounting.

(b) Subsequent measurement

Financial assets after initial recognition are measured as follows, in accordance with their classification:

(i) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method. Gains or losses arising from amortization using the effective interest method or derecognition are recognized as profit or loss.

(ii) Financial assets measured at fair value through other comprehensive income (debt financial assets)

Changes in fair value concerning debt financial assets measured at fair value through other comprehensive income are recognized as other comprehensive income, except for impairment gains and losses and foreign exchange gains and losses, until the derecognition of such financial assets. If financial assets are derecognized, previously recognized other comprehensive income is transferred to profit or loss.

(iii) Financial assets measured at fair value through other comprehensive income (equity financial assets)

Changes in fair value concerning equity financial assets measured at fair value through other comprehensive income are recognized as other comprehensive income. If such financial assets are derecognized or if their fair values significantly drop, previously recognized other comprehensive income is directly transferred to retained earnings. Dividends from such financial assets are recognized as profit or loss.

(iv) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are measured at fair values after initial recognition, and changes therein are recognized as profit or loss.

(c) Impairment losses on financial assets

The Company Group recognizes allowance for doubtful accounts for financial assets measured at amortized cost, debt financial assets measured at fair value through other comprehensive income, and expected credit losses related to lease receivables.

If credit risk of financial assets is significantly increasing after the initial recognition, allowance for doubtful accounts concerning such financial assets is measured at the amount equivalent to lifetime expected credit losses. If credit risk of financial assets is not significantly increasing after the initial recognition, allowance for doubtful accounts concerning such financial assets is measured at the amount equivalent to the expected credit losses for 12 months. With regard to trade receivables and lease receivables, irrespective of existence of a significant increase in credit risk after the initial recognition, allowance for doubtful accounts is measured at the amount equivalent to lifetime expected credit losses.

Whether or not credit risk is significantly increasing is judged based on the changes in default risk, and for the judgment on whether or not there are changes in default risk, the following information is considered in principle. If the credit risk is judged to be low as of the end of the fiscal year, the credit risk of such financial assets is deemed to have not significantly increased after the initial recognition:

- Significant changes in external credit rating on financial assets
- Significant changes in operating results
- Information on past due

Expected credit losses are measured individually if they are individually significant, or measured on a collective basis if they are individually insignificant, by segmenting them into independent groups or subgroups by company.
In case any payment is not made long after the repayment date despite enforcement activities, or in case a debtor files for legal proceedings for bankruptcy, corporate reorganization, civil rehabilitation, or special liquidation, it is judged that a default has occurred. If a default is the case or if there is evidence of impairment, such as a debtor's significant financial difficulties, it is judged as impaired credit.

Expected credit losses are the difference between the entire contractual cash flow payable to a company under the contract and the entire cash flow projected to be received by the company, and are estimated by reflecting reasonable and supportable information, which is available at the reporting date without undue cost or effort, about past events, including the historical default rate, current conditions, forecasts of future economic conditions, etc.

The provision amount of allowance for doubtful accounts concerning financial assets is recognized in profit or loss. In the event that allowance for doubtful accounts is reduced, the reversal amount of allowance for doubtful accounts is recognized in profit or loss. When there is no reasonable expectation of full or partial recovery of a financial asset, the Company Group directly reduces the total carrying amount of financial assets.

(d) Derecognition
The Company Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when the Company Group transfers a financial asset and substantially all the risks and economic benefits of ownership of the financial asset.

2) Financial liabilities
(a) Initial recognition and measurement
Financial liabilities are initially recognized on a transaction date and are measured at the amount of fair value, less directly attributable transaction costs.

(b) Subsequent measurement
It is measured at amortized cost using the effective interest method. Gains and losses arising from amortization using the effective interest method and derecognition are recognized as profit or loss.

(c) Derecognition
The Company Group derecognizes financial liabilities when financial liabilities are extinguished, i.e., when the obligation specified in the contract is discharged, canceled, or expired.

3) Offset presentation of financial assets and financial liabilities
Financial assets and liabilities are offset and the net amounts are presented in the consolidated statement of financial position when, and only when, the Company Group currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4) Derivative and hedge accounting
The Company Group engages in derivative transactions, such as forward exchange contracts, to manage currency risk. Derivatives are initially recognized at fair value at the time when the Company Group became a contracting party and are subsequently measured at fair value thereafter. Changes in fair value are recognized as profit or loss.

The Company Group does not apply hedge accounting to derivatives. Derivatives are classified as financial instruments measured at fair value through profit or loss.

5) Fair value of financial instruments

Financial instruments measured at fair value are calculated using various valuation techniques and inputs. According to observability of inputs to valuation techniques used in measurement of fair value, fair values are classified into the following three levels:

Level 1: Fair values measured at quoted prices in active markets

Level 2: Fair values other than Level 1 that are calculated using observable prices either directly or indirectly

Level 3: Fair values that are calculated using valuation techniques, including inputs not based on observable market data

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits that can be withdrawn at any time, and short-term investments that are readily convertible into cash; are exposed to insignificant risk of changes in value; and are matured or redeemable in three months or less from each acquisition date.

(6) Inventories

Inventories are measured at the lower of cost or net realizable value. Cost of inventories includes purchase costs, processing costs, and all other costs incurred in bringing the inventories to the present location and condition. Processing costs include fixed manufacturing indirect costs based on the normal capacity of production facilities. Cost of inventories is calculated in the case of merchandise, finished goods, and work in process, based on the specific identification method or the moving-average method, and in the case of raw materials, based on the first-in, first-out method or the moving-average method.

Net realizable values represent the estimated selling price in the ordinary course of business, less any estimated costs of completion and the estimated costs necessary to make the sale.

(7) Property, plant and equipment (excluding right-of-use assets)

Property, plant and equipment are measured at cost, less any accumulated depreciation and impairment losses, using the cost model.

The costs of items of property, plant and equipment comprise costs directly attributable to the acquisition of assets, costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs of assets that meet the qualifying criteria.

The depreciable amount obtained by deducting residual value from the cost of property, plant and equipment is depreciated over estimated economic life using the straight-line method. The estimated economic lives of principal property, plant and equipment are as follows:

Buildings and structures:	3–60 years
Machinery and vehicles:	2–17 years

Residual values, economic lives, and a method of depreciation of the items of property, plant and equipment are reviewed at each fiscal year-end, and estimates are changed when necessary.

(8) Goodwill and intangible assets (excluding right-of-use assets)

1) Goodwill

Measurement of goodwill at initial recognition is as shown in “(2) Business combinations.” Goodwill after the initial recognition is recognized at cost, less accumulated impairment losses. Goodwill is not amortized but tested for impairment annually or whenever there is an indication of impairment.

2) Intangible assets

Intangible assets are recorded at cost, net of accumulated amortization and impairment losses, using the cost model.

(a) Intangible assets acquired individually

Cost of intangible assets acquired individually is measured inclusive of the cost directly attributed to the acquisition of assets.

(b) Intangible assets acquired in business combinations

Cost of intangible assets acquired in business combinations is measured at the fair value as of the acquisition date.

(c) Internally generated intangible assets (development expense)

Expenditures arising from development (or development phase of internal projects) are recognized as assets only if all of the following are verifiable, and other expenditures are recognized as expenses as incurred:

- Technical feasibility of completing the intangible assets so that they will be available for use or sale
- Company's intention to complete the intangible assets and use or sell them
- Ability to use or sell the intangible assets
- How the intangible assets will generate highly probable future economic benefits
- Availability of adequate technical, financial, and other resources necessary for completing the development of, and for using or selling the intangible assets
- Ability to measure reliably the expenditure attributable to the intangible assets during their development

Intangible assets with finite economic lives are amortized over their respective estimated economic lives using the straight-line method. Amortization of such assets begins from the point when they become available for use. Estimated economic lives of primary intangible assets are as follows:

Software for internal use:	5 years
Software for sale:	3 years
Trademarks:	15–20 years
Customer-related assets:	10–15 years

A period and a method of amortization of intangible assets with finite economic lives are reviewed at each fiscal year-end, and estimates are changed when necessary.

Intangible assets with indefinite economic lives and intangible assets not yet available for use are not amortized but tested for impairment annually or whenever there is an indication of impairment.

(9) Leases

1) Lease as a lessee

Lease liabilities in lease transactions are measured at the discounted present value of the outstanding portion of total lease payments at the lease commencement date. Right-of-use assets are initially measured at the amount of the initial measurement of lease liabilities adjusted by initial direct costs, prepaid lease payments, etc. The right-of-use assets are depreciated on a systematic basis over the lease term.

Lease payments are allocated to finance costs and repayments of the remaining balance of lease liabilities, so as to produce a constant periodic rate of interest on the remaining balance of lease liabilities. In the consolidated statement of profit or loss, finance costs are presented separately from the depreciation charge for the right-of-use assets.

The Company Group assesses whether the contract is, or contains, a lease based on the substance of the contract even if the contract does not take the legal form of a lease. Additionally, lease payments related to leases for which the lease term ends within 12 months and leases for which the underlying asset is of low value are recognized as expenses on a straight-line basis over the lease term.

2) Lease as a lessor

Finance leases are initially recognized as lease receivables (trade and other receivables) at the present value of net investment in the lease at the inception of the lease that has been discounted with the interest rate implicit in the lease. Total lease payments receivable are classified into lease receivables, principal portion, and interest portion, and lease payments receivable are distributed to interest portion using the interest method.

If the finance leases are primarily intended to sell goods and services, fair values or total minimum lease payments discounted by the market interest rate, whichever is lower, of the assets subject to lease are recognized as revenue. At the same time, expenses arising from entering into such a lease contract are recognized as cost of sales.

In operating leases, lease properties subject to lease are recognized in the consolidated statement of financial position, and lease payments receivable are recognized as revenue over the respective lease terms using the straight-line method.

(10) Investment property

Investment property is a property held for the primary purpose of earning rental income.

Investment property is recorded at cost, net of accumulated depreciation and impairment losses, using the cost model.

The depreciable amount obtained by deducting residual value from the cost of investment property is depreciated over estimated economic life, using primarily the straight-line method. Economic lives of investment property by type are as follows:

Buildings and structures: 10–31 years

Land is not subject to depreciation.

Residual value of investment property and estimated economic life are reviewed at each fiscal year-end.

(11) Impairment losses on non-financial assets

The Company Group assesses whether there is any indication of impairment in assets at each reporting date. If any such indication exists, the recoverable amount of such assets is estimated. Regardless of indication of impairment, intangible assets with indefinite economic lives, or intangible assets not yet available for use, and goodwill acquired in business combinations are tested for impairment annually.

The recoverable amount is the higher of its value in use or its fair value, less costs for disposal of assets or a cash-generating unit. If the recoverable amount of an individual asset is not estimable, the recoverable amount of the cash-generating unit to which the asset belongs is calculated.

Value in use is the present value calculated by discounting the estimated future cash inflows and outflows from the continued use and eventual disposition of the asset by the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognized when the recoverable amount of assets or cash-generating unit is lower than the carrying amount of such assets or cash-generating unit.

Impairment losses recognized in the past periods, for assets other than goodwill, were reversed only when there was a change in estimates used for calculating the recoverable amount of such assets based on indication that impairment losses may no longer exist or may have decreased after the final recognition of such impairment losses.

(12) Provisions

Provisions are recognized when the Company Group has present legal or constructive obligations that are reliably estimable as a result of past events and it is probable that outflows of resources embodying economic benefits will be required to settle the obligations.

Provisions are, based on the best estimates of expenses required to settle the current obligations at each fiscal year-end (future cash flows), measured at the present value of estimated future cash flows discounted using a discount rate that reflects the risks specific to the liability if the impact of time value of money is material. The unwinding of the discount is recognized as finance costs.

The Company Group’s primary provisions are as follows:

Provision for product warranty

The Company Group sells products with product warranties. Repair cost projected to be incurred during the warranty period of sold products is calculated based on the historical rate and recorded as provision for product warranty. Even after the product warranty period, the amount of repair costs associated with product defects (including recall) arising from product liability projected to be incurred in the future is individually estimated based on the number of products subject to repair, cost of measure per product, and historical record, and recorded as provision for product warranty.

(13) Employee benefits

1) Short-term employee benefits

Short-term employee benefits are recognized as expenses on an undiscounted basis during the period when the service is rendered. Short-term employee benefits of the Company Group are composed of bonus accrual and paid leave.

Paid leave is recognized as liabilities when, in the cumulative paid leave plans, the Company Group may have legal or constructive obligations to pay as a result of cumulative and unused rights at each fiscal

year-end and when reliable estimates of the obligations can be made.
Bonus accrual is recognized as liabilities when the Company Group has legal or constructive obligations to pay as a result of past employee service and when reliable estimates of the obligation can be made.

2) Post-employment benefits
As post-employment benefit plans, the Company Group adopts corporate pension plans (cash balance plans), defined contribution pension plans, and lumpsum benefit plans.
(a) Defined contribution plans
Contributions to defined contribution plans are recognized as an expense as incurred, except in cases where they can be included in the costs of inventories or property, plant and equipment.
(b) Defined benefit plans
The net amount of assets or liabilities related to defined benefit plans is an amount obtained by deducting the fair value of plan assets (including adjustment to the upper limit of defined benefit assets or minimum funding requirements, if necessary) from the present value of a defined benefit obligation, and is recognized as assets or liabilities in the consolidated statement of financial position.
Defined benefit obligations are calculated based on the projected unit credit method, and their present value is calculated by applying a discount rate to the future payments. The discount rate is determined by referring to yields on high-quality corporate bonds with maturity terms approximating to the terms in which the payment is projected.
Service cost and net interest expenses on net assets or liabilities associated with defined benefit liabilities are recognized as profit or loss.
Actuarial gains and losses and fluctuations in income related to plan assets, excluding the portion included in net interest expenses, are regarded as remeasurements of defined benefit plans and recognized in other comprehensive income in the period when they are incurred, and then are immediately transferred from other components of equity to retained earnings. Past service cost is recognized as profit or loss upon occurrence of plan modification or curtailment or upon recognition of related restructuring expenses or termination benefits, whichever comes first.

(14) Government grants
Government grants are recognized when the Company Group satisfies the conditions attached to the grants and there is reasonable assurance that the grants will be received.
Government grants related to incurred expenses are recognized regularly as revenue over the period in which the related costs projected to be reimbursed by grants are recognized as expenses. Government grants related to assets are recognized as deferred revenue and are recognized regularly as revenue over the estimated economic life of such assets.

(15) Equity
1) Share capital and capital surplus
Equity instruments issued by the Company are recognized as share capital and capital surplus at their issuance price. Transaction costs directly attributable to the issuance are deducted from capital surplus.
2) Treasury shares
Purchase of treasury shares is recognized at cost and presented as deduction from equity. Transaction costs directly attributable to the purchase are deducted from equity. When treasury shares are sold, the consideration received is recognized as an increase in equity, and the difference between the carrying amount and the consideration received is included in capital surplus.

(16) Revenue recognition
The Company Group recognizes revenue in the amount that reflects the consideration to which it expects to be entitled in exchange for transferring promised goods or services to a customer based on the following five-step approach:
Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.

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

The Company Group's primary business consists of "Metalworking Machinery Business" engaged in production and sales of sheet metal and micro welding products and "Metal Machine Tools Business" focused on production and sales of cutting, grinding products, and stamping presses. Regarding sales of these products, the Company Group's performance obligation is deemed to be satisfied when the customer acquires control of the products, which is determined to be the time of the acceptance inspection by the customer. Therefore, revenue is recognized at the time of the acceptance inspection. Furthermore, in the installment sales of products, the financing component of a transaction price is separated from the other components, and the portion equivalent to interest, which is a financing component, is recognized as revenue based on the contract term with the customer.

The Company Group may provide maintenance in relation to the products, real estate leasing, and other services to customers. Regarding performance obligations related to such services, customers receive benefits as the Company Group performs obligations in the contracts with customers. Therefore, revenue is recognized over the respective contract terms.

(17) Borrowing costs

The Company Group recognizes borrowing costs directly attributable to the acquisition, construction, or production of certain assets ("qualifying assets"), which take a considerable period of time to become ready for their intended use or sale, as part of costs of those assets.

Other borrowing costs are recognized as expenses in the period they are incurred.

(18) Income taxes

Income taxes comprise current taxes and deferred taxes. These are recognized in profit or loss, except for the taxes, which arise from business combinations or are recognized either in other comprehensive income or directly in equity.

1) Current tax

Current tax is measured in the amount of expected taxes payable to taxing authority or taxes refunded from taxing authority. Calculation of the tax amount is based on tax rates and tax regulations enacted or substantively enacted by the end of the reporting period in each country.

2) Deferred tax

Deferred tax is calculated based on temporary differences between tax basis of assets and liabilities at the end of the fiscal year and the carrying amount, tax loss carry forward, and carryforward tax deduction. Deferred tax assets for deductible temporary differences are only recognized to the extent it is probable that taxable profit will be available against which the temporary differences can be utilized in the foreseeable future, and deferred tax liabilities are recognized, as a general rule, for all taxable temporary differences.

Deferred tax assets and liabilities are not recognized for the following temporary differences:

- Temporary differences arising from the initial recognition of goodwill
- Temporary differences arising from the initial recognition of assets and liabilities, which occurred from transactions (other than business combination transactions) that do not have impact on neither accounting profit nor taxable profit for tax purpose
- Taxable temporary difference related to investments in subsidiaries and associates and interests in joint arrangements when the timing of the reversal is controlled and when it is probable that the temporary difference will not reverse in the foreseeable future
- Deductible temporary difference related to investments in subsidiaries and associates and interests in joint arrangements when it is not probable that the temporary difference will not reverse in the foreseeable future or it is not probable that taxable profit will be available against which the temporary differences can be utilized

Deferred tax assets and liabilities are measured by tax rates (and tax regulations) projected to be applied to the period when the assets will be realized or liabilities will be settled based on tax rates (and tax regulations) enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and if either of the following cases is applied:

- When the deferred tax asset and the deferred tax liabilities relate to income taxes levied by the same tax authority on the same taxable entity.

- Although income taxes are levied on different taxable entities, when these taxable entities intend either to settle current tax assets and current tax liabilities on a net basis or to realize current tax assets and settle current tax liabilities simultaneously.

The carrying amount of deferred tax assets is reviewed at each fiscal year-end. The carrying amount of deferred tax assets is reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow the benefit of part or all of these assets to be utilized. The reduced amount is reversed to the extent it becomes probable that sufficient taxable profit will be available.

The Company Group applies the exception to recognition and disclosure with respect to deferred tax assets and liabilities for income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organisation for Economic Co-operation and Development.

(19) Earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to owners of parent (ordinary equity holders) by the average number of common shares issued, less treasury shares, during the period.

Diluted earnings per share is calculated upon adjusting the impact of all the potential common shares with dilutive effect.

(20) Non-current assets held for sale

Among non-current assets and disposal group, which will be recovered through a sale instead of through continuing use, those whose sale is highly probable within one year and are available for immediate sale in their present conditions as well as those whose sale is committed by the management of a consolidated subsidiary are classified as non-current assets and disposal group held for sale and are measured at the carrying amount or fair value, less costs to sell, whichever is lower, without depreciation or amortization.

(Notes to Changes in Accounting Policies)

(Application of Amended IAS 12 *Income Taxes*)

The Company Group has applied the *International Tax Reform—Pillar Two Model Rules* (hereinafter referred to as the “Amended IAS 12”) since the fiscal year under review.

The Company Group has applied the exception provided in the Amended IAS 12 and neither recognized nor disclosed deferred tax assets and liabilities for income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules.

This application had no significant impact on the consolidated financial statements.

(Notes on Significant Accounting Estimates)
In preparing the consolidated financial statements, the Company Group uses judgment, accounting estimates, and assumptions that may have an impact on the application of accounting policies and on reported amounts of assets, liabilities, income, and expenses. These estimates and assumptions are based on the best judgment of management that takes into account historical experience and information collected, as well as various factors deemed reasonable at the end of the reporting period. Due to their nature, however, figures based on these estimates and assumptions may differ from the actual results.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to these estimates are recognized in the period in which the estimate is revised and any future periods affected.

During the fiscal year ended March 31, 2024, the Company's business environment remained uncertain due mainly to the ongoing global inflation, sharp interest-rate hikes in the United States and Europe, as well as to geopolitical risks such as Russia's prolonged military invasion of Ukraine and growing tension in the Middle East. However, factors such as increased geopolitical and geoeconomic risks led to a rise in the momentum of supply chain reconfiguration, spurring demand for capital investment. As a result, demand remained robust for capital investment in the Company Group's energy-saving, automation, and productivity-enhancing products as measures to respond to manpower shortages, higher energy prices, and increasing environmental consciousness. Under such an environment, the Company Group reported record highs in all revenue, operating profit, and profit attributable to owners of parent, thanks to progress in clearing order backlog backed by the normalization of material procurement and production activities, as well as to reduced manufacturing cost, improved selling prices, and the weaker yen, despite being affected by the continued rise in material costs and increased labor costs associated with a pay raise.
As for the outlook for the global economy, the Company forecasts moderate growth led especially by the United States, where a return to domestic manufacturing is gaining momentum, as a slowdown in price increases is expected to lead to firm economy, although it is still necessary to closely monitor some factors, such as prolonged monetary tightening, growing tension in the Middle East and Ukraine, and the currency movement. As such, the Company expects its order backlog to remain at a high level and demand to be captured with new products going forward. At the same time, a robust appetite for capital investment is projected to continue as measures to save energy and manpower in the overall manufacturing industry. Against this backdrop, the Company assumes the Company Group's business results will remain robust in the next fiscal year onward.
The Company assessed the applicability of impairment loss of fixed assets, including goodwill, and the recoverability of deferred tax assets, which are expected to affect the accounting estimates in the consolidated financial statements for the fiscal year under review, based on this certain assumption. As a result, the amount of the impact on the consolidated financial statements for the fiscal year under review was calculated to be insignificant.

1. Impairment test on non-financial assets including goodwill
   (1) Amount recorded for the fiscal year under review
   Recorded amount of major non-financial assets tested for impairment
   Goodwill 6,781 million yen
   (2) Information that contributes to understanding the details of accounting estimates
   For accounting policies, please see "(Notes on the Basis for Preparation of Consolidated Financial Statements) 3. Accounting policies (11) Impairment losses on non-financial assets."
   The estimates of future cash flows used in impairment tests are calculated based on the medium-term management plan of the target company. In formulating such medium-term management plans, several indicators which form the basis of the targets set within the target company are referred to, and reasonable verifications with a high level of objectivity are conducted. Specifically, the Company Group refers to the year-on-year growth rate of orders received, which is a leading indicator of net sales of the Company Group, the yearly forecasts of the industry associations that are particularly related to the Company Group, and information based on reports by external research agencies, historical experience, etc.
   The Company Group also uses discount rates and fair value measurements calculated by professionals of appropriate third-party agencies.
   There is a greater risk that impairment may occur if future cash flows decline as a result of changes in uncertain economic conditions in the future, or if the discount rate, which is a major assumption underlying the value in use, or the growth rate used to calculate the going-concern value of the business, changes. As such, changes in these estimates may have a significant impact on the amount of non-financial assets, including goodwill, to be recorded in the consolidated financial statements for the following fiscal year.

2. Judgment of the recoverability of deferred tax assets

(1) Amount recorded for the fiscal year under review

Deferred tax assets	12,388 million yen

(2) Information that contributes to understanding the details of accounting estimates

In recognizing deferred tax assets, the Company considers the availability of part or all of the deductible temporary differences or tax loss carry forwards against future taxable profit. The recoverability of deferred tax assets is assessed by considering the expected reversal of deferred tax liabilities, projected future taxable profit, and tax planning. Recognized deferred tax assets are considered probable to be recoverable based on the level of historical taxable profit and projections for future taxable profit over the periods in which the deferred tax assets are deductible.

These estimates may be affected by, among other factors, changes in uncertain economic conditions in the future. If the actual timing and amount of taxable profit differ from their estimates, this may have a significant impact on the amount of deferred tax assets to be recorded in the consolidated financial statements for the following fiscal year.

3. Recognition and measurement of provisions

(1) Amount recorded for the fiscal year under review

Provisions (current)	2,104 million yen

(2) Information that contributes to understanding the details of accounting estimates

For accounting policies, please see "(Notes on the Basis for Preparation of Consolidated Financial Statements) 3. Accounting policies (12) Provisions."

The Company Group sells products with product warranties. Repair cost projected to be incurred during the warranty period of sold products is calculated based on historical rate and recorded as provision for product warranty. Even after the product warranty period, the amount of repair costs associated with product defects (including recall) arising from product liability projected to be incurred in the future is individually estimated based on the number of products subject to repair, cost of measure per product, and historical rate, and recorded as provision for product warranty.

If changes in actual charge-free warranty expenses incurred result in changes in the historical rate thereof, or if the estimated cost projected to be incurred for recurrence prevention changes, this may have a significant impact on the amount of provisions to be recorded in the consolidated financial statements for the following fiscal year.

4. Assumptions used for measuring defined benefit obligations

(1) Amount recorded for the fiscal year under review

Retirement benefit asset	174 million yen
Retirement benefit liability	3,306 million yen

(2) Information that contributes to understanding the details of accounting estimates

For accounting policies, please see "(Notes on the Basis for Preparation of Consolidated Financial Statements) 3. Accounting policies (13) Employee benefits."

The defined benefit plan is exposed to actuarial risk and to the risk of fluctuation in the fair value of plan assets. Actuarial risk primarily involves interest risk. Interest rate risk involves the potential for an increase in defined benefit obligations if the discount rate used to determine their present value decreases because this discount rate is based on market yields on instruments including high-quality corporate bonds. The risk of fluctuation in the fair value of plan assets involves underfunding if actual interest rates are lower than the interest rate criteria for managing the plan assets.

(Notes to the Consolidated Statement of Financial Position)

1. Allowance for doubtful accounts directly deducted from assets

Trade and other receivables	2,603 million yen
Other financial assets	54 million yen

2. Accumulated depreciation of property, plant and equipment
(including accumulated impairment losses) 176,000 million yen

3. Contingent liabilities
Guarantee obligations
Guarantee for obligations of customers who purchased the Company Group's merchandise

Debt obligations to banks	18 million yen
Lease obligations to lease companies	39 million yen

(Notes to the Consolidated Statement of Changes in Equity)

1. Class and total number of shares issued as of the end of the fiscal year under review
Common shares 341,115,217 shares
Based on a resolution of the Board of Directors' meeting held on May 12, 2023, the Company cancelled its treasury shares in accordance with the provisions of Article 178 of the Companies Act. As a result, the total number of shares issued decreased by 18,000,000 shares to 341,115,217 shares.

2. Dividends of surplus
(1) Dividends of surplus paid during the fiscal year under review
Dividends paid

Resolution date	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2023	Common shares	9,039	26	March 31, 2023	June 29, 2023
Board of Directors' meeting held on November 9, 2023	Common shares	8,564	25	September 30, 2023	December 5, 2023

(2) Dividends of surplus to be paid after the end of the fiscal year under review
The details of the distribution of retained earnings proposed as an item to be resolved at the Ordinary General Meeting of Shareholders to be held on June 27, 2024 are as follows:

Scheduled resolution date	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders to be held on June 27, 2024	Common shares	11,702	Retained earnings	35	March 31, 2024	June 28, 2024

(Notes on Financial Instruments)

1. Status of financial instruments

   The Company Group is exposed to various financial risks (such as credit risk, liquidity risk, and market risk) in the course of executing business operations. Therefore, pursuant to its internal management regulations, financial risks are monitored on a regular basis and are addressed as necessary to avoid or mitigate such risks.

   Additionally, the Company Group uses derivatives solely to mitigate financial risks and is not engaged in derivative transactions for speculative purposes.

   (1) Credit risk

   For trade and other receivables at the Company Group, pursuant to its credit management rules, a sales management department of each business division monitors the status of major customers on a regular basis to check payment term and credit balance for each counterparty to ensure early identification and minimization of doubtful collections that may arise in the event of financial distress or in other cases. Machines sold are subject to retention of title clause as a general rule to supplement credit obligation. No material credit risk exposure is recognized for certain customers, and significant concentrations of credit risk requiring close management do not exist.

   Other financial instruments comprise mainly high-rate debt securities invested in accordance with internal fund management regulations and, therefore, their credit risk is minimal.

   (2) Liquidity risk

   The Company Group is exposed to liquidity risk in which fulfillment of payment obligation becomes difficult. However, to address such risk and maintain sound fund management, the Company Group optimizes capital efficiency through efficient working capital management and by central fund management by the Company. In addition, the Company Group prepares and updates funding plans based on business plans in a timely manner and secures sufficient short-term liquidity to manage such risk.

   (3) Market risk

   1) Currency risk

   The Company Group conducts business activities globally and is exposed to currency exchange fluctuation risk for transactions executed in currencies other than Group companies' functional currencies. To mitigate such fluctuation risk, the Company Group uses forward foreign exchange contracts and other derivatives for currency exchange fluctuation risk analyzed by currency and settlement month, which are relevant to certain foreign currency receivables, etc. Hedge accounting is not applied to such derivatives and changes in fair value are entirely recognized in profit or loss.

   2) Interest rate risk

   In order to procure working capital and funds for capital investment, certain consolidated subsidiaries of the Company Group use borrowings subject to variable interest rates and are, therefore, exposed to interest rate fluctuation risk. The impact of interest rate fluctuation on the Company Group's profit and loss is insignificant.

   3) Securities price fluctuation risk

   In fund management, the Company Group invests a certain amount in investment trusts as part of diversified investment, in addition to investments in debt securities, etc., with high degree of safety. In addition, with the aim of executing business strategy smoothly, it owns shares of companies with business relationships. These shares are exposed to price fluctuation risk. With regard to such investments, their current fair market value and the financial position of the issuers are checked regularly, while the necessity of holding such shares and portfolio is reviewed on a continual basis. The Company Group does not hold shares for trading purposes.

2. Fair value of financial instruments

(1) Comparison of fair value and carrying amount of financial instruments

Carrying amount in the consolidated statement of financial position and fair value of financial instruments at the end of reporting period (March 31, 2024), and difference between them are as follows.

The table below does not include financial instruments measured at fair value and financial instruments and lease liabilities whose carrying amount approximates their fair values.

(Millions of yen)

	Carrying amount	Fair value	Difference
Financial assets			
Trade and other receivables	145,686	144,315	(1,371)

Note: The level of fair value hierarchy of "trade and other receivables" is Level 3.

Calculation methods of the fair values of the above financial instruments are as follows:

(Trade and other receivables)

Trade and other receivables are measured based on the present value that is calculated by discounting the amount of each trade receivable for each period using an interest rate that reflects the period until the due date and the credit risk.

(2) Classification of financial instruments measured at fair value by level

Financial instruments measured at fair value are classified as below using a fair value hierarchy, in accordance with the observability of inputs to valuation techniques used to measure fair value.

Level 1: Fair values measured at quoted prices in active market

Level 2: Fair values other than Level 1 that are calculated using observable prices either directly or indirectly

Level 3: Fair values that are calculated using valuation techniques, including inputs not based on observable market data

The level of fair value hierarchy used in fair value measurement is determined on the basis of the lowest-level input that is significant to the fair value measurement in its entirety.

1) Components of financial assets and financial liabilities measured at fair value

Components of financial assets and financial liabilities measured at fair value on a recurring basis classified according to the level of fair value hierarchy are as follows:

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets measured at fair value through other comprehensive income				
Shares	10,796	147	–	10,944
Debt securities	–	1,496	–	1,496
Financial assets measured at fair value through profit or loss				
Shares	–	–	65	65
Debt securities	–	8,653	–	8,653
Investment trusts	–	4,678	–	4,678
Derivative assets	–	2	–	2
Total	10,796	14,978	65	25,840
Financial liabilities				
Other financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	330	–	330
Total	–	330	–	330

Note: There are no significant transfers between levels.

Calculation methods of the fair values of the above financial instruments are as follows:

(Shares)

The fair values of listed stocks are calculated using market prices at stock exchanges, and the fair values of unlisted stocks are calculated using valuation techniques based on net asset value.

(Debt securities, investment trusts, and derivative assets and liabilities)

The fair values of debt securities, investment trusts, and derivative assets and liabilities are calculated based on price information obtained from counterparty financial institutions.

2) Reconciliation of financial instruments classified as Level 3

Financial instruments classified as Level 3 in the fair value hierarchy consists of shares.

Reconciliation between the beginning and ending balances is as follows:

(Millions of yen)

	Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through profit or loss
Balance at beginning of year	–	95
Gains or losses		
Profit or loss (Note 1)	–	(30)
Other comprehensive income	–	–
Sale or redemption	–	–
Balance at end of year	–	65

Notes: 1. Gains or losses recognized as profit or loss are presented as “finance income” or “finance costs” in the consolidated statement of profit or loss. Of the total gains or losses recognized as profit or loss, those pertaining to the financial instruments owned at the end of the fiscal year under review are (30) million yen.

2. The fair value of assets and liabilities classified as Level 3 is measured by a responsible department that determines the valuation techniques for the assets and liabilities subject to measurement, in accordance with the valuation policies and procedures for fair value measurement approved by appropriate authorized persons. The results of fair value measurement are approved by appropriate responsible persons.

(Notes on Per Share Information)

Equity attributable to owners of parent per share	1,584.10 yen
Basic earnings per share	118.95 yen

(Notes on Significant Subsequent Events)

(Purchase and cancellation of treasury shares)

The Board of Directors of the Company, at its meeting held on May 14, 2024, resolved to purchase treasury shares in accordance with the provisions of Article 156 of the Companies Act, as applied pursuant to Article 165, Paragraph 3 of the said Act, and to cancel treasury shares in accordance with the provisions of Article 178 of the Companies Act.

1. Reason for purchase and cancellation of treasury shares

   The objective is to curb an increase in net assets to improve capital efficiency and enhance shareholder returns by executing agile capital policies.

2. Details of purchase

(1) Class of shares to be purchased:	Common shares of the Company
(2) Total number of shares to be purchased:	Up to 18,000,000 shares (5.4% of the total number of issued shares excluding treasury shares)
(3) Total amount of shares:	Up to 20,000 million yen
(4) Purchase period:	From June 1, 2024 to March 31, 2025
(5) Purchase method:	Market purchase on the Tokyo Stock Exchange

3. Details of the cancellation

(1) Class of shares to be cancelled:	Common shares of the Company
(2) Number of shares to be cancelled:	All shares to be purchased through 2. above
(3) Scheduled date of cancellation:	March 31, 2025

Reference: Treasury shares held as of March 31, 2024

Total number of issued shares (excluding treasury shares):	334,360,401 shares
Number of treasury shares:	6,754,816 shares

(Notes on Revenue Recognition)

1. Revenue decomposition

   The Company Group's organization is structured based on the Metalworking Machinery Business, the Metal Machine Tools Business, and other businesses, which are the business units on which the Company's Board of Directors conducts periodic investigation to distribute management resources and evaluate business results. Accordingly, revenue recorded in these businesses is presented as revenue. Revenue is disaggregated by geographical area based on customer location. The relationship of the disaggregated revenue and the revenue of each reportable segment is as follows:

(Millions of yen)

Segment	Metalworking Machinery	Metal Machine Tools	Other	Total
Major geographical markets				
Japan	111,520	36,218	1,285	149,024
North America	100,598	12,514	–	113,112
Europe	75,477	9,211	–	84,688
Asia and others	47,020	9,638	15	56,674
Total	334,617	67,582	1,301	403,500

The Metalworking Machinery Business is engaged in production and sale of sheet metal and micro welding products, handling the product group for the sheet metal market, such as laser machines, punch presses and press brakes, and the product group for the micro welding market including micro welding machines.
In the Metal Machine Tools Business, products related to cutting, stamping presses, and grinding are produced and sold. The product group for the cutting market, such as metal-cutting band saws, the product group for the stamping presses market including mechanical presses, and the product group for the grinding market such as grinding are handled.
Other business is an operating segment not included in reportable segments and includes the real estate leasing business. Interest income related to installment sale included in revenue for the fiscal year under review is 2,233 million yen.

2. Contract balance

Contract liabilities 30,959 million yen

Notes: 1. Of the revenue recognized for the fiscal year under review, the amount included in the contract liability balance at the beginning of the fiscal year is 17,381 million yen. There is no material change in the contract liabilities during the fiscal year under review.

2. For the fiscal year under review, the amount of revenue recognized as a result of satisfaction (or partial satisfaction) of performance obligation during past periods has no materiality.

3. Performance obligations

Regarding the products sold by the Company Group, the performance obligation is deemed to be satisfied when the customer acquires control of the products, which is determined to be the time of the acceptance inspection by the customer. Therefore, revenue is recognized at the time of the acceptance inspection. The Company Group may provide maintenance in relation to the products, real estate leasing, and other services to customers. The performance obligations related to such services are satisfied over time. Therefore, revenue is recognized over the respective contract terms on a straight-line basis. As a general rule, the Company Group is not engaged in transactions as an agent.
Revenue is measured at the amount of the consideration to which the Company Group expects to be entitled in exchange for transferring promised goods or services to a customer (hereinafter referred to as “transaction price”). There are no significant obligations for returns, refunds, and other similar obligations, and there is no materiality to the amount of variable consideration included in revenues.
Consideration in contracts with customers is primarily received within one year from when the performance obligation was satisfied. Therefore, the Company Group uses the practical expedient and does not adjust significant financing components. However, as consideration for installment sales is recovered approximately within three to seven years, the effect of significant financing components is adjusted.
The Company Group sells products with product warranties. However, such warranties only guarantee that the sold products were in compliance with the agreed specifications. Therefore, such product warranties are not considered as independent performance obligations, and the transaction price is not partially allocated to product warranty. There are no other material contracts that include multiple performance obligations.

4. Transaction price allocated to remaining performance obligations

The Company Group uses the practical expedient and does not disclose information on remaining performance obligations because it has no significant transactions with individual contract terms exceeding one year. There is no significant consideration from contracts with customers that is not included in transaction prices.

5. Assets recognized from costs to obtain or fulfill a contract with a customer

The Company Group has no significant incremental costs to obtain a contract, or costs to fulfill a contract, which should be recognized as assets. The Company Group recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Company Group otherwise would have recognized is one year or less, as allowed by the practical expedient.

Non-consolidated Statement of Changes in Equity

(from April 1, 2023 to March 31, 2024)

(Millions of yen; amounts less than one million yen are truncated.)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Capital stock	Legal capital surplus	Other capital surplus	Capital surplus Total	Legal retained earnings	Reserve for reduction entry of land	Reserve for reduction entry of depreciable assets	General reserve
Balance at April 1, 2023	54,768	163,199	0	163,199	9,126	408	5,263	111,852
Changes of items during period								
Reversal of reserve for reduction entry of depreciable assets	–	–	–	–	–	–	(320)	–
Dividends of surplus	–	–	–	–	–	–	–	–
Profit	–	–	–	–	–	–	–	–
Purchase of treasury shares	–	–	–	–	–	–	–	–
Disposal of treasury shares	–	–	0	0	–	–	–	–
Cancellation of treasury shares	–	–	(23,343)	(23,343)	–	–	–	–
Transfer of negative balance of other capital surplus	–	–	23,343	23,343	–	–	–	–
Net changes of items other than shareholders' equity	–	–	–	–	–	–	–	–
Total changes of items during period	–	–	(0)	(0)	–	–	(320)	–
Balance at March 31, 2024	54,768	163,199	–	163,199	9,126	408	4,943	111,852

	Shareholders' equity				Valuation and translation adjustments			Total net assets
	Retained earnings							
	Other retained earnings							
	Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at April 1, 2023	44,314	170,964	(12,099)	376,832	5,008	(9,191)	(4,183)	372,649
Changes of items during period								
Reversal of reserve for reduction entry of depreciable assets	320	–	–	–	–	–	–	–
Dividends of surplus	(17,603)	(17,603)	–	(17,603)	–	–	–	(17,603)
Profit	33,241	33,241	–	33,241	–	–	–	33,241
Purchase of treasury shares	–	–	(20,004)	(20,004)	–	–	–	(20,004)
Disposal of treasury shares	–	–	0	0	–	–	–	0
Cancellation of treasury shares	–	–	23,343	–	–	–	–	–
Transfer of negative balance of other capital surplus	(23,343)	(23,343)	–	–	–	–	–	–
Net changes of items other than shareholders' equity	–	–	–	–	306	–	306	306
Total changes of items during period	(7,385)	(7,705)	3,338	(4,366)	306	–	306	(4,060)
Balance at March 31, 2024	36,928	163,259	(8,760)	372,466	5,315	(9,191)	(3,876)	368,589

Notes to the Non-consolidated Financial Statements

(Notes on Significant Accounting Policies)

1. Basis and method for valuation of assets

(1) Basis and method for valuation of securities

1) Shares of subsidiaries and associates

Shares of subsidiaries and associates are stated at cost using the moving average method.

2) Available-for-sale securities

a. Securities other than non-marketable shares and other securities

Securities other than non-marketable shares and other securities are stated at fair value (valuation differences are recognized directly in net assets, and the cost of such securities sold is calculated using the moving average method).

b. Non-marketable shares and other securities

Non-marketable shares and other securities are stated at cost using the moving average method.

Investments in investment limited partnerships and other similar partnerships (investments deemed to be securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are stated at the net amount equivalent to equity interests based on the most recent financial statements available on the reporting date stipulated in the respective partnership agreements.

(2) Basis and method for valuation of derivatives

Derivatives are stated at fair value.

(3) Basis and method for valuation of inventories

1) Basis for valuation

Inventories are stated at cost (the carrying amount is written down in case of a decline in profitability).

2) Method for valuation

a. Merchandise and finished goods

Machinery is stated based on the specific identification method.

Consumables, etc. are stated based on the moving average method.

b. Work in process

Machinery is stated based on the specific identification method.

Consumables are stated based on the moving average method.

c. Raw materials

Machinery is stated based on the first-in, first-out method.

Consumables are stated based on the moving average method.

d. Supplies

Supplies are mainly stated at cost using the last purchase price method.

2. Depreciation and amortization methods for fixed assets

(1) Property, plant and equipment

1) Property, plant and equipment (excluding leased assets)

Items of property, plant and equipment (excluding leased assets) are depreciated on a straight-line basis.

The economic lives of principal property, plant and equipment are as follows:

Buildings and structures:	7–60 years
Machinery and tools, furniture and fixtures:	2–17 years

2) Leased assets

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

(2) Intangible assets

1) Software for sale

Software for sale is amortized at the greater of either the amortization amount based on the projected sales volume, or the equally allocated amount based on the remaining useful life (three years).

2) Software for internal use

Software for internal use is amortized on a straight-line basis over the period available for internal use (five years).

3) Leased assets

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

4) Others

Other intangible assets are amortized on a straight-line basis. The economic life of principal items is 10 years.

(3) Long-term prepaid expenses

Long-term prepaid expenses are amortized over the expected benefit period of the related expense using the straight-line method.

3. Accounting policy for provisions

(1) Allowance for doubtful accounts

To provide for potential credit losses on receivables, allowance for doubtful accounts is recorded at an estimated unrecoverable amount calculated based on the historical rate of credit loss for general receivables and determined in consideration of recoverability of individual receivables for doubtful accounts and certain other receivables.

(2) Provision for product warranty

Repair cost projected to be incurred during the warranty period of sold products is calculated based on historical rate and recorded as provision for product warranty. Even after the product warranty period, the amount of repair costs associated with product defects (including recall) arising from product liability projected to be incurred in the future is individually estimated based on the number of products subject to repair, cost of measure per product, and historical rate, and recorded as provision for product warranty.

(3) Provision for bonuses

To provide for payment of bonuses to employees, provision for bonuses is recorded at an amount of estimated bonus payments that is attributable to the fiscal year under review.

(4) Provision for directors' bonuses

To provide for payment of bonuses to directors, provision for directors' bonuses is recorded at an amount of estimated bonus payments for the fiscal year under review.

(5) Provision for retirement benefits

To provide for payment of retirement benefits to employees, provision for retirement benefits is recorded at an amount based on estimated retirement benefit obligations and plan assets at the end of fiscal year under review.

1) Attribution method for estimated retirement benefits

In calculating retirement benefit obligations, the benefit formula basis is used to attribute the estimated amount of retirement benefits to periods up to the end of the fiscal year under review.

2) Accounting procedures for actuarial gains and losses and past service cost

Past service cost is recognized as an expense on a pro-rata basis using the straight-line method over a certain number of years (10 years) within the average remaining service years of employees at the time of recognition.

Actuarial gains and losses are recognized as an expense on a pro-rata basis using the straight-line method over a certain number of years (10 years) within the average remaining service years of employees from the fiscal year following the respective fiscal year of recognition.

(6) Provision for loss on business of subsidiaries and associates

To provide for losses expected to be incurred by subsidiaries and associates, provision for loss on business on subsidiaries and associates is recorded at an amount estimated to be necessary in consideration of, among other things, the financial position of the subsidiaries and associates.

4. Accounting policy for income and expense

Regarding sales of products, the Company's performance obligation is deemed to be satisfied when the customer acquires control of the products, which is determined to be the time of the acceptance inspection by the customer. Therefore, revenue is recognized at the time of the acceptance inspection. Furthermore, in the installment sales of products, the financing component of a transaction price is separated from the other components, and the portion equivalent to interest, which is a financing component, is recognized as revenue based on the contract term with the customer.

For maintenance in relation to the products, customers receive benefits as the Company performs obligations in the contracts with customers. Therefore, revenue is recognized over the respective contract terms.

For finance lease transactions related to real estate leasing that do not transfer ownership, the total amount equivalent to interest is allocated to each fiscal year using the interest method, instead of recognizing revenue.

5. Other important matters that constitute the basis for preparation of non-consolidated financial statements
   (1) Hedge accounting methods
      1) Hedge accounting methods
         Hedging activities are principally accounted for under the deferral hedge accounting. Forward foreign exchange contracts, currency options, and other instruments are accounted for using the designated hedge accounting when the required criteria are met.
      2) Hedging instruments and hedged items
         Hedging instruments and hedged items to which hedge accounting is applied are as follows:

Hedging instruments:	forward foreign exchange contracts
Hedged items:	foreign currency trade receivables arising from exports of merchandise and finished goods, foreign currency forecast transactions

      3) Hedging policy
         In accordance with internal rules that stipulate derivative transaction-related authority levels and transaction amount limits, currency exchange fluctuation risk of hedged items is hedged within a certain range.
      4) Method for assessing hedge effectiveness
         The Company has confirmed that foreign currency forecast transactions are highly probable by comprehensively taking into account past transactions and others. The Company compares the cumulative amounts of fluctuations in cash flows of both hedged items and hedging instruments, and assesses the hedge effectiveness based on, among other factors, their fluctuation amounts.
         However, hedge effectiveness is not assessed for forward foreign exchange contracts that meet the required criteria for the designated hedge accounting.
   (2) Accounting treatment for retirement benefits
      Accounting treatments for unrecognized actuarial gains and losses and unrecognized past service cost related to retirement benefits are different from those adopted for the consolidated financial statements.

(Notes to Changes in Presentation)

(Non-consolidated statement of income)

"Loss on valuation of investment securities," which was included in "Other" under "Extraordinary losses" in the previous fiscal year, has been separately presented from the fiscal year under review due to increased quantitative materiality.

To reflect this change in presentation, 51 million yen included in "Other" under "Extraordinary losses" in the non-consolidated statement of income for the previous fiscal year has been reclassified to "Loss on valuation of investment securities" under "Extraordinary losses."

(Notes on Significant Accounting Estimates)

Valuation of shares of subsidiaries and associates and investments in capital of subsidiaries and associates

(1) Amount recorded for the fiscal year under review

Shares of subsidiaries and associates	69,709 million yen
Investments in capital of subsidiaries and associates	20,724 million yen

(2) Information that contributes to understanding the details of accounting estimates

In the valuation of shares of subsidiaries and associates and investments in capital of subsidiaries and associates, if their substantive values decline significantly, an impairment loss is recognized, taking into account their recoverability. In the valuation, the recoverability and excess earning power at their substantive values are determined based on the medium-term management plan of the target company. These estimates will be affected by uncertain economic conditions in the future, and therefore may have a significant impact on the amounts of shares of subsidiaries and associates and investments in capital of subsidiaries and associates to be recorded in the non-consolidated financial statements for the following fiscal year.

(Notes to the Non-consolidated Balance Sheet)

1. Accumulated depreciation of property, plant and equipment: 101,820 million yen

2. Guarantee obligations
   Guarantees for debt obligations of AMADA CAPITAL CORPORATION to financial institutions, etc.: 7,872 million yen
   Guarantees for debt obligations of AMADA INDIA PVT. LTD. to financial institutions, etc.: 364 million yen

3. Monetary receivables from and payables to subsidiaries and associates

Short-term monetary receivables from subsidiaries and associates	36,844 million yen
Long-term monetary receivables from subsidiaries and associates	1,080 million yen
Short-term monetary payables to subsidiaries and associates	21,696 million yen
Long-term monetary payables to subsidiaries and associates	1 million yen

4. Revaluation of land
   Pursuant to the Act on Revaluation of Land (Act No. 34, March 31, 1998), the Company revalued its land held for business purposes. Differences arising from land revaluation were recorded in "Revaluation reserve for land" under net assets.
   (1) Revaluation method
   Land was revalued by making reasonable adjustments to the value calculated by the method specified and announced by the Commissioner of the National Tax Agency for calculating land value as the basis for calculating the taxable value for land value tax prescribed in Article 16 of the Land Value Tax Act, as stipulated in in Article 2, Item 4 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119, March 31, 1998).
   (2) Date of revaluation March 31, 2002
   (3) Difference between fair value of land at the end of the fiscal year under review and carrying amount after revaluation
   (1,420) million yen

(Notes to the Non-consolidated Statement of Income)

Amounts of transactions with subsidiaries and associates

(1) Operating transactions	
Net sales	98,024 million yen
Purchases	24,567 million yen
Other	11,341 million yen
(2) Non-operating transactions	19,397 million yen

(Notes to the Non-consolidated Statement of Changes in Equity)

Class and number of treasury shares as of the end of the fiscal year under review: 6,754,816 common shares

(Notes on Tax Effect Accounting)

1. Significant components of deferred tax assets and deferred tax liabilities by cause

	(Millions of yen)
Deferred tax assets:	
Allowance for doubtful accounts in excess of deductible limit	451
Loss on valuation of inventories in excess of deductible limit	504
Accrued enterprise tax	350
Provision for bonuses in excess of deductible limit	856
Provision for product warranty in excess of deductible limit	90
Research and development assets in excess of deductible limit	5,237
Loss on cancellation and valuation of securities in excess of deductible limit	145
Provision for retirement benefits in excess of deductible limit	68
Depreciation and amortization in excess of deductible limit	14
Impairment loss	593
Loss on cancellation and valuation of shares of subsidiaries and associates in excess of deductible limit	3,310
Loss on valuation of golf club membership	510
Revaluation reserve for land	3,144
Valuation difference on available-for-sale securities	130
Other	266
Subtotal of deferred tax assets	15,675
Less valuation allowance	(7,865)
Total deferred tax assets	7,810
Deferred tax liabilities:	
Difference in revenue recognition for tax purposes	(890)
Reserve for tax purpose reduction entry of non-current assets	(2,359)
Revaluation reserve for land	(477)
Prepaid pension costs	(2,308)
Valuation difference on available-for-sale securities	(657)
Other	(89)
Total deferred tax liabilities	(6,783)
Net deferred tax assets	1,026

Note: Net deferred tax assets for the fiscal year under review are included in the following items in the non-consolidated balance sheet.

		(Millions of yen)
Non-current assets	— Deferred tax assets	1,504
Non-current liabilities	— Deferred tax liabilities for land revaluation	477

2. Reconciliation of significant difference between the normal effective statutory tax rate and the actual effective tax rate after applying tax effect accounting

	(%)
Effective statutory tax rate	30.6
Adjustments:	
Expenses not deductible for income tax purposes (e.g., entertainment expenses)	0.4
Income not taxable for income tax purposes (e.g., dividend income)	(13.0)
Inhabitant tax on per capita basis	0.2
Changes in valuation allowance	(0.1)
Foreign withholding tax	0.6
Other	(0.7)
Actual effective tax rate after applying tax effect accounting	18.0

(Notes on Related-Party Transactions)

(Millions of yen)

Type	Name of company or individual	Ratio of voting rights holding (held)	Relationship with related party	Nature of transaction	Transaction amount	Account	Balance at end of year
Subsidiary	AMADA MACHINERY CO., LTD.	Holding Direct 100.0%	Sale of metal cutting and machine tools, etc.	CMS deposits received (*1)	–	Deposits received	12,074
				Sale of products and components (*2)(*3)(*4)	19,719	Accounts receivable - trade	1,995
Subsidiary	AMADA AMERICA, INC.	Holding Indirect 100.0%	Sale of the Company's products and components in the North American market, etc.	Sale of products and components (*2)(*3)(*4)	25,926	Accounts receivable - trade	11,041
Subsidiary	AMADA EUROPE S.A.	Holding Direct 100.0%	Sale of the Company's products and components in the European market, etc.	Sale of products and components (*2)(*3)(*4)	13,537	Accounts receivable - trade	6,747
Subsidiary	AMADA CAPITAL CORPORATION	Holding Indirect 100.0%	Debt guarantee	Guarantees for debt obligations (*5)	7,872	–	–
Company whose majority of the voting rights are held by officer and his/her close relatives	Miyoshi Industrial Property Rights Research Center K.K.	–	Business transactions and interlocking directorates	Patent-related agency transactions (*4)(*6)(*7)	103	Accrued expenses	1
Officer	Hidekazu Miyoshi	(Held) Direct 0.0%	Business transactions	Patent-related agency transactions (*4)(*7)(*8)	58	Accrued expenses	4

Transaction terms and policy for determining transaction terms

*1. CMS deposits received are deposits received by the Company from respective Group companies through a cash management system, and deposited funds are transferred on a daily basis. Accordingly, the transaction amount is not presented but only the balance at the end of the year. Interest rates for such transactions are reasonably determined with reference to market interest rates.

*2. As for the transaction terms for products and components, invoice prices are determined in consultation between both companies with reference to market prices.

*3. As for the transaction terms for products and components, prices are determined in consultation between both companies by adding export charges and other expenses to invoice prices.

*4. Consumption and other taxes are not included in the amounts of transactions with AMADA MACHINERY CO., LTD., Miyoshi Industrial Property Rights Research Center K.K. and Hidekazu Miyoshi but are included in their balances at the end of the year. For transactions with AMADA AMERICA, INC. and AMADA EUROPE S.A., consumption and other taxes are not included in either of them.

*5. The Company has provided debt guarantees for borrowings of AMADA CAPITAL CORPORATION from financial institutions. The transaction amount represents the amount of guarantees outstanding as of the end of the fiscal year.

*6. The majority of the company's voting rights is held by the Company's Outside Director Hidekazu Miyoshi and his close relatives.

*7. The transaction prices and terms are the same as those for transactions with other non-related parties.

*8. The Company enters into a contract with Miyoshi & Miyoshi (Patent Office), where the Company's Outside Director Hidekazu Miyoshi serves as Chairman, for each transaction.

(Notes on Per Share Information)

Net assets per share	1,102.37 yen
Basic earnings per share	97.30 yen

(Notes on Significant Subsequent Events)

(Absorption-type merger with a consolidated subsidiary)

The Board of Directors of the Company, at its meeting held on November 9, 2023, resolved to conduct an absorption-type merger with AMADA WELD TECH CO., LTD., a wholly-owned subsidiary of the Company, effective on April 1, 2024, with the Company as the surviving company and AMADA WELD TECH as the dissolving company, and the Company entered into a merger agreement on the same day. Under the agreement, the Company absorbed AMADA WELD TECH on April 1, 2024 accordingly.

Outline of the transaction

(1) Purpose of the merger

In March 2013, the Company acquired shares in Miyachi Corporation (currently, AMADA WELD TECH CO., LTD.) through a tender offer and brought it under the Company Group's umbrella. Since then, AMADA WELD TECH has been expanding its business by working together with the Company's welding division and other Group companies to provide laser welding machines and other micro welding and metalworking solutions.

Recently, we reached the conclusion that, in order to bring together laser technologies across the Company Group and further expand our laser and welding businesses, including expansion into new areas, it is necessary to integrate AMADA WELD TECH's business into the Company, and so decided to merger with the company.

(2) Name of the merged company and description of its business (as of March 31, 2024)

Name of the merged company: AMADA WELD TECH CO., LTD.

Description of business: Development, manufacture and sale of metalworking machines (micro welding products) and provision of relevant services

Capital	1,606 million yen
Net assets	12,025 million yen
Total assets	14,322 million yen
Net sales	9,601 million yen
Profit	2,461 million yen

(3) Schedule of the merger

Date of the Board of Directors' meeting at which the merger was approved:	November 9, 2023
Date of conclusion of the merger agreement:	November 9, 2023
Date of the merger (effective date):	April 1, 2024

* The merger was conducted through the procedures for simplified merger and short-form merger that do not require the approval of the General Meeting of Shareholders, in accordance with the provisions of Article 796, Paragraph 2 of the Companies Act for the Company, and Article 784, Paragraph 1 of the said Act for AMADA WELD TECH CO., LTD., respectively.

(4) Method of the merger

An absorption-type merger with the Company as the surviving company and AMADA WELD TECH CO., LTD. as the dissolving company

(5) Allocation of consideration for the merger

As it was a merger with a wholly-owned subsidiary of the Company, the Company neither issued new shares nor increased its capital. The Company did not deliver money or other consideration for the acquisition of shares in AMADA WELD TECH CO., LTD. either.

(6) Outline of the surviving company

Name:	AMADA CO., LTD.
Capital:	54,768 million yen
Description of business:	1) Development, manufacture and sale of metalworking machines, etc. and provision of relevant services 2) Control or management of business activities of AMADA Group companies by owning shares or equity interests in such companies

(7) Outline of the accounting treatment implemented
The merger was accounted for as a transaction under common control in accordance with the *Accounting Standard for Business Combinations* (ASBJ Statement No. 21, January 16, 2019) and the *Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures* (ASBJ Guidance No. 10, January 16, 2019).

(Purchase and cancellation of treasury shares)
This information is omitted as the same details are presented in "Notes on Significant Subsequent Events" in the Notes to the Consolidated Financial Statements.

(Notes on Revenue Recognition)
Information that provides a basis for understanding revenue is omitted as the same details are presented in "Notes on Revenue Recognition" in the Notes to the Consolidated Financial Statements.