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# **Consolidated Financial Statements**

**March 31, 2023**

**F-TECH INC.**

19, Showanuma, Shobu-cho, Kuki City, Saitama, JAPAN

Consolidated financial statements, etc.

(1) Consolidated financial statements

i) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	1,981	5,491
Notes receivable - trade	497	628
Accounts receivable - trade	35,830	37,177
Merchandise and finished goods	8,754	5,296
Work in process	7,500	7,632
Raw materials and supplies	11,775	12,702
Other	3,387	3,729
Allowance for doubtful accounts	(2)	(55)
Total current assets	69,723	72,603
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,352	18,884
Machinery, equipment and vehicles, net	36,467	45,363
Dies and tools, net	1,926	2,785
Land	5,899	6,059
Leased assets, net	477	724
Construction in progress	15,570	13,005
Other, net	2,672	5,461
Total property, plant and equipment	*1 81,366	*1 92,284
Intangible assets		
Software	254	248
Right of using facilities	45	36
Total intangible assets	299	285
Investments and other assets		
Investment securities	*2 7,412	*2 7,464
Retirement benefit asset	56	253
Deferred tax assets	1,485	1,963
Other	588	1,283
Total investments and other assets	9,542	10,965
Total non-current assets	91,208	103,534
Total assets	160,931	176,137

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	22,966	24,169
Short-term loans payable	*3 36,540	*3 27,832
Current portion of long-term loans payable	10,244	12,995
Lease obligations	574	1,247
Income taxes payable	652	942
Accounts payable - other	3,179	1,845
Notes payable - facilities	140	228
Provision for directors' bonuses	44	85
Other	*4 4,477	*4 6,198
Total current liabilities	78,819	75,544
Non-current liabilities		
Long-term loans payable	16,735	29,908
Lease obligations	772	1,942
Deferred tax liabilities	2,759	2,707
Provision for directors' retirement benefits	51	53
Net defined benefit liability	919	1,003
Negative goodwill	39	33
Other	255	187
Total non-current liabilities	21,533	35,836
Total liabilities	100,353	111,380
<b>Net assets</b>		
Shareholders' equity		
Capital stock	6,790	6,790
Capital surplus	6,733	6,733
Retained earnings	26,619	27,979
Treasury shares	(62)	(60)
Total shareholders' equity	40,081	41,443
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	518	543
Deferred gains or losses on hedges	—	386
Foreign currency translation adjustment	4,498	7,731
Remeasurements of defined benefit plans	7	(65)
Total accumulated other comprehensive income	5,025	8,595
Non-controlling interests	15,472	14,717
Total net assets	60,578	64,756
Total liabilities and net assets	160,931	176,137

ii) Consolidated statements of income and comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	*1 191,892	*1 261,156
Cost of sales	*2 176,290	*2 242,414
Gross profit	15,601	18,741
Selling, general and administrative expenses	*3, *4 14,458	*3, *4 16,702
Operating profit	1,142	2,038
Non-operating income		
Interest income	64	97
Dividend income	60	59
Share of profit of entities accounted for using equity method	200	306
Foreign exchange gains	409	880
Other	254	343
Total non-operating income	988	1,688
Non-operating expenses		
Interest expenses	792	1,758
Other	46	47
Total non-operating expenses	838	1,806
Ordinary profit	1,292	1,921
Extraordinary income		
Gain on sales of non-current assets	*5 86	*5 26
Gain on sales of investment securities	7	–
Gain on bargain purchase	–	1,237
Gain on change in equity	–	153
Gain on cancellation of leases	71	–
Total extraordinary income	166	1,416
Extraordinary losses		
Loss on sales of non-current assets	*6 23	*6 12
Loss on retirement of non-current assets	*7 87	*7 24
Total extraordinary losses	111	36
Profit before income taxes	1,347	3,300
Income taxes - current	1,822	2,398
Income taxes - deferred	(754)	(754)
Total income taxes	1,068	1,643
Profit	279	1,657
Profit (loss) attributable to		
Profit attributable to owners of parent	209	1,734
Profit (loss) attributable to non-controlling interests	70	(77)
Other comprehensive income		
Valuation difference on available-for-sale securities	46	13
Deferred gains or losses on hedges	–	397
Foreign currency translation adjustment	6,375	3,530
Remeasurements of defined benefit plans, net of tax	(101)	(79)
Share of other comprehensive income of entities accounted for using equity method	65	259
Total other comprehensive income	*8 6,385	*8 4,121
Comprehensive income	6,665	5,778
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,948	5,305
Comprehensive income attributable to non-controlling interests	1,717	472

iii) Consolidated statements of changes in net assets

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,790	6,733	26,559	(64)	40,019
Changes of items during period					
Dividends of surplus			(149)		(149)
Profit attributable to owners of parent			209		209
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		0		1	2
Net changes of items other than shareholders' equity					
Total changes of items during period	–	0	59	1	62
Balance at end of period	6,790	6,733	26,619	(62)	40,081

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	490	–	(333)	128	286	14,726	55,032
Changes of items during period							
Dividends of surplus							(149)
Profit attributable to owners of parent							209
Purchase of treasury shares							(0)
Disposal of treasury shares							2
Net changes of items other than shareholders' equity	27	–	4,832	(121)	4,738	745	5,484
Total changes of items during period	27	–	4,832	(121)	4,738	745	5,546
Balance at end of period	518	–	4,498	7	5,025	15,472	60,578

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,790	6,733	26,619	(62)	40,081
Changes of items during period					
Dividends of surplus			(374)		(374)
Profit attributable to owners of parent			1,734		1,734
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		0		1	1
Net changes of items other than shareholders' equity					
Total changes of items during period	–	0	1,360	1	1,361
Balance at end of period	6,790	6,733	27,979	(60)	41,443

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	518	–	4,498	7	5,025	15,472	60,578
Changes of items during period							
Dividends of surplus							(374)
Profit attributable to owners of parent							1,734
Purchase of treasury shares							(0)
Disposal of treasury shares							1
Net changes of items other than shareholders' equity	24	386	3,232	(73)	3,570	(754)	2,816
Total changes of items during period	24	386	3,232	(73)	3,570	(754)	4,178
Balance at end of period	543	386	7,731	(65)	8,595	14,717	64,756

## iv) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	1,347	3,300
Depreciation	10,581	13,112
Loss (gain) on change in equity	–	(153)
Gain on bargain purchase	–	(1,237)
Amortization of goodwill	(5)	(5)
Loss (gain) on sales of investment securities	(7)	–
Increase (decrease) in assets and liabilities related to retirement benefits	27	(255)
Increase (decrease) in provision for directors' retirement benefits	(5)	2
Increase (decrease) in provision for directors' bonuses	13	40
Interest and dividend income	(124)	(157)
Interest expenses	792	1,758
Foreign exchange losses (gains)	(839)	(752)
Share of loss (profit) of entities accounted for using equity method	(200)	(306)
Loss (gain) on sales of property, plant and equipment	(63)	(13)
Loss on retirement of property, plant and equipment	87	24
Decrease (increase) in notes and accounts receivable - trade	(1,202)	885
Decrease (increase) in inventories	(5,957)	5,253
Increase (decrease) in notes and accounts payable - trade	971	(278)
Decrease (increase) in accounts receivable - other	(570)	282
Other, net	(710)	(298)
Subtotal	4,134	21,201
Interest and dividend income received	146	190
Interest expenses paid	(798)	(1,730)
Income taxes paid	(1,688)	(2,227)
Net cash provided by (used in) operating activities	1,794	17,433
Cash flows from investing activities		
Purchase of property, plant and equipment	(15,906)	(15,651)
Proceeds from sales of property, plant and equipment	348	33
Purchase of intangible assets	(43)	(37)
Purchase of investment securities	(41)	(47)
Proceeds from sales of investment securities	35	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	*2 (632)
Other, net	(33)	(6)
Net cash provided by (used in) investing activities	(15,641)	(16,342)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	13,359	(11,830)
Proceeds from long-term loans payable	9,948	26,721
Repayments of long-term loans payable	(10,745)	(11,465)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(149)	(373)
Dividends paid to non-controlling interests	(958)	(685)
Repayments of lease obligations	(585)	(821)
Proceeds from sales of treasury shares	2	1
Other, net	694	794
Net cash provided by (used in) financing activities	11,566	2,340
Effect of exchange rate change on cash and cash equivalents	552	79
Net increase (decrease) in cash and cash equivalents	(1,727)	3,510
Cash and cash equivalents at beginning of period	3,708	1,981
Cash and cash equivalents at end of period	*1 1,981	*1 5,491



## Notes to consolidated financial statements

### Basis of presentation and significant accounting policies for preparation of consolidated financial statements

#### 1. Basis of presentation of consolidated financial statements

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

As permitted by the Japanese Financial Instruments and Exchange Act, amounts less than one million yen have been omitted. As a result, the totals shown in accompanying financial statements do not necessarily agree with the sum of the individual amounts.

#### 2. Disclosure of scope of consolidation

##### (1) Number of consolidated subsidiaries: 17

Fukuda Engineering Co., Ltd.

Kyushu F.tech Inc.

Reterra Inc.

F&P Mfg., Inc.

F&P America Mfg., Inc.

F.tech R&D North America Inc.

F&P MFG. DE MEXICO S.A. DE C.V.

F.E.G. DE QUERETARO, S.A. DE C.V.

F.tech Zhongshan Inc.

F.tech Wuhan Inc.

F.tech R&D (Guangzhou) Inc.

Yantai Fuyan Mould Co., Ltd.

F.tech Philippines Mfg., Inc.

F.tech R&D Philippines Inc.

F.tech Mfg. (Thailand) Ltd.

PT. F.tech INDONESIA

India Steel Summit Private Limited

India Steel Summit Private Limited was included in the scope of consolidation from the fiscal year ended March 31, 2023 because the Company acquired shares in the company to make it a consolidated subsidiary.

##### (2) Number of non-consolidated subsidiaries: Two

Laguna Greenland Corp.

F.tech Automotive Components Private Limited

#### Reason for exclusion from scope of consolidation

The non-consolidated subsidiaries are small in scale and the amounts of their total assets, net sales, profit (loss) (for the Company’s equity interest), retained earnings (for the Company’s equity interest) and other financial statement items do not have a significant impact on the Company’s consolidated financial statements.

3. Disclosure about application of equity method

(1) Non-consolidated subsidiaries accounted for using the equity method

Not applicable.

(2) Number of associates accounted for using the equity method: Five

Johnan Manufacturing Inc.

JOHNAN AMERICA, Inc.

JOHNAN F.TECH (THAILAND) LTD.

JOHNAN DE MEXICO, S.A. DE C.V.

VEEGEE Auto Components Private Limited

(3) Number of non-consolidated subsidiaries not accounted for using the equity method: Two

Laguna Greenland Corp.

F.tech Automotive Components Private Limited

Number of associates not accounted for using the equity method: Six

Progressive Tools & Components Pvt Ltd.

JOHNAN UK LTD.

PT. JFD INDONESIA

JOHNAN WUHAN INC.

Johnan Kyushu Manufacturing Inc.

Johnan Foshan Inc.

Reason for exclusion from scope of equity method

The non-consolidated subsidiaries and associates that are not accounted for using the equity method are excluded from the application of the equity method since such exclusion has no significant impact on the Company's consolidated financial statements in terms of profit (loss) (for the Company's equity interest), retained earnings (for the Company's equity interest) and other financial statement items, and overall they are of minor significance.

(4) The fiscal year ends of certain companies accounted for using the equity method are different from the consolidated fiscal year end. In preparing the consolidated financial statements, the Company uses the financial statements of these companies as of their fiscal year end.

4. Disclosure about fiscal years, etc. of consolidated subsidiaries

Among the consolidated subsidiaries, the fiscal year end of F.tech Philippines Mfg., Inc. and F.tech R&D Philippines Inc. is January 31 and the fiscal year end of F.E.G. DE QUERETARO, S.A. DE C.V., F.tech Zhongshan Inc., F.tech Wuhan Inc., Yantai Fuyan Mould Co., Ltd., F.tech R&D (Guangzhou) Inc., F&P MFG. DE MEXICO S.A. DE C.V. and PT. F.tech INDONESIA is December 31.

In the preparation of the consolidated financial statements, the financial statements as of the fiscal year ends of the respective subsidiaries are used. However, for major transactions that occurred between these fiscal year ends and the consolidated fiscal year end, necessary adjustments are made in the consolidated financial statements.

5. Disclosure of accounting policies

(1) Accounting policy for measuring significant assets

i) Securities

Available-for-sale securities (other securities)

Securities other than shares, etc. that do not have a market price

Stated at fair value based on market prices on the closing date of the accounting period.

(Valuation difference is stated as a component of net assets in the consolidated balance sheets, the cost of securities sold is calculated applying the moving-average method.)

Shares, etc. that do not have a market price

Stated at cost determined by the moving-average method.

ii) Derivatives

Stated at fair value.

iii) Inventories

Inventories of the Company and its domestic consolidated subsidiaries are stated at cost determined by the average cost method (balance sheet amounts are determined based on the method of writing down book value in accordance with decreased profitability). Inventories of foreign consolidated subsidiaries are stated at the lower of cost or market, determined by the first-in, first-out method.

(2) Accounting policy for depreciation of significant assets

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

Depreciated by the straight-line method.

ii) Intangible assets (excluding leased assets)

Amortized by the straight-line method.

Software (for internal use) is amortized by the straight-line method over the usable period in the Company (five years).

iii) Leased assets

Leased assets relating to finance lease transactions that do not transfer ownership are depreciated by the straight-line method assuming the lease periods as useful lives without residual value.

Right-of-use assets are depreciated by the straight-line method over the shorter of the useful life of the asset or lease term.

(3) Accounting policy for significant provisions

i) Allowance for doubtful accounts

To prepare for losses from bad debts, an estimated uncollectible amount is provided either by making an estimation using the historical rate of credit loss in the case of general receivables, or based on individual consideration of collectability in the case of specific receivables such as highly doubtful receivables.

ii) Provision for directors' retirement benefits

At some consolidated subsidiaries, to prepare for the payment of directors' retirement benefits, the amount to be paid at the fiscal year end, based on the internal rules for directors' retirement benefits, is provided.

iii) Provision for directors' bonuses

To prepare for the payment of directors' bonuses, the amount expected to be paid at the current fiscal year end is provided.

(4) Accounting method of retirement benefits

i) Methods of attributing estimated retirement benefits to accounting periods

When calculating retirement benefit obligations, the benefit formula method is used to attribute estimated benefit amounts to periods of service until the fiscal year end.

ii) Amortization of actuarial gains and losses

Actuarial gains and losses are amortized beginning in the following fiscal years by the straight-line method over a period which is equal to or less than the average remaining service period of employees (mainly five years) at the time of occurrence. At certain consolidated subsidiaries, actuarial gains and losses are amortized at the time of occurrence.

iii) Application of simplified method for small businesses

In calculating net defined benefit liability, certain consolidated subsidiaries apply the simplified method in which the net defined benefit liability and retirement benefit costs are deemed to be the amount of retirement benefits to be paid in cases where all eligible employees retired on a voluntary basis at the fiscal year-end date.

(5) Accounting policy for significant revenues and expenses

The details of the main performance obligations in the major businesses related to revenue from contracts with customers of the Company and its consolidated subsidiaries (the “Group”) and the timing at which the Group typically satisfies these performance obligations (when it typically recognizes revenue) are as follows:

i) Sale of finished goods

The Group mainly engages in the manufacture and sale of auto parts, dies and facilities. The Group’s main performance obligations are the sale of finished goods to customers.

In the domestic transactions of finished goods, the Group recognizes revenue at the time when a finished good is delivered to a customer as the Group satisfies a performance obligation by transferring control of the good to the customer. In export transactions, the Group recognizes revenue at the time when the Group deems that it satisfies a performance obligation by transferring the risks borne and control of a finished good to a customer based on the terms and conditions of trade set forth in a contract with the customer. The Group receives consideration for transactions generally within three months after satisfying performance obligations, and the Group’s contracts with customers do not contain a significant financing component.

ii) Provision of other offerings

The Group provides technical support services related to the manufacture of auto parts.

The Group recognizes revenue from the provision of technical support services over the time the services are rendered because they are routine or recurring services in which the receipt and simultaneous consumption by a customer of the benefits of the Group’s performance of obligations in a contract with the customer can be readily identified. The Group receives consideration for transactions related to the provision of technical support services generally in stages by measuring its progress toward complete satisfaction of that performance obligation based on contract terms.

In buy-sell transactions with repurchase obligation, the Group recognizes ending inventory of supplied articles remaining at fee-paying suppliers as work in process, and recognizes consideration received from the fee-paying suppliers as financial liabilities.

(6) Translation basis of significant assets and liabilities denominated in foreign currencies

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates prevailing at the consolidated fiscal year end, and the translation adjustment is recognized in the consolidated statements of income. Assets and liabilities of foreign consolidated subsidiaries are translated into Japanese yen at the spot exchange rates as of the fiscal year end, and revenues and expenses of foreign consolidated subsidiaries are translated into Japanese yen at the average exchange rates. Translation adjustments are included in foreign currency translation adjustment and non-controlling interests in net assets in the consolidated balance sheets.

(7) Accounting policy for goodwill

All goodwill and the portion of negative goodwill that was recognized on or before March 31, 2010, have been amortized by the straight-line method over periods not exceeding 20 years based on the estimated

period during which their effect will be recognized for each investment.

(8) Significant hedge accounting method

i) Hedge accounting method

Deferred hedge accounting is applied to interest rate swaps in principle.

ii) Hedging instruments and hedged items

Hedging instruments: Interest rate swaps

Hedged items: Interest on loans payable

iii) Hedging policy

Loans payable with floating interest rates are converted into those with fixed interest rates to hedge the risk of fluctuations in interest rates.

iv) Method of assessing hedge effectiveness

The Company semi-annually compares the cumulative cash flow fluctuations or market fluctuations of the hedged items, and the cumulative cash flow fluctuations or market fluctuations of hedging instruments, and assesses hedge effectiveness based on these fluctuations and others.

Hedging relationships to which the Company applies the “Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR”

Of the above-mentioned hedging relationships, the Company applies the special treatment prescribed in the “Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (ASBJ Practical Solution No. 40, March 17, 2022) to all the hedging relationships subject to the application of the Practical Solution. The details of the hedging relationships to which the Company applies the Practical Solution are as presented in “Significant hedge accounting method” above.

(9) Scope of cash and cash equivalents in consolidated statements of cash flows

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value and due within three months from the date of acquisition.

## Significant accounting estimates

The Company calculates reasonable monetary amounts for significant accounting estimates based on the information available at the time of preparing the consolidated financial statements. Of the amounts reported as accounting estimates in the consolidated financial statements for the current fiscal year, the following items have the risk of having a significant impact on the consolidated financial statements for the following fiscal year:

Fiscal year ended March 31, 2022

### 1. Impairment test of non-current assets at F&P America Mfg., Inc.'s Ohio factory

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

Given that the Ohio factory of F&P America Mfg., Inc. ("F&P America"), the Company's consolidated subsidiary in the North America segment, continued to post operating losses for the reasons of the impact of COVID-19 and the disruption of supply chains due to shortage of semiconductors and other factors, the Company identified an indication of impairment. As a result of examining whether to recognize an impairment loss of non-current assets at F&P America's Ohio factory, the total estimated undiscounted cash flows from the asset group are expected to fall below the carrying amount of the asset group; however, the fair value of the asset group calculated with the help of an external expert exceeded the carrying amount of 11,530 million yen. The Company, therefore, did not recognize an impairment loss.

#### (2) Other information that helps users of the consolidated financial statements better understand the details of the accounting estimates

In principle, the Group's business assets are grouped by the categories for management accounting.

F&P America applies US GAAP and non-current assets are grouped by factory as the smallest cash-generating unit. If an indication of impairment is identified in an asset group, and the total estimated undiscounted cash flows from the asset group are expected to fall below the carrying amount of the asset group and the fair value of the asset group is expected to be lower than its carrying amount, the difference between the fair value and carrying amount is recognized as an impairment loss.

As an indication of impairment was identified at F&P America's Ohio factory, the Company compared the asset group's fair value to its carrying amount since the total estimated undiscounted cash flows from the asset group are expected to fall below its carrying amount. The market approach is mainly used in calculating the fair value of the asset. If the fair value fluctuates, it may significantly affect the determination of whether to recognize an impairment loss and the amount thereof.

### 2. Impairment test of non-current assets at F.tech Philippines Mfg., Inc.

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

As F.tech Philippines Mfg., Inc. ("FPMI"), the Company's consolidated subsidiary in the Asia segment, saw earnings decline significantly more than expected for the reasons of production cuts of major customers resulting from the impact of COVID-19 and the disruption of supply chains due to a shortage of semiconductors and other factors, as well as soaring transportation and other costs, the Company determined that there was an indication of impairment. Accordingly, after examining whether to recognize an impairment loss, an impairment loss was not recognized since the value in use exceeded the carrying amount of non-current assets, etc. (1,616 million yen).

#### (2) Other information that helps users of the consolidated financial statements better understand the details of the accounting estimates

In principle, the Group's business assets are grouped by the categories for management accounting.

FPMI applies IFRS and deems its factory as a whole as the smallest cash-generating unit. If an indication of impairment is identified and the cash-generating unit's recoverable amount is expected to fall below its carrying amount, the difference between the two is recognized as an impairment loss.

As an indication of impairment was identified at FPMI, the Company compared the cash-generating

unit's recoverable amount to its carrying amount. The recoverable amount is based on the value in use, which is estimated as the present value of future cash flows expected to be derived from the cash-generating unit, calculated by applying a pre-tax discount rate to estimated cash flows based on earnings forecasts and business plans approved by the board of directors. The management's judgment concerning these may have a significant impact on estimated future cash flows.

3. Recoverability of deferred tax assets at F-TECH INC.

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

The balance of deferred tax assets recorded in the consolidated balance sheet for the fiscal year is 1,485 million yen, which includes deferred tax assets of 132 million yen recorded at the Company.

The amount of the deferred tax assets before being offset by deferred tax liabilities was 349 million yen. A valuation allowance of 2,480 million yen was deducted from deferred tax assets totaling 2,830 million yen for deductible temporary differences and tax loss carried forward.

(2) Other information that helps users of the consolidated financial statements better understand the details of the accounting estimates

Deferred tax assets are recognized for all deductible temporary differences and tax loss carried forward to the extent that taxable profit will be available against which the deductible temporary differences can be utilized. In determining the recoverability of deferred tax assets, the amount of deferred tax assets to be recorded is calculated according to the company classification specified "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26).

Future taxable income to be used in determining the recoverability of deferred tax assets is estimated based on the Company's earnings forecasts drawn up by the management. This estimate that reflects external factors, including the business environment, contains the Company's expected future volume of sales to its main customers and the downward risk of the earnings forecasts. The management's judgment concerning these may have a significant impact on the recoverability of deferred tax assets.

Fiscal year ended March 31, 2023

1. Impairment test of non-current assets at F&P America Mfg., Inc.'s Ohio factory and Georgia factory

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

Given that the Ohio factory and Georgia factory of F&P America, the Company's consolidated subsidiary in the North America segment, posted operating losses for the reasons of production cuts of major customers resulting from a shortage of semiconductors, as well as soaring raw material, labor and other costs, the Company identified an indication of impairment. As a result of examining whether to recognize an impairment loss of non-current assets at F&P America's Ohio factory and Georgia factory, the total estimated undiscounted cash flows from their respective asset groups were expected to fall below the carrying amount of the asset groups; however, the fair value of the asset groups calculated with the help of an external expert exceeded the carrying amount of 21,896 million yen. The Company, therefore, did not recognize an impairment loss.

(2) Other information that helps users of the consolidated financial statements better understand the details of the accounting estimates

In principle, the Group's business assets are grouped by the categories for management accounting.

F&P America applies US GAAP and non-current assets are grouped by factory as the smallest cash-generating unit. If an indication of impairment is identified in an asset group, and the total estimated undiscounted cash flows from the asset group are expected to fall below the carrying amount of the asset group and the fair value of the asset group is expected to be lower than its carrying amount, the difference between the fair value and carrying amount is recognized as an impairment loss.

As an indication of impairment was identified at F&P America's Ohio factory and Georgia factory, the Company compared the asset groups' fair value to their carrying amount since the total estimated undiscounted cash flows from the asset groups are expected to fall below their carrying amount. The

market approach is mainly used in calculating the fair value of the assets. If the fair value fluctuates, it may significantly affect the determination of whether to recognize an impairment loss and the amount thereof.

2. Impairment test of non-current assets at F.tech Philippines Mfg., Inc.

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

Given that FPMI, the Company's consolidated subsidiary in the Asia segment, posted operating losses for the reasons of production cuts of major customers resulting from a shortage of semiconductors, as well as soaring transportation and other costs, the Company identified an indication of impairment. Accordingly, after examining whether to recognize an impairment loss, an impairment loss was not recognized since the present value of future cash flows expected to be derived from the cash-generating unit ("value in use") exceeded the carrying amount of non-current assets, etc. (1,650 million yen).

(2) Other information that helps users of the consolidated financial statements better understand the details of the accounting estimates

In principle, the Group's business assets are grouped by the categories for management accounting.

FPMI applies IFRS and deems its factory as a whole as the smallest cash-generating unit. If an indication of impairment is identified and the cash-generating unit's recoverable amount is expected to fall below its carrying amount, the difference between the two is recognized as an impairment loss.

As an indication of impairment was identified at FPMI, the Company compared the cash-generating unit's recoverable amount to its carrying amount. The recoverable amount is based on the value in use, which is estimated as the present value of future cash flows expected to be derived from the cash-generating unit, calculated by applying a pre-tax discount rate to estimated cash flows based on earnings forecasts and business plans approved by the board of directors. The management's judgment concerning these may have a significant impact on estimated future cash flows.

3. Recoverability of deferred tax assets at F-TECH INC.

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

The balance of deferred tax assets recorded in the consolidated balance sheet for the fiscal year is 1,963 million yen, which includes deferred tax assets of 26 million yen recorded at the Company.

The amount of the deferred tax assets before being offset by deferred tax liabilities was 242 million yen. A valuation allowance of 3,438 million yen was deducted from deferred tax assets totaling 3,681 million yen for deductible temporary differences and tax loss carried forward.

(2) Other information that helps users of the consolidated financial statements better understand the details of the accounting estimates

Deferred tax assets are recognized for all deductible temporary differences and tax loss carried forward to the extent that taxable profit will be available against which the deductible temporary differences can be utilized. In determining the recoverability of deferred tax assets, the amount of deferred tax assets to be recorded is calculated according to the company classification specified in "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26).

Future taxable income to be used in determining the recoverability of deferred tax assets is estimated based on the Company's earnings forecasts drawn up by the management. This estimate that reflects external factors, including the business environment, contains the Company's expected future volume of sales to its main customers and the downward risk of the earnings forecasts. The management's judgment concerning these may have a significant impact on the recoverability of deferred tax assets.

**Changes in accounting policies**

Application of Accounting Standards Codification (ASC) Topic 842, "Leases"

The Company's foreign consolidated subsidiaries that adopt US GAAP have adopted ASC Topic 842, "Leases" from the current fiscal year. As a result, lessee's lease transactions are, in principle, all recorded as



assets and liabilities on the consolidated balance sheet.

In accordance with the transitional measures provided in this accounting standard, the cumulative effect of adopting this accounting standard is recognized at the beginning of the current fiscal year, which is the date of initial application of this accounting standard.

As a result, “Other” presented under property, plant and equipment, “Lease obligations” presented under current liabilities, and “Lease obligations” presented under non-current liabilities increased by 1,458 million yen, 387 million yen, and 1,094 million yen, respectively, as of March 31, 2023, compared with the amounts that would have been recorded under the previous accounting standard. The effect on the beginning balance of retained earnings and profit and loss for the current fiscal year is immaterial.

### **New accounting standards to be applied**

- “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, issued by the Accounting Standards Board of Japan on October 28, 2022)
- “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, issued by the Accounting Standards Board of Japan on October 28, 2022)
- “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, issued by the Accounting Standards Board of Japan on October 28, 2022)

#### **(1) Overview**

The ASBJ issued ASBJ Statement No. 28, Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. (hereinafter, “ASBJ Statement No. 28, etc.”) in February 2018. The Japanese Institute of Certified Public Accountants completed transferring its practical guidelines on tax effect accounting to the ASBJ. In the course of deliberations on the transfer, it was decided that the following two issues would be considered again after the release of ASBJ Statement No. 28, etc., and they were subsequently deliberated and issued.

- Classification of tax expenses (taxation on other comprehensive income)
- Tax effect on the sales of shares of subsidiaries (shares of subsidiaries or associates) when the group tax sharing system is applied

#### **(2) Scheduled date of application**

The accounting standards and guidance will be applied at the beginning of the fiscal year ending March 31, 2025.

#### **(3) Effects of application of the accounting standards and guidance**

The impact of the application of the “Accounting Standard for Current Income Taxes,” etc. on the consolidated financial statements is currently under evaluation.

### **Changes in presentation**

#### **Consolidated balance sheets**

Since the amount of “Allowance for doubtful accounts” included in “Other” under “Current assets” in the previous fiscal year became material in terms of amount, it has been separately presented from the current fiscal year. To reflect this change in presentation, the Company has made certain reclassifications to its consolidated financial statements for the previous fiscal year.

As a result, the amount of “Other” of 3,384 million yen, which was presented under “Current assets” in the consolidated balance sheets for the previous fiscal year, has been reclassified into the amount of “Allowance for doubtful accounts” of (2) million yen and the amount of “Other” of 3,387 million yen.

**Notes to consolidated balance sheets**

\*1. Accumulated depreciation of property, plant and equipment is as follows:

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
	144,537	158,961

\*2. Investment securities relating to non-consolidated subsidiaries and associates are as follows:

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Investment securities (stocks)	5,510	5,639

\*3. The Group has entered into overdraft agreements and loan commitment agreements with 16 banks to efficiently raise working capital.

Balance of unexecuted borrowings at end of period under overdraft agreements and loan commitment agreements is as follows:

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Total amount of overdraft facility limit and loan commitment	61,791	64,299
Balance of borrowings outstanding	36,540	27,832
Unexecuted balance	25,251	36,467

\*4. The amount of contract liabilities of “Other” is as follows:

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Contract liabilities	245	888

## Notes to consolidated statements of income and comprehensive income

### \*1. Revenue from contracts with customers

The Company does not disaggregate revenue from contracts with customers and other sources of revenue. The amount of revenue from contracts with customers is presented in “Notes to consolidated financial statements, Segment information, etc., Segment information, 3. Information on net sales, profit or loss, assets, liabilities, other items, and disaggregation of revenue, by reportable segment” in the consolidated financial statements.

### \*2. The ending balance of inventories represents the amount after write-down of the book value in accordance with the decline in profitability and the following loss (reversal) on valuation of inventories is included in cost of sales.

	(Millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	2	107

### \*3. The major items of selling, general and administrative expenses are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Haulage expenses	2,236	2,469
Salaries, allowance and bonuses	4,574	5,029
Retirement benefit costs	153	102
Provision for directors' bonuses	44	86
Provision for directors' retirement benefits	9	7
Research and development expenses	2,096	2,241
Provision of allowance for doubtful accounts	2	41

### \*4. The total research and development expenses included in general and administrative expenses are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	2,096	2,241

### \*5. The breakdown of gain on sales of non-current assets is as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Machinery, equipment and vehicles	7	24
Land	78	—
Other	0	1
Total	86	26

\*6. The breakdown of loss on sales of non-current assets is as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Machinery, equipment and vehicles	20	11
Other	2	0
Total	23	12

\*7. The breakdown of loss on retirement of non-current assets is as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Buildings and structures	21	0
Machinery, equipment and vehicles	60	18
Other	5	4
Total	87	24

\*8. Reclassification adjustments and tax effects relating to other comprehensive income are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Valuation difference on available-for-sale securities		
Increase (decrease) during the period	72	12
Reclassification adjustments	(7)	—
Pre-adjustment of tax effect	64	12
Tax effect amount	(18)	0
Valuation difference on available-for-sale securities	46	13
Deferred gains or losses on hedges		
Increase (decrease) during the period	—	583
Reclassification adjustments	—	—
Pre-adjustment of tax effect	—	583
Tax effect amount	—	(186)
Deferred gains or losses on hedges	—	397
Foreign currency translation adjustment		
Increase (decrease) during the period	6,375	3,530
Foreign currency translation adjustment	6,375	3,530
Remeasurements of defined benefit plans, net of tax		
Increase (decrease) during the period	(19)	(77)
Reclassification adjustments	(82)	(1)
Pre-adjustment of tax effect	(101)	(79)
Tax effect amount	—	—
Remeasurements of defined benefit plans, net of tax	(101)	(79)
Share of other comprehensive income of entities accounted for using equity method		
Increase (decrease) during the period	65	259
Share of other comprehensive income of entities accounted for using equity method	65	259
Total other comprehensive income	6,385	4,121

## Notes to consolidated statements of changes in net assets

Fiscal year ended March 31, 2022

### 1. Class and total number of issued shares and class and number of treasury shares

(Thousands of shares)

	Number of shares as of beginning of period	Number of shares increased during period	Number of shares decreased during period	Number of shares as of end of period
Issued shares				
Common shares	18,712	–	–	18,712
Total	18,712	–	–	18,712
Treasury shares				
Common shares	128	0	3	125
Total	128	0	3	125

Summary of reasons for change:

An increase of 20 shares due to the purchase of shares less than one unit

A decrease of 3,900 shares for providing stock-based compensation to a retired officer

### 2. Dividends

#### (1) Cash dividends paid

Resolution	Class of shares	Total cash dividend (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 24, 2021	Common shares	149	Retained earnings	8	March 31, 2021	June 25, 2021

Note: The total cash dividend paid based on the resolution at the Annual General Meeting of Shareholders held on June 24, 2021 includes dividends of 760,000 yen paid for the Company's shares held by Custody Bank of Japan, Ltd. as trust property of performance-linked stock compensation for the Company's officers.

#### (2) Dividends whose record dates are in the current fiscal year but whose effective dates fall in the next fiscal year

Resolution	Class of shares	Total cash dividend (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 23, 2022	Common shares	187	Retained earnings	10	March 31, 2022	June 24, 2022

Note: The total cash dividend paid based on the resolution at the Annual General Meeting of Shareholders held on June 23, 2022 includes dividends of 910,000 yen paid for the Company's shares held by Custody Bank of Japan, Ltd. as trust property of performance-linked stock compensation for the Company's officers.

Fiscal year ended March 31, 2023

1. Class and total number of issued shares and class and number of treasury shares

(Thousands of shares)

	Number of shares as of beginning of period	Number of shares increased during period	Number of shares decreased during period	Number of shares as of end of period
Issued shares				
Common shares	18,712	–	–	18,712
Total	18,712	–	–	18,712
Treasury shares				
Common shares	125	0	3	121
Total	125	0	3	121

Summary of reasons for change:

An increase of 50 shares due to the purchase of shares less than one unit

A decrease of 3,600 shares for providing stock-based compensation to a retired officer

2. Dividends

(1) Cash dividends paid

Resolution	Class of shares	Total cash dividend (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 23, 2022	Common shares	187	Retained earnings	10	March 31, 2022	June 24, 2022
Meeting of the Board of Directors held on November 4, 2022	Common shares	187	Retained earnings	10	September 30, 2022	December 1, 2022

Notes:

- The total cash dividend paid based on the resolution at the Annual General Meeting of Shareholders held on June 23, 2022 includes dividends of 910,000 yen paid for the Company's shares held by Custody Bank of Japan, Ltd. as trust property of performance-linked stock compensation for the Company's officers.
- The total cash dividend paid based on the resolution at the meeting of the Board of Directors held on November 4, 2022 includes dividends of 870,000 yen paid for the Company's shares held by Custody Bank of Japan, Ltd. as trust property of performance-linked stock compensation for the Company's officers.

(2) Dividends whose record dates are in the current fiscal year but whose effective dates fall in the next fiscal year

Resolution	Class of shares	Total cash dividend (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 22, 2023	Common shares	187	Retained earnings	10	March 31, 2023	June 23, 2023

Note: The total cash dividend paid based on the resolution at the Annual General Meeting of Shareholders held on June 22, 2023 includes dividends of 870,000 yen paid for the Company's shares held by Custody Bank of Japan, Ltd. as trust property of performance-linked stock compensation for the Company's officers.

## Notes to consolidated statements of cash flows

### \*1. Reconciliation of ending balance of cash and cash equivalents with account balances per balance sheet

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash and deposits	1,981	5,491
Cash and cash equivalents	1,981	5,491

### \*2. The major breakdown of assets and liabilities of a newly consolidated subsidiary through share acquisition

The breakdown of the assets and liabilities of India Steel Summit Private Limited upon commencement of consolidation as a result of newly including the company in the scope of consolidation through share acquisition and the reconciliation between the acquisition cost of shares of the company and the net disbursement for the acquisition are as follows:

(Millions of yen)

Current assets	1,496
Non-current assets	2,074
Current liabilities	(1,330)
Non-current liabilities	(218)
Gain on bargain purchase	(1,237)
Foreign currency translation adjustment	2
Acquisition-date fair value of shares held right before business combination	(126)
Acquisition cost of shares	661
Cash and cash equivalents	(28)
Difference: net disbursement for acquisition	632

### \*3. Description of significant transactions not requiring use of cash or cash equivalents

Assets and liabilities associated with lease transactions newly recorded are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Leased assets	697	802
Right-of-use assets	184	2,316
Lease obligations	882	3,052

Note: The amounts of right-of-use assets and lease obligations for the fiscal year ended March 31, 2023 include the increases of 1,458 million yen and 1,481 million yen, respectively, as a result of the first-time adoption of ASC Topic 842, "Leases."

## Notes on leases

As lessee

### 1. Finance lease transactions

Finance lease transactions that do not transfer ownership

#### i) Leased assets

Property, plant and equipment

Production facilities:

Machinery and equipment



ii) Depreciation of leased assets

Depreciation of leased assets is as stated in “5. Disclosure of accounting policies, (2) Accounting policy for depreciation of significant assets” under “Basis of presentation and significant accounting policies for preparation of consolidated financial statements.”

2. Operating lease transactions

Future lease payments under non-cancellable leases of operating lease transactions

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Due within one year	192	651
Due over one year	164	1,358
Total	357	2,010

**Notes on financial instruments**

1. Overview of financial instruments

(1) Policy on treatment of financial instruments

The Group raises necessary funds (mainly loans from banks and issuance of corporate bonds) according to the capital expenditure plan to conduct the auto parts related business consisting of the manufacture and sale of auto parts and dies, equipment, tools, etc. for these parts. The Group utilizes derivatives to hedge its exposure to risks described below and adheres to a policy of not conducting derivative transactions for speculative purposes.

(2) Financial instruments and related risks

Notes and accounts receivable - trade that are operating receivables are exposed to the credit risk of customers. Although operating receivables denominated in foreign currencies, which arise from intercompany transactions due to the globally developed businesses, are exposed to the risk of fluctuations in exchange rates, forward exchange contracts are used to hedge this risk. Investment securities are principally stocks held for the purposes of increasing transactions with business partners and strengthening business relationships to stably raise funds, etc. and exposed to the risk of fluctuations in market prices.

Notes and accounts payable - trade that are operating payables and accounts payable - other are due within one year. Some of these payables are denominated in foreign currencies due to import of materials, etc. and exposed to the risk of fluctuations in exchange rates, however, they are within the range of the balance of accounts receivable - trade denominated in the same foreign currency on a permanent basis. Loans payable and lease obligations on finance leases are the amounts raised principally for the purpose of funding capital expenditure; these amounts are due for repayment within up to 22 years after the current fiscal year end. Some of the loans payable and lease obligations are at floating interest rates and exposed to the risk of fluctuations in interest rates, however, derivative transactions (interest rate swaps) are used to hedge this risk.

Derivative transactions are forward exchange contracts to hedge the foreign currency risk on operating receivables arising from intercompany transactions and interest rate swaps to hedge the interest rate risk on interest paid on loans payable.

(3) Risk management system for financial instruments

i) Management of credit risk (customers' default risk)

For operating receivables, the Company conducts maturity management and balance management by counterparty through periodical monitoring of major business partners' status in the operation division and the management division of each department in accordance with the internal rules on sales management, and endeavors to quickly determine and mitigate any concern on the collection of receivables due to deteriorated financial conditions. Consolidated subsidiaries also manage operating receivables in the same manner in accordance with the Company's internal rules on sales management.

The Group enters into derivative transactions only with financial institutions with high credit ratings to mitigate the counterparty risk.

ii) Management of market risk (fluctuation risk of foreign currency exchange and interest rates, etc.)

The Company and some consolidated subsidiaries utilize forward exchange contracts in principle to hedge the foreign currency exchange rate fluctuation risk by currency on a monthly basis for operating receivables arising from intercompany transactions. Depending on the status of foreign exchange rates, forward exchange contracts are entered into for a maximum of 12 months in relation to operating receivables denominated in foreign currencies that are certainly expected to arise from forecast royalty transactions. Some consolidated subsidiaries enter into interest rate swaps to limit the interest rate risk on interest paid on loans payable.

For investment securities, the Company periodically assesses market value and financial conditions of issuers (business partners).

For derivative transactions, the Company assesses the positions to conduct hedge transactions on a monthly basis under the hedge policy of the funds and foreign exchange conference, in accordance with the internal rules on derivatives which stipulate transaction authority, limit amounts and other matters and the internal rules on foreign exchange risks. Based on this assessment, the accounting department conducts transactions, and records information on the transactions and checks balances with counterparties. Consolidated subsidiaries also manage derivative transactions in the same manner in accordance with the Company's internal rules on derivatives and internal rules on foreign exchange risks.

iii) Management of liquidity risk associated with fund raising (risk of inability to pay on due date)

The Company's accounting department prepares and updates financial plans annually and monthly based on reports from each department.

(4) Supplementary explanation concerning fair values of financial instruments

The fair values of financial instruments include the amounts based on market prices and the reasonably calculated amounts when market prices are not available. In calculating the amounts, several variable factors are considered. The resulting amounts thus may vary depending on the differences of preconditions employed.

(5) Concentration of credit risks

As of March 31, 2023, 54.9% of operating receivables were associated with major customers.

2. Fair values of financial instruments

Carrying amounts on the consolidated balance sheets, fair values and differences therebetween of the financial instruments are shown below.

As of March 31, 2022

(Millions of yen)

	Carrying amount on the consolidated balance sheet	Fair value	Difference
(1) Investment securities			
Available-for-sale securities (other securities)	1,520	1,520	—
Total assets	1,520	1,520	—
(2) Long-term loans payable (*3)	26,979	26,342	(637)
(3) Lease obligations (*4)	1,347	1,270	(77)
Total liabilities	28,327	27,612	(714)
(4) Derivatives (*5)	8	8	—

(\*1) "Cash and deposits," "Notes receivable - trade," "Accounts receivable - trade," "Notes and accounts payable - trade," "Accounts payable - other," and "Short-term loans payable" are not presented because they are settled in cash within a short period of time, and thus, their fair values are approximate to their carrying amounts.

- (\*2) Equity and other securities without market prices are not included in “(1) Investment securities” above. The carrying amounts of these financial instruments on the balance sheet are as shown below:

(Millions of yen)

Classification	As of March 31, 2022
Non-listed shares	
Shares of subsidiaries and associates	5,510
Other	381
Total	5,891

- (\*3) Current portion of long-term loans payable in current liabilities is included.  
 (\*4) The total amount of lease obligations in current liabilities and lease obligations in non-current liabilities is presented.  
 (\*5) Claims and obligations arising from derivative transactions are presented on a net basis.

As of March 31, 2023

(Millions of yen)

	Carrying amount on the consolidated balance sheet	Fair value	Difference
(1) Investment securities			
Available-for-sale securities (other securities)	1,567	1,567	—
Total assets	1,567	1,567	—
(2) Long-term loans payable (*3)	42,903	42,235	(667)
(3) Lease obligations (*4)	3,189	2,989	(199)
Total liabilities	46,092	45,225	(867)
(4) Derivatives (*5)	581	581	—

- (\*1) “Cash and deposits,” “Notes receivable - trade,” “Accounts receivable - trade,” “Notes and accounts payable - trade,” “Accounts payable - other,” and “Short-term loans payable” are not presented because they are settled in cash within a short period of time, and thus, their fair values are approximate to their carrying amounts.  
 (\*2) Equity and other securities without market prices are not included in “(1) Investment securities” above. The carrying amounts of these financial instruments on the balance sheet are as shown below:

(Millions of yen)

Classification	As of March 31, 2023
Non-listed shares	
Shares of subsidiaries and associates	5,639
Other	257
Total	5,897

- (\*3) Current portion of long-term loans payable in current liabilities is included.  
 (\*4) The total amount of lease obligations in current liabilities and lease obligations in non-current liabilities is presented.  
 (\*5) Claims and obligations arising from derivative transactions are presented on a net basis.

Notes: 1. Redemption schedule for monetary receivables after the fiscal year end

As of March 31, 2022

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due over ten years
Cash and deposits	1,981	—	—	—
Notes receivable - trade	497	—	—	—
Accounts receivable - trade	35,830	—	—	—
Total	38,309	—	—	—

As of March 31, 2023

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due over ten years
Cash and deposits	5,491	—	—	—
Notes receivable - trade	628	—	—	—
Accounts receivable - trade	37,177	—	—	—
Total	43,298	—	—	—

2. Repayment schedule for long-term loans payable, lease obligations, and other interest-bearing debts after the fiscal year end

As of March 31, 2022

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due over ten years
Short-term loans payable	36,540	—	—	—
Long-term loans payable	10,244	16,704	30	—
Lease obligations	574	565	44	162
Total	47,358	17,269	75	162

As of March 31, 2023

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due over ten years
Short-term loans payable	27,832	—	—	—
Long-term loans payable	12,995	28,028	1,880	—
Lease obligations	1,247	1,622	156	163
Total	42,074	29,650	2,036	163

### 3. Breakdown by the level of fair values of financial instruments, etc.

The fair values of financial instruments are classified into the following three levels depending on the observability and importance of inputs used for the measurement of their fair values as follows:

Level 1: Fair values measured using quoted prices in active markets for identical assets or liabilities out of the observable inputs used for the measurement of fair values

Level 2: Fair values measured using the inputs other than those used for Level 1 out of the observable inputs used for the measurement of fair values

Level 3: Fair values measured using unobservable inputs used for the measurement of fair values

When multiple inputs that have a material impact on the measurement of fair value are used, the fair value is classified into the lowest level of the fair value hierarchy to which any of these inputs belong.

#### (1) Financial instruments stated at fair value in the consolidated balance sheets

As of March 31, 2022

Classification	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities (other securities)	1,520	—	—	1,520
Derivatives				
Foreign currency	—	8	—	8
Total assets	1,520	8	—	1,528

As of March 31, 2023

Classification	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities (other securities)	1,567	—	—	1,567
Derivatives				
Interest rate	—	583	—	583
Total assets	1,567	583	—	2,151
Derivatives				
Foreign currency	—	1	—	1
Total liabilities	—	1	—	1

(2) Financial instruments other than the financial instruments stated at fair value in the consolidated balance sheets

As of March 31, 2022

Classification	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Long-term loans payable (including current portion of long-term loans payable)	–	26,342	–	26,342
Lease obligations (including current portion of lease obligations)	–	1,270	–	1,270
Total liabilities	–	27,612	–	27,612

As of March 31, 2023

Classification	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Long-term loans payable (including current portion of long-term loans payable)	–	42,235	–	42,235
Lease obligations (including current portion of lease obligations)	–	2,989	–	2,989
Total liabilities	–	45,225	–	45,225

Note: Valuation techniques and inputs used for the measurement of fair values

Investment securities

The fair values of listed shares are calculated using quoted market prices, and are classified into Level 1 because they are traded in active markets.

Derivatives

The fair values of interest rate swaps and forward exchange contracts are calculated using the discounted cash flow method based on observable inputs such as interest rates and exchange rates, and are classified into Level 2.

Long-term loans payable and lease obligations

The fair values of long-term loans payable and lease obligations are calculated by discounting the total amount of principal and interest at the assumed interest rate of similar new borrowings and lease contracts, and are classified into Level 2.

## Notes on securities

### 1. Available-for-sale securities (other securities)

As of March 31, 2022

(Millions of yen)

	Type	Carrying amount on the consolidated balance sheet	Original purchase price	Difference
Items whose carrying amount on the consolidated balance sheet exceeds original purchase price	(1) Shares	1,504	781	722
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	1,504	781	722
Items whose carrying amount on the consolidated balance sheet does not exceed original purchase price	(1) Shares	16	18	(2)
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	16	18	(2)
Total		1,520	799	720

As of March 31, 2023

(Millions of yen)

	Type	Carrying amount on the consolidated balance sheet	Original purchase price	Difference
Items whose carrying amount on the consolidated balance sheet exceeds original purchase price	(1) Shares	1,563	842	720
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	1,563	842	720
Items whose carrying amount on the consolidated balance sheet does not exceed original purchase price	(1) Shares	3	4	(0)
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	3	4	(0)
Total		1,567	847	719

2. Available-for-sale securities (other securities) sold

Fiscal year ended March 31, 2022

(Millions of yen)

Type	Sales amount	Total gain on sale	Total loss on sale
(1) Shares	35	7	—
(2) Bonds	—	—	—
(3) Other	—	—	—
Total	35	7	—

Fiscal year ended March 31, 2023

(Millions of yen)

Type	Sales amount	Total gain on sale	Total loss on sale
(1) Shares	—	—	—
(2) Bonds	—	—	—
(3) Other	—	—	—
Total	—	—	—

**Notes on derivatives**

1. Derivative transactions to which hedge accounting is not applied

(1) Foreign currency

As of March 31, 2022

(Millions of yen)

Classification	Type of transaction	As of March 31, 2022			
		Contract/notional amount	Portion of contract/notional amount over one year	Fair value	Valuation gain (loss)
Transactions other than market transactions	Forward exchange contracts				
	Sell				
	U.S. dollar	747	—	13	13
	Thai baht	142	—	(4)	(4)
Total		890	—	8	8



As of March 31, 2023

(Millions of yen)

Classification	Type of transaction	As of March 31, 2023			
		Contract/notional amount	Portion of contract/notional amount over one year	Fair value	Valuation gain (loss)
Transactions other than market transactions	Forward exchange contracts				
	Sell				
	U.S. dollar	267	–	(0)	(0)
	Thai baht	50	–	(0)	(0)
Total		695	–	(1)	(1)

(2) Interest rate

As of March 31, 2022

Not applicable.

As of March 31, 2023

Not applicable.

2. Derivative transactions to which hedge accounting is applied

(1) Foreign currency

As of March 31, 2022

Not applicable.

As of March 31, 2023

Not applicable.

(2) Interest rate

As of March 31, 2022

Not applicable.

As of March 31, 2023

(Millions of yen)

(in millions of yen)					
Hedge accounting method	Type of derivative transaction	Major hedged item	Contract/notional amount	Portion of contract/notional amount over one year	Fair value
Deferred hedge accounting	Interest rate swaps				
	Fixed interest paid	Long-term loans payable	7,962	6,635	583
	Floating interest received				
Total			7,962	6,635	583

## Notes on retirement benefits

### 1. Summary of retirement benefit plans adopted

The Company has established a constitution-based defined benefit corporate pension plan. Some domestic consolidated subsidiaries have established constitution-based defined benefit corporate pension plans and lump-sum retirement benefit plans. Some foreign consolidated subsidiaries have established defined benefit plans or the defined contribution plans.

Because the Company has participated in JMSA Welfare Pension Fund (multi-employer contributory pension plan) and cannot reasonably calculate the amount of plan assets in terms of its contributions for the plan, retirement benefit obligations for the plan are accounted for in the same manner as a defined contribution plan.

### 2. Defined benefit plans

#### (1) Reconciliation between the balance at beginning of period and the balance at end of period of retirement benefit obligations (excluding plans to which the simplified method was applied)

	(Millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Balance at beginning of period	7,320	7,643
Service cost	470	472
Interest cost	29	30
Actuarial loss (gain)	(110)	(93)
Benefits paid	(181)	(248)
Other	115	81
Balance at end of period	7,643	7,886

#### (2) Reconciliation between the balance at beginning of period and the balance at end of period of plan assets (excluding plans to which the simplified method was applied)

	(Millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Balance at beginning of period	6,698	6,874
Expected return on plan assets	123	124
Actuarial gain (loss)	(139)	103
Contributions paid by the employer	363	361
Benefits paid	(185)	(247)
Other	12	8
Balance at end of period	6,874	7,226

- (3) Reconciliation between the balance at beginning of period and the balance at end of period of net defined benefit liability for plans to which the simplified method was applied

	(Millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Balance at beginning of period	94	93
Benefit costs	28	26
Benefits paid	(12)	(17)
Contributions paid by the employer	(17)	(11)
Balance at end of period	93	90

- (4) Reconciliation between the balances at end of period of retirement benefit obligations and plan assets, and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Funded retirement benefit obligations	7,300	7,449
Plan assets	(6,874)	(7,226)
	425	222
Unfunded retirement benefit obligations	437	528
Total net liability (asset) for retirement benefits	863	750
Net defined benefit liability	919	1,003
Net defined benefit asset	(56)	(253)
Total net liability (asset) for retirement benefits	863	750

Note: Includes plans to which simplified methods were applied.

- (5) Retirement benefit costs

	(Millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Service cost	470	472
Interest cost	29	30
Expected return on plan assets	(123)	(124)
Net actuarial loss amortization	(72)	(276)
Retirement benefit costs calculated using simplified methods	28	26
Total	332	128

(6) Remeasurements of defined benefit plans

The breakdown of the items recorded in remeasurements of defined benefit plans (before deducting tax effect) in the consolidated statement of income and comprehensive income is as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Actuarial gains and losses	(101)	(79)
Total	(101)	(79)

(7) Accumulated remeasurements of defined benefit plans

The breakdown of the items recorded in accumulated remeasurements of defined benefit plans (before deducting tax effect) in accumulated other comprehensive income in the consolidated balance sheet is as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Actuarial gains and losses that are yet to be recognized	25	(53)
Total	25	(53)

(8) Plan assets

i) Breakdown of major categories of plan assets

The ratio of major categories to total plan assets is as follows:

	As of March 31, 2022	As of March 31, 2023
Bonds	12.0%	10.9%
Equity securities	14.4%	17.6%
Cash and deposits	56.9%	56.4%
Other	16.7%	15.0%
Total	100.0%	100.0%

ii) Method to determine rate of expected long-term return

The rate of expected long-term return is determined in consideration of the present and expected asset mix and the present and expected long-term return rate on the various assets that comprise the plan assets.

(9) Actuarial assumptions

Major bases for actuarial calculations at end of period

	As of March 31, 2022	As of March 31, 2023
Discount rate	0.1%	0.1%
Long-term expected rate of return	1.7%	1.7%
Expected rate of salary increase	3.0%	3.0%

3. Defined contribution plan

The required contribution amount to defined contribution plans (including employees' pension fund plan in multi-employer contributory pension plans which is accounted for in the same manner) was 488 million yen in the previous fiscal year and 565 million yen in the current fiscal year.

4. Multi-employer contributory pension plans

The required contribution amount to the multi-employer contributory pension plan-type defined benefit plans, which is accounted for in the same manner as a defined contribution plan, was 49 million yen for the previous fiscal year and 43 million yen for the current fiscal year.

(1) Latest funding position of the multi-employer contributory pension plans

JMSA Welfare Pension Fund		(Millions of yen)
	As of March 31, 2022	As of March 31, 2023
Amount of plan assets	2,223	2,260
Amount of reserve for the purpose of pension financing calculation	1,920	2,086
Difference	302	173

(2) Ratio of the Group's members to the entire plan

JMSA Welfare Pension Fund

Previous fiscal year	18.2% (As of March 31, 2022)
Current fiscal year	18.0% (As of March 31, 2023)

(3) Supplementary explanation

The main reason for the difference in (1) above, is 66 million yen of past service liabilities for the purpose of pension financing calculation.

Under the JMSA Welfare Pension Fund, past service liabilities are amortized over eight months using the equal repayment method.

The ratio in (2) above is different from the ratio of the Group's actual contributions.

**Notes on share options, etc.**

Not applicable.

## Notes on tax effect accounting

### 1. Breakdown of deferred tax assets and deferred tax liabilities by major component

	As of March 31, 2022	(Millions of yen) As of March 31, 2023
Deferred tax assets		
Tax loss carry forwards (Note 2)	3,502	3,823
Excess depreciation	738	1,400
Elimination of unrealized gains on non-current assets	976	1,126
Impairment loss	340	318
Net defined benefit liability	254	263
Accrued bonuses	290	408
Loss on valuation of inventories	170	167
Other	946	1,495
Deferred tax assets subtotal	7,221	9,002
Valuation allowance for tax loss carry forwards (Note 2)	(2,730)	(2,938)
Valuation allowance for the total of deductible temporary difference, etc.	(1,565)	(1,633)
Valuation allowance subtotal (Note 1)	(4,295)	(4,571)
Total deferred tax assets	2,925	4,431
Deferred tax liabilities		
Depreciation (foreign consolidated subsidiaries)	(3,795)	(4,692)
Valuation difference on available-for-sale securities	(217)	(216)
Net defined benefit asset	(17)	(18)
Other	(170)	(246)
Total deferred tax liabilities	(4,200)	(5,174)
Net deferred tax assets (liabilities)	(1,274)	(743)

Notes: 1. Valuation allowance increased by 275 million yen. This increase is mainly due to an increase in valuation allowance for deductible temporary difference as a result of a decrease in taxable income at some consolidated subsidiaries.

2. Amounts of tax loss carry forwards and related deferred tax assets by expiration of carry forwards

As of March 31, 2022	(Millions of yen)						
	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years	Total
Tax loss carry forwards (a)	679	281	7	198	19	2,316	3,502
Valuation allowance	(679)	(281)	(7)	(15)	(19)	(1,726)	(2,730)
Deferred tax assets	—	—	—	182	—	589	(b) 772

(a) Tax loss carry forwards represent the amount after being multiplied by the statutory income tax rate.

(b) For tax loss carry forwards of 3,502 million yen (amount after being multiplied by the statutory income tax rate), deferred tax assets of 772 million yen were recorded. The deferred tax assets of 772 million yen were recognized principally in relation to the balance of tax loss carry forwards for F&P America Mfg., Inc. of 2,204 million yen (amount after being multiplied by the statutory income tax rate) and that for F.tech Mfg. (Thailand) Ltd. of 199 million yen (amount after being multiplied by the statutory income tax rate). Tax loss carry forwards for which

these deferred tax assets were recorded arose due mainly to the recording of loss before income taxes in the fiscal year ended March 31, 2021 and the fiscal year ended March 31, 2022. The Company has determined, based on expected future taxable income, etc., that the deferred tax assets related to the tax loss carry forwards are recoverable.

As of March 31, 2023

(Millions of yen)

	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years	Total
Tax loss carry forwards (a)	282	7	140	20	19	3,352	3,823
Valuation allowance	(282)	(7)	(17)	(20)	(19)	(2,591)	(2,938)
Deferred tax assets	–	–	123	–	–	761	(b) 885

- (a) Tax loss carry forwards represent the amount after being multiplied by the statutory income tax rate.
- (b) For tax loss carry forwards of 3,823 million yen (amount after being multiplied by the statutory income tax rate), deferred tax assets of 885 million yen were recorded. The deferred tax assets of 885 million yen were recognized principally in relation to the balance of tax loss carry forwards for Reterra Inc. of 33 million yen (amount after being multiplied by the statutory income tax rate), that for F&P America Mfg., Inc. of 663 million yen (amount after being multiplied by the statutory income tax rate), that for F.tech Mfg. (Thailand) Ltd. of 141 million yen (amount after being multiplied by the statutory income tax rate), and that for F.E.G. DE QUERETARO, S.A. DE C.V. of 46 million yen (amount after being multiplied by the statutory income tax rate). Tax loss carry forwards for which these deferred tax assets were recorded arose due mainly to the recording of loss before income taxes in prior periods and the current fiscal year. The Company has determined, based on expected future taxable income, etc., that the deferred tax assets related to the tax loss carry forwards are recoverable.

2. Reconciliation of significant difference between statutory income tax rate and effective income tax rate after application of tax effect accounting

(%)

	As of March 31, 2022	As of March 31, 2023
Statutory income tax rate	30.1	30.1
(Adjustments)		
Change in valuation allowance	1.8	7.5
Foreign tax credit	25.2	11.6
Tax rate differences in foreign consolidated subsidiaries	15.1	5.2
Expenses not deductible permanently such as entertainment expenses	5.9	7.2
Inhabitant per capita tax	1.2	0.4
Share of profit (loss) of entities accounted for using equity method	(4.5)	(4.2)
Elimination of dividend income in consolidation	5.9	2.5
Gain on bargain purchase	–	(11.3)
Other	(1.5)	0.7
Effective income tax rate after application of tax effect accounting	79.2	49.8

Changes in presentation:

“Income taxes for prior periods,” which was stated under “2. Reconciliation of significant difference between statutory income tax rate and effective income tax rate after application of tax effect accounting” in the previous fiscal year, has been included in “Other” from the current fiscal year due to a decrease in its importance. To reflect this change in presentation, the notes in the previous fiscal year were reclassified.

As a result, “Income taxes for prior periods” of (1.2)% and “Other” of (0.4)% presented in the previous fiscal year were reclassified into “Other” of (1.5)%.

## Notes on business combinations, etc.

### Business combination through acquisition

The Company resolved at the extraordinary meeting of the Board of Directors held on March 24, 2022 to make India Steel Summit Private Limited a subsidiary by acquiring shares of the company, and thereby made it a subsidiary upon acquisition of the shares on May 31, 2022.

#### 1. Summary of business combination

##### (1) Name and business description of the acquired company

Name of the company whose shares were acquired: India Steel Summit Private Limited

Description of business: Steel processing, press parts manufacturing, and mold manufacturing

##### (2) Main reason for business combination

It is aimed to demonstrate maximum superiority, having our mold business, the Company's forte, as our core in the India market where growth is expected.

##### (3) Date of business combination

May 31, 2022 (deemed date of acquisition: March 31, 2022)

##### (4) Legal form of business combination

Share acquisition

##### (5) Name of company after business combination

No change

##### (6) Voting right ratio acquired

Ratio of voting rights held right before business combination: 10%

Ratio of voting rights additionally acquired on the date of business combination: 90%

Ratio of voting rights held after business combination: 100%

##### (7) Grounds for determining the acquisition of the company

The Company acquired shares in consideration of cash.

#### 2. Period for which the operating results of the acquired company are included in the consolidated financial statements

From April 1, 2022 to March 31, 2023

#### 3. Acquisition cost of the acquired company and breakdown by type of consideration

Consideration for acquisition	Cash	INR415 million (661 million yen)
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Acquisition cost		INR415 million (661 million yen)
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#### 4. Descriptions and amounts of main acquisition-related expenses

Advisory fees, commissions, etc.: 7 million yen

#### 5. Amount of gain on bargain purchase and reason for occurrence

##### (1) Amount of gain on bargain purchase

1,237 million yen

##### (2) Reason for occurrence

Since net assets at fair value at the time of business combination exceeded the acquisition cost.



6. Amounts of assets accepted and liabilities undertaken on the date of business combination and main breakdown thereof

(Millions of yen)

Current assets	1,496
Non-current assets	2,074
Total assets	3,571
Current liabilities	1,330
Non-current liabilities	218
Total liabilities	1,548

## Notes on asset retirement obligations

Not applicable.

## Notes on real estate for lease, etc.

The Company and a consolidated subsidiary own rental properties in Saitama Prefecture and other areas. In the fiscal year ended March 31, 2022, net rental revenue from the rental properties amounted to 23 million yen (rental revenue was recorded in non-operating income). In the fiscal year ended March 31, 2023, net rental revenue from the rental properties amounted to 23 million yen (rental revenue was recorded in non-operating income).

Carrying amount on the consolidated balance sheet, increase (decrease) in the current fiscal year and fair value of these real estate properties for lease, etc. are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Carrying amount on the consolidated balance sheet		
Balance at beginning of period	701	595
Increase (decrease) during period	(106)	23
Balance at end of period	595	618
Fair value at end of period	869	906

- Notes:
1. Carrying amount on the consolidated balance sheet is calculated by subtracting accumulated depreciation and accumulated impairment loss from acquisition cost.
  2. Of the increase (decrease) during the fiscal year ended March 31, 2022, the increase was attributable mainly to foreign currency translation difference of 15 million yen, while the decrease was attributable mainly to the sale of land for 121 million yen. Of the increase (decrease) during the fiscal year ended March 31, 2023, the increase was attributable mainly to foreign currency translation difference of 23 million yen.
  3. Fair values at end of period are based on certain appraisal values and indicators that are considered to appropriately reflect market prices.

## Notes on revenue recognition

### 1. Disaggregation of revenue from contracts with customers

The disaggregation of revenue from contracts with customers is as stated in “Notes to consolidated financial statements, Segment information, etc.”

### 2. Useful information in understanding revenue from contracts with customers

Useful information in understanding revenue from contracts with customers is as provided in “5. Disclosure of accounting policies, (5) Accounting policy for significant revenues and expenses” under “Basis of presentation and significant accounting policies for preparation of consolidated financial statements.”

### 3. Reconciliation of satisfaction of performance obligations within contracts with customers and cash flows arising from such contracts, and the amount and timing of revenues arising from contracts with customers existing at the end of the fiscal year expected to be recognized in and after the next fiscal year.

Fiscal year ended March 31, 2022

#### (1) Balance of contract liabilities, etc.

(Millions of yen)

	Fiscal year ended March 31, 2022	
	Beginning balance	Ending balance
Receivables from contracts with customers	31,578	36,327
Contract liabilities	240	245

Contract liabilities are related to advances such as deposits received from customers based on the terms of sales contracts primarily for dies and equipment. Contract liabilities are reversed upon recognition of revenue. The amount of revenue recognized for the fiscal year ended March 31, 2022 that was included in the beginning balance of contract liabilities is immaterial.

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

#### (2) Transaction price allocated to the remaining performance obligations

The Group has applied the practical expedient to and thus omitted the presentation of the transaction price allocated to the remaining performance obligations because of the absence of significant contracts whose contract term was initially expected to exceed one year. Also, the consideration promised in contracts with customers does not have any significant amounts not included in the transaction price.

Fiscal year ended March 31, 2023

#### (1) Balance of contract liabilities, etc.

(Millions of yen)

	Fiscal year ended March 31, 2023	
	Beginning balance	Ending balance
Receivables from contracts with customers	36,327	37,806
Contract liabilities	245	888

Contract liabilities are related to advances such as deposits received from customers based on the terms of sales contracts primarily for dies and equipment. Contract liabilities are reversed upon recognition of revenue. The amount of revenue recognized for the fiscal year ended March 31, 2023 that was included in the beginning balance of contract liabilities is immaterial.

The amount of revenue recognized for the fiscal year ended March 31, 2023 from performance obligations that were satisfied (or partially satisfied) in prior fiscal years (mainly changes in transaction price) is immaterial.

(2) Transaction price allocated to the remaining performance obligations

The Group has applied the practical expedient to and thus omitted the presentation of the transaction price allocated to the remaining performance obligations because of the absence of significant contracts whose contract term was initially expected to exceed one year. Also, the consideration promised in contracts with customers does not have any significant amounts not included in the transaction price.

## Segment information, etc.

### Segment information

#### 1. Description of reportable segments

The reportable segments of the Company are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and assess their performance.

The Company is engaged in the manufacture and sale of auto parts, etc. As of the end of the current fiscal year, four companies including the Company in Japan as well as five local corporations in North America and nine local corporations in Asia each conduct the business operations. These local corporations, which are independent management units, formulate comprehensive strategies and develop business activities in each area.

For this reason, the Company consists of regional segments based on the manufacturing and sales systems and has three reportable segments, namely Japan, North America and Asia.

#### 2. Explanation of measurements of net sales, profit (loss), assets, liabilities, and other items for each reportable segment

The accounting procedures for reportable segments are consistent with those stated in “Basis of presentation and significant accounting policies for preparation of consolidated financial statements.”

Profit of reportable segments is based on operating profit (before amortization of goodwill).

Transactions with other segments are based on prevailing market prices.

#### 3. Information on net sales, profit (loss), assets, liabilities, other items, and disaggregation of revenue, for each reportable segment

Fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segments			Total
	Japan	North America	Asia	
Net sales				
Net sales to external customers	20,360	111,524	60,007	191,892
Transactions with other segments	17,137	1,497	2,714	21,349
Total	37,497	113,021	62,722	213,241
Segment profit (loss)	1,202	(2,802)	3,292	1,691
Segment assets	69,883	88,467	43,514	201,865
Other items				
Depreciation	1,804	6,033	3,054	10,893
Investments in entities accounted for using equity method	5,374	—	—	5,374
Increase in property, plant and equipment and intangible assets	3,353	10,893	3,225	17,472

## Disaggregation of goods and services by type

(Millions of yen)

	Reportable segments			Total
	Japan	North America	Asia	
Net sales				
Auto parts	17,903	102,992	57,145	178,040
Dies/facilities	1,222	5,042	1,270	7,535
Other	1,233	3,489	1,592	6,315
Revenue from contracts with customers	20,360	111,524	60,007	191,892
Revenue from other sources	–	–	–	–
Net sales to external customers	20,360	111,524	60,007	191,892

## Disaggregation of revenue by timing of recognition

(Millions of yen)

	Reportable segments			Total
	Japan	North America	Asia	
Net sales				
Goods transferred at a point in time	19,456	111,524	59,554	190,534
Services transferred over time	903	–	453	1,357
Revenue from contracts with customers	20,360	111,524	60,007	191,892
Revenue from other sources	–	–	–	–
Net sales to external customers	20,360	111,524	60,007	191,892

Fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segments			Total
	Japan	North America	Asia	
Net sales				
Net sales to external customers	23,355	169,650	68,149	261,156
Transactions with other segments	13,989	1,312	2,162	17,464
Total	37,345	170,962	70,311	278,620
Segment profit (loss)	417	(1,040)	2,340	1,716
Segment assets	69,588	105,623	45,404	220,616
Other items				
Depreciation	3,836	6,026	3,572	13,435
Investments in entities accounted for using equity method	5,504	—	—	5,504
Increase in property, plant and equipment and intangible assets	2,035	12,990	2,385	17,410

Disaggregation of goods and services by type

(Millions of yen)

	Reportable segments			Total
	Japan	North America	Asia	
Net sales				
Auto parts	20,501	157,620	59,228	237,350
Dies/facilities	1,458	8,052	2,924	12,435
Other	1,395	3,977	5,997	11,370
Revenue from contracts with customers	23,355	169,650	68,149	261,156
Revenue from other sources	—	—	—	—
Net sales to external customers	23,355	169,650	68,149	261,156

Disaggregation of revenue by timing of recognition

(Millions of yen)

	Reportable segments			Total
	Japan	North America	Asia	
Net sales				
Goods transferred at a point in time	22,162	169,650	66,697	258,510
Services transferred over time	1,193	—	1,451	2,645
Revenue from contracts with customers	23,355	169,650	68,149	261,156
Revenue from other sources	—	—	—	—
Net sales to external customers	23,355	169,650	68,149	261,156

4. Differences between total amounts for reportable segments and amounts in the consolidated financial statements and main details of these differences (matters relating to difference adjustments)

(Millions of yen)

Net sales	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Reportable segments total	213,241	278,620
Elimination of intersegment transactions	(21,349)	(17,464)
Net sales in the consolidated financial statements	191,892	261,156

(Millions of yen)

Profit	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Reportable segments total	1,691	1,716
Elimination of intersegment transactions	(548)	321
Operating profit in the consolidated financial statements	1,142	2,038

(Millions of yen)

Assets	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Reportable segments total	201,865	220,616
Elimination of intersegment transactions	(40,926)	(44,472)
Other adjustments	(7)	(6)
Total assets in the consolidated financial statements	160,931	176,137

(Millions of yen)

Other items	Reportable segments total		Adjustments		Amounts in the consolidated financial statements	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Depreciation	10,893	13,435	(311)	(322)	10,581	13,112
Investments in entities accounted for using equity method	5,374	5,504	–	–	5,374	5,504
Increase in property, plant and equipment and intangible assets	17,472	17,410	(820)	(503)	16,651	16,907

Note: Adjustments of depreciation and those of increase in property, plant and equipment and intangible assets are the effects of intersegment consolidation adjustments.



Information associated with reportable segments

Fiscal year ended March 31, 2022

1. Information by product or service

This information has been omitted as net sales to external customers in a single product or service category account for more than 90% of net sales recorded in the consolidated statements of income.

2. Information by geographical region

(1) Net sales (Millions of yen)

Japan	U.S.A.	Canada	China	Other	Total
19,826	76,688	25,363	48,976	21,037	191,892

Note: Net sales are segmented by country or region based on customer locations.

(2) Property, plant and equipment (Millions of yen)

Japan	U.S.A.	Canada	China	Mexico	Other	Total
12,482	18,787	20,106	12,887	12,152	4,950	81,366

3. Information for major customers (Millions of yen)

Counterparty	Revenues	Relevant segment
Honda Motor Co., Ltd. and its group companies	126,991	All reportable segments

Fiscal year ended March 31, 2023

1. Information by product or service

This information has been omitted as net sales to external customers in a single product or service category account for more than 90% of net sales recorded in the consolidated statements of income.

2. Information by geographical region

(1) Net sales (Millions of yen)

Japan	U.S.A.	Canada	China	Other	Total
22,850	113,114	31,650	49,887	43,653	261,156

Note: Net sales are segmented by country or region based on customer locations.

(2) Property, plant and equipment (Millions of yen)

Japan	U.S.A.	Canada	China	Mexico	Other	Total
13,361	22,620	18,423	12,349	18,708	6,821	92,284

3. Information for major customers (Millions of yen)

Counterparty	Revenues	Relevant segment
Honda Motor Co., Ltd. and its group companies	157,845	All reportable segments
General Motors Company and its group companies	29,900	All reportable segments

Disclosure of impairment loss on non-current assets for each reportable segment

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Not applicable.

Amortization and unamortized balance of goodwill for each reportable segment

Fiscal year ended March 31, 2022

Not applicable.

Amortization and unamortized balance of negative goodwill that arose from business combinations conducted before April 1, 2010 are as follows:

(Millions of yen)

	Japan	North America	Asia	Unallocated amounts and elimination	Total
Amortization during period	1	0	3	—	5
Balance at end of period	10	4	23	—	39

Fiscal year ended March 31, 2023

Not applicable.

Amortization and unamortized balance of negative goodwill that arose from business combinations conducted before April 1, 2010 are as follows:

(Millions of yen)

	Japan	North America	Asia	Unallocated amounts and elimination	Total
Amortization during period	1	0	3	—	5
Balance at end of period	8	4	20	—	33

Information about gain on bargain purchase for each reportable segment

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

A gain on bargain purchase of 1,237 million yen was recorded in the first quarter of the fiscal year ended March 31, 2023 as a result of acquiring shares in India Steel Summit Private Limited to make it a consolidated subsidiary.

The provisional accounting treatment was applied in the first quarter of the fiscal year ended March 31, 2023, but was finalized at the end of the fiscal year ended March 31, 2023. As a result, the tentatively calculated amount of gain on bargain purchase of 765 million yen increased by 471 million yen to 1,237 million yen due to the finalization of the accounting treatment.

The amount is not allocated to reportable segments as it is recorded in extraordinary income.

## Related parties

Fiscal year ended March 31, 2022

### 1. Related-party transactions

#### (1) Transactions between the company filing the consolidated financial statements and related parties

##### i) The parent company and major shareholders (limited to companies) of the company filing the consolidated financial statements

Type	Name	Location	Capital stock or stake (Millions of yen)	Nature of business or occupation	Voting rights holding ratio (%)	Relationship with the related party	Description of transactions	Transaction amount (Millions of yen)	Line item	Ending balance (Millions of yen)
Major shareholder	Honda Motor Co., Ltd.	Minato-ku, Tokyo	86,067	Manufacture and sale of motor vehicles and passengers car bodies	(Owned) Direct 13.64	Purchaser of products of the Group and seller of parts and raw materials	Sale of finished goods	12,788	Accounts receivable - trade	1,812
							Purchase of raw materials	7,486	Accounts payable - trade	1,281

Note: Terms and conditions of transactions and policy on determination thereof

- (1) Selling prices are determined by making an estimate based on economic rationality in view of market prices and the Company's manufacturing technologies, submitting the estimate to the customer and then negotiating on price.
- (2) In purchases of raw materials, prices are determined through negotiations on price by reference to market prices.

##### ii) Officers and major individual shareholders (limited to individuals) of the company filing the consolidated financial statements

Type	Name	Location	Capital stock or stake (Millions of yen)	Nature of business or occupation	Voting rights holding ratio (%)	Relationship with the related party	Description of transactions	Transaction amount (Millions of yen)	Line item	Ending balance (Millions of yen)
Officer and his or her close family member	Akihide Fukuda	-	-	Executive Senior Advisor of the Company	(Owned) Direct 4.76	Advisory contract	Advisory fees	30	-	-

Note: Advisory fees are determined based on the contract entered into through consultation between both parties after comprehensively taking into account past experience and others.

(2) Transactions between consolidated subsidiaries of the company filing the consolidated financial statements and related parties

- i) Companies which have the same parent company as the company filing the consolidated financial statements and subsidiaries of other associates of the company filing the consolidated financial statements

Type	Name	Location	Capital stock or stake	Nature of business or occupation	Voting rights holding ratio (%)	Relationship with the related party	Description of transactions	Transaction amount (Millions of yen)	Line item	Ending balance (Millions of yen)
Subsidiary of major shareholder	Honda Development and Manufacturing of America, LLC	Ohio, U.S.A.	USD 561 million	Manufacture and sale of motor vehicles and passengers car bodies	—	Purchaser of products of the Group and seller of parts and raw materials	Sale of finished goods	43,242	Accounts receivable - trade	4,902
							Purchase of raw materials	32,186	Accounts payable - trade	2,137
Subsidiary of major shareholder	Honda Canada, Inc.	Ontario, Canada	CAD 226 million	Manufacture and sale of motor vehicles and passengers car bodies	—	Purchaser of products of the Group and seller of parts and raw materials	Sale of finished goods	19,053	Accounts receivable - trade	2,221

Notes: 1. Terms and conditions of transactions and policy on determination thereof

- (1) Selling prices are determined by making an estimate based on economic rationality in view of market prices and the Company's manufacturing technologies, submitting the estimate to the customer and then negotiating on price.
  - (2) In purchases of raw materials, prices are determined through negotiations on price by reference to market prices.
2. During the fiscal year ended March 31, 2022, Honda of America Mfg., Inc. merged Honda Manufacturing of Alabama, LLC, Honda R&D Americas, Inc. and five other companies and has changed its corporate name to Honda Development and Manufacturing of America, LLC.

2. Notes on the parent company or major associates

Not applicable.

Fiscal year ended March 31, 2023

1. Related-party transactions

(1) Transactions between the company filing the consolidated financial statements and related parties

i) The parent company and major shareholders (limited to companies) of the company filing the consolidated financial statements

Type	Name	Location	Capital stock or stake (Millions of yen)	Nature of business or occupation	Voting rights holding ratio (%)	Relationship with the related party	Description of transactions	Transaction amount (Millions of yen)	Line item	Ending balance (Millions of yen)
Major shareholder	Honda Motor Co., Ltd.	Minato-ku, Tokyo	86,067	Manufacture and sale of motor vehicles and passengers car bodies	(Owned) Direct 13.63	Purchaser of products of the Group and seller of parts and raw materials	Sale of finished goods	12,382	Accounts receivable - trade	1,864
							Purchase of raw materials	7,162	Accounts payable - trade	1,177

Note: Terms and conditions of transactions and policy on determination thereof

- (1) Selling prices are determined by making an estimate based on economic rationality in view of market prices and the Company's manufacturing technologies, submitting the estimate to the customer and then negotiating on price.
- (2) In purchases of raw materials, prices are determined through negotiations on price by reference to market prices.

ii) Officers and major individual shareholders (limited to individuals) of the company filing the consolidated financial statements

Type	Name	Location	Capital stock or stake (Millions of yen)	Nature of business or occupation	Voting rights holding ratio (%)	Relationship with the related party	Description of transactions	Transaction amount (Millions of yen)	Line item	Ending balance (Millions of yen)
Officer and his or her close family member	Akihide Fukuda	-	-	Executive Senior Advisor of the Company	(Owned) Direct 4.76	Advisory contract	Advisory fees	30	-	-

Note: Advisory fees are determined based on the contract entered into through consultation between both parties after comprehensively taking into account past experience and others.

(2) Transactions between consolidated subsidiaries of the company filing the consolidated financial statements and related parties

i) Companies which have the same parent company as the company filing the consolidated financial statements and subsidiaries of other associates of the company filing the consolidated financial statements

Type	Name	Location	Capital stock or stake	Nature of business or occupation	Voting rights holding ratio (%)	Relationship with the related party	Description of transactions	Transaction amount (Millions of yen)	Line item	Ending balance (Millions of yen)
Subsidiary of major shareholder	Honda Development and Manufacturing of America, LLC	Ohio, U.S.A.	USD 561 million	Manufacture and sale of motor vehicles and passengers car bodies	—	Purchaser of products of the Group and seller of parts and raw materials	Sale of finished goods	62,808	Accounts receivable - trade	4,871
							Purchase of raw materials	26,769	Accounts payable - trade	2,757
Subsidiary of major shareholder	Honda Canada, Inc.	Ontario, Canada	CAD 226 million	Manufacture and sale of motor vehicles and passengers car bodies	—	Purchaser of products of the Group and seller of parts and raw materials	Sale of finished goods	24,294	Accounts receivable - trade	3,186

Note: Terms and conditions of transactions and policy on determination thereof

- (1) Selling prices are determined by making an estimate based on economic rationality in view of market prices and the Company's manufacturing technologies, submitting the estimate to the customer and then negotiating on price.
- (2) In purchases of raw materials, prices are determined through negotiations on price by reference to market prices.

2. Notes on the parent company or major associates

Not applicable.

Notes on special purpose entities subject to disclosure

Not applicable.

Per share information

(Yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net assets per share	2,426.74	2,691.60
Basic earnings per share	11.27	93.30

Notes: 1. Diluted basic earnings (loss) per share is not presented since no potential shares exist.

2. Since the second quarter of the fiscal year ended March 31, 2021, the Company has acquired the Company's shares through the "Officers' Stock Benefit Trust," and the shares of the Company held by the Officers' Stock Benefit Trust (92,450 shares for the fiscal year ended March 31, 2022 and 88,882 shares for the fiscal year ended March 31, 2023) are included in the number of treasury shares deducted in the calculation of the average number of shares during the period, to calculate basic earnings per share.

3. Since the second quarter of the fiscal year ended March 31, 2021, the Company has acquired the Company's shares through the "Officers' Stock Benefit Trust," and the shares of the Company held by the Officers' Stock Benefit Trust (91,200 shares for the fiscal year ended March 31, 2022 and 87,600 shares for the fiscal year ended March 31, 2023) are included in the number of treasury shares deducted from the total number of shares issued at the end of period, to calculate net assets per share.

4. Basis for calculating basic earnings per share is as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	209	1,734
Amounts not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent related to common shares (Millions of yen)	209	1,734
Average number of shares (Thousands of shares)	18,585	18,589

### Significant subsequent event

#### Establishment of the subsidiary

The Company resolved to establish a subsidiary (F-TECH NORTH AMERICA INC.) in the U.S. at the meeting of the Board of Directors held on December 8, 2022, and established the subsidiary on April 3, 2023.

#### 1. Purpose of the establishment of the subsidiary

As the automotive industry faces an era of profound transformation, the Group has been working to diversify its customers with the aim of expanding its business and stabilizing its profit structure. We seek to further accelerate this movement by establishing a site for sales activities in the U.S., a region that hosts the world's second largest automotive market and where many automakers are concentrated.

#### 2. Overview of the subsidiary

(1) Company name	F-TECH NORTH AMERICA INC.	
(2) Address	Michigan, U.S.	
(3) Representative	Hajime Fujitaki (Director & Senior Managing Executive Officer of the Company)	
(4) Business description	Sales activities for automakers in North America and any related business operations	
(5) Capital	US\$300,000	
(6) Date of foundation	April 3, 2023	
(7) Relationship between the Company and the subsidiary	Capital relationship:	A wholly-owned subsidiary of the Company
	Personnel relationship:	One Director and one employee of the Company are concurrently serving as officers of the new company.
	Business relationship:	Not applicable at this point in time

- v) Annexed consolidated detailed schedules  
Annexed detailed schedule of corporate bonds  
Not applicable.

Annexed detailed schedule of borrowings

Classification	Balance at beginning of current period (Millions of yen)	Balance at end of current period (Millions of yen)	Average interest rate (%)	Payment due
Short-term loans payable	36,540	27,832	5.21	–
Current portion of long-term loans payable	10,244	12,995	2.19	–
Current portion of lease obligations	574	1,247	2.97	–
Long-term loans payable (excluding current portion)	16,735	29,908	2.93	2024–2031
Lease obligations (excluding current portion)	772	1,942	4.23	2024–2044
Total	64,867	73,925	–	–

- Notes: 1. The average interest rate is calculated using the interest rate and balance at end of period.  
2. Repayment of long-term loans payable and lease obligations (excluding current portion) above scheduled within five years after the closing date of the accounting period are as follows:

(Millions of yen)

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term loans payable	11,403	7,435	5,819	3,368
Lease obligations	942	367	191	121

Annexed detailed schedule of asset retirement obligations

Not applicable.

(2) Other information

Quarterly information for the fiscal year ended March 31, 2023

	Three months ended June 30, 2022	Six months ended September 30, 2022	Nine months ended December 31, 2022	Fiscal year ended March 31, 2023
Net sales (Millions of yen)	59,811	121,260	189,986	261,156
Profit before income taxes (Millions of yen)	983	1,465	1,507	3,300
Profit attributable to owners of parent (Millions of yen)	730	1,130	665	1,734
Basic earnings per share (Yen)	39.32	60.81	35.78	93.30

	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (Yen)	39.32	21.48	(25.02)	82.60

Note: The provisional accounting treatment was applied in the first quarter of the fiscal year ended March 31, 2023 to the business combination with India Steel Summit Private Limited acquired on May 31, 2022, but was finalized at the end of the fiscal year ended March 31, 2023. The related amounts for the first, second and third quarters reflect the finalization of the provisional accounting treatment.