Consolidated Financial Statements

USHIO INC.

Year ended March 31, 2024 with Independent Auditor's Report

Independent Auditor's Report

The Board of Directors
USHIO INC.

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of USHIO INC. (the Company) and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2024, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of non-current assets in the parent company's Photonics Solution business	
Description of Key Audit Matter	**Auditor's Response**
As described in (Significant Accounting Estimates) under Notes to the Consolidated Financial Statements, in the fiscal year ended March 31, 2024, the Company determined that there were indications of impairment for property, plant and equipment amounting to 4,773 million yen and for intangible assets of 3 million yen within the asset groups of the Photonics Solution business. Consequently, an impairment loss of 2,487 million yen was recorded to reflect the difference between the	We mainly performed the following audit procedures on the net selling price used in the recognition and measurement of an impairment loss on property, plant and equipment and intangible assets in the Photonics Solution business. ・ We evaluated the design and operating effectiveness of internal controls related to the recognition and measurement of an impairment loss.

assets' carrying values and their recoverable amounts. If there is an indication of impairment, such as a decline in profitability, and the total amount of the asset group's undiscounted future cash flows is less than its carrying value, the Company recognizes an impairment loss. This involves reducing the asset's carrying value to its recoverable amount. The recoverable amount is the higher of the net selling price or the value in use. When determining the recoverable amount of non-current assets for an asset group in the Photonics Solution business, the Company measures the recoverable amount at net selling price since the net selling price of the asset group is greater than the value in use. Net selling price is derived from real estate appraisal values conducted by external valuation firms engaged by the Company. These appraisals are based on key assumptions, such as comparable land prices and the replacement costs of buildings. These key assumptions involve uncertainties, including changes in market conditions, and require management to exercise judgment. In addition, since the impact on the corresponding non-current assets is material, we determined the impairment of non-current assets in the parent company's Photonics Solution business to be a key audit matter.	・ We evaluated the competence, capabilities, and objectivity of the external experts used by management for the real estate appraisals that form the basis of the net selling price. ・ We obtained materials prepared by the Company to consider whether assets are impaired, agreed the carrying values of each asset group to the accounting books, as well as reconciled valuation amounts to real estate appraisal values. ・ In examining the real estate appraisal values, we involved valuation specialists from our network firm, inspected real estate appraisal records, made inquiries of external experts used by management, and considered the preconditions and valuation methods adopted for these appraisal amounts. Additionally, we reviewed the amounts determined based on these methods.

Revenue recognition of lithography equipment in the Industrial Processes business	
Description of Key Audit Matter	**Auditor's Response**
As described in (Revenue Recognition) under Notes to the Consolidated Financial Statements, the Company's consolidated net sales include sales to external customers of Optical equipment (UV equipment) in the Industrial Processes business segment of 32,910 million yen. The aforementioned Optical equipment (UV equipment) includes projection lithography equipment for advanced IC package substrates and direct imaging lithography equipment for packages and printed circuit boards, which are manufactured and sold by the Company and certain consolidated subsidiaries. The sale of lithography equipment requires high performance and stable operability powered by cutting-edge technology. Therefore, revenue is recognized upon confirmation of agreed performance, such as the customer's acceptance of a product, as described in (Revenue	We mainly performed the following audit procedures on the appropriateness of the timing of revenue recognition for lithography equipment. We involved component teams in performing audit procedures for revenue recognition by subsidiaries. ・ We evaluated the design and operating effectiveness of internal controls related to revenue recognition. ・ To ensure consistency with the auditors' understanding of market and business trends, we compared, by product type and by major customer, net sales of lithography equipment to external data available on trends in semiconductor-related markets and with regard to semiconductor equipment manufacturers, production capacity associated with increases in capital

Recognition) under Notes to the Consolidated Financial Statements. As mentioned above, since high performance and stable operability are of particular importance in the sale of lithography equipment, it is often necessary to make judgments depending on actual conditions in order to satisfy performance obligations based on the customer's acceptance of a product. Markets related to semiconductors, which have a substantial influence on sales of lithography equipment, are beginning to show signs of a global recovery in end-user demand for smartphones and other products associated with semiconductor, electronic device, and printed circuit board markets. Currently, however, related capital investments in these markets have been restrained and operations remain sluggish. In addition, demand remained weak for end products related to advanced IC package substrates, leading to temporary curbs on capital investment. Under these circumstances, there have been instances where the Company's customers purchasing lithography equipment have requested extensions of delivery dates. On the other hand, there is pressure to achieve performance targets. Therefore, there is a potential risk of recording net sales in advance. Based on the above, given that lithography equipment has a high total sales price per unit and materially affects the Company's operating results, we determined the appropriateness of the timing of revenue recognition for these sales to be a key audit matter.	investment, and manufacturing costs, such as the cost of purchased components. ・ We analyzed changes in net sales and gross profit margin by customers for the previous fiscal year and the current fiscal year, as well as daily fluctuations in net sales during the last month of the current fiscal year. ・ To determine whether the performance obligations relating to the sales of lithography equipment have been satisfied, we inspected the purchase orders and acceptance certificates obtained from external customers with respect to material sales and sales identified by the analysis mentioned above. ・ To determine whether or not additional costs for satisfying performance obligations were recorded after recording sales, we inspected cost breakdowns by product and made inquiries of related divisions regarding details of the costs.

Other Information

Other information comprises the information included in the disclosure document that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that the other information does not exist. Accordingly, we have not performed any work related to the other information.

Responsibilities of Management, the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 4 (9) to the consolidated financial statements.

Fee-related Information

The fees for the audits of the financial statements of USHIO INC. and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2024 are 372 million yen and 37 million yen, respectively.

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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

August 2, 2024

Ryo Kayama
Designated Engagement Partner
Certified Public Accountant

Yukitaka Makino
Designated Engagement Partner
Certified Public Accountant

Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Balance Sheet

	As of March 31, 2023	As of March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Assets			
Current assets			
Cash and deposits	64,219	65,651	433,630
Notes and accounts receivable - trade, and contract assets (*1)	38,491	39,753	262,570
Securities	2,591	4,120	27,216
Merchandise and finished goods	31,481	37,038	244,641
Work in process	25,101	25,030	165,326
Raw materials and supplies	26,872	29,982	198,034
Other	11,787	11,607	76,669
Allowance for doubtful accounts	(2,025)	(1,683)	(11,118)
Total current assets	198,519	211,501	1,396,969
Non-current assets			
Property, plant and equipment			
Buildings and structures	48,513	52,543	347,053
Accumulated depreciation	(31,365)	(34,143)	(225,515)
Buildings and structures, net	17,147	18,400	121,537
Machinery, equipment and vehicles	28,146	27,049	178,659
Accumulated depreciation	(21,058)	(22,981)	(151,792)
Machinery, equipment and vehicles, net	7,087	4,067	26,866
Land	8,684	9,062	59,856
Right of use assets	3,589	5,022	33,174
Accumulated depreciation	(783)	(1,365)	(9,020)
Right of use assets, net	2,806	3,657	24,154
Construction in progress	3,363	2,106	13,911
Other	42,767	35,849	236,786
Accumulated depreciation	(31,377)	(27,288)	(180,243)
Other, net	11,389	8,560	56,543
Property, plant and equipment, net	50,480	45,854	302,870
Intangible assets			
Goodwill	252	780	5,153
Other	2,782	7,816	51,628
Total intangible assets	3,034	8,596	56,782
Investments and other assets			
Investment securities (*2)	58,484	54,305	358,691
Long-term loans receivable	20	28	190
Deferred tax assets	4,333	4,211	27,813
Net defined benefit asset	6,647	10,682	70,557
Other	2,224	2,502	16,528
Allowance for doubtful accounts	(121)	(136)	(904)
Total investments and other assets	71,588	71,593	472,878
Total non-current assets	125,103	126,045	832,531
Total assets	323,622	337,546	2,229,501

	As of March 31, 2023	As of March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Liabilities			
Current liabilities			
Notes and accounts payable-trade	26,205	21,648	142,991
Short-term loans payable	3,921	2,455	16,216
Lease liabilities	796	940	6,214
Income taxes payable	3,210	4,362	28,816
Contract liabilities	11,731	11,294	74,601
Provision for bonuses	2,530	2,616	17,278
Provision for bonuses for directors (and other officers)	-	77	508
Provision for product warranties	3,775	4,068	26,874
Provision for loss on order received	0	-	-
Other	10,239	11,788	77,862
Total current liabilities	62,410	59,252	391,364
Non-current liabilities			
Long-term loans payable	1,410	26,410	174,438
Lease liabilities	2,189	3,046	20,121
Deferred tax liabilities	7,997	6,706	44,297
Provision for directors' retirement benefits	237	159	1,053
Provision for directors' stock payment	193	298	1,969
Net defined benefit liability	3,839	3,654	24,134
Asset retirement obligations	318	326	2,158
Other	921	717	4,736
Total non-current liabilities	17,106	41,318	272,911
Total liabilities	79,517	100,571	664,275
Net assets			
Shareholders' equity			
Capital stock	19,556	19,556	129,169
Capital surplus	27,767	27,767	183,406
Retained earnings	164,332	140,163	925,780
Treasury shares, at cost	(8,733)	(9,155)	(60,474)
Total shareholders' equity	202,922	178,331	1,177,881
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	19,869	20,146	133,066
Foreign currency translation adjustment	20,779	35,004	231,205
Remeasurements of defined benefit plans	520	3,481	22,994
Total accumulated other comprehensive income	41,170	58,632	387,266
Non-controlling interests	12	11	76
Total net assets	244,105	236,975	1,565,225
Total liabilities and net assets	323,622	337,546	2,229,501

2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Net sales (*1)	175,025	179,420	1,185,079
Cost of sales (*2)	111,809	114,504	756,306
Gross profit	63,215	64,916	428,772
Selling, general and administrative expenses (*3, 4)	47,353	51,939	343,062
Operating profit	15,861	12,976	85,710
Non-operating income			
Interest income	1,602	1,581	10,443
Dividend income	1,051	1,111	7,339
Foreign exchange gains	1,909	560	3,704
Realized and unrealized profit on trading securities, net	10	–	–
Gain on investments in investment partnerships	24	29	197
Fair value adjustment of contingent consideration	–	195	1,288
Subsidy income	–	145	959
Other	353	447	2,952
Total non-operating income	4,951	4,070	26,885
Non-operating expenses			
Interest expenses	218	305	2,017
Loss on sale of securities	57	14	93
Share of loss of entities accounted for using equity method	115	164	1,088
Loss on valuation of securities	80	6	45
Loss on specified money in trust	87	–	–
Commission expenses	22	167	1,109
Loss on tax purpose reduction entry of non-current assets	–	120	797
Other	87	178	1,180
Total non-operating expenses	668	958	6,332
Ordinary profit	20,144	16,088	106,264
Extraordinary income			
Gain on sales of non-current assets (*5)	216	1	8
Gain on sales of investment securities	963	7,006	46,276
Gain on sale of businesses (*9)	360	–	–
Total extraordinary income	1,539	7,007	46,284
Extraordinary losses			
Loss on retirement of non-current assets (*6)	81	189	1,253
Loss on sales of non-current assets (*7)	9	0	2
Impairment loss (*8)	588	7,171	47,367
Loss on sales of investment securities	35	18	120
Loss on valuation of investment securities	212	34	228
Loss on sale of shares of subsidiaries and associates	188	–	–
Business structure improvement expenses (*10)	348	–	–
Total extraordinary losses	1,463	7,414	48,972
Profit before income taxes	20,220	15,681	103,576
Income taxes-current	6,432	7,075	46,734
Income taxes-deferred	93	(2,177)	(14,382)
Total income taxes	6,526	4,898	32,351
Profit	13,693	10,783	71,224
Loss attributable to non-controlling interests	(6)	(1)	(12)
Profit attributable to owners of the parent	13,699	10,785	71,237

Consolidated Statement of Comprehensive Income

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Profit	13,693	10,783	71,224
Other comprehensive income			
Valuation difference on available-for-sale securities	(1,529)	276	1,825
Foreign currency translation adjustment	6,558	14,168	93,584
Remeasurements of defined benefit plans	1,118	2,960	19,557
Share of other comprehensive income of entities accounted for using equity method	41	57	376
Total other comprehensive income	6,188	17,463	115,344
Comprehensive income	19,881	28,246	186,568
Comprehensive income attributable to;			
Owners of the parent	19,880	28,247	186,575
Non-controlling interests	1	(1)	(6)

3) Consolidated Statement of Changes in Net Assets

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares, at cost	Total shareholders' equity
Balance at beginning of current period	19,556	27,727	161,877	(9,032)	200,129
Changes of items during period					
Dividends from surplus			(6,041)		(6,041)
Profit attributable to owners of the parent			13,699		13,699
Purchase of treasury shares				(5,004)	(5,004)
Disposal of treasury shares				6	6
Cancellation of treasury shares			(5,296)	5,296	-
Purchase of shares of consolidated subsidiaries		40			40
Change in scope of consolidation			92		92
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	40	2,454	299	2,793
Balance at end of current period	19,556	27,767	164,332	(8,733)	202,922

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	21,399	14,186	(598)	34,988	84	235,202
Changes of items during period						
Dividends from surplus						(6,041)
Profit attributable to owners of the parent						13,699
Purchase of treasury shares						(5,004)
Disposal of treasury shares						6
Cancellation of treasury shares						-
Purchase of shares of consolidated subsidiaries					(73)	(33)
Change in scope of consolidation						92
Net changes of items other than shareholders' equity	(1,529)	6,592	1,118	6,181	1	6,182
Total changes of items during period	(1,529)	6,592	1,118	6,181	(72)	8,902
Balance at end of current period	19,869	20,779	520	41,170	12	244,105

Fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares, at cost	Total shareholders' equity
Balance at beginning of current period	19,556	27,767	164,332	(8,733)	202,922
Changes of items during period					
Dividends from surplus			(5,895)		(5,895)
Profit attributable to owners of the parent			10,785		10,785
Purchase of treasury shares				(30,486)	(30,486)
Disposal of treasury shares		122		881	1,004
Cancellation of treasury shares		(122)	(29,058)	29,181	–
Net changes of items other than shareholders' equity					–
Total changes of items during period	–	–	(24,168)	(422)	(24,591)
Balance at end of current period	19,556	27,767	140,163	(9,155)	178,331

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	19,869	20,779	520	41,170	12	244,105
Changes of items during period						
Dividends from surplus						(5,895)
Profit attributable to owners of the parent						10,785
Purchase of treasury shares						(30,486)
Disposal of treasury shares						1,004
Cancellation of treasury shares						–
Net changes of items other than shareholders' equity	276	14,224	2,960	17,462	(0)	17,461
Total changes of items during period	276	14,224	2,960	17,462	(0)	(7,130)
Balance at end of current period	20,146	35,004	3,481	58,632	11	236,975

Fiscal year ended March 31, 2024

(Thousands of U.S. dollars)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares, at cost	Total shareholders' equity
Balance at beginning of current period	129,169	183,406	1,085,416	(57,683)	1,340,308
Changes of items during period					
Dividends from surplus			(38,938)		(38,938)
Profit attributable to owners of the parent			71,237		71,237
Purchase of treasury shares				(201,361)	(201,361)
Disposal of treasury shares		811		5,823	6,635
Cancellation of treasury shares		(811)	(191,934)	192,746	-
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	-	(159,635)	(2,790)	(162,426)
Balance at end of current period	129,169	183,406	925,780	(60,474)	1,177,881

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	131,241	137,250	3,437	271,928	83	1,612,320
Changes of items during period						
Dividends from surplus						(38,938)
Profit attributable to owners of the parent						71,237
Purchase of treasury shares						(201,361)
Disposal of treasury shares						6,635
Cancellation of treasury shares						-
Net changes of items other than shareholders' equity	1,825	93,955	19,557	115,338	(6)	115,331
Total changes of items during period	1,825	93,955	19,557	115,338	(6)	(47,095)
Balance at end of current period	133,066	231,205	22,994	387,266	76	1,565,225

4) Consolidated Statement of Cash Flows

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Operating activities			
Profit before income taxes	20,220	15,681	103,576
Depreciation	7,615	8,325	54,987
Impairment loss	588	7,171	47,367
Increase (decrease) in net defined benefit liability	(141)	(283)	(1,873)
Amortization of goodwill	169	115	760
Increase (decrease) in allowance for doubtful accounts	(58)	(483)	(3,196)
Business structure improvement expenses	348	–	–
Interest and dividend income	(2,653)	(2,692)	(17,783)
Fair value adjustment of contingent consideration	–	(195)	(1,288)
Subsidy income	–	(145)	(959)
Interest expenses	218	305	2,017
Commission fee	–	167	1,109
Loss (gain) on trading securities	(10)	–	–
Share of loss (profit) of entities accounted for using equity method	115	164	1,088
Loss (gain) on sales of non-current assets	(206)	(0)	(5)
Loss on retirement of non-current assets	81	189	1,253
Loss on tax purpose reduction entry of non-current assets	–	120	797
Loss (gain) on sales of investment securities	(927)	(6,987)	(46,155)
Loss (gain) on valuation of investment securities	212	34	228
Loss (gain) on sale of shares of subsidiaries and associates	188	–	–
Loss (gain) on sale of businesses	(360)	–	–
Decrease (increase) in notes and accounts receivable-trade	(2,696)	1,340	8,854
Decrease (increase) in inventories	(16,549)	(3,000)	(19,818)
Increase (decrease) in notes and accounts payable-trade	4,356	(5,698)	(37,641)
Increase (decrease) in contract liabilities	(3,369)	(1,563)	(10,328)
Other	(1,070)	146	969
Subtotal	6,069	12,711	83,959
Interest and dividends received	2,662	2,726	18,009
Interest paid	(210)	(259)	(1,713)
Payment of business structure improvement expenses	(170)	(307)	(2,030)
Income taxes paid	(7,346)	(5,904)	(38,998)
Settlement paid	(131)	–	–
Net cash provided by (used in) operating activities	871	8,966	59,226

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Investing activities			
Payments into time deposits	(28,066)	(8,188)	(54,086)
Proceeds from withdrawal of time deposits	31,074	12,453	82,256
Payments of short-term loans receivable	(37)	(52)	(347)
Collection of short-term loans receivable	50	42	279
Proceeds from sales and redemption of securities	3,887	3,237	21,382
Purchase of property, plant and equipment	(7,767)	(7,936)	(52,418)
Proceeds from sales of property, plant and equipment	423	239	1,580
Purchase of intangible assets	(348)	(2,070)	(13,676)
Purchase of investment securities	(3,207)	(533)	(3,523)
Proceeds from sales and redemption of investment securities	2,733	9,898	65,379
Payments for acquisition of business (*2)	(210)	(1,286)	(8,494)
Proceeds from sale of businesses	360	-	-
Payments of long-term loans receivable	(23)	(26)	(178)
Collection of long-term loans receivable	2	-	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(526)	(3,477)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(47)	-	-
Subsidies received	-	145	959
Other	0	(0)	(6)
Net cash provided by (used in) investing activities	(1,175)	5,394	35,628
Financing activities			
Net increase (decrease) in short-term loans payable	1,591	(1,910)	(12,617)
Proceeds from long-term loans payable	1,410	25,000	165,125
Repayment of long-term loans payable	(18,770)	-	-
Purchase of treasury shares	(5,004)	(30,654)	(202,470)
Cash dividends paid	(6,037)	(5,891)	(38,912)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-	(33)	(224)
Net cash provided by (used in) financing activities	(26,811)	(13,489)	(89,099)
Effect of exchange rate changes on cash and cash equivalents	3,011	4,110	27,153
Net increase (decrease) in cash and cash equivalents	(24,103)	4,982	32,908
Cash and cash equivalents at beginning of year	81,619	57,516	379,894
Cash and cash equivalents at end of year (*1)	57,516	62,498	412,802

Notes to Consolidated Financial Statements

(Significant Matters Forming the Basis of Preparation of Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 45

(2) The changes in the scope of consolidation for the fiscal year ended March 31, 2024 are as follows:

(Addition) ・Two companies included in the scope of consolidation due to acquisition of shares
YANAKA Holdings Co., Ltd. (currently YANAKA ADTEC Precision Co., Ltd.),
YANAKA Co., Ltd.

(Exclusion) ・One company excluded from the scope of consolidation due to merger between consolidated subsidiaries
YANAKA Co., Ltd.
・Two companies excluded from the scope of consolidation due to liquidation
Japan Digital Cinema Support Inc., Scrabble Ventures LLC

2. Application of equity method

(1) Number of associates under equity method: One
Name of major company:
KA Imaging Inc.

(2) One company that was an associate that is not accounted for using the equity method until the previous fiscal year (Hokkaido Saladpaprika Co., Ltd.) is excluded from the scope of the equity method due to sale of the associate's interests in the current fiscal year.

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

3. Fiscal years, etc. of consolidated subsidiaries

The consolidated subsidiaries whose fiscal year end is different from the consolidated fiscal year end are as follows:

Company name	Fiscal year-end date
USHIO (SUZHOU) CO., LTD.	December 31*1
USHIO SHANGHAI, INC.	December 31*1
USHIO (GUANGZHOU) CO., LTD.	December 31*1
USHIO (SHAOGUAN) CO., LTD.	December 31*1
CHRISTIE DIGITAL SYSTEMS (SHANGHAI) Co., LTD.	December 31*1
USHIO SHENZHEN, INC.	December 31*1
CHRISTIE DIGITAL SYSTEMS (SHENZHEN) CO., LTD.	December 31*1
United Designers of Architectural Lighting, Inc.	December 31*1

*1 Provisional financial statements as of the consolidated fiscal year-end date are used for these companies.

4. Accounting policies

(1) Valuation bases and methods for significant assets

(a) Securities

1) Trading securities

Carried at fair value (the cost of securities sold is calculated by the moving-average method)

2) Held-to-maturity securities

Carried at amortized cost (straight-line method)

3) Available-for-sale securities

Other than stocks, etc. without market prices:

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

Stocks, etc. without market prices:

Carried at cost using the moving-average method

4) Investments in an investment limited partnership and other similar partnerships (deemed as securities according to Article 2, paragraph 2 of the Financial Instruments and Exchange Act)

Carried at their corresponding equity value, based on the latest financial statements available prepared on the financial reporting dates as specified in the respective partnership agreements.

(b) Derivatives

Carried at fair value

(c) Money held in trust for investment purposes

Carried at fair value

(d) Inventories

1) Merchandise and finished goods, and work in process

Merchandise and finished goods, and work in process are stated principally at cost determined by the gross average method (balance sheet amounts are determined based on the method of writing down book value in accordance with decreased profitability) for the Company and its domestic consolidated subsidiaries and at the lower of cost or market, cost being determined by the first-in, first-out method for overseas consolidated subsidiaries.

2) Raw materials

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

(2) Accounting policy for depreciation of significant assets

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

Depreciation of property, plant and equipment is calculated principally by the straight-line method.

The estimated useful lives of the major assets are as follows:

Buildings and structures:	2 to 50 years
Machinery, equipment and vehicles:	3 to 15 years
Others:	2 to 15 years

(b) Intangible assets (excluding leased assets)

Amortization of intangible assets is calculated by the straight-line method.

In addition, amortization of software for internal use is calculated by the straight-line method based on the estimated useful life (five to seven years).

(c) Leased assets

Leased assets related to finance lease transactions that transfer ownership

Leased assets related to finance lease transactions that transfer ownership are depreciated by the same approach as the depreciation method applied to self-owned non-current assets.

Leased assets related to finance lease transactions that do not transfer ownership

Leased assets related to finance lease transactions that do not transfer ownership are depreciated by the straight-line method over the lease period that is deemed as the useful life, assuming no residual value.

(d) Right-of-use assets

Right-of-use assets are depreciated by the straight-line method over the lease period that is deemed as the useful life, assuming no residual value.

(3) Accounting policy for significant allowances

(a) Allowance for doubtful accounts

(i) The Company and its domestic consolidated subsidiaries

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 collectibility in the case of specific receivables such as highly doubtful receivables.

(ii) Overseas consolidated subsidiaries

To prepare for losses from bad debts, an estimated uncollectible amount is provided based on consideration of collectibility for individual receivables.

(b) Provision for bonuses

The provision for bonuses represents the amounts for future payments of employees’ bonuses. The provision is recognized in the amount that is expected to be paid.

(c) Provision for bonuses for directors (and other officers)

The provision for bonuses for directors (and other officers) represents the amounts for future payments of directors’ bonuses. The provision is recognized in the amount that is expected to be paid.

(d) Provision for directors’ retirement benefits

Some of the consolidated subsidiaries recognize provision for retirement benefits for directors, corporate auditors and others in the full amount that would have to be paid if all the directors and corporate auditors resigned at the balance sheet date based on their internal regulations.

(e) Provision for directors’ stock payment

Provision for directors’ stock payment represents the amounts for future payments of the Company’s stock to directors. The provision is recognized based on the amount that is expected to be paid, which is determined using points allocated to each director as prescribed in the share granting rules.

(f) Provision for product warranties

Provision for product warranties is recognized for expenses for after-sales service and free repairs for products sold by the Company and its consolidated subsidiaries in the estimated amount to be incurred in the future.

(g) Provision for loss on orders received

To provide for future losses on contracted orders received, the Company recognizes a provision for loss on orders received equal to the amount of losses it anticipates after the year-end. Such a provision is recognized when losses on orders received are probable and reasonably estimated at the end of the current fiscal year.

(4) Accounting treatment of retirement benefits

1) Method for attribution of estimated retirement benefits to periods

In the calculation of retirement benefit obligations, the expected retirement benefits attributed to the period up to the end of the current fiscal year are based on the benefit formula method.

2) Accounting method for actuarial gains or losses and past service costs

Past service costs are amortized by the straight-line method over a certain period (mainly 12 years) that is within the average remaining years of service of the eligible employees when the costs are incurred.

Actuarial gains or losses are amortized from the fiscal year following the fiscal year in which the gains or losses are recognized by the straight-line method over a certain period (mainly 12 years) that is within the average remaining years of service of the eligible employees when the gains or losses are recognized.

(5) Standards for the recognition of significant revenues and expenses

(a) Sales of products

The Group is primarily engaged in the manufacturing and sales of products in the Industrial Processes business, Visual Imaging business, Life Sciences business and Photonics Solutions business.

For the sales of various lamps, etc., in each business, the control of the products is deemed to be transferred upon delivery to the customer, so revenue is recognized at the time of delivery. The alternative treatment prescribed in Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition has been applied for products sold in Japan, and revenue is recognized when products are shipped provided that there is an ordinary length of time between shipping and when the control is transferred to customers.

For the sales of a variety of optical equipment in the Industrial Processes business, where there is installation of such products based on a contract with the customer, customers generally do not receive benefits without the installation, so the products and installation are identified as a single performance obligation. In such case, the control of the assets is transferred to the customer when the confirmation of agreed performance such as the customer’s acceptance of the product has been completed, so that is when revenue is recognized. In addition, for some products that do not include installation work, the control of the products is deemed to be transferred upon delivery to the customer, so revenue is recognized at the time of delivery.

For the sales of a variety of imaging equipment in the Visual Imaging business, the control of the products is deemed to be transferred upon delivery to the customer, so revenue is recognized at the time of delivery.

(b) Provision of maintenance services

For a variety of optical equipment in the Industrial Processes business, maintenance services are provided for the products sold based on a separate contract. Maintenance services primarily guarantee the steady operations of products, including the replacement of maintained items. For the identification of performance obligations, for contracts that provide for performance obligations to be satisfied over time, revenue is recognized according to the contract period. For contracts where the performance obligations are primarily satisfied when the provision of maintenance ends, revenue is recognized at such time. For some products of optical equipment, variable consideration corresponding to the product’s capacity utilization rate is included in the transaction price only to the extent that it is highly probable that a material reversal of the cumulative amount of revenues recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

For a variety of imaging equipment in the Visual Imaging business, maintenance services are provided for the products sold based on a separate contract. Maintenance services primarily guarantee the steady operations of products, including the replacement of maintained items. For the identification of performance obligations, for contracts that provide for performance obligations to be satisfied over time, revenue is recognized according to the contract period.

(6) Significant hedge accounting

(a) Hedge accounting

Deferral hedge is applied. When hedging foreign currency risk, certain domestic consolidated subsidiaries apply the foreign exchange rate designated in the forward contract when the transaction qualifies for such treatment.

(b) Hedging instruments and hedged items

Hedging instruments:	Forward foreign exchange contracts and interest rate swaps
Hedged items:	Monetary receivables and payables denominated in foreign currencies, forecasted transactions denominated in foreign currencies, securities and loans payable denominated in foreign currencies

(c) Hedging policy

The Company and its consolidated subsidiaries (collectively, the "Group") hedge the risks of fluctuation in foreign currencies and interest rates in accordance with internal management rules on financial market risk and derivative transactions.

(d) Method of assessing the hedge effectiveness

The hedge effectiveness is assessed by comparing the cumulative changes in fair value or cash flows of the hedged items and those of the hedging instruments during the period from the inception of the hedge to the time of determining the effectiveness, and based on the respective amount of changes.

(7) Method and period for amortization of goodwill

Goodwill is amortized using the straight-line method over a period representing its useful life.

(8) Scope of cash and cash equivalents in the consolidated statement 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.

(9) U.S. Dollar Amounts

For the readers' convenience, the accompanying consolidated financial statements with respect to the fiscal year ended March 31, 2024 have been presented in U.S. dollars by translating all yen amounts at ¥151.40 = U.S. $1.00, the exchange rate prevailing on March 31, 2024. This translation should not be construed as a representation that the yen amounts have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

(Significant Accounting Estimates)

1. Impairment of non-current assets in the Photonics Solutions business

(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2024

In the fiscal year ended March 31, 2024, the Company recognized indications of impairment for the asset groups comprising assets of the Company within the "Photonics Solutions business." As a result, the Company reviewed the necessity of recognizing an impairment loss.

As a result of the review, ¥2,487 million ($16,430 thousand) of impairment loss was recorded because the recoverable amount was less than the book values.

Book value at end of the period	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Property, plant and equipment	4,934	2,286	15,100
Intangible assets	7	3	24

(2) Information on the nature of significant accounting estimates for identified items

1) Method of calculating the amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2024

When the recoverable amount of the relevant asset groups is less than the book value, the Group writes down the book value to the recoverable amount and records the write-down amount as an impairment loss. For the recoverable amount, we adopt the higher of the value in use or the net selling price.

2) Key assumptions used to calculate the amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2024

The recoverable amount for land and buildings is the net selling price reasonably calculated using appraisal values based on real estate appraisal standards by external real estate appraisers, and the key assumptions in the real estate appraisal are the comparable price for land and the replacement cost for buildings.

3) Effect on the consolidated financial statements for the next fiscal year

If the recoverable amount should change for reasons such as a decline in real estate appraisal values due to a downturn in the economy or the real estate market, additional impairment losses of non-current assets may be recorded in our consolidated financial statements from the next fiscal year onwards.

2. Impairment of non-current assets in the Visual Imaging business

(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2024

In the fiscal year ended March 31, 2024, the Company recognized indications of impairment for some asset groups comprising assets of consolidated subsidiaries within the "Visual Imaging business." As a result, the Company reviewed the necessity of recognizing an impairment loss.

As a result of the review, no impairment loss was recognized because the total undiscounted future cash flows exceeded the book values said asset groups.

Book value at end of the period	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Property, plant and equipment	6,935	4,436	29,305
Intangible assets	951	5,636	37,228

(2) Information on the nature of significant accounting estimates for identified items

1) Method of calculating the amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2024

If the total undiscounted future cash flows from the asset group is less than the book value, the Group writes down the book value to the recoverable amount and records the amount of the write-down as an impairment loss.

2) Key assumptions used to calculate the amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2024

In the general imaging field, we expect sales to increase thanks to steady demand. However, we expect sales of digital cinema projectors and projector lamps to decrease due to the impact of declining investment appetite and reduced operations at movie theaters.

In addition, although the impact of soaring raw material prices is easing, we are still affected by geopolitical risks such as the situation in Ukraine and the prolonged slowdown in Chinese economic growth. Although it is difficult to accurately forecast when these issues will be resolved, the Group expects them to continue through the fiscal year ending March 31, 2025.

We have estimated the undiscounted future cash flows based on the value in use calculated by factoring in the impact of these issues on the net sales growth rate for major products and rise in operating expenses, such as raw material costs.

3) Effect on the consolidated financial statements for the next fiscal year

If the impacts on the net sales growth rate and rise in raw material costs and other operating expenses from factors including worsening geopolitical risks or a further prolonged slowdown in the Chinese economy exceed expectations, and future events differ from our assumptions in 2) above, impairment losses on non-current assets may be recorded in our consolidated financial statements from the next fiscal year onwards.

(Changes in Accounting Policies)

(Application of Accounting Standard for Financial Instruments - Credit Losses (ASU No. 2016-13 (Topic 326)))

Foreign subsidiaries that have adopted Generally Accepted Accounting Principles in the United States applied the Accounting Standards Update (ASU) 2016-13 Financial Instruments - Credit Losses (Topic 326) at the beginning of the fiscal year under review. the Company accordingly reviews its classification and measurement approaches for financial instruments, and uses the expected credit loss model to recognize impairment losses for financial assets.

In applying this accounting standard, the Company has adopted the method that the cumulative effect of this change in accounting policy, permitted as a transitional treatment, is recognized as of the first day of the application.

The impact of this application on the consolidated financial statements is immaterial.

(Accounting Standards Issued but Not Yet Applied)

・Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, issued on October 28, 2022)
・Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, issued on October 28, 2022)
・Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, issued on October 28, 2022)

(1) Overview

In February 2018, ASBJ Statement No. 28 "Partial Amendments to Accounting Standard for Tax Effect Accounting" and relevant ASBJ guidances were issued, and the practical guidelines on tax effect accounting issued by the Japanese Institute of Certified Public Accountants (JICPA) were transferred to the Accounting Standards Board of Japan (ASBJ). However, over the course of the related deliberations, it was decided to reconsider the following two issues after ASBJ Statement No. 28 and relevant ASBJ guidances were issued, and the issues were subsequently deliberated and issued.

・Classification for recording tax expense (taxation relating to other comprehensive income)
・Tax effects of sales of shares of subsidiaries, etc. (shares of subsidiaries and shares of associates) when the group taxation system is adopted

(2) Date of application

These standards and guidance will be applied from the beginning of the fiscal year ending March 31, 2025.

(3) Impact of application

The impact of applying the "Accounting Standard for Current Income Taxes" and other accounting standard and guidance on the consolidated financial statements is currently being evaluated.

・Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules (Practical Solution No. 46, issued on March 22, 2024, the Accounting Standards Board of Japan)

(1) Overview

This practical solution clarifies the accounting for and disclosure of current taxes related to the Global Minimum Tax rules.

(2) Date of application

This practical solution will be applied from the beginning of the fiscal year ending March 31, 2025.

(3) Impact of application

The impact of applying the "Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules" on the consolidated financial statements is currently under evaluation.

(Changes in Presentation)

(Consolidated Statement of Income)

"Commission expenses," which were included in "Other" under "Non-operating expenses" for the previous fiscal year, have been presented separately from the current fiscal year, since the significance of the amount has increased. To reflect this change in presentation, the amounts in the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, ¥109 million presented in "Other" under "Non-operating expenses" in the consolidated statement of income for the previous fiscal year has been reclassified into ¥22 million of "Commission expenses" and ¥87 million of "Other."

(Additional Information)

(Stock remuneration plan for directors)

The Company has introduced a stock remuneration plan for directors of the Company (excluding outside directors) and executive officers who have entered into an engagement agreement with the Company (excluding overseas residents, hereinafter "Directors, et al."), in order to raise the incentive to contribute to improving the Company's medium- to long-term business performance and to increasing enterprise value.

(1) Overview

The Company entrusts money equivalent to remuneration of Directors, et al. The Company's shares will be acquired using the entrusted money and the Company's shares and the cash equivalent of the conversion value of the Company's shares will be delivered and paid to Directors, et al. based on his or her position and the degree of accomplishment of business performance. Directors, et al. are eligible to receive the Company's shares and the cash equivalent of the conversion value of the Company's shares, in principle after retiring from the position of Director, et al. In order to maintain neutrality toward management of the Company, the voting rights of the Company's shares in the trust may not be exercised during the trust period.

(2) The Company's shares in the trust

The Company's shares in the trust were recorded as treasury shares in net assets on the consolidated balance sheet with the carrying value in the trust (excluding ancillary expenses). The carrying value and number of treasury shares in the trust were ¥374 million and 230,100 shares as of March 31, 2023 and ¥843 million ($5,569 thousand) and 475,680 shares as of March 31, 2024.

(Disposal of treasury shares to employee stockholding association using restricted stocks)

Based on a restricted stock grant system (hereinafter, the "System (I)") which grants restricted stocks to employees of the Company and its subsidiaries in Japan (hereinafter, collectively, the "Domestic Group") through the employee stockholding association, the Company disposed of its treasury shares as restricted stock (hereinafter, the "Treasury Stock Disposal (I)"), with the Stockholding Association of the Company (hereinafter, the "Association"), which is an employee stockholding association of the Company, as the allottee, as described below.

(1) Overview of the disposal

1)Date of payment	August 31, 2023
2)Class and number of shares to be disposed of	338,760 shares of common stock of the Company
3)Disposal price	1,905 yen per share ($12 per share)
4)Total value of disposal	645,337,800 yen ($4,262 thousand)
5)Method of disposal	Third-party allotment
6)Other	The Company submitted a Securities Registration Statement for the Treasury Stock Disposal (I) as required by the Financial Instruments and Exchange Act.

(2) Purpose and the reasons for the disposal

On May 11, 2023, the Company announced a new medium-term management plan as its "Vision 2030" with the objective of becoming a "light solutions company". The Company resolved to introduce the System (I) in order that management and employees will work together to achieve the new medium-term management plan, in which the Company will prepare for growth for three years to evolve into a true "light solutions company" and will aim to improve medium-to-long term corporate value. The Company also expects that the System (I) will further encourage the employees of the Group to join the Association and help them build their assets. In addition, the restricted stock will be granted only to a person (hereinafter, the "Subject Employee") who has consented to the acquisition of the interest in stock allotted to the Association, is not a non-resident of Japan, is a member of the Association and is an employee of the Group. Further, the Company resolved to implement the Treasury Stock Disposal (I) based on a meeting of the Board of Directors held on May 11, 2023, and completed the payment on August 31, 2023.

(Disposal of treasury shares by granting stocks to employee stockholding association)

Based on a stock grant system (hereinafter, the "System (II)") which grants stocks to employees of the Domestic Group through the employee stockholding association, the Company disposed of its treasury shares (hereinafter, the "Treasury Stock Disposal (II)") with the Association as the allottee, as described below.

(1) Overview of the disposal

1)Date of payment	August 31, 2023
2)Class and number of shares to be disposed of	182,300 shares of common stock of the Company
3)Disposal price	1,905 yen per share ($12 per share)
4)Total value of disposal	347,281,500 yen ($2,293 thousand)
5)Method of disposal	Third-party allotment
6)Other	The Company submitted a Securities Registration Statement for the Treasury Stock Disposal (II) as required by the Financial Instruments and Exchange Act.

(2) Purpose and the reasons for the disposal

Since FY2020, the Company has been working on its three-year medium-term management plan to achieve sustainable growth with the objective of becoming a "light solutions company" as described in its "Vision 2030." Having achieved all of the specified targets set forth in the medium-term management plan and largely completed the foundation for the transformation of the profit structure, the Company resolved to grant the Company's common stock (hereinafter, the "Company's shares") to the members of the Association as a special incentive to return the results of these efforts to the employees of the Group. The Company also expects that the Scheme will increase the interest of employees of the Group in corporate value, renew their awareness of the need to work with management to contribute to improving medium-to-long term corporate value, further encourage them to join the Association, and help them build their assets. Further, the Company's shares will be granted only to the Subject Employee. The Company resolved to implement the Treasury Stock Disposal (II) based on a meeting of the Board of Directors held on May 11, 2023, and completed the payment on August 31, 2023.

(Consolidated Balance Sheet)

*1 The amounts of receivables from contracts with customers within notes and accounts receivable - trade, and contract assets are as follows.

	As of March 31, 2023	As of March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Notes receivable-trade	3,681	3,249	21,459
Accounts receivable trade	33,722	34,943	230,805

*2 Investments in associates are as follows:

	As of March 31, 2023	As of March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Investment securities (stocks)	117	10	66

(Consolidated Statement of Income)

*1 Revenue from contracts with customers

Revenue from contracts with customers and revenue from other sources are not presented separately in net sales. The amount of revenue from contracts with customers is presented in "Notes to Consolidated Financial Statements (Revenue Recognition) 1. Information on disaggregation of revenue from contracts with customers."

*2 The ending inventory balance is the amount after write-downs of book value due to declines in profitability, and the loss on valuation of inventories included in cost of sales is as follows:

Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	
(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
2,299	1,164	7,694

*3 The main components of selling, general and administrative expenses are as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Salaries and wages	13,117	14,573	96,261
Provision for bonuses	755	845	5,582
Provision for bonuses for directors (and other officers)	-	77	508
Retirement benefit expenses	475	345	2,278
Provision for directors' retirement benefits	57	26	174
Provision for directors' stock payment	52	114	755
Research and development expenses	11,460	12,939	85,465
Provision of allowance for doubtful accounts	6	49	328

*4 Research and development expenses included in general and administrative expenses are as follows:

Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	
(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
11,460	12,939	85,465

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

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Buildings and structures	182	-	-
Machinery, equipment and vehicles	30	0	3
Other	2	0	5
Total	216	1	8

*6 The breakdown of loss on retirement of non-current assets is as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Buildings and structures	16	1	10
Machinery, equipment and vehicles	25	53	350
Construction in progress	6	4	28
Other	32	130	865
Total	81	189	1,253

*7 The breakdown of loss on sales of non-current assets is as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Machinery, equipment and vehicles	0	-	-
Land	7	-	-
Other	1	0	2
Total	9	0	2

*8 Impairment loss

Fiscal year ended March 31, 2023

Location	Classification by use	Type of assets	(Millions of yen)
Shenzhen, China	Idle assets	Machinery, equipment and vehicles, Other (Property, plant and equipment) and Construction in progress	34
Takasago, Hyogo Himeji, Hyogo	Idle assets	Buildings and structures, Machinery, equipment and vehicles, Other (Property, plant and equipment) and Other (Intangible assets)	508
Chiyoda-ku, Tokyo Takasago, Hyogo	Business assets	Other (Property, plant and equipment) and Other (Intangible assets)	10
Suzhou, China	Business assets	Machinery, equipment and vehicles, Other (Property, plant and equipment) and Other (Intangible assets)	28
Blonie, Poland	Idle assets	Machinery, equipment and vehicles	7

In principle, the Group’s business assets are grouped according to division or to whom assets are lent, assets of consolidated subsidiaries are grouped by company, and the Group’s idle assets and assets planned to be sold are grouped on an individual asset basis.

The book value of a group of idle assets not used for business operations and not expected to be used in the future are reduced to zero, and the write-downs are recorded as impairment loss in extraordinary losses.

The book values of business assets are written down to zero or the net selling values due to a decrease in the recoverability of the assets, and the write-downs are recorded as impairment loss in extraordinary losses.

* Breakdown of impairment loss by location is as follows:

- Impairment loss of ¥34 million recognized for Shenzhen, China, includes ¥22 million for construction in progress, ¥8 million for other (property, plant and equipment) and ¥3 million for machinery, equipment and vehicles.
- Impairment loss of ¥508 million recognized for Takasago, Hyogo, etc. includes ¥445 million for machinery, equipment and vehicles, ¥33 million for buildings and structures, ¥23 million for other (property, plant and equipment) and ¥6 million for other (intangible assets).
- Impairment loss of ¥10 million recognized for Chiyoda-ku, Tokyo, etc. includes ¥8 million for other (property, plant and equipment) and ¥1 million for other (intangible assets).
- Impairment loss of ¥28 million recognized for Suzhou, China, includes ¥21 million for machinery, equipment and vehicles, ¥5 million for other (property, plant and equipment) and ¥0 million for other (intangible assets).
- Impairment loss of ¥7 million recognized for Blonie, Poland, includes ¥7 million for machinery, equipment and vehicles.

Fiscal year ended March 31, 2024

Location	Classification by use	Type of assets	(Millions of yen)	(Thousands of U.S. dollars)
Gotemba, Shizuoka, Takasago, Hyogo Nagaoka, Niigata, Oregon Plant, USA	Business assets	Other (Property, plant and equipment), Machinery, equipment and vehicles, Other (Intangible assets), Buildings and structures, and Construction in progress	4,487	29,638
Gotemba, Shizuoka, Kyoto, Kyoto Saku, Nagano Takasago, Hyogo Himeji, Hyogo	Business assets	Machinery, equipment and vehicles, Buildings and structures, Other (Property, plant and equipment), Land and Other (Intangible assets)	2,487	16,430
Takasago, Hyogo Chiyoda-ku, Tokyo Himeji, Hyogo	Business assets	Other (Property, plant and equipment), Machinery, equipment and vehicles, and Buildings and structures	126	835
Taipei, Taiwan	Idle assets	Other (Property, plant and equipment)	10	66
California, U.S.A.	Business assets	Other (Intangible assets)	29	193
Kitchener, Canada	Assets planned to be sold	Machinery, equipment and vehicles and Other (Property, plant and equipment)	23	152
Suzhou, China	Assets planned to be sold	Machinery, equipment and vehicles	7	50

In principle, the Group's business assets are grouped according to division or to whom assets are lent, assets of consolidated subsidiaries are grouped by company, and the Group's idle assets and assets planned to be sold are grouped on an individual asset basis.

The book value of a group of idle assets not used for business operations and not expected to be used in the future are reduced to zero, and the write-downs are recorded as impairment loss in extraordinary losses.

The book values of business assets are written down to zero or the net selling values due to a decrease in the recoverability of the assets, and the write-downs are recorded as impairment loss in extraordinary losses.

* Breakdown of impairment loss by location is as follows:

・Impairment loss of ¥4,487 million ($29,638 thousand) recognized for Gotemba, Shizuoka, etc. includes ¥2,433 million ($16,073 thousand) for other (property, plant and equipment), ¥1,684 million ($11,124 thousand) for machinery, equipment and vehicles, ¥178 million ($1,179 thousand) for other (intangible assets), ¥109 million ($725 thousand) for buildings and structures, and ¥81 million ($535 thousand) for construction in progress.

・Impairment loss of ¥2,487 million ($16,430 thousand) recognized for Gotemba, Shizuoka, etc. includes ¥1,710 million ($11,296 thousand) for machinery, equipment and vehicles, ¥435 million ($2,875 thousand) for buildings and structures, ¥190 million ($1,260 thousand) for construction in

progress, ¥130 million ($864 thousand) for other (property, plant and equipment), ¥19 million ($132 thousand) for land, and ¥0 million ($0 thousand) for other (intangible assets).
・Impairment loss of ¥126 million ($835 thousand) recognized for Takasago, Hyogo, includes ¥69 million ($455 thousand) for other (property, plant and equipment), ¥48 million ($320 thousand) for machinery, equipment and vehicles, and ¥8 million ($58 thousand) for buildings and structures.
・Impairment loss of ¥10 million ($66 thousand) recognized for Taipei, Taiwan, includes ¥10 million ($66 thousand) for other (property, plant and equipment).
・Impairment loss of ¥29 million ($193 thousand) recognized for California, U.S.A., includes ¥29 million ($193 thousand) for other (intangible assets).
・Impairment loss of ¥23 million ($152 thousand) recognized for Kitchener, Canada, includes ¥22 million ($149 thousand) for machinery, equipment and vehicles, and ¥0 million ($3 thousand) for other (property, plant and equipment).
・Impairment loss of ¥7 million ($50 thousand) recognized for Shenzhen,China, includes ¥7 million ($50 thousand) for machinery, equipment and vehicles.

*9 Gain on sale of businesses

Fiscal year ended March 31, 2023

The gain on sale of businesses is due to the transfer of the Group’s insurance agency business.

Fiscal year ended March 31, 2024

Not applicable.

*10 Business structure improvement expenses

Fiscal year ended March 31, 2023

Business structure improvement expenses were incurred in implementing the business structure improvement to maintain and improve the profitability of the Company’s businesses. The major component in the breakdown of these expenses was ¥348 million of expenses for personnel downsizing due to the restructuring of USHIO GERMANY GmbH.

Fiscal year ended March 31, 2024

Not applicable.

(Consolidated Statement of Comprehensive Income)

Reclassification adjustments and income tax effect allocated to each component of other comprehensive income are as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Valuation difference on available-for-sale securities:			
Amount arising during the year	(1,247)	7,247	47,868
Reclassification adjustments	(873)	(6,961)	(45,981)
Amount before income tax effect	(2,120)	285	1,887
Income tax effect	591	(9)	(61)
Valuation difference on available-for-sale securities	(1,529)	276	1,825
Foreign currency translation adjustment:			
Amount arising during the year	6,464	14,168	93,584
Reclassification adjustments	93	-	-
Amount before income tax effect	6,558	14,168	93,584
Income tax effect	-	-	-
Foreign currency translation adjustment	6,558	14,168	93,584
Remeasurements of defined benefit plans:			
Amount arising during the year	1,129	4,012	26,501
Reclassification adjustments	481	310	2,051
Amount before income tax effect	1,611	4,322	28,552
Income tax effect	(492)	(1,361)	(8,995)
Remeasurements of defined benefit plans	1,118	2,960	19,557
Share of other comprehensive income of entities accounted for using equity method:			
Amount arising during the year	41	57	376
Share of other comprehensive income of entities accounted for using equity method	41	57	376
Total other comprehensive income	6,188	17,463	115,344

(Consolidated Statement of Changes in Net Assets)

Fiscal year ended March 31, 2023

1. Type and total number of shares issued, and type and number of treasury shares

	Number of shares as of April 1, 2022	Increase	Decrease	Number of shares as of March 31, 2023
Shares issued:				
Common shares (Note 1.)	127,000,000	-	3,500,000	123,500,000
Total	127,000,000	-	3,500,000	123,500,000
Treasury shares				
Common shares (Note 2.3.4.)	6,409,833	2,917,819	3,503,900	5,823,752
Total	6,409,833	2,917,819	3,503,900	5,823,752

(Notes) 1. The decrease of 3,500,000 shares in shares issued is due to retirement of treasury shares.
2. Treasury shares include the Company’s shares held by the trust for the stock remuneration plan for directors (234,000 shares and 230,100 shares at the beginning and end of the current fiscal year, respectively).
3. The increase of 2,917,819 shares of treasury shares is made up of an increase of 2,915,400 shares through market purchase and an increase of 2,419 shares due to purchase of shares of less than standard unit.
4. The decrease of 3,503,900 shares of treasury shares is made up of a decrease of 3,500,000 shares resulting from cancellation of treasury shares and a decrease of 3,900 shares due to issuance from the trust to eligible persons according to the stock remuneration plan for directors.

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 29, 2022	Common shares	6,041	50	March 31, 2022	June 30, 2022

(Note) Total dividends based on resolution at the annual general meeting of the shareholders on June 29, 2022 include ¥11 million of dividends on the Company’s shares held by the trust for the stock remuneration plan for directors.

(2) Dividends with the cut-off date in the fiscal year ended March 31, 2023 and the effective date in the fiscal year ended March 31, 2024

Resolution	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 29, 2023	Common shares	5,895	Retained earnings	50	March 31, 2023	June 30, 2023

(Note) Total dividends based on resolution at the annual general meeting of the shareholders on June 29, 2023 include ¥11 million of dividends on the Company's shares held by the trust for the stock remuneration plan for directors.

Fiscal year ended March 31, 2024

1. Type and total number of shares issued, and type and number of treasury shares

	Number of shares as of April 1, 2023	Increase	Decrease	Number of shares as of March 31, 2024
Shares issued:				
Common shares (Note 1.)	123,500,000	-	16,000,000	107,500,000
Total	123,500,000	-	16,000,000	107,500,000
Treasury shares				
Common shares (Note 2.3.4.)	5,823,752	15,777,089	16,528,340	5,072,501
Total	5,823,752	15,777,089	16,528,340	5,072,501

(Notes) 1. The decrease of 16,000,000 shares in shares issued is due to retirement of treasury shares.
2. Treasury shares include the Company's shares held by the trust for the stock remuneration plan for directors (230,100 shares and 475,680 shares at the beginning and end of the current fiscal year, respectively).
3. The increase of 15,777,089 shares of treasury shares is made up of an increase of 15,514,800 shares through market purchase, an increase of 252,860 shares through the trust for the stock remuneration plan for directors, an increase of 6,501 shares due to forfeiture of restricted stock of the Employee Stockholding Association and an increase of 2,928 shares due to purchase of shares of less than standard unit.
4. The decrease of 16,528,340 shares of treasury shares is made up of a decrease of 16,000,000 shares resulting from cancellation of treasury shares, a decrease of 182,300 shares due to granting shares to the Employee Stockholding Association, a decrease of 338,760 shares due to granting restricted stock to the Employee Stockholding Association and a decrease of 7,280 shares due to issuance from the trust to eligible persons according to the stock remuneration plan for directors.

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 29, 2023 Common shares	Common shares	5,895	38,938	50	0.33	March 31, 2023	June 30, 2023

(Note) Total dividends based on resolution at the annual general meeting of the shareholders on June 29, 2023 include ¥11 million ($75 thousand) of dividends on the Company's shares held by the trust for the stock remuneration plan for directors.

(2) Dividends with the cut-off date in the fiscal year ended March 31, 2024 and the effective date in the fiscal year ending March 31, 2025

Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Source of dividends	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 27, 2024	Common shares	5,145	33,983	Retained earnings	50	0.33	March 31, 2024	June 28, 2024

(Note) Total dividends based on resolution at the annual general meeting of the shareholders on June 27, 2024 include ¥23 million ($157 thousand) of dividends on the Company's shares held by the trust for the stock remuneration plan for directors.

(Consolidated Statement of Cash Flows)

*1 Reconciliation between cash and cash equivalents at end of period and the amount on the consolidated balance sheet

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Cash and deposits	64,219	65,651	433,630
Time deposits with a maturity of more than three months	(6,703)	(3,153)	(20,827)
Cash and cash equivalents	57,516	62,498	412,802

*2 Major Breakdown of Assets and Liabilities Increased Due to Business Acquisition

Fiscal year ended March 31, 2023

Disclosure is omitted due to immateriality.

Fiscal year ended March 31, 2024

The major breakdown of assets and liabilities increased due to business acquisition is presented in "Notes to Consolidated Financial Statements (Business Combinations)."

(Lease Transactions)

1. Finance lease transactions

Finance lease transactions that do not transfer ownership

1) Leased assets

・Property, plant and equipment

These leases are mainly production facilities (machinery, equipment and vehicles) and inspection instruments (other) of the Company.

・Intangible assets

These leases are mainly software (other) of the Company's consolidated subsidiaries.

2) Depreciation of leased assets

Leased assets are depreciated by the straight-line method over the lease period that is deemed as the useful life, assuming no residual value.

2. Operating lease transactions

Future minimum lease payments under non-cancelable operating leases

	As of March 31, 2023	As of March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Due within one year	633	727	4,805
Due after one year	1,389	1,063	7,025
Total	2,023	1,791	11,831

(Note) Foreign subsidiaries that have adopted Generally Accepted Accounting Principles in the United States have applied Leases (ASU No. 2016-02 (Topic 842)), and the chart above does not include future minimum lease payments related to these foreign subsidiaries.

(Financial Instruments)

1. Overview of financial instruments

(1) Basic policy on managing financial instruments

The Group invests temporary surplus funds and funds reserved for future business expansion mainly in highly safe financial assets, according to the Group's cash management plan. The method of fund raising is determined based upon the use of funds and financing environment. The Group utilizes derivative transactions only to hedge foreign exchange rate fluctuation risk and interest rate fluctuation risk, and does not use them for trading or speculative purposes.

(2) The nature and risk of financial instruments

Notes and accounts receivable - trade, which are operating receivables, are exposed to customer credit risk. Operating receivables denominated in foreign currencies are also exposed to foreign exchange risk; however, such risk is hedged by using forward foreign exchange contracts.

Securities and investment securities consist mainly of equity securities issued by companies with whom the Group has business alliances and equity or debt securities held for the purpose of short-term investment of temporary surplus funds and reserved funds. These investments are exposed to market risk. A part of securities and investment securities are denominated in foreign currencies, and they are exposed to foreign exchange risk; however, such risk is hedged by using forward foreign exchange contracts.

Notes and accounts payable - trade, which are operating payables, are mostly due within one year. Some of them are denominated in foreign currencies and exposed to foreign exchange risk; however, such risk is hedged by using forward foreign exchange contracts.

Loans payable, which are made to obtain working capital, are due within three years after the end of the current fiscal year.

Lease obligations include leases to which Leases (ASU No. 2016-02 (Topic 842)) has been applied at some overseas consolidated subsidiaries.

As for derivative transactions, forward foreign exchange contracts are entered into for the purpose of hedging foreign exchange risk deriving from operating receivables and payables denominated in foreign currencies, loans payable denominated in foreign currencies and securities denominated in foreign currencies. For the hedging instruments and hedged items under the hedge accounting, hedging policy, and the method of assessing the hedge effectiveness, please refer to "Significant Matters Forming the Basis of Preparation of Consolidated Financial Statements, 4. Accounting policies, (6) Significant hedge accounting" prescribed above.

(3) Risk management structure regarding financial instruments

1) Management of credit risk (customers' default risk, etc.)

For operating receivables, the Company reviews the creditworthiness of customers by monitoring their financial status on a daily and continuous basis in accordance with the internal regulations for credit exposure management. At the same time, it endeavors to early identify and mitigate any concern on the collection of receivables due to deteriorated financial conditions by managing due dates and balances for each customer and appropriately reviewing the credit lines. The Company's consolidated subsidiaries also manage operating receivables in the same manner in accordance with the Company's internal rules for credit exposure management. The credit risk associated with debt securities is immaterial since the Group invests mainly in debt securities with high credit ratings.

Derivative transactions are entered into only with highly rated financial institutions in order to mitigate counterparty risk.

As of the end of the current fiscal year, the maximum credit risk amount is presented as the consolidated balance sheet amounts of financial assets that are exposed to credit risk.

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

The Company utilizes forward foreign exchange contracts for foreign exchange risk identified by currency and by month in relation to operating receivables and payables denominated in foreign currencies, loans payable denominated in foreign currencies and securities denominated in foreign currencies in accordance with the internal rules for market risk management. Some of the Company’s consolidated subsidiaries also manage market risk in the same manner in accordance with the Company’s internal rules for market risk management.

For securities and investment securities, market prices and the financial position of the issuers are periodically monitored and reported to directors in charge in accordance with the internal rules for market risk management. In addition, the holding status of shares issued by companies with business relationships is continuously reviewed in consideration of the relationships with those companies.

Derivative transactions are reported to directors in charge on a daily basis as well as to the Board of Directors in accordance with the internal rules for derivative transactions that define the authorization policy and limits of transactions. The Company’s consolidated subsidiaries also manage derivative transactions in the same manner in accordance with the Company’s internal rules.

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

Liquidity risk of the Company and its consolidated subsidiaries is managed by the Finance and Treasury Departments, preparing and updating the cash management plan based upon reports from each department as well as by maintaining certain level of liquidity.

(4) Supplementary explanation concerning fair values of financial instruments, etc.

The notional amounts of derivative transactions in Note “Derivative Transactions” do not, in themselves, indicate the market risk associated with the derivative transactions.

2. Fair value of financial instruments

The table below presents the amounts of financial instruments recorded in the consolidated balance sheet and their fair values, as well as their differences.

As of March 31, 2023

	Consolidated balance sheet amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Notes and accounts receivable - trade, and contract assets	38,491		
Allowance for doubtful accounts (*3)	(1,805)		
	36,686	36,686	-
(2) Securities and investment securities (*2)			
Available-for-sale securities	59,336	59,336	-
Assets, total	96,022	96,022	-
(1) Notes and accounts payable-trade	26,205	26,205	-
(2) Short-term loans payable	3,921	3,921	-
(3) Long-term loans payable	1,410	1,407	(2)
(4) Lease obligations (*5)	2,985	2,913	(71)
Liabilities, total	34,522	34,448	(73)
Derivative transactions (*4) for which hedge accounting is not applied	22	22	-

As of March 31, 2024

	Consolidated balance sheet amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Notes and accounts receivable - trade, and contract assets	39,753		
Allowance for doubtful accounts (*3)	(1,681)		
	38,071	38,071	-
(2) Securities and investment securities (*2)			
Available-for-sale securities	56,400	56,400	-
Assets, total	94,471	94,471	-
(1) Notes and accounts payable-trade	21,648	21,648	-
(2) Short-term loans payable	2,455	2,455	-
(3) Long-term loans payable	26,410	26,376	(33)
(4) Lease obligations (*5)	3,987	3,907	(79)
Liabilities, total	54,501	54,388	(113)
Derivative transactions (*4) for which hedge accounting is not applied	(19)	(19)	-

As of March 31, 2024

	Consolidated balance sheet amount (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)	Difference (Thousands of U.S. dollars)
(1) Notes and accounts receivable - trade, and contract assets	262,570		
Allowance for doubtful accounts (*3)	(11,107)		
	251,462	251,462	-
(2) Securities and investment securities (*2)			
Available-for-sale securities	372,524	372,524	-
Assets, total	623,986	623,986	-
(1) Notes and accounts payable-trade	142,991	142,991	-
(2) Short-term loans payable	16,216	16,216	-
(3) Long-term loans payable	174,438	174,215	(222)
(4) Lease obligations (*5)	26,335	25,810	(525)
Liabilities, total	359,982	359,234	(748)
Derivative transactions (*4) for which hedge accounting is not applied	(129)	(129)	-

(*1): "Cash and deposits" are omitted because they are cash and because fair values of deposits approximate their book values since deposits are settled in a short period of time.

(*2): Stocks, etc. without market prices and investments in business partnerships with limited liability are not included in "(2) Securities and investment securities." The recorded amounts of those financial instruments on the consolidated balance sheet are as follows.

Classification	As of March 31, 2023	As of March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Unlisted shares	1,385	1,752	11,573
Investments in business partnerships with limited liability	353	273	1,809

(*3): The deducted amount includes general and specific allowance for doubtful accounts relating to notes and accounts receivable - trade, and contract assets.

(*4): Assets and liabilities arising from derivative transactions are stated in the net amount. The figures in brackets indicate net liabilities.

(*5): Includes current portion of lease obligations.

(Notes) 1. Redemption schedule for monetary receivables and securities with maturity dates after the consolidated balance sheet date

As of March 31, 2023

	Due within one year (Millions of yen)	Due after one year and up to five years (Millions of yen)	Due after five years and up to ten years (Millions of yen)	Due after ten years (Millions of yen)
Cash and deposits	64,219	-	-	-
Notes and accounts receivable-trade, and contract assets	38,431	59	-	-
Securities and investment securities				
Available-for-sale securities with maturities				
(1) National and local government bonds	-	801	-	-
(2) Corporate bonds	1,200	10,373	2,270	2,136
(3) Other	-	801	-	-
Total	103,851	12,035	2,270	2,136

As of March 31, 2024

	Due within one year (Millions of yen)	Due after one year and up to five years (Millions of yen)	Due after five years and up to ten years (Millions of yen)	Due after ten years (Millions of yen)
Cash and deposits	65,651	-	-	-
Notes and accounts receivable-trade,and contract assets	39,679	63	9	-
Securities and investment securities				
Available-for-sale securities with maturities				
(1) National and local government bonds	-	908	-	-
(2) Corporate bonds	4,128	7,872	757	2,422
(3) Other	-	908	-	-
Total	109,460	9,753	766	2,422

As of March 31, 2024

	Due within one year (Thousands of U.S. dollars)	Due after one year and up to five years (Thousands of U.S. dollars)	Due after five years and up to ten years (Thousands of U.S. dollars)	Due after ten years (Thousands of U.S. dollars)
Cash and deposits	433,630	-	-	-
Notes and accounts receivable-trade, and contract assets	262,087	419	63	-
Securities and investment securities				
Available-for-sale securities with maturities				
(1) National and local government bonds	-	6,000	-	-
(2) Corporate bonds	27,270	52,000	5,000	16,000
(3) Other	-	6,000	-	-
Total	722,987	64,419	5,063	16,000

2. Redemption schedule for bonds, long-term loans payable, lease obligations and other interest bearing debts after the consolidated balance sheet date

As of March 31, 2023

	Due within one year (Millions of yen)	Due after one year and up to two years (Millions of yen)	Due after two years and up to three years (Millions of yen)	Due after three years and up to four years (Millions of yen)	Due after four years and up to five years (Millions of yen)	Due after five years (Millions of yen)
Short-term loans payable	3,921	-	-	-	-	-
Long-term loans payable	-	-	1,410	-	-	-
Lease obligations	858	695	530	359	238	482
Total	4,779	695	1,940	359	238	482

As of March 31, 2024

	Due within one year (Millions of yen)	Due after one year and up to two years (Millions of yen)	Due after two years and up to three years (Millions of yen)	Due after three years and up to four years (Millions of yen)	Due after four years and up to five years (Millions of yen)	Due after five years (Millions of yen)
Short-term loans payable	2,455	-	-	-	-	-
Long-term loans payable	-	1,410	25,000	-	-	-
Lease obligations	1,054	1,001	808	661	382	384
Total	3,509	2,411	25,808	661	382	384

As of March 31, 2024

	Due within one year (Thousands of U.S. dollars)	Due after one year and up to two years (Thousands of U.S. dollars)	Due after two years and up to three years (Thousands of U.S. dollars)	Due after three years and up to four years (Thousands of U.S. dollars)	Due after four years and up to five years (Thousands of U.S. dollars)	Due after five years (Thousands of U.S. dollars)
Short-term loans payable	16,216	-	-	-	-	-
Long-term loans payable	-	9,313	165,125	-	-	-
Lease obligations	6,962	6,613	5,343	4,370	2,523	2,537
Total	23,179	15,926	170,468	4,370	2,523	2,537

3. Matters related to the breakdown of fair values of financial instruments by levels and other matters

Fair values of financial instruments are categorized into the following three levels in accordance with observability and significance of inputs used to measure fair value.

Level 1 fair value:

Fair value measured by quoted prices for assets and liabilities subject to the measurement of fair value formed in active markets that are observable inputs related to fair value measurement

Level 2 fair value:

Fair value measured by using observable inputs related to fair value measurement other than inputs related to Level 1 fair value measurement

Level 3 fair value:

Fair value measured by using unobservable inputs related to fair value measurement

If multiple inputs are used that significantly affect the measurement of fair value, the fair value is categorized into the lowest priority level in fair value measurement among levels of those inputs.

(1) Financial instruments recorded on the consolidated balance sheet at fair value

As of March 31, 2023

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Stocks	39,811	–	–	39,811
Bonds-National and local government bonds	766	–	–	766
Bonds-Corporate bonds	–	16,667	–	16,667
Bonds-Other	–	690	–	690
Other	1,400	–	–	1,400
Derivative transactions				
Currency-related transactions	–	23	–	23
Assets, total	41,978	17,381	–	59,359
Derivative transactions				
Currency-related transactions	–	(0)	–	(0)
Liabilities, total	–	(0)	–	(0)

As of March 31, 2024

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Stocks	38,616	–	–	38,616
Bonds-National and local government bonds	862	–	–	862
Bonds-Corporate bonds	–	16,125	–	16,125
Bonds-Other	–	795	–	795
Other	–	–	–	–
Derivative transactions				
Currency-related transactions	–	1	–	1
Assets, total	39,478	16,922	–	56,401
Derivative transactions				
Currency-related transactions	–	(20)	–	(20)
Liabilities, total	–	(20)	–	(20)

As of March 31, 2024

Classification	Fair value (Thousands of U.S. dollars)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Stocks	255,060	–	–	255,060
Bonds-National and local government bonds	5,699	–	–	5,699
Bonds-Corporate bonds	–	106,510	–	106,510
Bonds-Other	–	5,254	–	5,254
Other	–	–	–	-
Derivative transactions				
Currency-related transactions	–	7	–	7
Assets, total	260,759	111,772	–	372,531
Derivative transactions				
Currency-related transactions	–	(136)	–	(136)
Liabilities, total	–	(136)	–	(136)

(2) Financial instruments other than financial instruments recorded on the consolidated balance sheet at fair value

As of March 31, 2023

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable - trade, and contract assets	–	36,686	–	36,686
Assets, total	–	36,686	–	36,686
Notes and accounts payable-trade	–	26,205	–	26,205
Short-term loans payable	–	3,921	–	3,921
Long-term loans payable	–	1,407	–	1,407
Lease obligations	–	2,913	–	2,913
Liabilities, total	–	34,448	–	34,448

As of March 31, 2024

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable - trade, and contract assets	–	38,071	–	38,071
Assets, total	–	38,071	–	38,071
Notes and accounts payable-trade	–	21,648	–	21,648
Short-term loans payable	–	2,455	–	2,455
Long-term loans payable	–	26,376	–	26,376
Lease obligations	–	3,907	–	3,907
Liabilities, total	–	54,388	–	54,388

As of March 31, 2024

Classification	Fair value (Thousands of U.S. dollars)			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable - trade, and contract assets	-	251,462	-	251,462
Assets, total	-	251,462	-	251,462
Notes and accounts payable-trade	-	142,991	-	142,991
Short-term loans payable	-	16,216	-	16,216
Long-term loans payable	-	174,215	-	174,215
Lease obligations	-	25,810	-	25,810
Liabilities, total	-	359,234	-	359,234

(Notes) 1. Valuation techniques used in measurement of fair value and explanation of inputs pertaining to the measurement of fair value

(1) Securities and investment securities

Listed shares, national and local government bonds, corporate bonds and other bonds are valued using quoted prices. Since listed shares and national and local government bonds are transacted in active markets, their fair value is categorized as Level 1 fair value. On the other hand, corporate bonds and other bonds held by the Company and its consolidated subsidiaries are categorized as Level 2 fair value since the frequency of transactions in the market is low and their quoted prices cannot be recognized as being in active markets. Note that some other bonds are measured at prices using significant unobservable inputs and categorized as Level 3 fair value.

(2) Derivative transactions

The fair value is measured based on the prices provided by counterparty financial institutions and categorized as Level 2 fair value.

(3) Notes and accounts receivable - trade, and contract assets

The fair value of these approximates their book value because these are settled in a short period of time. Thus, the fair value is presented as their book value, measured based on credit risk and the historical rate of credit loss, and categorized as Level 2 fair value.

(4) Notes and accounts payable-trade, and short-term loans payable

The fair value of these approximates their book value because these are settled in a short period of time. Thus, the fair value is presented as their book value, and categorized as Level 2 fair value.

(5) Long-term loans payable and lease obligations

The fair value of these is measured using the discounted present value method based on the total amount of principal and interest and at an interest rate that takes account of the term to maturity and credit risk of such liabilities, and is categorized as Level 2 fair value.

2. Matters concerning Level 3 fair value for financial instruments recorded at fair value on the consolidated balance sheet

(1) Reconciliation between the balance at beginning of period and end of period

Fiscal year ended March 31, 2023

(Millions of yen)

	Securities and investment securities Available-for-sale securities Bonds-Other	Total
Balance at beginning of period	1,219	1,219
Profit (loss) or other comprehensive income		
Recorded in profit (loss)	-	-
Recorded in other comprehensive income (*1)	4	4
Purchase, sales, issuance and settlement	(1,224)	(1,224)
Transfer to Level 3	-	-
Transfer from Level 3	-	-
Balance at end of period	-	-

(*1) Included in "Valuation difference on available-for-sale securities" in "Other comprehensive income" in the consolidated statement of comprehensive income.

Fiscal year ended March 31, 2024

Not applicable

(2) Description of method of measuring fair value

The Company and its consolidated subsidiaries evaluate fair value using quoted prices obtained from third parties. The Finance and Treasury Departments confirm the valuation techniques and inputs that are used, compare the movements in fair value of similar observable inputs and verify the appropriateness of the price.

(Securities and Investment Securities)

1. Trading securities

	As of March 31, 2023	As of March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Valuation difference included in profit or loss	–	–	–

2. Available-for-sale securities

As of March 31, 2023

	Type	Carrying value (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose carrying value exceeds their acquisition cost	(1) Shares	39,499	8,681	30,818
	(2) Bonds:			
	1) National and local government bonds	–	–	–
	2) Corporate bonds	1,161	1,141	20
	3) Other	–	–	–
	(3) Other	1,400	934	466
	Subtotal	42,062	10,757	31,304
Securities whose carrying value does not exceed their acquisition cost	(1) Shares	311	416	(105)
	(2) Bonds:			
	1) National and local government bonds	766	791	(25)
	2) Corporate bonds	15,505	17,248	(1,742)
	3) Other	690	801	(110)
	(3) Other	–	–	–
	Subtotal	17,274	19,258	(1,983)
Total		59,336	30,015	29,320

(Note) Shares, etc. without market prices (carrying value on the consolidated balance sheet: ¥1,385 million) and investments in business partnerships with limited liability (carrying value on the consolidated balance sheet: ¥353 million) are not included in the above table of "Available-for-sale securities."

As of March 31, 2024

	Type	Carrying value (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose carrying value exceeds their acquisition costs	(1) Shares	38,167	7,502	30,665
	(2) Bonds:			
	1) National and local government bonds	–	–	–
	2) Corporate bonds	482	461	21
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	38,650	7,964	30,686
Securities whose carrying value does not exceed their acquisition costs	(1) Shares	448	529	(80)
	(2) Bonds:			
	1) National and local government bonds	862	900	(37)
	2) Corporate bonds	15,642	17,051	(1,408)
	3) Other	795	908	(112)
	(3) Other	–	–	–
	Subtotal	17,749	19,389	(1,639)
Total		56,400	27,353	29,046

As of March 31, 2024

	Type	Carrying value (Thousands of U.S. dollars)	Acquisition cost (Thousands of U.S. dollars)	Difference (Thousands of U.S. dollars)
Securities whose carrying value exceeds their acquisition costs	(1) Shares	252,099	49,555	202,544
	(2) Bonds:			
	1) National and local government bonds	–	–	–
	2) Corporate bonds	3,188	3,047	140
	3) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	255,287	52,602	202,684
Securities whose carrying value does not exceed their acquisition costs	(1) Shares	2,960	3,494	(533)
	(2) Bonds:			
	1) National and local government bonds	5,699	5,945	(245)
	2) Corporate bonds	103,322	112,628	(9,306)
	3) Other	5,254	6,000	(745)
	(3) Other	–	–	–
	Subtotal	117,236	128,068	(10,831)
Total		372,524	180,670	191,853

(Note) Shares, etc. without market prices (carrying value on the consolidated balance sheet: ¥1,752 million ($11,573 thousand)) and investments in business partnerships with limited liability (carrying value on the consolidated balance sheet: ¥273 million ($1,809 thousand)) are not included in the above table of "Available-for-sale securities."

3. Available-for-sale securities sold

Fiscal year ended March 31, 2023

Type	Sales proceeds (Millions of yen)	Aggregate gains on sales (Millions of yen)	Aggregate losses on sales (Millions of yen)
(1) Shares	1,541	963	-
(2) Bonds:			
1) National and local government bonds	-	-	-
2) Corporate bonds	336	-	35
(3) Other	-	-	-
Total	1,877	963	35

Fiscal year ended March 31, 2024

Type	Sales proceeds (Millions of yen)	Aggregate gains on sales (Millions of yen)	Aggregate losses on sales (Millions of yen)
(1) Shares	8,254	7,006	-
(2) Bonds:			
1) National and local government bonds	-	-	-
2) Corporate bonds	1,270	-	18
(3) Other	1,702	-	-
Total	11,227	7,006	18

Fiscal year ended March 31, 2024

Type	Sales proceeds (Thousands of U.S. dollars)	Aggregate gains on sales (Thousands of U.S. dollars)	Aggregate losses on sales (Thousands of U.S. dollars)
(1) Shares	54,522	46,276	-
(2) Bonds:			
1) National and local government bonds	-	-	-
2) Corporate bonds	8,394	-	120
(3) Other	11,241	-	-
Total	74,158	46,276	120

4. Impairment loss recognized on securities

Fiscal year ended March 31, 2023

For the fiscal year ended March 31, 2023, impairment loss of ¥212 million was recognized for securities (¥196 million for available-for-sale securities - shares and ¥16 million for available-for-sale securities - bonds).

Fiscal year ended March 31, 2024

For the fiscal year ended March 31, 2024, impairment loss of ¥34 million ($228 thousand) was recognized for securities (¥14 million ($94 thousand) for available-for-sale securities - shares and ¥20 million ($134 thousand) for available-for-sale securities - bonds).

Impairment loss is recognized for all the securities whose fair value at the end of the fiscal year declines by 50% or more of their acquisition cost. It is also recognized when the fair value declines by approximately 30% to 50% of the acquisition cost at the amount deemed necessary considering the recoverability of the fair value of the security.

(Derivative Transactions)

1. Derivative transactions for which hedge accounting is not applied

Currency-related transactions:

As of March 31, 2023

Classification	Type of transaction	Notional amounts (Millions of yen)	Maturing after one year (Millions of yen)	Estimated fair value (Millions of yen)	Valuation gain (loss) (Millions of yen)
Off-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	258	−	12	12
	Buy:				
	USD	52	−	(0)	(0)
	JPY	675	−	11	11
Total		986	−	22	22

As of March 31, 2024

Classification	Type of transaction	Notional amounts (Millions of yen)	Maturing after one year (Millions of yen)	Estimated fair value (Millions of yen)	Valuation gain (loss) (Millions of yen)
Off-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	—	−	—	—
	Buy:				
	USD	197	−	1	1
	JPY	921	−	(20)	(20)
Total		1,119	−	(19)	(19)

As of March 31, 2024

Classification	Type of transaction	Notional amounts (Thousands of U.S. dollars)	Maturing after one year (Thousands of U.S. dollars)	Estimated fair value (Thousands of U.S. dollars)	Valuation gain (loss) (Thousands of U.S. dollars)
Off-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	—	−	—	—
	Buy:				
	USD	1,306	−	7	7
	JPY	6,085	−	(136)	(136)
Total		7,392	−	(129)	(129)

2. Derivative transactions for which hedge accounting is applied

Interest-rate-related transactions:

As of March 31, 2023

Not applicable.

As of March 31, 2024

Not applicable.

(Retirement Benefit Plans)

1. Overview of retirement benefit plan adopted by the Company

To prepare for the payment of employees' retirement benefits, the Company and its consolidated subsidiaries adopted funded and unfunded defined benefit plans, and a defined contribution plan.

Under the defined benefit corporate pension plans, all of which are funded, the Company provides lump-sum or pension benefits based on salaries and length of service.

In addition, retirement benefit trusts are set up for said corporate pension plans of the Company.

Under the lump-sum retirement benefit plans, which are principally unfunded and partially funded as a result of the setup of retirement benefit trusts, the Company provides lump-sum benefits based on salaries and length of service.

Under the defined benefit corporate pension plans and the lump-sum retirement benefit plans for certain consolidated subsidiaries, net defined benefit liability and retirement benefit expenses are calculated by the simplified method.

2. Defined benefit plan

(1) Reconciliation between retirement benefit obligations at beginning of period and end of period

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Retirement benefit obligation at beginning of period	24,520	23,360	154,297
Current service costs	1,231	1,135	7,502
Interest costs	191	280	1,853
Actuarial gains and losses arising during period	(1,675)	(981)	(6,485)
Retirement benefits paid	(940)	(1,165)	(7,699)
Amount transferred due to change from simplified accounting method to principle method	-	37	248
Other	-	62	415
Effect of exchange rate changes	32	61	405
Retirement benefit obligation at end of period	23,360	22,791	150,537

(2) Reconciliation between plan assets at beginning of period and end of period (excluding plans to which simplified method is applied stated in (3))

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Plan assets at beginning of period	26,283	26,390	174,307
Expected return on plan assets	366	373	2,466
Actuarial gains and losses arising during period	(546)	3,028	20,000
Contributions from employer	937	952	6,290
Retirement benefits paid	(689)	(973)	(6,431)
Amount transferred due to change from simplified accounting method to principle method	–	123	814
Other	–	21	139
Effect of exchange rate changes	37	65	433
Plan assets at end of period	26,390	29,980	198,019

(3) Reconciliation between net defined benefit liabilities for plans to which simplified method is applied at beginning of period and end of period

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Net defined benefit liability at beginning of period	225	221	1,463
Retirement benefit expenses	19	(38)	(253)
Retirement benefits paid	(22)	(8)	(58)
Amounts transferred due to change from simplified accounting method to principle method	–	(37)	(248)
Other	(3)	15	102
Effect of exchange rate changes	2	7	52
Net defined benefit liability at end of period	221	160	1,058

(4) Reconciliation between retirement benefit obligation and plan assets at end of period, and defined benefit liability and defined benefit asset for retirement recognized on the consolidated balance sheet

	As of March 31, 2023	As of March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Retirement benefit obligation for funded plans	23,360	22,791	150,537
Plan assets	(26,390)	(29,980)	(198,019)
	(3,029)	(7,188)	(47,481)
Retirement benefit obligation for unfunded plans	221	160	1,058
Net balance of liability and asset recognized on the consolidated balance sheet	(2,807)	(7,028)	(46,423)
Net defined benefit liability	3,839	3,654	24,134
Net defined benefit asset	(6,647)	(10,682)	(70,557)
Net balance of liability and asset recognized on the consolidated balance sheet	(2,807)	(7,028)	(46,423)

(5) Retirement benefit expenses and their breakdown

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Current service costs	1,231	1,135	7,502
Interest costs	191	280	1,853
Expected return on plan assets	(366)	(373)	(2,466)
Amortization of actuarial gains and losses	529	358	2,366
Amortization of past service costs	(47)	(47)	(315)
Expenses associated with change from simplified accounting method to principle method	–	(54)	(359)
Other	(56)	(50)	(333)
Retirement benefit expenses applying simplified method	19	(38)	(253)
Retirement benefit expenses under defined benefit plans	1,501	1,210	7,996

(Note) In addition to the above, for the fiscal year ended March 31, 2023, ¥348 million in extra retirement payments and other was recorded as part of business structure improvement expenses under extraordinary losses.

(6) Remeasurements of defined benefit plans

The breakdown of the amount recognized in remeasurements of defined benefit plans (before tax effect) in the consolidated statement of comprehensive income is as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Past service costs	47	47	315
Actuarial gains and losses	(1,658)	(4,370)	(28,868)
Total	(1,611)	(4,322)	(28,552)

(7) Accumulated remeasurements of defined benefit plans

The breakdown of the amount recognized in accumulated remeasurements of defined benefit plans (before tax effect) on the consolidated balance sheet is as follows:

	As of March 31, 2023	As of March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Unrecognized past service costs	(9)	38	255
Unrecognized actuarial gains and losses	(796)	(5,112)	(33,767)
Total	(805)	(5,073)	(33,512)

(8) Plan assets

1) Breakdown of plan assets

Percentage of each main category to total plan assets is as follows:

	As of March 31, 2023	As of March 31, 2024
Bonds	28%	27%
Securities	35%	42%
Cash and deposits	6%	6%
Alternative investments (Note 1)	27%	21%
Other	4%	4%
Total (Note 2)	100%	100%

(Notes) 1. Alternative investments mainly consist of investment to hedge funds.
2. Total plan assets include retirement benefit trusts of 6% and 8% that are set up for a corporate pension plan as of March 31, 2023 and 2024, respectively.

2) Determination of expected long-term rate of return on plan assets

In determining the expected long-term rate of return on plan assets, the Company takes into consideration the current and future plan asset allocation, and the current and expected long-term rate of return on various asset categories comprising plan assets.

(9) Actuarial assumptions

Major bases for actuarial calculation

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Discount rate	1.0～1.2%	1.3～1.6%
Long-term expected rate of return	1.5%	1.5%
Expected rate of salary increase	2.6%	2.7%

3. Defined contribution plan

The required contribution to the defined contribution plan amounts to ¥462 million and ¥521 million ($3,443 thousand) for the fiscal years ended March 31, 2023 and 2024, respectively.

(Tax Effect Accounting)

1. Breakdown of major reasons for deferred tax assets and deferred tax liabilities

	As of March 31, 2023	As of March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Deferred tax assets:			
Net losses carried forward (Note 2)	4,217	4,784	31,604
Allowance for doubtful accounts	292	455	3,010
Provision for bonuses	906	770	5,088
Provision for product warranties	1,129	816	5,394
Net defined benefit liability	1,275	1,346	8,895
Provision and accrual for directors' retirement benefits	64	60	398
Loss on valuation of inventories	2,417	2,681	17,708
Research and development expenses	1,662	2,954	19,513
Impairment loss	327	2,429	16,047
Deferred revenue	449	890	5,884
Elimination of unrealized income on inventories	1,031	925	6,112
Other	5,529	6,176	40,794
Total gross deferred tax assets	19,305	24,292	160,452
Valuation allowance for tax losses carried forward (Note 2)	(4,177)	(4,752)	(31,392)
Valuation allowance for total amount of deductible temporary differences	(5,701)	(7,596)	(50,178)
Valuation allowance (Note 1)	(9,879)	(12,349)	(81,570)
Total deferred tax assets	9,426	11,942	78,882
Deferred tax liabilities:			
Net defined benefit asset	(1,703)	(3,024)	(19,976)
Valuation difference on available-for-sale securities	(9,469)	(9,431)	(62,297)
Retained earnings of subsidiaries and associates	(1,891)	(1,876)	(12,394)
Other	(24)	(105)	(698)
Total deferred tax liabilities	(13,089)	(14,438)	(95,366)
Net deferred tax assets (liabilities)	(3,663)	(2,495)	(16,483)

(Notes) 1. There is no significant change in the valuation allowance.

2. The amounts of tax losses carried forward and deferred tax assets by carry-forward expiry period are as follows:

As of March 31, 2023

	Due within one year (Millions of yen)	Due after one year and up to two years (Millions of yen)	Due after two years and up to three years (Millions of yen)	Due after three years and up to four years (Millions of yen)	Due after four years and up to five years (Millions of yen)	Due after five years (Millions of yen)	Total (Millions of yen)
Tax losses carried forward (*1)	15	59	65	46	74	3,957	4,217
Valuation allowance	14	57	65	46	74	3,919	4,177
Deferred tax assets	0	1	–	–	–	38	40

As of March 31, 2024

	Due within one year (Millions of yen)	Due after one year and up to two years (Millions of yen)	Due after two years and up to three years (Millions of yen)	Due after three years and up to four years (Millions of yen)	Due after four years and up to five years (Millions of yen)	Due after five years (Millions of yen)	Total (Millions of yen)
Tax losses carried forward (*1)	2	40	54	33	87	4,567	4,784
Valuation allowance	2	40	53	33	85	4,537	4,752
Deferred tax assets	-	-	0	-	1	30	32

As of March 31, 2024

	Due within one year (Thousands of U.S. dollars)	Due after one year and up to two years (Thousands of U.S. dollars)	Due after two years and up to three years (Thousands of U.S. dollars)	Due after three years and up to four years (Thousands of U.S. dollars)	Due after four years and up to five years (Thousands of U.S. dollars)	Due after five years (Thousands of U.S. dollars)	Total (Thousands of U.S. dollars)
Tax losses carried forward (*1)	18	265	357	221	575	30,166	31,604
Valuation allowance	18	265	351	221	567	29,967	31,392
Deferred tax assets	-	-	5	-	7	198	211

(*1) The amounts of tax losses carried forward are multiplied by the statutory tax rate.

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

	As of March 31, 2023	As of March 31, 2024
Statutory tax rate	30.6%	30.6%
Reconciliation:		
Increase (decrease) in valuation allowance for deferred tax assets	6.4	6.6
Non-taxable income for income tax purposes (e.g. dividend income)	(0.6)	(1.3)
Non-deductible expenses for income tax purposes (e.g. entertainment expenses)	2.1	1.6
Inhabitant tax on per capita basis	0.2	0.3
Tax deductions related to R&D activities	(6.7)	(8.1)
Different tax rates applied to consolidated subsidiaries	(1.8)	(2.6)
Amortization of goodwill	0.3	0.5
Share of profit (loss) of entities accounted for using equity method	0.2	0.3
Retained earnings of subsidiaries and associates	2.0	2.4
Other	(0.3)	0.9
Effective tax rate after application of tax effect accounting	32.3	31.2

(Business Combinations)

At an investment and loans discussion meeting held on November 29, 2022, Necsel Intellectual Property, Inc. (California, US), a consolidated subsidiary of the Company, resolved to acquire the laser module business of Blue Sky Research, Incorporated (California, US), and it entered into the business transfer contract with Blue Sky Research, Incorporated and acquired the business on April 3, 2023.

1. Overview of business acquisition

(1) Name of company from which business was acquired and business description

Name of company from which business was acquired: Blue Sky Research, Incorporated

Business description: Development and sale of laser module products

(2) Reasons for the business acquisition

To expand the Group's solid-state light source business by obtaining the laser coupling technology, product lineup, and customer base of Blue Sky Research, Incorporated.

(3) Date of the business acquisition

April 3, 2023

(4) Legal form of the business acquisition

Acquisition of business in exchange for cash

2. Period of results of acquired businesses included in consolidated financial statements

From April 3, 2023 to March 31, 2024

3. Matters relating to the calculation of the acquisition cost

(1) Acquisition cost of business and components thereof by consideration type

Consideration for the acquisition:	Cash	¥1,381 million ($9,125 thousand)
Acquisition cost:		¥1,381 million ($9,125 thousand)

(2) Details of contingent consideration as set out in the business transfer contract, and policy on accounting treatment thereof going forward

The agreement stipulates that a portion of the acquisition consideration will be refunded based on the degree of future earnings performance achieved by the acquired business.

The variable portion of the contingent acquisition consideration is recognized in accordance with Generally Accepted Accounting Principles in the United States.

4. Content and amount of major acquisition-related costs

Remuneration and fees, etc. for advisory services ¥37 million ($245 thousand)

5. Amount of goodwill, reason for recognition, amortization method and amortization period

(1) Amount of goodwill

¥454 million ($3,001 thousand)

(2) Reason for recognition

Mainly due to expected future excess earning power from forthcoming business development.

(3) Amortization method and amortization period

Amortized by the straight-line method over 10 years

6. Matters concerning the allocation of acquisition cost

(1) Amount and breakdown of assets acquired and liabilities assumed on the date of the business acquisition

	(Millions of yen)	(Thousands of U.S. dollars)
Current assets	219	1,450
Non-current assets	94	624
Total assets	314	2,075
Current liabilities	99	655
Non-current liabilities	–	–
Total liabilities	99	655

(2) Weighted average amortization period of intangible assets other than goodwill by total and major category

Other (Intangible assets)	¥712 million ($4,704 thousand)
Weighted average amortization period	10 years

7. Estimated amount and calculation method of the effect on the consolidated statement of income for the fiscal year under review assuming the business acquisition was completed on the first day of the fiscal year

Disclosure is omitted due to immateriality.

(Revenue Recognition)

1. Information on disaggregation of revenue from contracts with customers

Fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segment					Others (Note)	Total
	Industrial Processes	Visual Imaging	Life Sciences	Photonics Solutions	Total		
UV lamps	13,631	–	–	–	13,631	–	13,631
OA lamps	6,355	–	–	–	6,355	–	6,355
Optical equipment lamps	11,596	–	–	–	11,596	–	11,596
Optical equipment (UV equipment)	34,562	–	–	–	34,562	–	34,562
Optical equipment (Others)	23,342	–	–	–	23,342	–	23,342
Projector lamps	–	13,862	–	–	13,862	–	13,862
Illumination lamps	–	3,681	–	–	3,681	–	3,681
Cinema projectors	–	20,798	–	–	20,798	–	20,798
General imaging projectors	–	25,365	–	–	25,365	–	25,365
Life sciences products	–	–	5,595	–	5,595	–	5,595
Solid-state light sources	–	–	–	9,262	9,262	–	9,262
Other	–	–	–	–	–	1,457	1,457
Revenue from contracts with customers	89,488	63,707	5,595	9,262	168,054	1,457	169,512
Other revenue	–	5,196	20	–	5,217	295	5,512
Sales to external customers	89,488	68,904	5,616	9,262	173,271	1,753	175,025

(Note) "Others" represents business segments that are not included in other reportable segments and other revenue-generating business activities.

Fiscal year ended March 31, 2024

(Millions of yen)

	Reportable segment					Others (Note 1)	Total
	Industrial Processes	Visual Imaging	Life Sciences	Photonics Solutions	Total		
UV lamps	14,066	–	–	–	14,066	–	14,066
OA lamps	5,537	–	–	–	5,537	–	5,537
Optical equipment lamps	10,284	–	–	–	10,284	–	10,284
Optical equipment (UV equipment)	32,910	–	–	–	32,910	–	32,910
Optical equipment (Others)	19,324	–	–	–	19,324	–	19,324
Projector lamps	–	12,661	–	–	12,661	–	12,661
Illumination lamps	–	3,698	–	–	3,698	–	3,698
Cinema projectors	–	31,316	–	–	31,316	–	31,316
General imaging projectors	–	27,292	–	–	27,292	–	27,292
Life sciences products	–	–	5,193	–	5,193	–	5,193
Solid-state light sources	–	–	–	10,243	10,243	–	10,243
Other	–	–	–	–	–	990	990
Revenue from contracts with customers	82,124	74,969	5,193	10,243	172,530	990	173,520
Other revenue	–	5,565	19	–	5,584	315	5,900
Sales to external customers	82,124	80,534	5,212	10,243	178,115	1,305	179,420

Fiscal year ended March 31, 2024

(Thousands of U.S. dollars)

	Reportable segment					Others (Note 1)	Total
	Industrial Processes	Visual Imaging	Life Sciences	Photonics Solutions	Total		
UV lamps	92,912	–	–	–	92,912	–	92,912
OA lamps	36,575	–	–	–	36,575	–	36,575
Optical equipment lamps	67,926	–	–	–	67,926	–	67,926
Optical equipment (UV equipment)	217,377	–	–	–	217,377	–	217,377
Optical equipment (Others)	127,639	–	–	–	127,639	–	127,639
Projector lamps	–	83,632	–	–	83,632	–	83,632
Illumination lamps	–	24,427	–	–	24,427	–	24,427
Cinema projectors	–	206,847	–	–	206,847	–	206,847
General imaging projectors	–	180,264	–	–	180,264	–	180,264
Life sciences products	–	–	34,303	–	34,303	–	34,303
Solid-state light sources	–	–	–	67,660	67,660	–	67,660
Other	–	–	–	–	–	6,539	6,539
Revenue from contracts with customers	542,432	495,172	34,303	67,660	1,139,568	6,539	1,146,107
Other revenue	–	36,760	126	–	36,887	2,084	38,971
Sales to external customers	542,432	531,932	34,429	67,660	1,176,455	8,623	1,185,079

(Notes) 1. "Others" represents business segments that are not included in other reportable segments and other revenue-generating business activities.

2. The company has changed its reporting segments from the fiscal year under review. The details of the changes are as stated in "Notes to Consolidated Financial Statements (Segment Information, etc.)."

Information on disaggregation of revenues from contracts with customers for the previous fiscal year has been prepared based on post-change segmentation.

2. Information that forms the basis for understanding revenue from contracts with customers

(1) Sales of products

The Group is primarily engaged in the manufacturing and sales of products in the Industrial Processes business, Visual Imaging business, Life Sciences business and Photonics Solutions business.

For the sales of various lamps, etc., in each business, the control of the products is deemed to be transferred upon delivery to the customer, so revenue is recognized at the time of delivery. The alternative treatment prescribed in Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition has been applied for products sold in Japan, and revenue is recognized when products are shipped provided that there is an ordinary length of time between shipping and when the control is transferred to customers. In addition, consideration for transactions is generally received within four months after delivery of the product.

For the sales of a variety of optical equipment in the Industrial Processes business, where there is installation of such products based on a contract with the customer, customers generally do not receive benefits without the installation, so the products and installation are identified as a single performance obligation. In such case, the control of the assets is transferred to the customer when the confirmation of agreed performance such as the customer's acceptance of the product has been completed, so that is when revenue is recognized. In addition, for some products that do not include installation work, the control of the products is deemed to be transferred upon delivery to the customer, so revenue is recognized at the time of delivery. Further, consideration for transactions is primarily received in stages according to the payment terms of the contract.

For the sales of a variety of imaging equipment in the Visual Imaging business, the control of the products is deemed to be transferred upon delivery to the customer, so revenue is recognized at the time of delivery. Significant financing components exist when part of the payments represent receivables over a long period, but this is immaterial. In addition, consideration for transactions is generally received within two months after delivery of the product. For some customers, consideration is received in stages according to the payment terms of the contract.

(2) Provision of maintenance services

For a variety of optical equipment in the Industrial Processes business, maintenance services are provided for the products sold based on a separate contract. Maintenance services primarily guarantee the steady operations of products, including the replacement of maintained items. For the identification of performance obligations, for contracts that provide for performance obligations to be satisfied over time, revenue is recognized according to the contract period. For contracts where the performance obligations are primarily satisfied when the provision of maintenance ends, revenue is recognized at such time. For some products of optical equipment, variable consideration corresponding to the product's capacity utilization rate is included in the transaction price only to the extent that it is highly probable that a material reversal of the cumulative amount of revenues recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Further, consideration for transactions is received in stages, generally corresponding to the progress of performance obligations in accordance with the terms of the contract.

For a variety of imaging equipment in the Visual Imaging business, maintenance services are provided for the products sold based on a separate contract. Maintenance services primarily guarantee the steady operations of products, including the replacement of maintained items. For the identification of performance obligations, for contracts that provide for performance obligations to be satisfied over time, revenue is recognized according to the contract period. In addition, consideration for transactions is primarily received in stages according to the payment terms of the contract.

3. Information concerning the satisfaction of performance obligations based on contracts with customers and the relationship with the cash flows that arise from such contracts as well as the amount of revenue and timing forecast to be recognized in or after the next fiscal year from contracts with customers that are in place at the end of the current fiscal year

(1) Balance of contract assets and contract liabilities

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Receivables from contracts with customers (at beginning of period)	34,415	37,403	247,052
Receivables from contracts with customers (at end of period)	37,403	38,192	252,265
Contract assets (at beginning of period)	-	-	-
Contract assets (at end of period)	-	-	-
Contract liabilities (at beginning of period)	14,388	11,731	77,489
Contract liabilities (at end of period)	11,731	11,294	74,601

Contract liabilities for optical equipment are related to advances received from customers according to the payment terms of the contract for products that include installation work and for which revenue is recognized when the confirmation of agreed performance such as the customer's acceptance of the product has been completed. For imaging equipment, this primarily refers to advances received from customers according to the payment terms of the contract for maintenance services contracts. Contract liabilities are reversed on recognition of revenue.

The amount of revenue recognized in the previous fiscal year that was included in the balance of contract liabilities as of the beginning of the period is ¥10,972 million.

In addition, the change in contract liabilities was due to a decrease from the reversals associated with the recognition of revenue and an increase from the receipts from customers. There were no changes in terms causing significant change in the balance.

There was no revenue (primarily, change in transaction price) recognized in the previous fiscal year arising from performance obligations satisfied (or partially satisfied) in past periods.

The amount of revenue recognized in the current fiscal year that was included in the balance of contract liabilities as of the beginning of the period is ¥7,921 million ($52,321 thousand).

In addition, the change in contract liabilities was due to a decrease from the reversals associated with the recognition of revenue and an increase from the receipts from customers. There were no changes in terms causing significant change in the balance.

There was no revenue (primarily, change in transaction price) recognized in the fiscal year under review arising from performance obligations satisfied (or partially satisfied) in past periods.

(2) Transaction price allocated to remaining performance obligations

The Group applies the practical expedient in describing the transaction price allocated to remaining performance obligations and do not include notes on contracts where the initially expected contract period is one year or less.

(Industrial Processes business)

For UV lamps, OA lamps and optical equipment lamps, the initially planned contract period with customers is one year or less, so the total amount of transaction price allocated to remaining performance obligations and the period forecast for recognizing revenue are omitted.

For optical equipment, performance obligations that have not yet been satisfied (or partially not yet satisfied) were ¥38,161 million at the end of the previous fiscal year. Such performance obligations are related to the manufacturing and sales of products that include installation work in optical equipment. Approximately 50% of the revenue is forecast to be recognized within one year from the end of the period, with approximately 48% recognized within two years and the remaining 2% recognized within three years. Performance obligations that have not yet been satisfied (or partially not yet satisfied) were ¥34,367 million ($226,995 thousand) at the end of the current fiscal year. Such performance obligations are related to the manufacturing and sales of products that include installation work in optical equipment. Approximately 50% of the revenue is forecast to be recognized within one year from the end of the period, with approximately 34% recognized within two years and the remaining 16% recognized within three years.

(Visual Imaging business)

For projector lamps and illumination lamps, the initially planned contract period with customers is one year or less, so the total amount of transaction price allocated to remaining performance obligations and the period forecast for recognizing revenue are omitted.

Performance obligations for imaging equipment are related to the manufacturing and sales of various projectors, with the total amount of transaction price allocated to remaining performance obligations and the period forecast for recognizing revenue as follows.

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Due within one year	1,032	1,089	7,195
Due after one year and up to two years	624	619	4,094
Due after two years and up to three years	558	649	4,287
Due after three years and up to four years	503	636	4,201
Due after four years and up to five years	406	527	3,485
Due after five years	807	1,205	7,964
Total	3,930	4,727	31,228

(Life Sciences business and Photonics Solutions business)

For performance obligations, the initially planned contract period with customers is one year or less, so the total amount of transaction price allocated to remaining performance obligations and the period forecast for recognizing revenue are omitted.

(Segment Information, etc.)

Segment information

1. Summary of reportable segments

The Group defines a reportable segment as a component of the Company for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to assess its business performance and make decisions about resources to be allocated to the segment.

The Group develops and implements comprehensive strategies based on a market-centric approach for its development, manufacturing and sales of products and service, and engages in its business activities globally.

Thus, reportable segments of the Group are divided into four categories, the Industrial Processes business, Visual Imaging business, Life Sciences business, and Photonics Solutions business, based on market.

"Industrial Processes business" produces and sells UV lamps, OA lamps, and optical equipment, primarily for the semiconductor market.

"Visual Imaging business" produces and sells projector lamps and imaging equipment, largely for the cinema and general imaging markets.

"Life Sciences business" produces and sells UV medical devices and light sources, mainly for the environmental hygiene solutions and healthcare markets.

"Photonics Solutions business" produces and sells solid-state light sources.

2. Matters relating to change in reporting segments

(Changes to reporting segments)

From the current fiscal year, the Company has changed its reporting segments after reorganizing to shift from a product-centric to market-centric approach to accelerate efforts to evolve into a "light" solutions company by 2030. The previous segments were Light Source business, Optical Equipment business, and Imaging Equipment business. The new segments are Industrial Processes business, Visual Imaging business, Life Sciences business, and Photonics Solutions business.

The Company has disclosed segment information for the previous fiscal year based on reporting segments after the change.

(Change in method for calculating earnings by reporting segments)

The Company reviewed methods for allocating some selling, general and administrative expenses to better reflect the performances of reporting segments, and has changed the method for calculating earnings by reporting segments from the current fiscal year.

The Company has disclosed segment information for the previous fiscal year based on the revised calculation methods.

3. Methods of determining the amounts of net sales, profit or loss, assets, liabilities, and other items by reportable segment

Accounting policies for business segment reported are generally consistent with those given in "Significant Matters Forming the Basis of Preparation of Consolidated Financial Statements."

Segment profit presents the operating profit of the segment.

Intersegment sales and transfers are recognized based on the market price.

4. Information about net sales, segment profit or loss, assets, liabilities and other items by reportable segment

Fiscal year ended March 31, 2023

(Information for the previous fiscal year based on new reporting segments)

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Eliminations or unallocated amounts (Note 2)	Amounts on consolidated financial statements (Note 3)
	Industrial Processes	Visual Imaging	Life Sciences	Photonics Solutions	Total				
Net sales									
Sales to external customers	89,488	68,904	5,616	9,262	173,271	1,753	175,025	-	175,025
Intersegment sales or transfers	9	12	5	0	28	22	50	(50)	-
Total	89,498	68,916	5,621	9,262	173,299	1,775	175,075	(50)	175,025
Segment profit (loss)	18,247	3,472	(5,135)	(293)	16,291	(394)	15,896	(34)	15,861
Segment assets	145,151	91,585	8,123	19,317	264,178	9,301	273,479	50,143	323,622
Other items:									
Depreciation	3,338	2,705	478	889	7,412	202	7,615	-	7,615
Amortization of goodwill	106	49	-	13	169	-	169	-	169
Investment in associates under equity method	-	-	117	-	117	-	117	-	117
Increase in property, plant and equipment and intangible assets (Note 4)	4,362	3,412	530	749	9,053	53	9,107	-	9,107

(Notes) 1. "Others" represents business segments that are not included in other reportable segments and other revenue-generating business activities.

2. Adjustments are as follows:

(1) Eliminations or unallocated amounts of segment profit (loss), amounting to ¥(34) million, include elimination of intersegment transactions totaling ¥38 million and corporate expenses totaling ¥(79) million. Corporate expenses are general and administrative expenses not allocable to any reportable segment or other revenue-generating business activities.

(2) Eliminations or unallocated amounts of segment assets, amounting to ¥50,143 million, include elimination of intersegment receivables and payables totaling ¥(66) million and corporate assets not allocable to any reportable segment or other revenue-generating business activities totaling ¥50,202 million that consists primarily of surplus funds (cash and securities) and long-term investments (investment securities), etc.

3. Segment profit (loss) is reconciled to operating profit on the consolidated statement of income.

4. The increase in long-term prepaid expense is included in increases in property, plant and equipment and intangible assets.

Fiscal year ended March 31, 2024

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Eliminations or unallocated amounts (Note 2)	Amounts on consolidated financial statements (Note 3)
	Industrial Processes	Visual Imaging	Life Sciences	Photonics Solutions	Total				
Net sales									
Sales to external customers	82,124	80,534	5,212	10,243	178,115	1,305	179,420	–	179,420
Intersegment sales or transfers	7	23	3	6	40	21	61	(61)	-
Total	82,131	80,557	5,215	10,250	178,155	1,327	179,482	(61)	179,420
Segment profit (loss)	10,876	5,887	(2,329)	(1,513)	12,920	136	13,056	(79)	12,976
Segment assets	161,824	102,848	6,066	19,578	290,317	6,541	296,859	40,686	337,546
Other items:									
Depreciation	3,571	3,182	342	1,038	8,135	189	8,325	–	8,325
Amortization of goodwill	33	18	–	63	115	–	115	–	115
Investment in associates under equity method	–	–	10	–	10	–	10	–	10
Increase in property, plant and equipment and intangible assets(Note 4)	5,829	4,779	451	2,024	13,084	139	13,223	–	13,223

Fiscal year ended March 31, 2024

(Thousands of U.S. dollars)

	Reportable segment					Others (Note 1)	Total	Eliminations or unallocated amounts (Note 2)	Amounts on consolidated financial statements (Note 3)
	Industrial Processes	Visual Imaging	Life Sciences	Photonics Solutions	Total				
Net sales									
Sales to external customers	542,432	531,932	34,429	67,660	1,176,455	8,623	1,185,079	–	1,185,079
Intersegment sales or transfers	46	152	21	44	264	143	408	(408)	-
Total	542,478	532,084	34,451	67,704	1,176,719	8,767	1,185,487	(408)	1,185,079
Segment profit (loss)	71,838	38,886	(15,387)	(9,997)	85,340	898	86,238	(527)	85,710
Segment assets	1,068,854	679,316	40,068	129,317	1,917,555	43,207	1,960,763	268,737	2,229,501
Other items:									
Depreciation	23,586	21,022	2,261	6,861	53,733	1,254	54,987	–	54,987
Amortization of goodwill	218	124	–	418	760	–	760	–	760
Investment in associates under equity method	–	–	66	–	66	–	66	–	66
Increase in property, plant and equipment and intangible assets(Note 4)	38,502	31,569	2,979	13,371	86,422	919	87,342	–	87,342

(Notes) 1. "Others" represents business segments that are not included in other reportable segments and other revenue-generating business activities.

2. Adjustments are as follows:

(1) Eliminations or unallocated amounts of segment profit (loss), amounting to ¥(79) million ($(527) thousand), include elimination of intersegment transactions totaling ¥4 million ($30 thousand) and corporate expenses totaling ¥(91) million ($(603) thousand). Corporate expenses are general and administrative expenses not allocable to any reportable segment or other revenue-generating business activities.

(2) Eliminations or unallocated amounts of segment assets, amounting to ¥40,686 million ($268,737 thousand), include elimination of intersegment receivables and payables totaling ¥(134) million ($(889) thousand) and corporate assets not allocable to any reportable segment or other revenue-generating business activities totaling ¥40,837 million ($269,734 thousand) that consists primarily of surplus funds (cash and securities) and long-term investments (investment securities), etc.

3. Segment profit (loss) is reconciled to operating profit on the consolidated statement of income.

4. The increase in long-term prepaid expense is included in increases in property, plant and equipment and intangible assets.

Related information

Fiscal year ended March 31, 2023

1. Information by product and service

Information by product and service is omitted as the same information is disclosed in "Notes to Consolidated Financial Statements (Revenue Recognition) 1. Information on disaggregation of revenue from contracts with customers."

2. Information by geographic area

(1) Net sales

(Millions of yen)

Japan	North America		Europe	Asia		Other areas	Total
	U.S.A.	Other		China	Other		
38,060	43,293	2,020	12,125	37,098	41,146	1,279	175,025

(Note) Sales are classified by country or region based on the location of customers.

(2) Property, plant and equipment

(Millions of yen)

Japan	North America		Europe	Asia	Other areas	Total
	U.S.A.	Canada				
31,795	11,800	1,596	1,458	3,828	1	50,480

3. Information about major customers

Information about major customers has been omitted since there is no external customer who accounts for 10% or more of net sales in the consolidated statement of income.

Fiscal year ended March 31, 2024

1. Information by product and service

Information by product and service is omitted as the same information is disclosed in "Notes to Consolidated Financial Statements (Revenue Recognition) 1. Information on disaggregation of revenue from contracts with customers."

2. Information by geographic area

(1) Net sales

(Millions of yen)

Japan	North America		Europe	Asia		Other areas	Total
	U.S.A.	Other		China	Other		
40,553	47,357	2,020	15,178	33,260	39,871	1,178	179,420

(Thousands of U.S. dollars)

Japan	North America		Europe	Asia		Other areas	Total
	U.S.A.	Other		China	Other		
267,857	312,796	13,348	100,255	219,684	263,352	7,783	1,185,079

(Note) Sales are classified by country or region based on the location of customers.

(2) Property, plant and equipment

(Millions of yen)

Japan	North America		Europe	Asia	Other areas	Total
	U.S.A.	Canada				
27,093	11,208	1,483	1,653	4,413	1	45,854

(Thousands of U.S. dollars)

Japan	North America		Europe	Asia	Other areas	Total
	U.S.A.	Canada				
178,950	74,033	9,798	10,923	29,151	12	302,870

3. Information about major customers

Information about major customers has been omitted since there is no external customer who accounts for 10% or more of net sales in the consolidated statement of income.

Information on impairment loss on non-current assets by reportable segment

Fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segment					Others	Eliminations or unallocated amounts	Total
	Industrial Processes	Visual Imaging	Life Sciences	Photonics Solutions	Total			
Impairment loss	28	–	560	–	588	–	–	588

Fiscal year ended March 31, 2024

(Millions of yen)

	Reportable segment					Others	Eliminations or unallocated amounts	Total
	Industrial Processes	Visual Imaging	Life Sciences	Photonics Solutions	Total			
Impairment loss	4,497	60	126	2,487	7,171	–	–	7,171

Fiscal year ended March 31, 2024

(Thousands of U.S. dollars)

	Reportable segment					Others	Eliminations or unallocated amounts	Total
	Industrial Processes	Visual Imaging	Life Sciences	Photonics Solutions	Total			
Impairment loss	29,704	396	835	16,430	47,367	–	–	47,367

Information on amortization and unamortized balance of goodwill by reportable segment

Fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segment					Others	Eliminations or unallocated amounts	Total
	Industrial Processes	Visual Imaging	Life Sciences	Photonics Solutions	Total			
Amortization for the year	106	49	–	13	169	–	–	169
Balance	37	161	–	52	252	–	–	252

Fiscal year ended March 31, 2024

(Millions of yen)

	Reportable segment					Others	Eliminations or unallocated amounts	Total
	Industrial Processes	Visual Imaging	Life Sciences	Photonics Solutions	Total			
Amortization for the year	33	18	–	63	115	–	–	115
Balance	108	161	–	510	780	–	–	780

Fiscal year ended March 31, 2024

(Thousands of U.S. dollars)

	Reportable segment					Others	Eliminations or unallocated amounts	Total
	Industrial Processes	Visual Imaging	Life Sciences	Photonics Solutions	Total			
Amortization for the year	218	124	–	418	760	–	–	760
Balance	715	1,068	–	3,369	5,153	–	–	5,153

Information on gain on negative goodwill by reportable segment

Fiscal year ended March 31, 2023

Not applicable.

Fiscal year ended March 31, 2024

Not applicable.

Related party information

Fiscal year ended March 31, 2023

1. Related party transactions
   Not applicable.

2. Information on the parent company and major associates
   Not applicable.

Fiscal year ended March 31, 2024

1. Related party transactions
   Not applicable.

2. Information on the parent company and major associates
   Not applicable.

(Per Share Information)

Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024			
Net assets per share	¥2,074.27	Net assets per share	¥2,313.48	Net assets per share	$15.28
Basic earnings per share	¥115.69	Basic earnings per share	¥97.22	Basic earnings per share	$0.64

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

2. The basis used for calculating basic earnings per share is as follows:

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Profit attributable to owners of the parent	13,699	10,785	71,237
Profit not attributable to common shareholders	–	–	–
Profit attributable to owners of the parent attributable to common shares	13,699	10,785	71,237
Average number of common shares outstanding during the year (Shares)	118,414,343	110,933,321	110,933,321

3. The Company's shares held by the trust for the stock remuneration plan for directors are recorded as treasury shares in shareholders' equity which are deducted from the total number of shares issued at the balance sheet date for the purpose of calculating net assets per share (230,100 shares and 475,680 shares as of March 31, 2023 and 2024, respectively).
   The Company's shares held by the trust for the stock remuneration plan for directors are recorded as treasury shares in shareholders' equity which are deducted from the weighted-average number of shares outstanding during the year for the purpose of calculating the basic earnings per share (230,700 shares and 361,737 shares for the fiscal years ended March 31, 2023 and 2024, respectively).

(Subsequent Events)

Purchase of treasury shares

In accordance with the resolution by the Board of Directors meeting held on May 14, 2024 to purchase treasury shares pursuant to the provisions of Article 156 of the Companies Act, as applied mutatis mutandis pursuant to the provisions of Article 165, paragraph 3 of the Companies Act, the Company has made the purchase of treasury shares as follows:

(1) Reason for purchase of treasury shares

To raise capital efficiency and enable the implementation of an agile capital policy.

(2) Details of purchase

Type of shares to be purchased:	Common shares of the Company
Total number of shares to be purchased:	20,000,000 shares (maximum)
Total amount of shares to be purchased:	¥30,000 million ($198,150 thousand) (maximum)
Purchase period:	May 24, 2024 to April 30, 2025

(3) Results of purchase

Type of shares purchased:	Common shares of the Company
Total number of shares purchased:	2,886,000 shares
Total amount of shares purchased:	¥6,037,391,400 ($39,877 thousand)
Purchase period:	May 24, 2024 to July 31, 2024
Purchasing method:	Market purchase on the Tokyo Stock Exchange

5) 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)	Balance at beginning of current period (Thousands of U.S. dollars)	Balance at end of current period (Thousands of U.S. dollars)	Average interest rate (%)	Repayment term
Short-term loans payable	3,921	2,455	25,898	16,216	4.4	-
Current portion of long-term loans payable	-	-	-	-	-	-
Current portion of lease obligations	858	1,054	5,669	6,962	3.3	-
Long-term loans payable (excluding current portion)	1,410	26,410	9,313	174,438	0.5	From 2025 to 2026
Lease obligations (excluding current portion)	2,305	3,238	15,230	21,387	3.4	From 2025 to 2043
Total	8,495	33,157	56,111	219,005	-	-

(Notes) 1. The average interest rate represents the weighted-average interest rate over the year-end balance of loans.

2. Regarding the average interest rates on lease obligations, the total amount before deducting interest equivalents included in the total lease payments is recorded as lease obligations. Therefore, only the average interest rate of the lease obligations of consolidated subsidiaries is provided.

3. For foreign subsidiaries that have adopted Generally Accepted Accounting Principles in the United States, lease liabilities for operating leases that have been recognized under Leases (ASU No. 2016-02 (Topic 842)) have been included in the balance of current portion of lease obligations and of lease obligations (excluding current portion).

4. The redemption schedule for long-term loans payable and lease obligations (excluding current portions) for the five years after the consolidated balance sheet date is as follows:

	Due after one year and up to two years (Millions of yen)	Due after two years and up to three years (Millions of yen)	Due after three years and up to four years (Millions of yen)	Due after four years and up to five years (Millions of yen)
Long-term loans payable	1,410	25,000	-	-
Lease obligations	1,001	808	661	382

	Due after one year and up to two years (Thousands of U.S. dollars)	Due after two years and up to three years (Thousands of U.S. dollars)	Due after three years and up to four years (Thousands of U.S. dollars)	Due after four years and up to five years (Thousands of U.S. dollars)
Long-term loans payable	9,313	165,125	-	-
Lease obligations	6,613	5,343	4,370	2,523

Annexed detailed schedule of asset retirement obligations

Information is omitted because the amounts of asset retirement obligations at the beginning and the end of the current fiscal year are not more than 1% of the total amounts of liabilities and net assets at the beginning and the end of the current fiscal year, in accordance with the provision under Article 92-2 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

(2) Other Information

Quarterly information for the fiscal year ended March 31, 2024

(Cumulative period)	First three months	First six months	First nine months	Fiscal year ended March 31, 2024
Net sales (Millions of yen)	39,281	85,003	132,510	179,420
Profit before income taxes (Millions of yen)	3,097	6,476	12,746	15,681
Profit attributable to owners of the parent (Millions of yen)	1,794	4,259	8,691	10,785
Basic earnings per share (Yen)	15.36	36.92	76.84	97.22

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	15.36	21.65	40.72	20.06

Quarterly information for the fiscal year ended March 31, 2024

(Cumulative period)	First three months	First six months	First nine months	Fiscal year ended March 31, 2024
Net sales (Thousands of U.S. dollars)	259,452	561,449	875,231	1,185,079
Profit before income taxes (Thousands of U.S. dollars)	20,458	42,780	84,189	103,576
Profit attributable to owners of the parent (Thousands of U.S. dollars)	11,855	28,132	57,406	71,237
Basic earnings per share (U.S. dollars)	0.10	0.24	0.50	0.64

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (U.S. dollars)	0.10	0.14	0.26	0.13