

Financial Report 2023

Fiscal year ended March 31, 2023

KOMORI

Six-Year Summary of Consolidated Financial Data

Komori Corporation and Consolidated Subsidiaries

Years ended March 31	Millions of yen						Thousands of U.S. dollars (Note 1)
	2018	2019	2020	2021	2022	2023	2023
Net sales	¥ 94,168	¥ 90,242	¥ 77,646	¥ 71,825	¥ 87,623	¥ 97,914	\$ 733,274
Cost of sales	64,882	61,966	55,396	51,473	59,595	64,173	480,593
Selling, general and administrative expenses	25,556	25,573	25,654	22,684	25,759	28,020	209,846
Operating profit (loss)	3,732	2,706	(3,404)	(2,332)	2,267	5,719	42,834
Profit (loss) before income taxes	4,152	2,458	(21,176)	(1,522)	6,990	6,604	49,460
Profit (loss) attributable to owners of parent	3,074	1,427	(25,473)	(2,068)	6,158	5,716	42,813
Capital expenditure	1,201	1,334	1,677	1,392	2,371	2,302	17,246
Depreciation and amortization	1,888	1,964	2,304	1,604	1,877	1,895	14,198
R&D expenses	4,784	4,740	4,898	4,002	4,050	3,653	27,361
Total assets	181,199	167,370	135,697	144,443	157,081	165,523	1,239,596
Total net assets	132,451	130,184	97,979	97,736	103,382	107,133	802,317
Interest-bearing debt	10,198	39	34	11,312	11,208	10,616	79,504

Per share:	Yen						U.S. dollars (Note 1)
	2018	2019	2020	2021	2022	2023	2023
Net income (loss)—primary	¥ 52.81	¥ 24.52	¥ (450.11)	¥ (36.99)	¥ 110.67	¥ 104.85	\$ 0.79
Net assets	2,274.80	2,234.61	1,750.80	1,746.55	1,894.34	1,961.88	14.69
Cash dividends	40.00	40.00	30.00	20.00	56.00	45.00	0.34

Financial indicators:	%					
	2018	2019	2020	2021	2022	2023
Return on sales (Note 2)	4.0%	3.0%	(4.4)%	(3.2)%	2.6%	5.8%
Equity ratio	73.1	77.7	72.2	67.6	65.8	64.6
Return on total assets (Note 3)	1.7	0.8	(18.8)	(1.5)	4.1	3.5
Return on equity (Note 4)	2.3	1.1	(22.3)	(2.1)	6.1	5.4
Payout ratio (Consolidated basis)	75.7	163.1	—	—	50.6	42.9

Debt-to-equity ratio (Note 5)	Times					
	2018	2019	2020	2021	2022	2023
	0.08	0.00	0.00	0.12	0.11	0.10

Number of employees at fiscal year-end	2,227	2,335	2,363	2,686	2,613	2,567
Number of shares outstanding at fiscal year-end (Note 6)	58,225,619	58,224,957	55,924,335	55,924,001	54,524,100	54,521,760

Notes: 1. U.S. dollar amounts are converted from Japanese yen for convenience only at the rate of ¥133.53 = US\$1.00.

2. Return on sales = Operating income/Net sales X 100

3. Return on total assets = Profit attributable to owners of parent/Average total assets X 100

4. Return on equity = Profit attributable to owners of parent/Average net assets X 100

5. Debt-to-equity ratio = Interest-bearing debt/Equity

6. Number of shares outstanding at fiscal year-end does not include treasury shares.

Financial Review

SCOPE OF CONSOLIDATION

The Komori Group consists of Komori Corporation and 25 subsidiaries. As of March 31, 2023, the consolidated financial statements included the accounts of the parent company and 24 majority-owned subsidiaries.

BUSINESS ENVIRONMENT

During the fiscal year ended March 31, 2023 (fiscal 2023), the global economy continued to recover, reflecting the normalization of economic activity amid efforts to live with COVID-19. However, the outlook for the global economy remains unclear amid persistently high energy costs linked to prolonged geopolitical issues, shortages of semiconductors and other parts due to demand recovery, and exchange rate fluctuations caused by monetary tightening in many countries.

REVENUES AND EARNINGS

In fiscal 2023, consolidated net sales increased 11.7% compared with the previous fiscal year to ¥97,914 million. Overseas sales increased 3.1% year on year to ¥65,638 million. This represented 67.0% of total net sales, a decrease of 5.6 percentage points from the previous fiscal year.

The cost of sales represented 65.5% of total net sales, an improvement of 2.5 percentage points year on year, primarily due to exchange rate fluctuations.

Selling, general and administrative (SG&A) expenses increased 8.8% year on year to ¥28,020 million, due mainly to growth in shipping and other expenses in step with higher net sales, as well as corporate spending on advertising due to an international exhibition held in November. The ratio of SG&A expenses to net sales decreased 0.8 of a percentage point to 28.6%.

As a result, Komori posted operating income totaling ¥5,719 million, compared with operating income of ¥2,267 million in the previous fiscal year.

Ordinary income was ¥6,611 million, compared with ordinary income of ¥3,408 million in the previous fiscal year. This was partially attributable to the recording of foreign exchange gains arising from favorable movements in exchange rates.

As a result of these and other factors, income before income taxes amounted to ¥6,604 million, compared with income before income taxes of ¥6,990 million in the previous fiscal year. This was due mainly to extraordinary income related to measures to reinforce the Company's business structure recorded in the previous fiscal year. Profit attributable to owners of the parent totaled ¥5,716 million, compared with profit attributable to owners of the parent of ¥6,158 million in the previous fiscal year.

Net income per share amounted to ¥104.85, compared with net income per share of ¥110.67 in the previous fiscal year.

DIVIDENDS

While considering the level of retained earnings required to prudently secure a robust operating platform and ensure future business growth from a long-term perspective, Komori positions maintaining the robust and stable return of profits to its shareholders as a key management priority. Moreover, Komori has stipulated in its Articles of Incorporation that it may carry out the payment of interim dividends in accordance with Article 454, Paragraph 5 of the Japanese Corporate Code. Accordingly, the Company maintains a basic policy of paying both an interim and a fiscal year-end dividend as a vehicle for the distribution of surplus. The interim dividend is determined by the Board of Directors, while the fiscal year-end dividend is determined at Komori's Annual General Meeting of Shareholders.

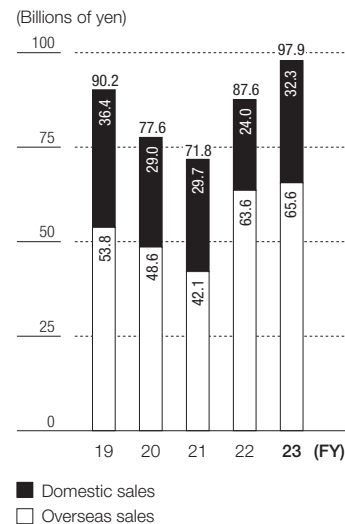
Giving comprehensive consideration to the Company's most recent operating results, Komori paid a full-year dividend of ¥45 per share for fiscal 2023, made up of the interim dividend of ¥15 per share and the fiscal year-end dividend of ¥30 per share.

FINANCIAL POSITION

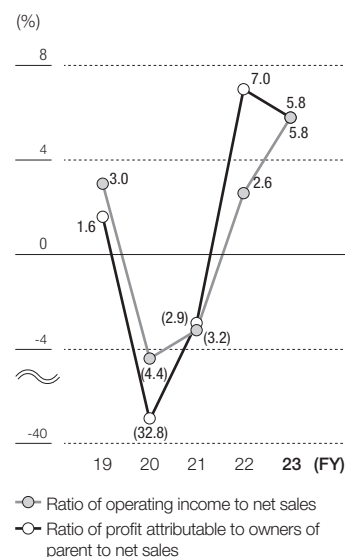
Total assets as of March 31, 2023 stood at ¥165,523 million, an increase of ¥8,441 million, or 5.4%, compared with March 31, 2022.

Key positive factors leading to the increase in total assets included a ¥5,021 million increase in inventories and a ¥2,133 million increase in notes and accounts receivable—trade, and contract

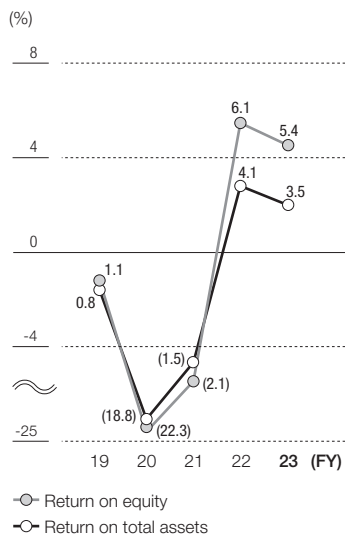
Domestic Sales and Overseas Sales



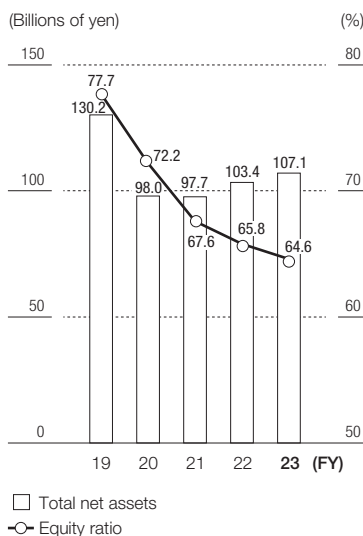
Ratio of Operating Income to Net Sales, and Ratio of Profit Attributable to Owners of Parent to Net Sales



Return on Equity and Return on Total Assets



Total Net Assets and Equity Ratio



assets. Key negative factors affecting total assets included a ¥653 million decrease in cash and deposits.

Total liabilities were ¥58,389 million, an increase of ¥4,691 million, or 8.7%, compared with March 31, 2022.

The primary factors leading to the increase in total liabilities included a ¥3,307 million increase in electronically recorded obligations—operating and a ¥1,721 million increase in notes and accounts payable—trade. The primary factors that decreased total liabilities included a ¥473 million decrease in short-term loans payable and a ¥459 million decrease in deferred tax liabilities.

As of March 31, 2023, total net assets amounted to ¥107,133 million, an increase of ¥3,750 million, or 3.6% year on year.

Key positive factors affecting net assets included a ¥1,370 million decrease in treasury shares, a ¥1,276 million increase in retained earnings, and a ¥1,024 million increase in foreign currency translation adjustment. Key negative factors affecting net assets included a ¥661 million decrease in remeasurements of defined benefit plans.

Taking these factors into account, the equity ratio stood at 64.6%, down 1.2 percentage points from 65.8% as of March 31, 2022. Net assets per share rose ¥67.54 to ¥1,961.88 from ¥1,894.34 at March 31, 2022.

RESEARCH AND DEVELOPMENT EXPENSES

In the Komori Group's R&D activities, efforts are prioritized in accordance with its business strategies and, therefore, focused on the following subjects due to their higher importance: (1) Developing technologies to increase the productivity and quality of offset printing; (2) Developing technologies related to security printing presses; (3) Developing a digital printing system (DPS) employing the Nanographic Printing® process capable of realizing high production efficiency and profitability; (4) Developing an innovative printed electronics (PE) technology; and (5) Developing environmentally friendly elemental technologies. The Group has made remarkable accomplishments in each subject.

The principal R&D activities conducted during the fiscal year under review are set out below.

1. Technologies to increase offset printing quality and productivity

Komori developed a new inline PDF Comparator as an optional Autopilot printing job automation function. This function compares the source PDF data with the image of the printed materials, eliminating image comparison work for operators.

Komori also developed the GLX-40P-advance, a high-speed double-sided offset printing press equipped with a sheet-reversing unit. Compared to previous models, this system offers larger maximum paper size, higher maximum printing speed and improved front/back registration during double-sided printing, simultaneously achieving improvements in both productivity and quality.

2. Technologies related to security printing presses

Komori advanced the development of a new security printing press that incorporates cutting-edge technologies used in commercial printing presses. This press increases productivity with higher printing speed while also offering improved environmental performance, using power-saving motors and technologies that eliminate the need for lubrication throughout. We also successfully developed a new inspection algorithm for intaglio printing inspection equipment, significantly enhancing inspection accuracy.

3. Digital printing system (DPS) employing the Nanographic Printing® process

Komori is developing a new DPS capable of realizing high production efficiency and profitability. Using image transfer blankets and aqueous Nanoink®, the system has achieved a printing speed of 6,500 sheets per hour on B1-size paper. In addition, Komori is advancing the development of inline quality management equipment for DPSs with the aim of establishing automated technology for printing quality adjustment.

4. Innovative printed electronics (PE) technology

SERIA CORPORATION, a Komori Group subsidiary specializing in the PE and other precision equipment-related businesses, advanced the development of elemental technologies related to commercial production, including units for continuous operation, pasting and platemaking, with the aim of expanding sales of the PEPIOF12-SE high-precision gravure offset printing system.

5. Environmentally friendly elemental technologies

Komori is proactively engaged in R&D centered on countering climate change.

Specifically, Komori is advancing the development of elemental technologies. These include technologies to optimize and save energy in air control for printing press sheet feeding; reduce the burden on plant air conditioning by reducing waste heat from sheet feeding air and motors; and improve sheet feeding and output performance and printability through static electricity countermeasures.

Total R&D expenses in the fiscal year under review amounted to ¥3,653 million, a decrease of 9.8% year on year. This was equivalent to 3.7% of total net sales.

CAPITAL EXPENDITURE, DEPRECIATION AND AMORTIZATION

Total capital expenditure in fiscal 2023 was ¥2,302 million, a decrease of ¥68 million compared with the previous fiscal year. Komori conducted capital expenditure aimed mainly at developing new businesses. Depreciation and amortization increased ¥18 million to ¥1,895 million.

Looking ahead, Komori plans to engage in capital expenditure totaling ¥4,718 million in fiscal 2024.

CASH FLOWS

Net cash provided by operating activities in the fiscal 2023 amounted to ¥4,475 million, a decrease of ¥4,805 million from net cash provided by operating activities of ¥9,281 million in the previous fiscal year.

Major cash inflows were the posting of profit before income taxes totaling ¥6,604 million, a ¥4,713 million increase in trade payables and a ¥1,895 million adjustment for depreciation and amortization. Principal cash outflows included a ¥4,169 million increase in inventories and a ¥3,153 million increase in trade receivables.

Net cash used in investing activities was ¥526 million, a narrowing of ¥853 million from ¥1,379 million used in investing activities in the previous fiscal year.

Principal cash outflows included ¥1,713 million in purchase of property, plant and equipment and intangible assets. Main cash inflows included a ¥850 million net increase in securities and ¥533 million in proceeds from withdrawal of time deposits.

Net cash used in financing activities totaled ¥4,077 million, an increase of ¥1,137 million from ¥2,940 million used in financing activities in the previous fiscal year.

The principal components of cash outflows were ¥3,064 million in cash dividends paid, a ¥513 million net decrease in short-term loans payable, and ¥358 million in repayments of lease obligations.

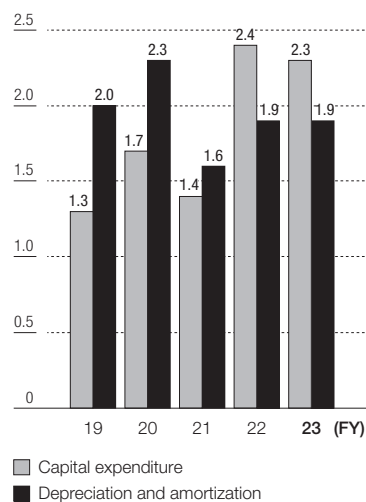
As a result of the aforementioned activities, cash and cash equivalents at March 31, 2023 stood at ¥60,945 million, an increase of ¥623 million, or 1.0%, compared with March 31, 2022.

BUSINESS AND OTHER RISKS

In analyzing matters associated with its operational and financial status, Komori's management has identified primary risks that could materially impact the Company's financial position, business performance and cash flows. These risks are discussed below. In addition, forward-looking statements included in the following descriptions are compiled based on the Komori Group's judgment as of the end of the fiscal year under review.

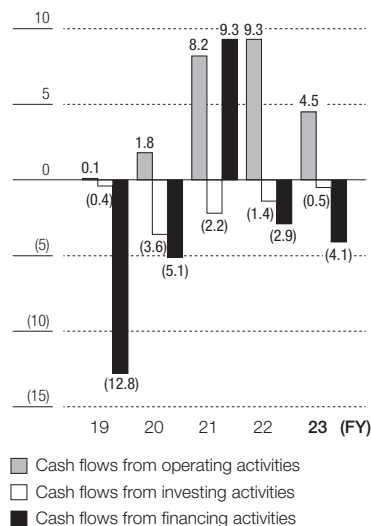
Capital Expenditure, Depreciation and Amortization

(Billions of yen)



Cash Flows

(Billions of yen)



1. Risks related to the business environment

(1) Shrinkage of the offset printing market

To date, the Komori Group's business operations have been largely focused on the manufacture and marketing of offset printing presses for publishing and other commercial printing. However, the printing industry has long seen a decline in demand for these printing services especially in Europe, the United States and Japan, reflecting the widespread use of e-books. Because of this, sales of offset printing presses for commercial printing have been on a downtrend. Looking ahead, demand for commercial printing may further decline should the growing popularization of the internet prompt the rapid spread of digital media in emerging nations and elsewhere in the world. If such change occurs, the performance of the Komori Group's offset printing press business would be negatively affected due to the further reduction in demand for offset printing presses for publishing and commercial printing.

On the other hand, demand for package printing is expected to grow going forward, reflecting the sustained expansion of the market for package printing that handles printing on thick paper (decorated paper, pharmaceutical packages and intermediate boxes) in addition to cardboard, labeling and soft packaging materials. With this in mind, the Komori Group will shift the marketing focus of its offset printing press business from commercial printing to package printing. In step with this shift, the Group will review the positioning of each product by employing ROI as an indicator as part of its product strategies, with the aim of securing greater competitiveness. At the same time, the Group will restructure its production system. In these ways, the Group will implement measures aimed at expanding the range of its marketing via the release of unique products, the enhancement of brand recognition and the proposal of optimal solutions.

(2) Deterioration in the profitability of local subsidiaries in Europe and the United States

Komori's local subsidiaries in the above-named regions have seen a downtrend in demand for offset printing presses for commercial printing, the flagship product category in their sales activities, due to the widespread use of the internet and the resulting popularization of digital media. Due to this trend, the profitability of these subsidiaries may deteriorate.

In response, the Komori Group has been endeavoring to secure opportunities arising from demand associated with the renewal of offset printing presses while promoting the sale of parts and maintenance services. Simultaneously, the Group has been strengthening the marketing of printing supplies and peripheral equipment. Although demand for offset printing presses for commercial printing has been declining gradually, demand associated with their renewal still remains in place. In addition, printing companies are looking for solutions capable of relieving them of the need for intensive labor and complex human skills in their printing processes as they face an urgent requirement to improve cost competitiveness. Accommodating their requests, the Komori Group will employ KP-Connect as well as its digital printing systems. The Group will thus increase business opportunities via the proposal of solutions designed to help printing companies optimize their printing processes and expand recurring income from their printing operations.

(3) Electronic parts supply

Shortages in the supply of electronic parts and other supplies can lead to the unstable operation of production lines and delays in product delivery. Such issues arise as the result of the complex interactions between multiple factors related to strained supply and expanding demand (including economic frictions between the United States and China, the expansion and subsiding of the COVID-19 pandemic, supply chain disruptions, rising transportation costs and new demand). If such conditions cannot be resolved and continue, the Komori Group's financial condition and business performance could be negatively affected.

To prevent these risks from materializing, the Group works to strengthen coordination with manufacturers of electronic and general parts, ordering in lots based on forward-looking usage estimates and securing appropriate levels of inventory. In addition, the Group is promoting the cultivation of relationships with new suppliers, seeking to secure at least two suppliers for each part, electronic or general, that can be readily substituted.

(4) Damage arising from customer complaints with regard to product quality

If the Komori Group faces customer complaints with regard to product quality due to flaws in its sales, manufacturing or service practices, the Group may incur such losses as those attributable to repair or compensation for damage while suffering negative consequences including deterioration in its creditworthiness and brand image.

To prevent the materialization of these risks, the Group practices perceptual quality management as part of comprehensive quality management employing the customer perspective. The practice of perceptual quality management is centered on brand management while also involving "comprehensive product quality management," "customer relation quality management" and "outward appearance quality management." As such, the Group maintains a quality assurance structure that thoroughly employs the customer perspective. In addition, the Group will strive to strengthen its structure for swiftly responding to customer requests and, to this end, employ a global CRM system to manage service cases.

(5) The breach of information security and other security-related incidents

If the Komori Group's information security is breached, the Group may face such incidents as the leakage, corruption or fabrication of data and be forced to suspend its operations or services. In addition to potentially affecting the Group's business performance, these incidents may deprive it of its creditworthiness.

To prevent these risks from materializing, the Komori Group has developed its Information Security Standards, which encompass policies for promoting information security, and established detailed rules for data utilization and information management in line with these policies. Moreover, the IT Security Committee is in place as a body tasked with promoting these policies and spearheading the development, maintenance and updating of information security frameworks for Group companies at home and abroad. The Group also performs regular vulnerability checks and risk assessments as part of a system to detect risks early and put in place countermeasures.

The Group will continue to monitor changes in security threats as it implements cybersecurity measures.

2. Risks associated with new businesses

(1) Stagnation in the expansion of the digital printing system business

Printing industry demand for high-performance, high-production digital printing systems is robust, and the Komori Group continues to work to commercialize professional digital printing systems.

The Group is advancing the product rollout of the Impremia IS29, a B2-size digital printing system developed in partnership with Konica Minolta. The Group has made improvements regarding initial technical issues with the system, and the product's overall polish has improved. Furthermore, about a decade has passed since B2-size digital printing systems were first introduced to the market, and competitors have announced development plans for the next generation of systems, while other manufacturers have announced plans to enter the market. As such, the Komori Group may need to invest in product enhancement or new development to advance its next products.

In addition, given the high quality standards expected of the Impremia NS40, a next-generation B1-size digital printing system, the Group has begun medium-term initiatives to further enhance its performance.

3. Financial risks

(1) Fluctuations in foreign currency exchange rates

The Komori Group's primary markets abroad consist of Europe, North America, China and elsewhere in Asia, with its overseas sales representing more than 60% of its total sales. In addition to the Japanese yen, the main currencies used in the Group's transactions are the U.S. dollar and euro. Accordingly, the Group's business performance is structurally subject to movements in foreign currency exchange rates. A rapid appreciation of the yen with respect to assumed exchange rates could cause decreases in the Group's net sales and earnings and negatively affect profitability.

To reduce risks arising from fluctuations in foreign currency exchange rates, the Group is engaged in the procurement of raw materials and parts from overseas sources while manufacturing some products abroad. Moreover, the Group prioritizes agreements denominated in yen in addition to reasonably mitigating short-term risk through the application of foreign exchange forward contracts. The Komori Group does, however, recognize that significant and volatile movements in foreign currency exchange rates may adversely affect its financial condition and business performance.

(2) Impairment of goodwill

The Group is engaged in the acquisition of businesses to expand its market share in emerging nations, where print demand is growing. In conjunction with such acquisition, the Group posts goodwill. However, if the performance of the acquired business falls short of plans, the Group may have to record an impairment of goodwill unless the discrepancy between results and targets is swiftly eliminated. The Group's financial condition and business performance could negatively be affected should such an impairment of goodwill be recorded.

To prevent these risks from materializing, the Group reaches careful decisions with regard to business acquisition, with the Board of Directors engaging in sufficient discussion to address such matters as the valuation of a business to be acquired, the recoverability of invested funds, the appropriateness of the acquisition price, and the risks associated with the acquisition. In addition, the Group strives to develop a robust structure for managing and operating acquired businesses by dispatching employees to reinforce coordination after acquisition. In these ways, the Group endeavors to reduce risks associated with business acquisition.

(3) Deterioration in cash flows due to excess inventory

When the volume of product inventory rises excessively due to a discrepancy between the assumptions underlying sales forecasts and actual results, the Group may face deterioration in cash flows in addition to needs for production adjustments.

With this in mind, the Group implements measures aimed at avoiding excessive volumes of product inventory. For example, the Group maintains a companywide target to help subsidiaries keep their inventories at an appropriate level, assigns inventory targets to each affiliate in light of its sales records and addresses discrepancies on a monthly basis. At the same time, to counter recent risks related to the supply of electronic and other parts, the Group designates appropriate inventory levels for each part based on medium- to long-term sales forecasts with the aim of effectively managing inventories while ensuring stable supply and production.

4. Risks arising from disasters

(1) Concentration of the production base

If a major earthquake, tornado or other natural disaster were to hit the Tsukuba Plant, which is the Group's core production base, or other sites run by the Group's manufacturing subsidiaries, such an event may significantly affect the Komori Group's financial condition and business performance due to the resulting damage to manufacturing facilities, the disruption of the Group's supply chain, or the suspension of manufacturing operations. In addition, the Komori Group works to diversify its supply chains, to this end purchasing not only from suppliers in eastern Japan, where its key facilities are located, but also focusing on expanding transactions with suppliers in western Japan and those in countries overseas. Going forward, the Group will consider, plan and implement revisions to its ordering methods in order to secure appropriate inventories of parts.

Assuming a major earthquake were to strike regions in which the Group's production bases are located, the Group has formulated business continuity plans (BCPs). The Group also implements such measures as providing employees with earthquake response manuals detailing risk management practices to be adopted if the epicenter were to strike the Tokyo metropolitan area, in addition to performing periodic disaster drills (including remote disaster drills during the COVID-19 pandemic).

Consolidated Balance Sheets

Komori Corporation and Consolidated Subsidiaries

March 31, 2022 and 2023	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2023	2023
ASSETS			
Current Assets:			
Cash and deposits	¥ 48,296	¥ 47,642	\$ 356,794
Notes and accounts receivable-trade, and contract assets (Note 6)	15,480	17,614	131,914
Electronically recorded monetary claims-operating	1,871	2,003	15,000
Short-term investment securities	15,622	15,719	117,725
Merchandise and finished goods	13,522	16,429	123,042
Work in process	10,794	12,349	92,487
Raw materials and supplies	8,080	8,638	64,689
Current portion of insurance funds	68	—	—
Other	3,024	3,528	26,425
Allowance for doubtful accounts	(490)	(279)	(2,094)
Total current assets	116,269	123,646	925,985
Noncurrent Assets:			
Property, plant and equipment:			
Buildings and structures	28,616	27,542	206,261
Accumulated depreciation	(23,579)	(21,596)	(161,733)
Buildings and structures, net	5,036	5,945	44,527
Machinery, equipment and vehicles	16,132	14,921	111,748
Accumulated depreciation	(14,441)	(13,134)	(98,362)
Machinery, equipment and vehicles, net	1,690	1,787	13,386
Land	8,315	8,384	62,792
Construction in progress	620	433	3,248
Other	8,048	8,635	64,669
Accumulated depreciation	(6,744)	(7,148)	(53,533)
Other, net	1,303	1,486	11,135
Total property, plant and equipment	16,966	18,038	135,091
Intangible assets			
Goodwill	2,427	2,085	15,615
Other	1,509	1,186	8,887
Total intangible assets	3,937	3,271	24,503
Investments and other assets:			
Investment securities (Note 7)	9,384	10,370	77,663
Deferred tax assets	1,088	1,233	9,241
Insurance funds	7,171	7,231	54,157
Net defined benefit asset	1,784	1,302	9,756
Other	543	510	3,824
Allowance for doubtful accounts	(65)	(83)	(627)
Total investments and other assets	19,907	20,565	154,015
Total noncurrent assets	40,811	41,876	313,610
Total Assets	¥157,081	¥165,523	\$1,239,596

The accompanying notes are an integral part of these consolidated financial statements.

Thousands of
U.S. dollars
(Note 1)

	Millions of yen		2023
	2022	2023	
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Notes and accounts payable-trade	¥ 6,576	¥ 8,298	\$ 62,147
Electronically recorded obligations-operating	9,227	12,534	93,873
Short-term loans payable	850	377	2,828
Income taxes payable	847	1,054	7,893
Contract liabilities	12,730	12,796	95,833
Provision for bonuses	977	1,109	8,311
Provision for product warranties	741	802	6,006
Other provisions	377	300	2,252
Other	6,720	7,088	53,085
Total current liabilities	39,049	44,362	332,232
Noncurrent Liabilities:			
Bonds payable	10,000	10,000	74,889
Long-term loans payable	357	238	1,786
Deferred tax liabilities	1,420	961	7,199
Net defined benefit liability	1,832	1,738	13,017
Other provisions	41	15	114
Other	996	1,073	8,038
Total noncurrent liabilities	14,649	14,026	105,046
Total Liabilities	53,698	58,389	437,278
Net Assets:			
Shareholders' equity:			
Capital stock	37,714	37,714	282,444
Capital surplus	37,788	37,788	282,997
Retained earnings	27,416	28,693	214,885
Treasury shares	(3,619)	(2,248)	(16,841)
Total shareholders' equity	99,300	101,948	763,486
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	3,538	4,206	31,502
Foreign currency translation adjustment	652	1,676	12,553
Remeasurements of defined benefit plans	(204)	(866)	(6,486)
Total other comprehensive income	3,986	5,016	37,570
Non-controlling interests	95	168	1,260
Total net assets	103,382	107,133	802,317
Total liabilities and net assets	¥157,081	¥165,523	\$1,239,596

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Income

Komori Corporation and Consolidated Subsidiaries

For the years ended March 31, 2022 and 2023	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2023	2023
Net Sales (Note 9)	¥87,623	¥97,914	\$733,274
Cost of Sales (Note 15)	59,595	64,173	480,593
Gross profit	28,027	33,740	252,680
Selling, General and Administrative Expenses (Notes 10 and 11)	25,759	28,020	209,846
Operating profit	2,267	5,719	42,834
Non-Operating Income:			
Interest income	48	78	589
Dividends income	247	298	2,234
Foreign exchange gains	656	323	2,421
Other	435	439	3,289
Non-Operating Expenses:			
Interest expenses	(58)	(64)	(481)
Compensation for damage	(11)	(93)	(699)
Loss on sale of notes receivable - trade	(21)	(34)	(261)
Other	(154)	(55)	(414)
Ordinary profit	3,408	6,611	49,511
Extraordinary Income:			
Gain on sales of noncurrent assets (Note 12)	3,688	11	88
Gain on sales of investment securities	5	—	—
Insurance claim income	146	24	181
Other	15	—	—
Extraordinary Expenses:			
Loss on sales of noncurrent assets (Note 13)	(1)	(0)	(0)
Loss on retirement of noncurrent assets (Note 14)	(18)	(28)	(216)
Business restructuring expenses (Note 16)	(133)	—	—
Loss on valuation of investment securities	(104)	—	—
Loss on disaster	(15)	(13)	(103)
Profit before income taxes	6,990	6,604	49,460
Income Taxes:			
Income taxes-current	896	1,481	11,096
Income taxes-deferred	(92)	(668)	(5,006)
Total income taxes	804	813	6,090
Profit	6,185	5,791	43,370
Profit attributable to non-controlling interests	26	74	556
Profit attributable to owners of parent	¥ 6,158	¥ 5,716	\$ 42,813
		Yen	U.S. dollars (Note 1)
Per Share:			
Net income — primary	¥110.67	¥104.85	\$ 0.79
Cash dividends	56.00	45.00	0.34

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

Komori Corporation and Consolidated Subsidiaries

For the years ended March 31, 2022 and 2023	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2023	2023
Profit	¥6,185	¥5,791	\$43,370
Other comprehensive income			
Valuation difference on available-for-sale securities	451	667	4,999
Foreign currency translation adjustment	1,004	1,022	7,658
Remeasurements of defined benefit plans, net of tax	480	(661)	(4,953)
Total other comprehensive income (Note 17)	1,936	1,028	7,704
Comprehensive income	¥8,122	¥6,819	\$51,074
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	8,089	6,747	50,529
Comprehensive income attributable to non-controlling interests	33	72	544

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Komori Corporation and Consolidated Subsidiaries

Millions of yen

For the year ended March 31, 2022	Number of shares issued (After deducting treasury shares)	Shareholders' equity					Accumulated other comprehensive income					Total net assets
		Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total other comprehensive income	Non-controlling interests	
Balance at April 1, 2021	55,924,001	¥37,714	¥37,788	¥22,735	¥(2,621)	¥95,618	¥3,087	¥ (345)	¥(685)	¥2,055	¥ 62	¥ 97,736
Cumulative effects of changes in accounting policies		—	—	(73)	—	(73)	—	—	—	—	—	(73)
Restated balance		37,714	37,788	22,662	(2,621)	95,544	3,087	(345)	(685)	2,055	62	97,663
Dividends of surplus		—	—	(1,404)	—	(1,404)	—	—	—	—	—	(1,404)
Profit attributable to owners of parent		—	—	6,158	—	6,158	—	—	—	—	—	6,158
Purchase of treasury shares	1,399,901	—	—	—	(998)	(998)	—	—	—	—	—	(998)
Net changes of items other than shareholders' equity		—	—	—	—	—	451	997	480	1,930	33	1,963
Total changes of items during the period	1,399,901	—	—	4,754	(998)	3,755	451	997	480	1,930	33	5,719
Balance at March 31, 2022	54,524,100	¥37,714	¥37,788	¥27,416	¥(3,619)	¥99,300	¥3,538	¥ 652	¥(204)	¥3,986	¥ 95	¥103,382
For the year ended March 31, 2023												
Balance at April 1, 2022	54,524,100	¥37,714	¥37,788	¥27,416	¥(3,619)	¥ 99,300	¥3,538	¥ 652	¥(204)	¥3,986	¥ 95	¥103,382
Dividends of surplus		—	—	(3,067)	—	(3,067)	—	—	—	—	—	(3,067)
Profit attributable to owners of parent		—	—	5,716	—	5,716	—	—	—	—	—	5,716
Purchase of treasury shares	2,346	—	—	—	(1)	(1)	—	—	—	—	—	(1)
Disposal of treasury shares		—	—	(0)	0	0	—	—	—	—	—	0
Cancellation of treasury shares	(6)	—	—	(1,372)	1,372	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity		—	—	—	—	—	667	1,024	(661)	1,030	72	1,103
Total changes of items during the period	2,340	—	—	1,276	1,370	2,647	667	1,024	(661)	1,030	72	3,750
Balance at March 31, 2023	54,521,760	¥37,714	¥37,788	¥28,693	¥(2,248)	¥101,948	¥4,206	¥1,676	¥(866)	¥5,016	¥168	¥107,133

Note: "Number of shares issued" represents shares issued less treasury shares.

Thousands of U.S. dollars (Note 1)

For the year ended March 31, 2023	Shareholders' equity					Accumulated other comprehensive income					Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total other comprehensive income	Non-controlling interests	
Balance at April 1, 2022	\$282,444	\$282,997	\$205,323	\$(27,108)	\$743,657	\$26,503	\$ 4,883	\$(1,532)	\$29,854	\$ 716	\$774,227
Dividends of surplus	—	—	(22,971)	—	(22,971)	—	—	—	—	—	(22,971)
Profit attributable to owners of parent	—	—	42,813	—	42,813	—	—	—	—	—	42,813
Purchase of treasury shares	—	—	—	(12)	(12)	—	—	—	—	—	(12)
Disposal of treasury shares	—	—	(0)	0	0	—	—	—	—	—	0
Cancellation of treasury shares	—	—	(10,279)	10,279	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	4,999	7,670	(4,953)	7,716	544	8,260
Total changes of items during the period	—	—	9,562	10,267	19,829	4,999	7,670	(4,953)	7,716	544	28,089
Balance at March 31, 2023	\$282,444	\$282,997	\$214,885	\$(16,841)	\$763,486	\$31,502	\$12,553	\$(6,486)	\$37,570	\$1,260	\$802,317

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

Komori Corporation and Consolidated Subsidiaries

Thousands of
U.S. dollars
(Note 1)

For the years ended March 31, 2022 and 2023	Millions of yen		2023
	2022	2023	
Net Cash Provided by (Used in) Operating Activities:			
Profit before income taxes	¥ 6,990	¥ 6,604	\$ 49,460
Depreciation and amortization	1,877	1,895	14,198
Amortization of goodwill	502	547	4,097
Loss (gain) on sale of property, plant and equipment	(3,686)	(11)	(87)
Increase (decrease) in allowance for doubtful accounts	27	(211)	(1,582)
Increase (decrease) in provision for bonuses	105	132	993
Increase (decrease) in net defined benefit liabilities	(149)	(222)	(1,667)
Interest and dividends income	(296)	(377)	(2,823)
Interest expenses	58	64	481
Foreign exchange losses (gains)	(378)	(167)	(1,255)
Loss (gain) on sales of investment securities	(5)	—	—
Decrease (increase) in trade receivables	1,616	(3,153)	(23,614)
Decrease (increase) in inventories	223	(4,169)	(31,226)
Increase (decrease) in trade payables	2,950	4,713	35,297
Increase (decrease) in accrued consumption taxes	(201)	(209)	(1,570)
Other	(30)	18	139
Subtotal	9,603	5,453	40,840
Interest and dividends income received	296	373	2,797
Interest expenses paid	(58)	(64)	(481)
Income taxes (paid) refund	(559)	(1,286)	(9,635)
Net cash provided by (used in) operating activities	9,281	4,475	33,520
Net Cash Provided by (Used in) Investing Activities:			
Net decrease (increase) in short-term investment securities	(2,484)	850	6,365
Payments into time deposits	(100)	(204)	(1,531)
Proceeds from withdrawal of time deposits	72	533	3,993
Purchase of property, plant and equipment and intangible assets	(1,922)	(1,713)	(12,832)
Proceeds from sales of property, plant and equipment and intangible assets	4,111	71	535
Purchase of insurance funds	(1,120)	(59)	(449)
Proceeds from maturity of insurance funds	90	68	516
Purchase of investment securities	(47)	(41)	(311)
Proceeds from sales of investment securities	9	—	—
Loan advances	—	(42)	(317)
Other payments	(7)	(26)	(201)
Other proceeds	21	38	290
Net cash provided by (used in) investing activities	(1,379)	(526)	(3,941)
Net Cash Provided by (Used in) Financing Activities:			
Net increase (decrease) in short-term loans payable	(72)	(513)	(3,844)
Repayments of long-term loans payable	(199)	(139)	(1,042)
Repayments of lease obligations	(372)	(358)	(2,686)
Proceeds from long-term loans payable	104	—	—
Purchase of treasury shares	(998)	(1)	(12)
Cash dividends paid	(1,402)	(3,064)	(22,952)
Net cash provided by (used in) financing activities	(2,940)	(4,077)	(30,539)
Effect of exchange rate change on cash and cash equivalents	1,037	751	5,630
Net increase (decrease) in cash and cash equivalents	5,999	623	4,670
Cash and cash equivalents at beginning of period	54,321	60,321	451,746
Cash and cash equivalents at end of period (Note 19)	¥60,321	¥60,945	\$456,417

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

Komori Corporation and Consolidated Subsidiaries

1 BASIS OF PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Accounting Principles

The accompanying consolidated financial statements of Komori Corporation (the "Company") and its consolidated subsidiaries (collectively the "Group") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Amounts less than 1 million yen have been omitted. As a result, the totals shown in the consolidated financial statements and the notes thereto do not necessarily agree with the sum of the individual account balances.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥133.53 = US\$1.00, which was the rate of exchange as of March 31, 2023, has been used for the translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at that rate or any other rates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Scope of Consolidation

The Company has 25 majority-owned subsidiaries as of March 31, 2023 (25 as of March 31, 2022).

(a) Consolidated subsidiaries

The consolidated financial statements include the accounts of the Company and 24 of its majority-owned subsidiaries (24 as of March 31, 2022). The subsidiaries that are consolidated with the Company as of March 31, 2023 are listed below:

	Country of incorporation	Direct and indirect ownership percentage	Paid-in capital (millions)	
Komori Machinery Co., Ltd.	(Japan)	100.0%	JPY	1,600
Komori Engineering Co., Ltd.	(Japan)	100.0	JPY	20
Seria Corporation Co., Ltd.	(Japan)	100.0	JPY	60
Seria Engineering Co., Ltd.	(Japan)	100.0	JPY	54
Komori America Corporation	(U.S.A.)	100.0	USD	13.5
Komori International (Europe) B.V.	(Netherlands)	100.0	EUR	1.4
Komori France S.A.S.	(France)	100.0	EUR	1.8
Komori Italia S.r.l.	(Italy)	100.0	EUR	0.5
Komori U.K. Limited	(U.K.)	100.0	GBP	6.2
Komori-Chambon S.A.S.	(France)	100.0	EUR	8.0
Komori Chambon USA Corporation	(U.S.A.)	100.0	USD	0.001
MBO Postpress Solutions GmbH	(Germany)	100.0	EUR	0.02
MBO Maquinas S.A.	(Portugal)	100.0	EUR	14.9
H & H Beteiligungsgesellschaft GmbH	(Germany)	100.0	EUR	0.02
H+H GmbH & Co.KG	(Germany)	100.0	EUR	0.3
MBO America Co.Ltd.	(U.S.A.)	100.0	EUR	0.8
MBO Binder Graphic Systems (Beijing) Co. Ltd.	(China)	100.0	CNY	3.6
Komori Hong Kong Limited	(Hong Kong)	100.0	HKD	18.1
Komori (Shenzhen) Print Engineering Co. Ltd.	(China)	100.0	CNY	26.1
Komori Taiwan Limited	(Taiwan)	100.0	TWD	45.8
Komori Machinery (Nantong) Co., Ltd.	(China)	100.0	USD	14.0
Komori Southeast Asia Pte. Ltd.	(Singapore)	100.0	SGD	2.0
Komori Malaysia Sdn. Bhd.	(Malaysia)	100.0	MYR	1.0
Komori India Private Limited.	(India)	75.0	INR	0.5

(b) Non-consolidated subsidiary

The non-consolidated subsidiary, Komori Realty Co., Ltd. is a small scale company and is excluded from the scope of consolidation as its total assets, net sales, profit attributable to owners of parent and retained earnings (corresponding to equity share) were immaterial in relation to the consolidated financial statements.

The Company accounts for the subsidiary as an investments at historical cost.

(2) Application of the Equity Method

Names of principal non-consolidated subsidiaries and affiliates to which the equity method is not applied

Komori Realty Co., Ltd.

Reasons the equity method is not applied

The impact of this 1 non-consolidated subsidiary on the

Company's profit attributable to owners of parent, retained earnings (corresponding to equity share) and other results is minor and wholly immaterial. Said company is therefore excluded from the application of the equity method.

(3) Fiscal Year-End of Consolidated Subsidiaries

The consolidated subsidiaries Komori (Shenzhen) Print Engineering Co., Ltd., Komori Machinery (Nantong) Co., Ltd. and MBO Binder Graphic Systems (Beijing) Co. Ltd. prepare their annual accounts to December 31. For the purpose of preparing consolidated financial statements, statements are based upon a provisional settlement of accounts conducted at the consolidated year-end.

The closing dates of all other consolidated subsidiaries align with that of the Company.

(4) Valuation Basis and Methods for Principal Assets

(a) Securities

Securities held by the Company and its subsidiaries are classified into three categories:

- Subsidiaries stock: Cost method based on the moving average method
- Held-to-maturity securities: Amortized cost method (straight-line method)
- Other securities:
 - Other than stocks and other securities without market price:
 - Stated at fair value. The difference between the carrying amount and the market value is included in net assets, while the cost of securities sold is computed using the moving-average method. Net unrealized gains or losses on these securities are reported as a separate component of net assets at a net-of-tax amount.
 - Stocks and other securities without market price:
 - Stated at cost, determined by the moving-average method.

(b) Inventories

Merchandise, finished goods and work in process are stated at the lower of cost and net realizable value determined by using the specific identification method.

Raw materials and supplies are stated at the lower of cost and net realizable value determined by using the first-in, first-out method.

Inventories are, in principle, carried at cost on the balance sheets. However, in the case that the net selling value falls below cost at the end of the period, inventories are stated at the net realizable value on the balance sheets.

(c) Derivatives

All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as "hedging instruments."

(5) Methods for Depreciating and Amortizing Depreciable Assets

(a) Property, plant and equipment (excluding lease assets)

The Company and its consolidated subsidiaries recognize their depreciation expense mainly by using the straight-line method. The range of useful life is from 2 to 50 years for building and structures and from 2 to 17 years for machinery, equipment and vehicles.

(b) Intangible assets (excluding lease assets)

Software

Straight-line method over an estimated in-house usable period of 5 years

Other

Straight-line method

(c) Lease assets

Lease assets under finance leases other than those that are deemed to transfer ownership of the leased assets to lessees.

Depreciation is based on the straight-line method over the lease term of the leased assets with no residual value.

(6) Accounting for Allowances and Provisions

(a) Allowance for doubtful accounts

An allowance for doubtful accounts receivable is provided by setting a percentage based on the Company's average historical experience of bad debt loss against the balance of total receivables. In addition, the full amount deemed necessary to cover uncollectible receivables is provided when appropriate.

(b) Provision for bonuses

In order to provide for the payment of bonuses to employees, the Company and its domestic consolidated subsidiaries record amounts related to the current fiscal year as a part of the estimated year-end payable amount.

(c) Provision for product warranties

In order to provide for charge-free repair costs under warranty contract, a provision for product warranties is created based on an amount estimated by applying a ratio of the amount of charge-free repair costs actually incurred under the product warranties against total net sales. In addition, an amount to cover individual charge-free repair costs is provided for when appropriate.

(d) Other provisions

- (i) Provision for directors' bonuses
In order to provide for the payment of bonuses to directors, of the estimated future payable amount, the Company records the amount related to the fiscal year under review.
- (ii) Provision for loss on guarantees
A provision for loss on guarantees is maintained by the Company and a portion of its overseas consolidated subsidiaries to cover guarantees provided to lease companies and affiliated banks by the Company and the aforementioned subsidiaries for loans to customers who purchase the Company's products. The amount of the provision is determined by applying the ratio of the actual loss on guarantees against the amount of total guarantees plus the amount deemed necessary to cover potential losses of individual loans.
- (iii) Provision for directors' retirement benefits
A specified amount determined by internal regulations is recorded to prepare for the payment of retirement benefits to directors of a number of the Company's domestic consolidated subsidiaries.
- (iv) Provision for onerous contracts
In order to prepare for losses expected to be incurred during the remaining period of contracts with external customers, the Company provides for the amount of losses expected in the future.
- (v) Provision for loss on construction contracts
In order to prepare for future losses on construction orders, when a loss is expected and its amount can be reasonably estimated, the Company records the expected loss amount.
- (vi) Provision for loss on litigation
In order to prepare for loss on litigation, the Company records the estimated amount of such loss.
- (vii) Provision for loss on compensation for damages
In order to prepare for payments on compensation for damages, the Company records the estimated amount of such loss.
- (viii) Provision for business restructuring
In order to prepare for costs and losses arising from business restructuring, the Company records the estimated amount of such costs and losses.
- (ix) Provision for loss on disaster
In order to prepare for payments necessary to restore assets damaged by disasters, the Company records the amount of such payments estimated to arise in the future.

(7) Accounting Method for Retirement Benefits

(a) Method used to attribute estimated amounts of retirement benefits to periods

In calculating retirement benefit obligations, the method of attributing expected benefit to the fiscal year is based on the benefit formula.

(b) Accounting methods for actuarial differences and past service cost

Actuarial differences are charged as an expense commencing from the fiscal year following that when incurred using a straight-line method based on a determined number of years (principally 13 years) derived from the average expected remaining years of service of employees when the differences were incurred. The effect of the relevant changes has been recorded as Accumulated other comprehensive income (Remeasurements of defined benefit plans, net of tax). Past service costs are processed together in the year in which they occur.

(8) Recognition of Significant Revenues and Expenses

The Group engages in the manufacture and sale of offset printing presses, security printing presses, digital printing systems and post-press equipment as its main business, as well as the provision of related services and the sale of parts. As such, the Group has performance obligations to provide products, services and parts as agreed to in contracts with customers.

Consideration for performance obligations is usually collected within one year of the satisfaction of the performance obligations and contains no significant financing component.

When multiple performance obligations are identified in a contract, the transaction price is allocated based on the stand-alone selling price ratio.

The timing at which the Group ordinarily recognizes revenues is as follows.

• Sales of offset printing presses, digital printing systems, post-press equipment, etc.

For contracts with customers in which the Group has an obligation to install products, revenues are recognized upon the customer's acceptance or the completion of the installation. For contracts in which the Group does not have an obligation to install products, revenues are recorded when the products are delivered to the customer or loaded onto a ship for export. In both cases, revenues are recognized at a point in time.

• Sales of security printing presses

For contracts regarding the manufacture of products that do not have alternative uses and for which consideration for the portion of the performance obligation satisfied is deemed recoverable, as the performance obligations are considered to be satisfied over time, revenue is recognized over time by measuring the progress towards complete satisfaction of these performance obligations.

Progress toward complete satisfaction of performance obligations is estimated by an input method based on costs incurred, judged that the increase in the cost of the product and the increase in assets controlled by the customer are proportional.

For contracts regarding the manufacture of products that have alternative uses and contracts for which consideration for the portion of the performance obligation satisfied is not deemed recoverable, revenue is recognized upon acceptance by the customer.

• Provision of services and sale of parts

Regarding the provision of services, for contracts in which performance obligations are satisfied at a point in time, such as those for repairs or construction, revenues are recognized upon acceptance by the customer. For contracts in which performance obligations are satisfied over time, such as maintenance contracts, revenues are recognized evenly over the contract period, reflecting the period over which the performance obligations are deemed to be satisfied.

Regarding the sale of parts, revenues are recognized at a point in time. For domestic sales of parts in which there is an ordinary length of time between shipment and the transfer of control over the parts to the customer, revenues are recognized upon product shipment. For overseas sales of parts, revenues are recognized upon loading onto a boat for export.

(9) Foreign Currency Translation and Transactions

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period.

All assets and liabilities of overseas consolidated subsidiaries and affiliates are translated at the foreign exchange rates prevailing at the balance sheet date, and all income and expense accounts are translated at the average foreign exchange rates for the respective periods. Foreign currency financial statement translation differences are included in the consolidated balance sheets under "Foreign currency translation adjustment" in net assets.

(10) Amortization Method and Period for Goodwill

Goodwill is amortized on a straight-line basis over its estimated useful life within 8 years.

(11) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows include cash on hand, bank deposits able to be withdrawn on demand and short-term investment securities with an original maturity of 3 months or less, and which represent a minor risk of fluctuations in value.

3 SIGNIFICANT ACCOUNTING ESTIMATES

Estimates of Total Cost for Performance Obligations Satisfied over time

(a) Amount recorded in the consolidated financial statements for the period under review

For manufacturing contracts with customers for security printing presses, if the contract concerns the manufacture of products that do not have alternative uses and consideration for the portion of the performance obligation satisfied is deemed recoverable, as the performance obligations are considered to be satisfied over time, revenue is recognized over time by measuring the progress towards complete satisfaction of these performance obligations. In the fiscal year under review, net sales recognized on this basis amounted to ¥5,438 million. [\$40,732 thousand]

(b) Information regarding the details of significant accounting estimates associated with identified items

Progress towards complete satisfaction of performance obligations is estimated by an input method based on costs incurred.

Total estimated costs are calculated based on specifications set forth in the relevant supplier agreements by estimating such as the necessary materials, parts and man-hours, primarily in comparison with past projects with similar specifications.

As most relevant manufacturing contracts with customers involve a relatively long project period, the total estimated costs may fluctuate due to changes in the environment and other factors. Accordingly, differences between estimated costs and actual costs may affect revenue recognized.

4 CHANGES IN ACCOUNTING POLICIES

(Adoption of the FASB Accounting Standards Codification (ASC) No.842 “Lease” from the U.S. Financial Accounting Standards Board) The Company’s overseas consolidated subsidiaries that apply U.S. GAAP adopted ASC No. 842 “Lease” from the beginning of the current fiscal year under review. In line with this change, all lease transactions undertaken by these subsidiaries as a lessee are now recognized as assets or liabilities in principle.

Regarding the adoption of the above standard, these subsidiaries follow the transitory treatment of the standard and recognize the cumulative effect of the adoption of standard from the date of the adoption of the standard.

The impact of this change on the consolidated financial statements is insignificant.

5 ADDITIONAL INFORMATION

Introduction of a Performance-Based Share Compensation Plan “Board Benefit Plan (BBT)”

Based on a resolution at the 74th Annual general meeting of shareholders held on June 26, 2020, the Company introduced a performance-based share compensation plan “Board Benefit Plan (BBT)” (hereinafter the “plan”) to reward the Company’s executive directors.

1. Overview of the Plan

The introduction of the plan entails the establishment of the Board Benefit Trust (hereinafter the “BBT”), which acquires the company shares via funding from the Company. In accordance with the Company’s rules on share compensation for directors, the Company will provide executive directors with the shares

through the BBT based on individual and corporate achievements in addition to delivering cash compensation equivalent to the fair value of a portion of the shares to be granted to them.

In general, the executive directors are eligible to receive share compensation only when they have stepped aside from executive director positions.

2. The Company’s Shares Held by the BBT

The Company recorded the value of its shares held by the BBT as treasury shares under net assets (on a basis of the book value determined by the BBT; excluding peripheral expenses). As of March 31, 2023, the number of these shares stands at 252,000, with their book value totaling ¥175 million [\$1,315 thousand].

6 RECEIVABLES AND CONTRACT ASSETS ARISING FROM CONTRACTS WITH CUSTOMERS INCLUDED IN NOTES AND ACCOUNTS RECEIVABLE-TRADE, AND CONTRACT ASSETS

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Notes	¥3,430	¥ 4,309	\$32,274
Accounts receivable-trade	9,302	10,764	80,615
Contract assets	2,747	2,540	19,024

7 ITEMS FOR NON-CONSOLIDATED SUBSIDIARIES

Items for non-consolidated subsidiaries are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Investment securities (Equity)	¥73	¥73	\$546

8 CONTINGENT LIABILITIES

The Company and its subsidiaries were contingently liable for guarantees on March 31, 2022 and 2023 as follows:

Loans and lease obligations of customers who purchased the Company’s products

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Domestic customers (18 and 10 in 2022 and 2023, respectively)	¥664	¥376	\$2,818
Overseas customers (6 and 6 in 2022 and 2023, respectively)	142	138	1,034
Total	¥806	¥514	\$3,852

Contingent liabilities for guarantees in foreign currencies included in the above total amounts are as follows:

	Thousands of foreign currency (Equivalent amount in millions of yen)		Thousands of U.S. dollars
	2022	2023	2023
U.S. dollars	USD 469	USD 416	\$416
	¥(57)	¥(55)	
Euro	EUR 621	EUR 566	618
	¥(84)	¥(82)	

9 REVENUE FROM CONTRACTS WITH CUSTOMERS

Regarding net sales, revenues generated from contracts with customers and other revenues are not listed separately. The amount of revenue generated from the contract with the customer is

described in the note “27 SEGMENT INFORMATION, (3) Information on Sales amount, Profit or Loss, Assets, Other items by Reportable Segment, and Disaggregated information about Revenue”

10 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The major elements of selling, general and administrative expenses for the years ended March 31, 2022 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Salaries and wages	¥6,960	¥7,181	\$53,780
Shipping expenses	3,701	4,326	32,402
Research and development expenses	4,050	3,653	27,361
Provision for product warranties	380	425	3,189
Provision for bonuses	201	244	1,828
Pension expenses	128	263	1,975

11 RESEARCH AND DEVELOPMENT EXPENSES

The research and development expenses incurred during the years ended March 31, 2022 and 2023 included in “Cost of Sales” and

“Selling, General and Administrative Expenses” aggregated to ¥4,050 million and ¥3,653 million (\$27,361 thousand), respectively.

12 DETAILS OF GAIN ON SALES OF NONCURRENT ASSETS

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Machinery, equipment and vehicles	¥ 4	¥10	\$81
Buildings and land	3,684	—	—
Others	0	0	6
Total	¥3,688	¥11	\$88

The main component of the gain on sales of noncurrent assets in the previous consolidated fiscal year is the gain on sale arising from the transfer of the land of the Sekiyado Office owned by the Company.

13 DETAILS OF LOSS ON SALES OF NONCURRENT ASSETS

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Machinery, equipment and vehicles	¥0	¥—	\$—
Buildings and land	0	—	—
Others	0	0	0
Total	¥1	¥0	\$0

14 DETAILS OF LOSS ON RETIREMENT OF NONCURRENT ASSETS

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Buildings and structures	¥ 1	¥ 9	\$ 67
Machinery, equipment and vehicles	13	1	7
Others	3	18	141
Total	¥18	¥28	\$216

15 DETAILS OF PROVISIONS FOR LOSS ON CONSTRUCTION CONTRACTS INCLUDED IN COST OF SALES

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Provision for loss on construction contracts	¥19	¥(17)	\$(134)

16 BUSINESS RESTRUCTURING EXPENSES

(A) Improvement Expenses Information for the Period Ended March 31, 2022

These expenses were incurred due to business structure improvement at manufacturing subsidiary in Europe, and are mainly expenses related to personnel reduction.

(B) Improvement Expenses Information for the Period Ended March 31, 2023

Not applicable.

17 ITEMS WITH REGARD TO OTHER COMPREHENSIVE INCOME

Recycle amount and tax effects relating to other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Valuation difference on available-for-sale securities:			
Amount arising during the period	¥ 480	¥ 954	\$7,144
Recycle amount	98	—	—
Total	579	954	7,144
Foreign currency translation adjustment:			
Amount arising during the period	1,004	1,022	7,658
Total	1,004	1,022	7,658
Remeasurements of defined benefit plans:			
Amount arising during the period	309	(635)	(4,757)
Recycle amount	174	(65)	(488)
Total	484	(700)	(5,246)
Total before tax effect adjustment	2,067	1,276	9,557
Tax effect	(130)	(247)	(1,853)
Total other comprehensive income	¥1,936	¥1,028	\$7,704

Tax effects relating to other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Valuation difference on available-for-sale securities:			
Before tax effect adjustment	¥ 579	¥ 954	\$7,144
Tax effect	(127)	(286)	(2,145)
After tax effect adjustment	451	667	4,999
Foreign currency translation adjustment:			
Before tax effect adjustment	1,004	1,022	7,658
Tax effect	—	—	—
After tax effect adjustment	1,004	1,022	7,658
Remeasurements of defined benefit plans:			
Before tax effect adjustment	484	(700)	(5,246)
Tax effect	(3)	39	292
After tax effect adjustment	480	(661)	(4,953)
Total other comprehensive income			
Before tax effect adjustment	2,067	1,276	9,557
Tax effect	(130)	(247)	(1,853)
After tax effect adjustment	¥1,936	¥1,028	\$7,704

18 CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(A) Consolidated Statements of Changes in Net Assets Information for the Period Ended March 31, 2022

(1) Shares of Stock Issued

	Thousands of shares			
	As of April 1, 2021	Increase during the fiscal year	Decrease during the fiscal year	As of March 31, 2022
Number of shares of common stock issued	58,292,340	—	—	58,292,340

(2) Treasury Shares of Stock

	Thousands of shares			
	As of April 1, 2021	Increase during the fiscal year	Decrease during the fiscal year	As of March 31, 2022
Number of treasury shares of common stock	2,368,339	1,399,901	—	3,768,240

Note: The number of treasury shares at the end of the period March 31, 2022 include 252,000 shares of the Company held by Board Benefit Trust (BBT).

(Summary of reason for change)

The main breakdown of the increase/decrease is as follows.

Increase due to acquisition of treasury shares	1,399,600
Increase due to purchase requests for fractional shares	301

(3) Dividends per Share

(i) Dividends paid

Resolution approved by	Type of shares	Amount (Millions of yen)	Amount per share (Yen)	Date of record	Effective date
Annual general meeting of shareholders (Jun 22, 2021)	Common stock	¥561	¥10	Sep 31, 2021	Jun 23, 2021
Board of Directors' meeting (Oct 29, 2021)	Common stock	¥842	¥15	Sep 30, 2021	Nov 30, 2021

Note: The total amount of dividends paid by the resolution of the Annual general meeting of shareholders held on Jun 22, 2021 includes a dividend of ¥2 million for the Company's shares held by Board Benefit Trust (BBT).

The total amount of dividends paid by the resolution of the Board of Directors meeting held on Oct 29, 2021 includes a dividend of ¥3 million for the Company's shares held by Board Benefit Trust (BBT).

(ii) Dividends with a date of record during the current fiscal year but an effective date subsequent to the current fiscal year

Resolution approved by	Type of shares	Paid from	Amount (Millions of yen)	Amount per share (Yen)	Date of record	Effective date
Annual general meeting of shareholders (Jun 20, 2022)	Common stock	Retained earnings	¥2,245	¥41	Mar 31, 2022	Jun 21, 2022

Note: The total amount of dividends paid by the resolution of the Annual general meeting of shareholders held on Jun 20, 2022 includes a dividend of ¥10 million for the Company's shares held by Board Benefit Trust (BBT).

(B) Consolidated Statements of Changes in Net Assets Information for the Period Ended March 31, 2023

(1) Shares of Stock Issued

		Thousands of shares			
		As of April 1, 2022	Increase during the fiscal year	Decrease during the fiscal year	As of March 31, 2023
Number of shares of common stock issued		58,292,340	—	1,401,600	56,890,740
(Summary of reason for change)					
Decrease due to cancellation of treasury shares			1,401,600		

(2) Treasury Shares of Stock

		Thousands of shares			
		As of April 1, 2022	Increase during the fiscal year	Decrease during the fiscal year	As of March 31, 2023
Number of shares of common stock issued		3,768,240	2,346	1,401,606	2,368,980

Note: The number of treasury shares at the end of the period March 31, 2023 include 252,000 shares of the Company held by Board Benefit Trust (BBT).

(Summary of reason for change)

The main breakdown of the increase/decrease is as follows.

Increase due to acquisition of treasury shares	2,000
Increase due to purchase requests for fractional shares	346
Decrease due to cancellation of treasury shares	1,401,600
Decrease due to additional purchase requests for fractional shares	6

(3) Dividends per Share

(i) Dividends paid

Resolution approved by	Type of shares	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)	Amount per share (Yen)	Amount per share (U.S. dollars)	Date of record	Effective date
Annual general meeting of shareholders (Jun 20 2022)	Common stock	¥2,245	\$16,818	¥41	\$0.30	Mar 31, 2022	Jun 21, 2022
Board of Directors' meeting (Oct 28 2022)	Common stock	¥ 821	\$ 6,152	¥15	\$0.11	Sep 30, 2022	Nov 29, 2022

Note: The total amount of dividends paid by the resolution of the Annual general meeting of shareholders held on Jun 20, 2022 includes a dividend of ¥10 million [\$77 thousand] for the Company's shares held by Board Benefit Trust (BBT).

The total amount of dividends paid by the resolution of the Board of Directors meeting held on Oct 28, 2022 includes a dividend of ¥3 million [\$28 thousand] for the Company's shares held by Board Benefit Trust (BBT).

(ii) Dividends with a date of record during the current fiscal year but an effective date subsequent to the current fiscal year

Resolution approved by	Type of shares	Paid from	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)	Amount per share (Yen)	Amount per share (U.S. dollars)	Date of record	Effective date
Annual general meeting of shareholders (Jun 19, 2023)	Common stock	Retained earnings	¥1,643	\$12,305	¥30	\$0.22	Mar 31, 2023	Jun 20, 2023

Note: The total amount of dividends paid by the resolution of the Annual general meeting of shareholders held on Jun 19, 2023 includes a dividend of ¥7 million [\$56 thousand] for the Company's shares held by Board Benefit Trust (BBT).

19 CASH AND CASH EQUIVALENTS

Total cash and cash equivalents at year-end as included on the balance sheets for the years ended March 31, 2022 and 2023 are analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Cash and deposits	¥48,296	¥47,642	\$356,794
Time deposits with deposit term of over 3 months	(1,046)	(707)	(5,296)
Securities account (transferable deposit within 3 months)	12,400	13,400	100,351
Mutual fund	672	609	4,566
Cash and cash equivalents	¥60,321	¥60,945	\$456,417

20 LEASE TRANSACTIONS

The Company and its subsidiaries have various lease agreements whereby they act both as lessees and lessors. Finance lease contracts other than those which are deemed to transfer the ownership of the leased assets to lessees are accounted for by the method that is applicable to ordinary operating leases.

(1) Finance Lease Transactions

Non-Ownership-Transfer Finance Lease Transactions during the years ended March 31, 2022 and 2023 are as follows:

(a) Description of lease assets

Property, plant and equipment: Mainly computers (included in “tools, furniture and fixtures”)

Intangible assets: Software

(b) Depreciation of lease assets

Lease assets are depreciated using the straight-line method over their individual lease terms with no residual value.

(2) Operating Lease Transactions

Information on Operating Lease Transactions is as follows:

Total of future lease payment to be paid:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Due within 1 year	¥2	¥—	\$—
Due over 1 year	0	—	—
Total	¥3	¥—	\$—

21 FINANCIAL INSTRUMENTS

(A) Summary of Financial Instruments' Status

(1) Action policy with regard to financial instruments

With regard to the management of funds, it is the policy of the Company and its subsidiaries to invest temporary surpluses in highly secure financial assets, while debt from financial institutions and issuance of Bonds payable are used to procure funds. Derivatives are used to avoid the currency exchange risks associated with notes and accounts receivable. Speculative transactions are not conducted.

(2) Details of financial instruments and respective risks

Operating receivables, such as notes and accounts receivable—trade, and contract assets and electronically recorded monetary claims—operating are subject to customer credit risks. Moreover, because the Company engages in business globally, operating receivables denominated in foreign currencies are subject to the risk of fluctuating foreign exchange rates.

Securities and investment securities are subject to the risk associated with market price fluctuations. However, primarily bonds intended to be held to maturity or company stocks held for business activities and are not intended for speculative transactions.

Notes and accounts payable—trade, and Electronically recorded obligations—operating that are included in operating liabilities have a repayment date within one year.

Loans are mainly for the procurement of funds associated with the business activities of overseas consolidated subsidiaries. These are bank loans of limited amounts, the outstanding balances of which the Company regularly confirms. Bonds payable are issued as working capital.

In derivative transactions, foreign exchange forward contracts and currency option trading are used to avoid exchange rate fluctuation risk associated with assets and liabilities denominated in foreign currencies. As a general rule, it is the Company's policy to use derivative transactions within the scope of the aforementioned objectives and to not conduct speculative transactions.

(3) Financial instrument risk management structure

(a) Credit risk (risk of nonperformance by suppliers) management

The relevant divisions of the Company and its subsidiaries manage the due dates and outstanding balances of operating receivables and monitor the status of receivables that are outstanding.

For bonds held to maturity, the credit risk is insignificant, because the Group only holds bonds backed by high credit ratings.

For derivative transactions, there is a possibility of incurring loss due to the nonperformance of the counterparty, but the Group enters into derivative transactions only with major financial institutions and therefore judges that there is no credit risk.

(b) Market risk management

As a general rule, the Company uses foreign exchange forward contracts to hedge risks on operating receivables and payables denominated in foreign currencies. Foreign exchange forward contracts are utilized in accordance with the Company's policy, which includes limits on the volume of contracts that can be entered into. The execution and management of transactions are performed by the Finance Department, and the results of transactions are reported to the officer in charge.

The fair value of securities and investment securities held by the Group and the financial standing of their issuers (business partners) are regularly monitored. Other than securities held to maturity, such holdings are continuously reviewed, with consideration given to relationships with the issuing business partners. Significant purchases and sales are reported to the Board of Directors.

Derivative transactions involve the potential to incur losses due to currency exchange and interest rate fluctuations. However, based on the limited hedging purposes of these transactions and their amounts, the Company judges that there is not excessive market risk. The status of these transactions are reported to the Board of Directors each quarter.

(c) Liquidity risk (the risk of not being able to make payments on scheduled due dates) management related to funding

The Company's Finance Department prepares and updates funding plans as needed to manage liquidity risk.

(4) Supplemental explanation of items with regard to fair value of financial instruments

Contract amounts included in“(B) Items with Regard to Fair Value of Financial Instruments,” are not indicative of the market risks associated with the derivative transactions.

(B) Items with Regard to Fair Value of Financial Instruments

The carrying amounts and fair values of financial instruments, as well as the differences between these amounts are shown in the table below.

	Millions of yen		
	2022		
	Carrying amount*	Fair value*	Difference
(1) Short-term investment securities and investment securities	¥ 9,743	¥9,743	¥ 0
(2) Derivatives	(125)	(125)	—
(3) Bonds payable	(10,000)	(9,973)	27
(4) Long-term loans payable	(357)	(368)	(11)

*1 Liabilities are shown in parentheses.

*2 Cash and deposits, Notes and accounts receivable-trade, and contract assets, Electronically recorded monetary claims—operating, Notes and accounts payable-trade, Electronically recorded obligations-operating, Short-term loans payable and Income taxes payable—are routinely settled in the short term at book value, and the book value is ordinarily equivalent to the fair value, so note has been omitted.

	Millions of yen		
	2023		
	Carrying amount*	Fair value*	Difference
(1) Short-term investment securities and investment securities	¥10,677	¥10,677	¥ 0
(2) Derivatives	(82)	(82)	—
(3) Bonds payable	(10,000)	(9,984)	16
(4) Long-term loans payable	(238)	(229)	9

	Thousands of U.S. dollars		
	2023		
	Carrying amount*	Fair value*	Difference
(1) Short-term investment securities and investment securities	\$79,961	\$79,961	\$ 0
(2) Derivatives	(618)	(618)	—
(3) Bonds payable	(74,889)	(74,769)	119
(4) Long-term loans payable	(1,786)	(1,717)	68

*1 Liabilities are shown in parentheses.

*2 Cash and deposits, Notes and accounts receivable-trade, and contract assets, Electronically recorded monetary claims—operating, Short-term loans receivable, Notes and accounts payable trade, Electronically recorded obligations-operating, Short-term loans payable and Income taxes payable—are routinely settled in the short term at book value, and the book value is ordinarily equivalent to the fair value, so note has been omitted.

Note 1: Transferable deposit (consolidated balance sheet value of ¥14,950 million for the previous fiscal year and ¥15,100 million [\$113,083 thousand] for the current fiscal year) are not included in "(1) Short-term investment securities and investment securities" as such the book value is ordinarily equivalent to the fair value.

Note 2: Financial instruments for which it has not market value

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Unlisted equity securities	¥312	¥312	\$2,343

These instruments are not included in "(1) Short-term investment securities and investment securities" as no market price was available.

Note 3: Expected maturity schedule following the date of the consolidated financial accounts of monetary assets and investment securities

	Millions of yen			
	2022			
	Within 1 year	Within 5 years over 1 year	Within 10 years over 5 years	Over 10 years
Cash and deposits	¥48,296	¥ —	¥ —	¥ —
Notes and accounts receivable-trade, and contract assets	15,193	286	—	—
Electronically recorded monetary claims	1,871	—	—	—
Securities and investment securities				
Transferable deposit	14,950	—	—	—
Mutual funds	672	—	—	—
Bonds (other)	—	10	—	—
Total	¥80,983	¥296	¥ —	¥ —

Millions of yen

2023

	Within 1 year	Within 5 years over 1 year	Within 10 years over 5 years	Over 10 years
Cash and deposits	¥47,642	¥ —	¥—	¥—
Notes and accounts receivable-trade, and contract assets	17,458	155	—	—
Electronically recorded monetary claims	2,003	—	—	—
Securities and investment securities				
Transferable deposit	15,100	—	—	—
Mutual funds	609	—	—	—
Bonds (other)	10	—	—	—
Short-term loans receivable	43	—	—	—
Total	¥82,868	¥155	¥—	¥—

Thousands of U.S. dollars

2023

	Within 1 year	Within 5 years over 1 year	Within 10 years over 5 years	Over 10 years
Cash and deposits	\$356,794	\$ —	\$—	\$—
Notes and accounts receivable-trade, and contract assets	130,746	1,168	—	—
Electronically recorded monetary claims	15,000	—	—	—
Securities and investment securities				
Transferable deposit	113,083	—	—	—
Mutual funds	4,566	—	—	—
Bonds (other)	74	—	—	—
Short-term loans receivable	327	—	—	—
Total	\$620,594	\$1,168	\$—	\$—

Note 4: Expected repayment schedule following the date of the consolidated financial accounts for the settlement of bonds, long-term loans payable and other interest-bearing debt:

Millions of yen

2022

	Within 1 year	Within 2 years over 1 year	Within 3 years over 2 years	Within 4 years over 3 years	Within 5 years over 4 years	Over 5 years
Short-term loans payable	¥ 850	¥ —	¥ —	¥ —	¥—	¥—
Bonds payable	—	—	—	10,000	—	—
Lease obligations	307	185	93	53	35	16
Long-term loans payable	—	135	73	54	55	38
Total	¥1,157	¥321	¥166	¥10,107	¥90	¥55

Millions of yen

2023

	Within 1 year	Within 2 years over 1 year	Within 3 years over 2 years	Within 4 years over 3 years	Within 5 years over 4 years	Over 5 years
Short-term loans payable	¥377	¥ —	—	¥ —	¥—	¥—
Bonds payable	—	—	10,000	—	—	—
Lease obligations	280	178	118	74	22	16
Long-term loans payable	—	77	58	59	42	—
Total	¥657	¥256	¥10,177	¥134	¥65	¥16

Thousands of U.S. dollars

2023

	Within 1 year	Within 2 years over 1 year	Within 3 years over 2 years	Within 4 years over 3 years	Within 5 years over 4 years	Over 5 years
Short-term loans payable	\$2,828	\$ —	\$ —	\$ —	\$ —	\$ —
Bonds payable	—	—	74,889	—	—	—
Lease obligations	2,098	1,338	888	561	169	125
Long-term loans payable	—	581	437	447	320	—
Total	\$4,926	\$1,919	\$76,215	\$1,009	\$490	\$125

(C) Matters Concerning the Breakdown of Financial Instruments by Fair Value Level

The fair value of financial instruments is classified into the following three levels according to the observability and significance of the inputs used to measure the fair value.

Level 1. Fair value measured using quoted prices formed in active markets for assets or liabilities that are subject to fair value measurement, among observable inputs related to fair value measurement

Level 2. Fair value measured using inputs related to fair value measurement other than Level 1 inputs, among observable inputs related to fair value measurement

Level 3. Fair value measured unobservable inputs related to fair value measurement

When multiple inputs are used that have significant influences on the fair value measurement, the financial instrument is classified in the level same as input with lowest priority in the fair value measurement, out of each level these inputs belong.

(1) Financial instruments recorded on the consolidated balance sheets value

Millions of yen				
2022				
Fair value				
	Level 1	Level 2	Level 3	Total
Short-term investment securities and investment securities				
Stocks	¥9,061	¥ —	¥—	¥9,061
Investment trust	672	—	—	672
Assets Total	¥9,733	¥ —	¥—	¥9,733
Derivatives	—	125	—	125
Liabilities Total	¥ —	¥125	¥—	¥ 125

Millions of yen				
2023				
Fair value				
	Level 1	Level 2	Level 3	Total
Short-term investment securities and investment securities				
Stocks	¥10,057	¥ —	¥—	¥10,057
Investment trust	609	—	—	609
Assets Total	¥10,667	¥ —	¥—	¥10,667
Derivatives	—	82	—	82
Liabilities Total	¥ —	¥82	¥—	¥ 82

Thousands of U.S. dollars				
2023				
Fair value				
	Level 1	Level 2	Level 3	Total
Short-term investment securities and investment securities				
Stocks	\$75,319	\$ —	\$—	\$75,319
Investment trust	4,566	—	—	4,566
Assets Total	\$79,886	\$ —	\$—	\$79,886
Derivatives	—	618	—	618
Liabilities Total	\$ —	\$618	\$—	\$ 618

(2) Financial instruments other than those recorded on the consolidated balance sheets at fair value

Millions of yen				
2022				
Fair value				
	Level 1	Level 2	Level 3	Total
Short-term investment securities and investment securities held-to-maturity bonds				
Bonds (other)	¥—	¥ 9	¥—	¥ 9
Assets Total	¥—	¥ 9	¥—	¥ 9
Bonds payable	—	9,973	—	9,973
Long-term loans payable	—	368	—	368
Liabilities Total	¥—	¥10,341	¥—	¥10,341

Millions of yen

2023

Fair value

	Level 1	Level 2	Level 3	Total
Short-term investment securities and investment securities held-to-maturity bonds				
Bonds (other)	¥—	¥ 9	¥—	¥ 9
Assets Total	¥—	¥ 9	¥—	¥ 9
Bonds payable	—	9,984	—	9,984
Long-term loans payable	—	229	—	229
Liabilities Total	¥—	¥10,213	¥—	¥10,213

Thousands of U.S. dollars

2023

Fair value

	Level 1	Level 2	Level 3	Total
Short-term investment securities and investment securities held-to-maturity bonds				
Bonds (other)	\$—	\$ 74	\$—	\$ 74
Assets Total	\$—	\$ 74	\$—	\$ 74
Bonds payable	—	74,769	—	74,769
Long-term loans payable	—	1,717	—	1,717
Liabilities Total	\$—	\$76,487	\$—	\$76,487

Note: Explanation of valuation techniques and inputs used to calculate fair value

(1) Stocks

Listed stocks are valued using market prices.

Listed stocks are traded in real markets, so their market value is classified as level 1 market value.

(2) Investment trust

Investment trust are valued using market prices.

Investment trust are traded in real markets, so their market value is classified as level 1 market value.

(3) Derivative transactions

Derivative transactions are based on the amount offered by the main financial institution and are classified as level 2 market value.

(4) Bonds (Others)

Bonds are calculated based on market value information provided by financial institutions and are classified as level 2 market values.

(5) Corporate bonds

Corporate bonds are calculated from the Statistical Prices for OTC Bond Transactions of the Japan Securities Dealers Association and are classified as Level 2 market prices.

(6) Long-term loans payable

Long-term loans payable is calculated by the present value of the principal and interest of the long-term borrowing classified by borrowing contract, discounted at the expected interest rate in the same borrowing, and is classified as Level 2 market value.

22 INVESTMENT SECURITIES

(1) Held-to-maturity bonds

Millions of yen

2022

	Carrying amount	Acquisition cost	Gross unrealized gains	Gross unrealized losses
Book value exceeding acquisition cost:				
Bonds (other)	¥ —	¥—	¥—	¥—
Book value equal to or less than acquisition cost:				
Bonds (other)	10	10	—	(0)
Total	¥10	¥10	¥—	¥(0)

Millions of yen

2023

	Carrying amount	Acquisition cost	Gross unrealized gains	Gross unrealized losses
Book value exceeding acquisition cost:				
Bonds (other)	¥—	¥—	¥—	¥—
Book value equal to or less than acquisition cost:				
Bonds (other)	10	10	—	(0)
Total	¥10	¥10	¥—	¥(0)

Thousands of U.S. dollars				
2023				
	Carrying amount	Acquisition cost	Gross unrealized gains	Gross unrealized losses
Book value exceeding acquisition cost:				
Bonds (other)	\$—	\$—	\$—	\$—
Book value equal to or less than acquisition cost:				
Bonds (other)	74	74	—	(0)
Total	\$74	\$74	\$—	\$ (0)

(2) Other investment securities

Millions of yen				
2022				
	Carrying amount	Acquisition cost	Gross unrealized gains	Gross unrealized losses
Book value exceeding acquisition cost:				
Equity securities	¥ 8,378	¥ 3,555	¥4,822	¥ —
Book value equal to or less than acquisition cost				
Equity securities	683	785	—	(102)
Transferable deposit	14,950	14,950	—	—
Mutual funds	672	672	—	—
Total	¥24,683	¥19,963	¥4,822	¥(102)

Millions of yen				
2023				
	Carrying amount	Acquisition cost	Gross unrealized gains	Gross unrealized losses
Book value exceeding acquisition cost:				
Equity securities	¥ 9,868	¥ 4,151	¥5,716	¥ —
Book value equal to or less than acquisition cost				
Equity securities	189	231	—	(42)
Transferable deposit	15,100	15,100	—	—
Mutual funds	609	609	—	—
Total	¥25,767	¥20,093	¥5,716	¥(42)

Thousands of U.S. dollars				
2023				
	Carrying amount	Acquisition cost	Gross unrealized gains	Gross unrealized losses
Book value exceeding acquisition cost:				
Equity securities	\$ 73,901	\$ 31,093	\$42,808	\$ —
Book value equal to or less than acquisition cost				
Equity securities	1,418	1,733	—	(315)
Transferable deposit	113,083	113,083	—	—
Mutual funds	4,566	4,566	—	—
Total	\$192,970	\$150,477	\$42,808	\$(315)

(3) Available-for-sale securities sold during the period

Proceeds and gross realized gains and losses from the sale of available-for-sale securities are as follows:

- Equity

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Proceeds from sales	¥9	¥—	\$—
Gain (Loss)	5	—	—

(4) Available-for-sale securities that have been impaired**(A) Information for the Period Ended March 31, 2022**

Impairment of ¥104 million has been applied to the shares of available-for-sale securities.

(B) Information for the Period Ended March 31, 2023

Impairment losses are not recorded for the shares of available-for-sale securities.

The Company recognizes impairment loss when the market value at the end of the period falls by 50% compared to the acquisition cost. When the market value falls by about 30-50% compared to the acquisition cost, the Company considers the possibility of recovery and recognizes impairment loss for the amount deemed necessary.

23 DERIVATIVE INFORMATION**(A) Derivative Information for the Period Ended March 31, 2022**

Derivative transactions to which hedge accounting is not applied are as follows:

	Millions of yen			
	Contractual value or notional principal amount		Fair value	Valuation gain
	Total	Over 1 year		
Foreign exchange forward contracts (selling)				
USD	¥ 813	¥—	¥ (55)	¥ (55)
EUR	3,145	—	(66)	(66)
GBP	155	—	(4)	(4)
Total	¥4,113	¥—	¥(125)	¥(125)

Derivative transactions to which hedge accounting is applicable:

Not applicable.

(B) Derivative Information for the Period Ended March 31, 2023

Derivative transactions to which hedge accounting is not applied are as follows:

	Millions of yen			
	Contractual value or notional principal amount		Fair value	Valuation gain
	Total	Over 1 year		
Foreign exchange forward contracts (selling)				
USD	¥ 920	¥—	¥(24)	¥(24)
EUR	2,441	—	(45)	(45)
Foreign exchange forward contracts (buying)				
USD	500	—	(11)	(11)
Total	¥3,862	¥—	¥(82)	¥(82)

	Thousands of U.S. dollars			
	Contractual value or notional principal amount		Fair value	Valuation gain
	Total	Over 1 year		
Foreign exchange forward contracts (selling)				
USD	\$ 6,891	\$—	\$(186)	\$(186)
EUR	18,283	—	(342)	(342)
Foreign exchange forward contracts (buying)				
USD	3,750	—	(89)	(89)
Total	\$28,924	\$—	\$(618)	\$(618)

Derivative transactions to which hedge accounting is applicable:

Not applicable.

24 RETIREMENT BENEFITS

(1) Outline of Retirement Benefit Plans Adopted

To secure retirement benefits for their employees, the Company and its consolidated subsidiaries adopt defined benefit and defined contribution pension plans, both of which include funded and unfunded plans. In some cases, employees receive additional retirement benefits outside of the actuarial calculation of projected benefit obligations.

(2) Defined Benefit Plans

1. Adjustments to the balance of Projected Benefit Obligations at the beginning and end of the Fiscal Year (excluding plans using the simplified method)

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Beginning Projected Benefit Obligations balance	¥20,909	¥20,370	\$152,556
Service cost	715	677	5,071
Interest cost	102	140	1,053
Actuarial difference	(616)	(1,744)	(13,066)
Retirement benefit paid	(1,076)	(1,312)	(9,831)
Other	336	265	1,988
Ending Projected Benefit Obligations balance	¥20,370	¥18,396	\$137,771

2. Adjustments to the balance of Plan Assets at the beginning and end of the Fiscal Year (excluding plans using the simplified method)

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Beginning plan assets balance	¥20,695	¥20,892	\$156,464
Expected return on Assets	276	330	2,471
Actuarial difference	(137)	(2,411)	(18,060)
Employer's contribution	691	670	5,022
Retirement benefit paid	(1,063)	(1,285)	(9,625)
Other	429	260	1,948
Ending plan assets balance	¥20,892	¥18,456	\$138,220

3. Adjustments to the balance of Net Defined Benefit Liabilities at the beginning and end of the Fiscal Year (concerning plans using the simplified method)

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Beginning net defined benefit liabilities balance	¥498	¥570	\$4,269
Pension expenses	137	99	743
Retirement benefit paid	(60)	(169)	(1,270)
Contribution to plans	(4)	(4)	(31)
Ending net defined benefit liabilities balance	¥570	¥495	\$3,711

4. Adjustments to the Year-End balances of Projected Benefit Obligations and Plan Assets and to Net Defined Benefit Liabilities/Assets on the Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Projected benefit obligations of funded plans	¥20,336	¥18,362	\$137,514
Plan assets	(20,939)	(18,505)	(138,587)
Subtotal	(603)	(143)	(1,073)
Projected benefit obligations of unfunded plans	651	578	4,334
Net liabilities/assets on the consolidated balance sheets	48	435	3,261
Net defined benefit liabilities	1,832	1,738	13,017
Net defined benefit assets	(1,784)	(1,302)	(9,756)
Net liabilities/assets on the consolidated balance sheets	¥ 48	¥ 435	\$ 3,261

Note: Figures include plans using the simplified method.

5. Breakdown of Pension Expenses

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Service cost	¥715	¥677	\$5,071
Interest cost	102	140	1,053
Expected return on plan assets	(276)	(330)	(2,471)
Actuarial difference reflected in expenses	174	(65)	(488)
Pension expenses calculated using the simplified method	137	99	743
Other	2	3	24
Pension expenses concerning defined benefit plans	¥856	¥525	\$3,932

Note: In addition to the above retirement benefit expenses, special retirement allowances related to the early retirement incentive system are recorded at approximately ¥133 million for the previous consolidated fiscal year.

6. Remeasurements of Defined Benefit Plans (Consolidated comprehensive income)

Breakdown of remeasurements of defined benefit plans (before tax deductions)

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Actuarial difference	¥484	¥(700)	\$(5,246)
Total	¥484	¥(700)	\$(5,246)

7. Remeasurements of Defined Benefit Plans (Consolidated balance sheet)

Breakdown of remeasurements of defined benefit plans (before tax deductions)

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Unrecognized actuarial difference	¥(157)	¥(856)	\$(6,413)
Total	¥(157)	¥(856)	\$(6,413)

8. Matters Concerning Plan Assets

(a) Principal Components of Plan Assets

Proportions of principal components of plan assets by category

	2022	2023
Bonds	46.3%	42.4%
Stocks	13.5%	13.7%
Cash and deposits	0.5%	0.7%
General accounts	28.7%	31.5%
Other	11.0%	11.7%
Total	100%	100%

(b) Methods to Determine the Expected Long-Term Rate of Return on Plan Assets

In determining the expected long-term rate of return on its plan assets, the Company takes into consideration the distributions of its current and future pension asset portfolio as well as the rates of the short- to long- term returns expected from the various components of its pension assets.

9. Matters Concerning Actuarial Assumptions Used in the Calculation

Primary factors representing actuarial assumptions for the years ended March 31, 2020 and 2021 (weighted-average method)

	2022	2023
Discount rate	0.7%	1.1%
Long-term expected rate of return	1.3%	2.1%

(3) Defined Contribution Plans

Contributions made by the Company and its consolidated subsidiaries to defined contribution plans totaled ¥373 million at March 31, 2022, and ¥390 million (\$2,924 thousand) at March 31, 2023.

25 INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to several taxes based on income, which in aggregate result in the total effective statutory tax rate disclosed for the years ended March 31, 2022 and 2023. Overseas consolidated subsidiaries are subject to income taxes of the countries in which they operate.

(1) Significant components of the Company's deferred income tax assets and liabilities at March 31, 2022 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Deferred tax assets:			
Impairment loss	¥ 5,454	¥ 5,070	\$37,970
Tax loss carried forward	4,476	3,740	28,011
Research and development expenses	475	457	3,427
Loss on valuation of inventories	1,411	1,539	11,531
Net defined benefit liability	480	477	3,572
Intercompany profits	406	623	4,667
Provision for bonuses	314	356	2,666
Provision for product warranties	166	155	1,167
Provision of allowance for doubtful accounts	105	88	660
Others	962	1,107	8,297
Subtotal	14,253	13,616	101,973
Valuation allowance for Tax loss carried forward	(3,908)	(3,090)	(23,147)
Valuation allowance for deductible temporary differences	(8,219)	(7,694)	(57,624)
Less—Valuation allowance	(12,127)	(10,785)	(80,772)
Total deferred tax assets	2,126	2,831	21,201
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(1,180)	(1,466)	(10,985)
Valuation difference by consolidation	(320)	(209)	(1,568)
Net defined benefit asset	(462)	(343)	(2,570)
Deferred earnings of fixed assets	(327)	(319)	(2,392)
Others	(167)	(219)	(1,642)
Total deferred tax liabilities	(2,458)	(2,558)	(19,159)
Net deferred tax assets	¥ (332)	¥ 272	\$ 2,041

Note: Deferred tax loss and amount of Deferred tax assets by deferral period

	Millions of yen						Total
	2022						
	Within 1 year	Within 2 years over 1 year	Within 3 years over 2 years	Within 4 years over 3 years	Within 5 years over 4 years	Over 5 years	
Tax loss carried forward	¥50	¥3	¥6	¥32	¥6	¥4,375	¥4,476
Valuation allowance	(50)	(3)	(6)	(32)	(1)	(3,813)	(3,908)
Total deferred tax assets	¥ 0	¥0	¥0	¥—	¥5	¥ 561	¥ 567

Note: Tax loss carried forward is measured by multiplying the tax loss incurred by the statutory effective tax rate.

Deferred tax losses of ¥4,476 million (amount multiplied by the statutory tax rate) are available, which after valuation allowance result in deferred tax asset of ¥567 million being recognized. The deferred tax asset relating to tax loss carried forward consist of tax loss carried forward at some of consolidated subsidiaries. This tax loss carried forward raised from net losses before tax in the past. The Company determines that it is recoverable considering the taxable income in the future.

	Millions of yen						Total
	2023						
	Within 1 year	Within 2 years over 1 year	Within 3 years over 2 years	Within 4 years over 3 years	Within 5 years over 4 years	Over 5 years	
Tax loss carried forward	¥ 1	¥ 1	¥39	¥5	¥44	¥3,648	¥3,740
Valuation allowance	(1)	(1)	(6)	(4)	(2)	(3,074)	(3,090)
Total deferred tax assets	¥—	¥—	¥32	¥1	¥42	¥ 573	¥ 649

Note: Tax loss carried forward is measured by multiplying the tax loss incurred by the statutory effective tax rate.

Deferred tax losses of ¥3,740 million [\$ 28,011 thousand] (amount multiplied by the statutory tax rate) are available, which after valuation allowance result in deferred tax asset of ¥649 million [\$4,863 thousand] being recognized. The deferred tax asset relating to tax loss carried forward consist of tax loss carried forward at some of consolidated subsidiaries. This tax loss carried forward raised from net losses before tax in the past. The Company determines that it is recoverable considering the taxable income in the future.

Thousands of U.S. dollars

	2023						Total
	Within 1 year	Within 2 years over 1 year	Within 3 years over 2 years	Within 4 years over 3 years	Within 5 years over 4 years	Over 5 years	
Tax loss carried forward	\$12	\$12	\$292	\$38	\$333	\$27,322	\$28,011
Valuation allowance	(12)	(12)	(50)	(30)	(17)	(23,025)	(23,147)
Total deferred tax assets	\$—	\$—	\$242	\$ 7	\$316	\$ 4,297	\$ 4,863

(2) The components of the difference between the statutory effective tax rate and the burden rate of corporate tax after tax effect accounting is applied are as follows

	2022	2023
Legal effective tax rate	30.5%	30.5%
Valuation allowance	(16.9%)	(23.0%)
Tax rate difference of consolidated subsidiaries	(2.7%)	(2.0%)
Amortization of goodwill	2.2%	2.5%
Other	(1.6%)	4.3%
Corporate tax burden rate after tax effect accounting	11.5%	12.3%

26 REVENUE RECOGNITION

1. Disaggregated information about revenue arising from contracts with customers

Disaggregated information about revenue arising from contracts with customers is provided in "27 SEGMENT INFORMATION, (3) Information on Sales amount, Profit or Loss, Assets, Other items by Reportable Segment, and Disaggregated information about Revenue."

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

Information that provides the basis for understanding revenue arising from contracts with customers is provided in "2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (8) Recognition of Significant Revenues and Expenses."

3. Information about the satisfaction of performance obligations based on contracts with customers and cash flows arising from such contracts as well as the amounts and timing of revenue forecast to be recognized in the following fiscal year or later based on contracts with customers in effect at the end of the fiscal year under review

The breakdown of receivables arising from contracts with customers, contract assets and contract liabilities is as follows.

Balances of contract assets and contract liabilities

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Receivables arising from contracts with customers at beginning of period	¥12,575	¥14,604	\$109,373
Receivables arising from contracts with customers at end of period	14,604	17,077	127,890
Contract assets at beginning of period	3,347	2,747	20,576
Contract assets at end of period	2,747	2,540	19,024
Contract liabilities at beginning of period	9,431	12,730	95,340
Contract liabilities at end of period	12,730	12,796	95,833

Contract liabilities at the beginning of the period included ¥6,763 million that was recognized as revenue in the previous fiscal year.

Contract liabilities at the beginning of the period included ¥9,565 million [\$71,636 thousand] that was recognized as revenue in the fiscal year under review.

Transaction price allocated to the remaining performance obligations

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Within 1 year	¥56,649	¥54,799	\$410,390
Over 1 year	1,990	4,793	35,894
Total	¥58,639	¥59,592	\$446,285

27 SEGMENT INFORMATION

(1) Overview of Reportable Segments

1. Method for defining reportable segments

Komori's reportable segments are constituent units of the Company whose separate financial information is obtainable. The Company's Board of Directors periodically examines these segments for the purpose of deciding the allocation of management resources and assessing operating results.

The Komori Group is primarily engaged in a single business activity, namely, the manufacture, sale and repair of printing presses. Komori has established a structure to manufacture all of its products in Europe and Greater China centering on Japan. Meanwhile, the Company has developed a global sales and marketing structure underpinned by subsidiaries based in important overseas markets. These overseas subsidiaries are independently promoting business activities through the formulation and implementation of their own comprehensive, region-specific sales and marketing strategies.

Accordingly, the Komori Group has the four reportable segments of "Japan," "North America," "Europe" and "Greater China" which are defined in line with locations of Komori and its Group companies constituting its global sales, manufacturing and research developing structure.

2. Regional scope of marketing covered by each reportable segment

The composition of individual reportable segments is as follows. The reportable segment "Japan" includes sales recorded in Japan, Central and South America and Asia (excluding a portion of Greater China) as well as sales of security printing presses to overseas customers. Komori Corporation and SERIA CORPORATION are in charge of sales and marketing in this segment.

The reportable segment "North America" mainly includes sales recorded in the United States. Komori America Corporation is in charge of sales and marketing in this segment.

The reportable segment "Europe" mainly includes sales recorded in Western Europe, Eastern Europe and the Middle East. Komori International (Europe) B.V. is in charge of sales and marketing in this segment. This segment also includes Komori Chambon, which manufactures and sells package printing presses, and MBO Group, which manufactures and sells post-printing finishing machines.

The reportable segment "Greater China" includes sales recorded in Greater China, except for a portion recorded in this region. Komori Hong Kong (KHK) Group and Komori Taiwan Limited are in charge of sales and marketing in this segment. The China-based Komori Machinery (Nantong) Co., Ltd., a subsidiary charged with the manufacture and sales of printing machinery and equipment as well as parts for these products, is also included in this segment.

3. Matters related to changes in reportable segments, etc.

On March 16, 2022, the Company executed organizational revisions establishing regional business headquarters in Europe, the Americas and Greater China. These headquarters have been operational since the beginning of the current fiscal year ended March 31, 2023. Through this revision, each key group subsidiary in geographical segment is now equipped with regional headquarter function, which perform planning and promotion of region-specific strategy to utilize group assets in each location to the fullest. Accordingly, all Group assets located in each geographical segment are now being managed and handled comprehensively by each segment.

In line with this new management structure, the Group revised its methods for allocating surplus operating funds earmarked for investment, noncurrent assets and other assets previously deemed corporate assets. The Company now allocates these assets to each segment as the Group considers them naturally better suited for management and handling by the segment possessing them.

Segment information for the fiscal year ended March 31, 2022, is presented based on the revised methods for asset allocation.

(2) Accounting Method Concerning Net Sales, Operating Profit (Loss), Assets, Liabilities and Other Items by Reportable Segment

The accounting methods for the reportable segments are basically the same as the accounting methods used in the preparation of consolidated financial statements.

Intersegment sales and transfers are based on wholesale prices calculated by taking into account current market values and other factors.

(3) Information on Sales Amount, Profit or Loss, Assets, Other items by Reportable Segment, and Disaggregated Information about Revenue

Millions of yen

Year ended March 31, 2022	Reportable Segment					Others (Note)	Total
	Japan	North America	Europe	Greater China	Subtotal		
Net sales							
Goods accounting transferred at a point in time	¥ 37,982	¥7,802	¥20,242	¥13,384	¥ 79,411	¥2,075	¥ 81,487
Goods accounting transferred over time	5,674	109	170	129	6,084	—	6,084
Revenue from contracts with customers	43,657	7,912	20,413	13,513	85,496	2,075	87,571
Other revenue	—	—	51	—	51	—	51
Sales to external customers	43,657	7,912	20,464	13,513	85,547	2,075	87,623
Intersegment sales	20,216	17	751	1,478	22,463	147	22,611
Total	63,873	7,929	21,216	14,992	108,011	2,223	110,234
Segment profit	284	1,141	703	216	2,347	96	2,444
Assets	131,718	8,999	22,775	10,634	174,128	1,839	175,968
Other items							
Depreciation	746	26	725	350	1,849	28	1,877
Amortization of goodwill	89	—	—	413	502	—	502
Increase of property, plant and equipment and intangible assets	¥ 1,181	¥ 6	¥ 1,084	¥ 96	¥ 2,369	¥ 1	¥ 2,371

Note: Others includes the Company's business activities conducted outside the reportable segments, namely, those undertaken by sales subsidiaries in India, Singapore and Malaysia.

Millions of yen

Year ended March 31, 2023	Reportable Segment					Others (Note)	Total
	Japan	North America	Europe	Greater China	Subtotal		
Net sales							
Goods accounting transferred at a point in time	¥ 44,376	¥7,865	¥22,362	¥13,354	¥ 87,959	¥3,270	¥ 91,229
Goods accounting transferred over time	6,175	150	157	123	6,607	48	6,655
Revenue from contracts with customers	50,552	8,015	22,520	13,478	94,566	3,318	97,884
Other revenue	—	—	29	—	29	—	29
Sales to external customers	50,552	8,015	22,549	13,478	94,595	3,318	97,914
Intersegment sales	25,457	34	724	1,727	27,944	256	28,200
Total	76,010	8,049	23,274	15,205	122,540	3,574	126,114
Segment profit (loss)	5,251	230	370	(32)	5,819	302	6,122
Assets	141,943	6,659	21,161	9,963	179,728	3,046	182,774
Other items							
Depreciation	778	30	647	410	1,866	29	1,896
Amortization of goodwill	56	—	—	490	547	—	547
Increase of property, plant and equipment and intangible assets	¥ 1,537	¥ 40	¥ 672	¥ 28	¥ 2,279	¥ 22	¥ 2,302

Thousands of U.S. dollars

Year ended March 31, 2023	Reportable Segment					Others (Note)	Total
	Japan	North America	Europe	Greater China	Subtotal		
Net sales							
Goods accounting transferred at a point in time	\$ 332,336	\$58,901	\$167,474	\$100,009	\$ 658,721	\$24,490	\$ 683,212
Goods accounting transferred over time	46,248	1,123	1,181	926	49,480	362	49,842
Revenue from contracts with customers	378,585	60,024	168,655	100,936	708,202	24,853	733,055
Other revenue	—	—	219	—	219	—	219
Sales to external customers	378,585	60,024	168,874	100,936	708,421	24,853	733,274
Intersegment sales	190,653	254	5,428	12,939	209,276	1,917	211,193
Total	569,238	60,279	174,302	113,875	917,697	26,770	944,467
Segment profit (loss)	39,325	1,726	2,772	(240)	43,584	2,267	45,851
Assets	1,063,007	49,870	158,477	74,619	1,345,974	22,814	1,368,788
Other items							
Depreciation	5,830	225	4,849	3,073	13,978	223	14,201
Amortization of goodwill	421	0	0	3,675	4,097	0	4,097
Increase of property, plant and equipment and intangible assets	\$ 11,516	\$ 305	\$ 5,037	\$ 215	\$ 17,074	\$ 171	\$ 17,246

Note: Others includes the Company's business activities conducted outside the reportable segments, namely, those undertaken by sales subsidiaries in India, Singapore and Malaysia.

(4) Adjustments for Differences between Total Amounts in Reportable Segments and Corresponding Amounts as Presented in the Consolidated Financial Statements

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Net sales			
Total net sales in reportable segments	¥108,011	¥122,540	\$917,697
Net sales in others	2,223	3,574	26,770
Eliminations	(22,611)	(28,200)	(211,193)
Net sales as presented in the Consolidated Financial Statements	¥ 87,623	¥ 97,914	\$ 733,274

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Operating profit (loss)			
Total operating profit (loss) in reportable segments	¥2,347	¥5,819	\$43,584
Operating profit (loss) in others	96	302	2,267
Adjustments for inventories	(457)	(696)	(5,214)
Eliminations	286	198	1,488
Other adjustments	(5)	94	709
Operating profit (loss) as presented in the Consolidated Financial Statements	¥2,267	¥5,719	\$42,834

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Assets			
Total assets in reportable segments	¥174,128	¥179,728	\$1,345,974
Assets in others	1,839	3,046	22,814
Adjustments for inventories	(1,465)	(2,161)	(16,189)
Eliminations	(17,628)	(15,412)	(115,426)
Other adjustments	207	323	2,423
Assets as presented in the Consolidated Financial Statements	¥157,081	¥165,523	\$1,239,596

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Depreciation			
Total depreciation in reportable segments	¥1,849	¥1,866	\$13,978
Depreciation in others	28	29	223
Adjustments for depreciation	(0)	(0)	(3)
Depreciation as presented in the Consolidated Financial Statements	¥1,877	¥1,895	\$14,198

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Increase of property, plant, and equipment, and intangible assets			
Total amount of increase in reportable segments	¥2,369	¥2,279	\$17,074
Amount of increase in others	1	22	171
Adjustments for amount of increase	—	—	—
Amount of increase as presented in the Consolidated Financial Statements	¥2,371	¥2,302	\$17,246

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Amortization of goodwill			
Total amortization of goodwill in reportable segments	¥502	¥547	\$ 4,097
Amortization of goodwill in others	—	—	—
Adjustments for amortization of goodwill	—	—	—
Amortization of goodwill as presented in the Consolidated Financial Statements	¥502	¥547	\$4,097

28 RELATED INFORMATION

(1) Information by Product/Service

Sales to external customers

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Manufacture and sale of printing presses	¥65,426	¥74,156	\$ 555,354
Service and repair, used presses	22,196	23,757	177,919
Total	¥87,623	¥97,914	\$733,274

(2) Information by Region

1. Net Sales

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Japan	¥22,975	¥30,057	\$225,100
The Americas	11,923	13,081	97,969
Europe	14,687	16,128	120,783
Greater China—China	21,128	16,664	124,799
—Others	247	1,212	9,076
Other Regions	16,659	20,769	155,544
Total	¥87,623	¥97,914	\$733,274

Note: Sales are classified by countries or regions where customers are located.

2. Property, Plant and Equipment

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Japan	¥11,645	¥12,463	\$ 93,339
The Americas	150	172	1,289
Europe	3,951	4,288	32,117
Greater China	1,119	994	7,451
Other Regions	99	119	894
Total	¥16,966	¥18,038	\$135,091

(3) Other information

Information Concerning Principal Customer

Information of principal customer has been omitted as no customer exceeds 10% of the total sales amount for the year.

Information Concerning Impairment Loss on Fixed Assets by Reportable Segment

Not applicable.

Information Concerning Amortization and Unamortized Balance of Goodwill by Reportable Segment

Year ended March 31, 2022

Goodwill	Reportable segment					Others	Total
	Japan	North America	Europe	Greater China	Subtotal		
Millions of yen	¥197	¥—	¥—	¥2,230	¥2,427	¥—	¥2,427

Note: Information on amortization of goodwill has been omitted because similar information is disclosed in Segment Information.

Year ended March 31, 2023

Goodwill	Reportable segment					Others	Total
	Japan	North America	Europe	Greater China	Subtotal		
Millions of yen	¥144	¥—	¥—	¥1,940	¥2,085	¥—	¥2,085
Thousands of U.S. dollars	\$1,082	\$—	\$—	\$14,532	\$15,615	\$—	\$15,615

Note: Information on amortization of goodwill has been omitted because similar information is disclosed in Segment Information.

Information Concerning Gain on Bargain Purchase by Reportable Segment

Not applicable.

29 RELATED-PARTY TRANSACTIONS

Not applicable.

30 PER SHARE INFORMATION

The bases for calculating net assets per share for the years ended March 31, 2022 and 2023 are as follows:

	Millions of yen		U.S. dollars
	2022	2023	2023
Net assets per share	¥1,894.34	¥1,961.88	\$14.69
Net income per share	110.67	104.85	0.79

Note: 1. Diluted earnings per share are not presented in the table above as there were no potentially dilutive shares.

Note: 2. The Company shares held by Board Benefit Trust (BBT) are classified as treasury shares as part of shareholders' equity and, accordingly, excluded from the number of shares outstanding as of the fiscal year-end to calculate net assets and profits per share.

The number of treasury shares held by Board Benefit Trust (BBT) at the end of the fiscal year that were excluded from the calculation of net assets per share was 252,000 shares in the previous consolidated fiscal year and 252,000 shares in the current consolidated fiscal year.

The average number of treasury shares held by Board Benefit Trust (BBT) during the fiscal year that were excluded from the calculation of net income per share was 252,000 shares in the previous consolidated fiscal year and 252,000 shares in the current consolidated fiscal year.

(1) Net Income per Share

The bases for calculating net income per share for the years ended March 31, 2022 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Net income per share			
Profit attributable to owners of parent	¥ 6,158	¥ 5,716	\$ 42,813
Less: Components not pertaining to common stock shareholders	—	—	—
Profit attributable to owners of parent pertaining to common stock	6,158	5,716	42,813
Average number of shares outstanding (in thousands of shares)	55,649	54,522	54,522

(2) Net Assets per Share

The bases for calculating net assets per share for the years ended March 31, 2022 and 2023 are as follows:

	Millions of yen		U.S. dollars
	2022	2023	2023
Net assets on consolidated balance sheets	¥103,382	¥107,133	\$802,317
Amount deducted from net assets	95	168	1,260
Non controlling interest included above	(95)	(168)	(1,260)
Net assets pertaining to common stock	103,286	106,965	801,056
Number of shares of common stock as of year-end used to calculate net assets per share (in thousands of shares)	54,524	54,521	54,521

31 SIGNIFICANT SUBSEQUENT EVENTS

(Purchase of Treasury Shares)

The Company resolved at a meeting of the Board of Directors held on May 15, 2023, to purchase treasury shares pursuant to the provisions of Article 459, Paragraph 1 of the Companies Act and the Company's Articles of Incorporations described below.

1. Reasons for the purchase of treasury shares

The Company will purchase treasury shares in order to implement a flexible capital policy according to the business environment and to improve shareholder return and capital efficiency.

2. Details of matters pertaining to the purchase of treasury shares

- | | |
|--|---|
| (1) Class of shares to be purchased | Common stock of the Company |
| (2) Total number of shares to be purchased | 1,500,000 shares (at maximum) |
| | (2.73% of the total number of shares outstanding [excluding treasury shares]) |
| (3) Total amount of purchase cost | ¥1,500 million [\$11,233 thousand] (at maximum) |
| (4) Purchase period | From May 16, 2023 through January 31, 2024 |
| (5) Acquisition method | Market purchase on the Tokyo Stock Exchange |

32 BONDS PAYABLE

Company name	Bond name	Issued date	2022	2023	Rate %	Collateral	Redemption date
Komori Corporation	2nd unsecured Bonds payable	October 12, 2020	¥10,000 million	¥10,000 million	0.4	unsecured	October 10, 2025
				\$74,889 thousand			

Total amount of redemption scheduled for each year within 5 years after the consolidated closing date.

Within 1 year	Within 2 years over 1 year	Within 3 years over 2 years	Within 4 years over 3 years	Within 5 years over 4 years
¥—	¥—	¥10,000 million	¥—	¥—
\$—	\$—	\$74,889 thousand	\$—	\$—

33 SHORT-TERM LOANS PAYABLE, LONG-TERM LOANS PAYABLE AND LEASE OBLIGATIONS

(1) Short-Term Loans Payable as of March 31, 2022 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Short-term loans payable	¥850	¥377	\$2,828
Total	¥850	¥377	\$2,828

Average rate of short-term loans payable as of March 31, 2023: 3.9%

(2) Long-Term Loans Payable as of March 31, 2022 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Long-term loans payable	¥357	¥238	\$1,786
Total	¥357	¥238	\$1,786

Average rate of long-term loans payable as of March 31, 2023: 3.9%

Repayment deadline for long-term loans as of March 31, 2023: April 2024 to November 2027

(3) Lease Obligations as of March 31, 2022 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
The scheduled maturities of assumed future lease payments on such lease contracts:			
Due within 1 year	¥307	¥280	\$2,098
Due over 1 year	384	411	3,083
Total	¥691	¥691	\$5,181

Repayment deadline for lease obligations of Due over 1 year as of March 31, 2023: April 2024 to February 2032

The average rate for lease obligations is not presented in the table because the Company included the total gross lease amount in its consolidated balance sheets without deducting an amount equivalent to interest relating to these lease obligations.

(4) Repayments of Long-Term Lease Obligations (excluding those that mature within 1 year) as of March 31, 2023 are scheduled within a 5-year period as follows:

	Within 2 years over 1 year	Within 3 years over 2 years	Within 4 years over 3 years	Within 5 years over 4 years
Millions of yen	¥178	¥118	¥74	¥22
Thousands of U.S. dollars	\$ 1,338	\$888	\$561	\$169

(5) Repayments of Long-Term Loans Payable (excluding those that mature within 1 year) as of March 31, 2023 are scheduled within a 5-year period as follows:

	Within 2 years over 1 year	Within 3 years over 2 years	Within 4 years over 3 years	Within 5 years over 4 years
Millions of yen	¥77	¥58	¥59	¥42
Thousands of U.S. dollars	\$581	\$437	\$447	\$320

34 ASSET RETIREMENT OBLIGATION

Because the amounts of asset retirement obligations on April 1, 2022 and March 31, 2023 were not more than 1% of the combined totals of liabilities and net assets on the respective dates, preparation of a supplementary schedule of asset retirement obligations is omitted in accordance with paragraph 92-2 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

35 OTHER

Net sales and income result of fiscal year ended March 31, 2023 for each period is as follows:

	Three months (from April 1, 2022 to June 30, 2022)	Six months (from April 1, 2022 to September 30, 2022)	Nine months (from April 1, 2022 to December 31, 2022)	Year ended March 31, 2023
Net sales (Millions of yen)	¥19,186	¥46,097	¥66,498	¥97,914
Profit before income taxes (Millions of yen)	¥ 1,256	¥ 4,088	¥ 3,615	¥ 6,604
Profit attributable to owners of parent (Millions of yen)	¥ 972	¥ 3,268	¥ 2,839	¥ 5,716
Net income per share (Yen)	¥ 17.84	¥ 59.95	¥ 52.08	¥104.85

	Three months (from April 1, 2022 to June 30, 2022)	Six months (from April 1, 2022 to September 30, 2022)	Nine months (from April 1, 2022 to December 31, 2022)	Year ended March 31, 2023
Net sales (Thousands of U.S. dollars)	\$143,686	\$345,218	\$498,003	\$733,274
Profit before income taxes (Thousands of U.S. dollars)	\$ 9,413	\$ 30,621	\$ 27,073	\$ 49,460
Profit attributable to owners of parent (Thousands of U.S. dollars)	\$ 7,286	\$ 24,478	\$ 21,263	\$ 42,813
Net income per share (U.S. dollars)	\$ 0.13	\$ 0.45	\$ 0.39	\$ 0.79

Quarterly net income per share information

	Three months (from April 1, 2022 to June 30, 2022)	Six months (from April 1, 2022 to September 30, 2022)	Nine months (from April 1, 2022 to December 31, 2022)	Year ended March 31, 2023
Net income per share (Yen)	¥17.84	¥42.11	¥(7.87)	¥52.78
Net income per share (U.S. dollars)	\$0.13	\$0.32	\$(0.06)	\$0.40



Independent Auditor's Report

To the Board of Directors of Komori Corporation

Opinion

We have audited the consolidated financial statements of Komori Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as at March 31, 2023, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of 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, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

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 our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In our audit of the consolidated financial statements for the previous fiscal year, we stated the following as key audit matters.

- Estimates of Total Costs for Supplier Agreements with Customers of Security Printing Presses
- Accounting treatment for the sales transaction of the land of the Sekiyado parts center

In the audit of the consolidated financial statements for the current fiscal year, we examined the matters to be key audit matters from items communicated with those charged with governance, considering the changes in the areas of which significant risks or risks of material misstatement are high, significant judgments made in relation to the areas of the consolidated financial statements in which the Company made significant judgments, the impact of significant events or transactions that occurred during the current fiscal year on the audit, and relative materiality in our audit and matters specific to the Company.

Based on these considerations, we removed "Accounting treatment for the sales transaction of the land of the Sekiyado parts center" as a key audit matter in the audit of the consolidated financial statements, identified in the previous fiscal year, and concluded that the following matter identified as a key audit matter in the audit of the consolidated financial statements for the current fiscal year.

- Estimates of Total Costs for Manufacturing Contracts with Customers of Security Printing Presses

Estimates of Total Costs for Manufacturing Contracts with Customers of Security Printing Presses	
Key audit matter description	How our audit addressed the key audit matter
<p>The Group manufactures and sells printing presses to fulfill orders from customers in Japan and overseas.</p> <p>As described in Note 2 Summary of Significant Accounting Policies (8) Recognition of significant revenues and expenses and Note 3 Significant Accounting Estimates in the footnotes to the consolidated financial statements, the Company determines performance obligations are satisfied over time for manufacturing contracts with customers of security printing presses and recognizes revenue over time by measuring the progress towards complete satisfaction of the performance obligation, when the contracts are to manufacture products that do not have alternative uses and for which consideration for the performance obligation satisfied is deemed recoverable. The input method based on costs incurred is used to measure the progress. In the current fiscal year, revenue recognized related to manufacturing contracts for security printing presses which met the requirements of the performance obligations satisfied over time was ¥5,438 million [\$40,732 thousand].</p> <p>In recognizing revenue over time based on the progress towards complete satisfaction of the performance obligation, the progress should be measured reasonably based on the costs incurred and the total estimated costs.</p> <p>The Company calculates the total estimated costs for manufacturing contracts in cost plans by confirming specifications set forth by such contracts and estimating necessary materials, parts, man-hours, etc. primarily in comparison to actual costs of past projects with similar specifications. Such contracts with customers involve a relatively long project period, the total estimated costs may fluctuate due to changes in the environment and other factors.</p> <p>As the estimates of total costs for manufacturing contracts with customers of security printing presses involve judgments made by management based on actual costs of past projects with similar specifications and the amount of revenue recognized over time based on these costs is material, we determined the estimates of total costs to be a key audit matter.</p>	<p>We performed the following principal audit procedures with respect to the estimates of total costs for manufacturing contracts with customers of security printing presses:</p> <ul style="list-style-type: none"> • We evaluated the design and implementation and tested the operating effectiveness of the following internal controls: <ul style="list-style-type: none"> - Control related to the preparation of appropriate cost plans for the work based on past experience with similar manufacturing contracts - Control to compare and analyze profit management tables prepared based on cost plans with actual results of construction costs, and review estimates of total costs in a timely and appropriate manner • We performed the following procedures to assess the reasonableness of the estimates of the total costs for each manufacturing contract of security printing presses: <ul style="list-style-type: none"> - We assessed whether the total estimated costs agree with the cost plans for each manufacturing contract of security printing presses. - When the estimates of total cost were revised, we assessed the appropriateness of the revision by agreeing to the related agreements. - We assessed the necessity of the revision of the total estimated costs for the open contracts at year-end.



Other Information

The other information comprises the information included in the Financial Report 2023, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. In addition, those charged with governance are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as applicable, matters related to going concern.

Those charged with governance are 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk



of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

We communicate with those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, 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, 2023, 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 1 to the consolidated financial statements.



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.

Naoyasu Ozawa

Designated Engagement Partner
Certified Public Accountant

August 31, 2023

Yoshiyuki Ohashi

Designated Engagement Partner
Certified Public Accountant

Notes to the Readers of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original report is kept separately by the Company.

KOMORI

KOMORI CORPORATION

11-1 Azumabashi 3-chome, Sumida-ku, Tokyo 130-8666,
Japan
Tel: +81-3-5608-7811
<https://www.komori.com>



Printed in Japan