

Business Report

(April 1, 2022 to March 31, 2023)

1. Items Related to the Current Status of the Corporate Group

(1) Business Progress and Results

The economic environment of our Group during the fiscal year ended March 31, 2023 showed a trend toward gradual recovery as a result of the normalization of economic activities, despite the impact from the re-spreading of COVID-19 infections. On the other hand, supply chain disruptions caused by the shortage of semiconductors and other industrial materials, soaring energy resource prices due to the protracted conflict between Russia and Ukraine and inflationary pressures with accompanying monetary-tightening policies mainly in the U.S. and Europe have contributed toward an economic downturn. As a result, the outlook remains uncertain.

In this operating environment, both sales and income increased, and our business remained solid with the exception of the Automotive and Construction Machinery Industries segment, which were impacted significantly by difficulties in procuring parts.

As a result of such efforts, we earned operating profit of 9,264 million yen, ordinary profit of 12,277 million yen and in profit attributable to owners of parent of 6,796 million (respectively, up 22.5%, 13.6% and 19.0% year on year) on net sales, which were up 11.7% to 157,380 million yen during the fiscal year ended March 31, 2023.

The following shows the results in each segment.

| | |
|--|---|
| Automotive and Construction Machinery Industries | While this segment was affected by the global semiconductor shortage, the weak yen pushed net sales up in this segment to 84,949 million yen (up 4.1% year on year), but operating profit decreased to 379 million yen (down 81.3% year on year) as profitability deteriorated due to soaring raw material prices and higher electricity costs. |
| General Machinery Industry | As a result of the recovery in customer operations overseas, this segment posted net sales of 33,761 million yen (up 16.7% year on year) and operating profit of 3,619 million yen (up 47.7% year on year). |
| Semiconductor Industry | While this segment was affected by the postponement of investment caused by the slowdown in the semiconductor industry, particularly with memory, expansion with new sales led to net sales of 16,702 million yen (up 37.0% year on year) and operating profit of 1,842 million yen (up 174.3% year on year) in this segment. |
| Marine Industry | Net sales in this segment were 13,553 million yen (up 16.2% year on year) as a result of continued favorable conditions in the new shipbuilding market and an increase in demand for repair parts in Europe. Operating profit was 3,326 million yen (up 39.6% year on year). |
| Aerospace Industry | Net sales in this segment were 8,413 million yen (up 30.2% year on year), and operating profit was 91 million yen (up 481.8% year on year), mainly as a result of increased sales to the aircraft industry. |

(2) Capital Expenditures and Financing

Capital investment during the fiscal year ended March 31, 2023 amounted to 10.2 billion yen, mainly for a new plant building related to the Semiconductor Industry segment and production facilities for the Automotive and Construction Machinery Industries segment.

Where appropriate, the Company used borrowings and cash on hand to meet these capital expenditures and other capital needs.

(3) Succession of Rights and Obligations Related to the Business of Other Corporations, etc. as a Result of an Absorption-Type Merger

The Company merged with Eagle Engineering Aerospace Co., Ltd. on January 1, 2023.

(4) Changes in Assets and Income (Loss)

| | | FY2019 | FY2020 | FY2021 | FY2022 (Current fiscal year) |
|---|-------------------|---------|---------|---------|---------------------------------|
| Net sales | (Millions of yen) | 142,106 | 130,513 | 140,842 | 157,380 |
| Operating profit | (Millions of yen) | 5,772 | 5,802 | 7,560 | 9,264 |
| Ordinary profit | (Millions of yen) | 6,766 | 8,447 | 10,811 | 12,277 |
| Profit attributable to owners of parent | (Millions of yen) | 2,907 | 4,010 | 5,713 | 6,796 |
| Earnings per share | (Yen) | 59.24 | 81.70 | 116.34 | 139.82 |
| Total assets | (Millions of yen) | 166,800 | 176,508 | 180,955 | 193,232 |
| Net assets | (Millions of yen) | 82,019 | 92,441 | 103,094 | 112,930 |

[FY2019] Amid concerns of a deteriorating economy as a result of trade friction between the U.S. and China, the U.K.'s withdrawal from the EU, and geopolitical risks in the Middle East and East Asia, along with a marked slowdown in the Japanese economy caused by the consumption tax hike, both sales and profits declined due to the global spread of COVID-19 since the fourth quarter.

[FY2020] The rapid deterioration of the economy resulting from the global spread of COVID-19 also caused the Company's business sales to decline. However, efforts to secure profits by controlling fixed costs and other measures resulted in an increase in profit despite decreased sales.

[FY2021] Similar to the previous fiscal year, as COVID-19 continued to spread globally, our business also achieved increases in both sales and income thanks to the recovery trend resulting from the availability of vaccinations in major countries and various economic measures.

[FY2022] As described in "(1) Business Progress and Results" above.

(5) Significant Parent Company and Subsidiaries, etc.

1) Relationship with Parent Company

Not applicable.

2) Significant Subsidiaries

| Company name | Share capital | Investment ratio (%) | Main businesses |
|---|--------------------------|----------------------|---|
| EagleBurgmann Japan Co., Ltd. | 2,930 million yen | 75.0 | Manufacture, maintenance and repair of mechanical seals |
| Shimane Eagle Co., Ltd. | 490 million yen | 100.0 | Manufacture of mechanical seals and special valves |
| Okayama Eagle Co., Ltd. | 480 million yen | 100.0 | Manufacture of mechanical seals and special valves |
| Hiroshima Eagle Co., Ltd. | 100 million yen | 100.0 | Manufacture of mechanical seals and special valves |
| Eagle Industry Taiwan Corporation | NT\$ 60 million | 100.0 | Manufacture and sale of mechanical seals and special valves |
| Eagle Sealing Research & Development (Wuxi) Co., Ltd. | US\$ 32 million | 100.0 (100.0) | Manufacture of mechanical seals and special valves |
| NEK CO., LTD. | KRW 4,277 million | 100.0 | Manufacture and sale of mechanical seals |
| EKK Eagle (Thailand) Co., Ltd. | 400 million Thai baht | 100.0 | Manufacture and sale of mechanical seals and special valves |
| EBI Asia Pacific Pte. Ltd. | SG\$ 38 million | 75.0 | Supervision of affiliates in Asia (excluding Japan, China, India and the Middle East) and Oceania |
| EagleBurgmann India Pvt. Ltd. | INR 29 million | 50.0 (11.4) | Manufacture and sale of mechanical seals |
| Eagle Holding Europe B.V. | EUR 2 million | 100.0 | Supervision of subsidiaries and affiliates in Europe |
| EKK Eagle Industry Mexico S.A. de C.V. | 866 million Mexican peso | 100.0 (0.0) | Manufacture and sale of special valves |

(Notes) 1. Figures in parentheses of the investment ratio column indicate the percentage of indirect ownership (included in the figures).

2. Including the above 12 companies, there are 41 consolidated subsidiaries and 39 equity-method affiliates.

3) Other

For the manufacture and sale of mechanical seals and other products related to the general industrial machinery industry, with the exception of the construction machinery, shipbuilding and aerospace industries, we have established a comprehensive alliance system with EagleBurgmann Germany GmbH & Co. KG (Germany).

(6) Issues to Be Addressed (Business Environment Surrounding Our Group and Future Business Development)

In the current business environment, while we saw repeated expansion and contraction of COVID-19 infection rates, the global economies generally followed a recovery trend. Moreover, businesses of the Group have solid prospects regarding production and sales, which is reflective of growth in the various markets. On the other hand, in the automotive industry, which is the main market of the Group, global automobile production trends remain uncertain due to prolonged supply shortages of semiconductors used in vehicles and expanding geopolitical risks. The shift from vehicles with conventional internal combustion engine to EVs is also accelerating for achieving carbon neutrality as a measure against climate change, and the Group's segments are entering a period of transformation.

Based on these circumstances, we started formulating a new three-year medium-term management plan that begins from FY2023.

Overview of the Medium-Term Management Plan

Basic Policy: Building a Sustainable Corporate Structure - Fly Sky High!

Period: FY2023 - FY2025

Main Items for Promotion

1. Adroit response to change
2. ESG management
3. Infinite zero - "Ensuring product quality that customers can trust" and "Ensuring globally consistent quality"
4. TCD/Reducing waste by half - "Total Cost Down" and "Eliminate waste - Reduce everything by half"
5. DX promotion
6. Next generation products with proprietary technology
7. Respect for people / Human resource development

Target Management Figures for the Final Year

Net sales: 200 billion yen, operating profit: 14.5 billion yen (operating margin: 7%)

In the medium-term management plan, we will conduct initiatives for each of the Main Items for Promotion in order to respond to market changes. At the same time, we will also mainly focus on the semiconductor industry business as a future growth driver and work to build a business portfolio that will bring stable earnings. We will also continue to develop "next generation products with proprietary technology that contribute to environmental preservation and energy efficiency" for next-general mobility and energy markets, which we have been engaged in up until now. By making proposals to each market, we aim to achieve medium- to long-term growth for our Group while aiming to achieve the targets of this plan.

The following shows main initiatives by each segment.

Automotive and Construction Machinery Industries

We will continue to mass-produce and increase sales of products for the expanding EV market and develop new products while also lowering the break-even point through further cost reductions and reviewing appropriate sales prices to ensure earnings.

General Machinery Industry

In India and the Asia-Pacific region, which is the main market of this segment, we expect petroleum refining and petrochemical plant construction projects to remain strong and that our Group products and services will also grow as a result of increased energy demand caused by economic growth and population increase. Efforts to develop next-generation energy and reduce labor and CO2 emissions are ongoing at various plant facilities. Therefore, we will also continue to propose product technologies and services in these markets.

Semiconductor Industry

Since demand for semiconductors is expected to grow as the amount of data communication continues to increase due to the practical application of 5G, IoT and AI, the Company will continue to focus on expanding production and sales to makers of semiconductor manufacturing equipment, along with development of new products based on our product lineup.

Marine Industry

While we expect after-sales services to decrease temporarily in the current fiscal year, we will endeavor to make new sales and provide solid after-sales service of our products as new shipbuilding is increasing. We will also continue to strive to develop environmentally-friendly products such as water-lubricated sealing devices for medium and large vessels.

Aerospace Industry

Since the civil aircraft market, which was negatively impacted by COVID-19, is recovering, and there are active space development projects in both the public and private sectors, the Company will increase sales of products in fields where our technologies can be applied by closely monitoring the development status of each company and market trends.

2. Items Related to Company Officers

(1) Directors and Audit & Supervisory Board Members

(As of March 31, 2023)

| Name | Position and responsibilities | Significant concurrent positions outside the Company | Board meeting attendance |
|------------------|--|---|--------------------------|
| Tetsuji Tsuru | Representative Director and Chairman of the Board and President | Representative Director and Chairman, EagleBurgmann Japan Co., Ltd. | 12/13 meetings |
| Masaki Nakao | Representative Director and Vice President and General Manager, Defense Business Corporate Office | | 13/13 meetings |
| Shinji Abe | Representative Director and Senior Managing Director and General Manager, Safety, Environmental and Quality Control Office | | 13/13 meetings |
| Norio Uemura | Representative Director and Senior Managing Director and General Manager, Engineering Division | | 12/13 meetings |
| Masahide Shimada | Senior Managing Director and General Manager, AI·CI Division and General Manager, Nuclear Power Business Corporate Office | | 9/9 meetings |
| Kensaku Hogen | Director | Outside Director, NOK CORPORATION | 13/13 meetings |
| Makoto Fujioka | Director | Outside Director, NOK CORPORATION Outside Director, Nippon Paper Industries Co., Ltd. | 13/13 meetings |
| Naoki Shimada | Director | CEO, P&E Directions, Inc. Outside Director, SUGITA ACE CO.,LTD External Director, RENOVA, Inc. Outside Director, Japan Business Systems, Inc. Outside Director, NOK CORPORATION | 9/9 meetings |
| Hiroyasu Hayashi | Standing Audit & Supervisory Board Member | | 13/13 meetings |
| Hideo Satake | Standing Audit & Supervisory Board Member | | 13/13 meetings |
| Nozomu Maehara | Audit & Supervisory Board Member | Standing Auditor, NOK CORPORATION | 13/13 meetings |
| Hideki Watanabe | Audit & Supervisory Board Member | Standing Auditor, NOK CORPORATION | 13/13 meetings |
| Atsushi Kajitani | Audit & Supervisory Board Member | External Auditor, NOK CORPORATION Outside Director, DMS Inc. | 13/13 meetings |

| Name | Position and responsibilities | Significant concurrent positions outside the Company | Board meeting attendance |
|------|-------------------------------|---|--------------------------|
| | | Specially-Appointed Professor, Shinshu-University Research Center for Social Systems | |

- (Notes)
1. Directors, Kensaku Hogen, Makoto Fujioka and Naoki Shimada are Outside Directors.
 2. Directors, Masahide Shimada and Naoki Shimada were elected at the FY2021 Ordinary General Meeting of Shareholders and participated in all Board meetings held after their election.
 3. Audit & Supervisory Board Members, Nozomu Maehara, Hideki Watanabe and Atsushi Kajitani are Outside Audit & Supervisory Board Members. Audit & Supervisory Board Member, Atsushi Kajitani is a licensed attorney-at-law.
 4. Audit & Supervisory Board Member, Hideki Watanabe has considerable experience and expertise in finance and accounting at NOK CORPORATION.
 5. The Company has registered Directors, Kensaku Hogen, Makoto Fujioka and Naoki Shimada and Audit & Supervisory Board Member, Atsushi Kajitani as Independent Directors according to the regulations of the Tokyo Stock Exchange, Inc.

(2) Overview of the Contents of the Limited Liability Agreement

The Company has concluded agreements with each Outside Director and Audit & Supervisory Board Member under the provision of Article 427, paragraph 1 of the Companies Act to limit liability for damages as provided for in Article 423, paragraph 1 of the Act. The limit of liability as provided for in this agreement is the amount specified by laws and regulations.

(3) Overview of the Liability Insurance Policy for Officers

The Company has entered into a liability insurance agreement with an insurance company under Article 430-3, paragraph 1 of the Companies Act where all Directors and Audit & Supervisory Board Members of the Company and its subsidiaries (including those who were in office during the current fiscal year) are insured persons, and all insurance premiums are borne by the Company.

As an overview of the insurance policy, the insurance company covers damages that may arise from insured persons being liable in relation to the execution of their duties or being subjected to claims pursuing such liability under the policy, and the policy is renewed on an annual basis. The same information will be updated in the next renewal.

(4) Compensation, etc. for Directors and Audit & Supervisory Board Members

1) Amount of compensation for the current fiscal year

| Positions | Total amount of compensation, etc. (Millions of yen) | Total amount of compensation, etc. by type (Millions of yen) | | | Number of officers covered (persons) |
|---|--|--|---------------------------------------|-----------|--------------------------------------|
| | | Basic compensation | Performance-linked compensation, etc. | | |
| | | | Short term | Mid-term | |
| Directors (of which Outside Directors) | 297 [20] | 211 [20] | 27 [-] | 58 [-] | 8 [3] |
| Audit & Supervisory Board Members (of which Outside Audit & Supervisory Board Members) | 52 [8] | 52 [8] | - | - | 5 [3] |
| Total | 349 [29] | 263 [29] | 27 [-] | 58 [-] | 13 [6] |

- (Notes)
1. The amount paid to Directors does not include the salaries of Directors who are also employees.
 2. The amount for medium- to long-term performance-linked compensation are the amounts recorded as expenses related to the points granted during the current fiscal year in relation to the officer compensation trust.
 3. Matters related to resolutions at General Meetings of Shareholders for determining compensation, etc. for Directors and Audit & Supervisory Board Members

The FY2008 (55th) Ordinary General Meeting of Shareholders held on June 24, 2009 resolved that the total amount of compensation for Directors shall not exceed 360 million yen, and that the total amount of compensation for Audit & Supervisory Board Members shall not exceed 72 million yen. At the conclusion of this Meeting, the number of Directors will be four (4), and the number of Audit & Supervisory Board Members will be four (4).

In addition to monetary compensation, at the FY2021 Ordinary General Meeting of Shareholders held on June 23, 2022, it was resolved regarding performance-linked stock compensation for Directors (excluding Outside Directors) that the upper limit of trust money contributed by the Company shall be 300 million yen per fiscal year, and the upper limit of the number of shares to be issued is 400,000 shares per fiscal year. At the conclusion of this Meeting, the number of eligible Directors will be five (5).

4. Basis for the Board of Directors determining that the individual compensation, etc. for Directors during the current fiscal year was in accordance with the policy

At the Board meeting held on May 20, 2022, the Company made a resolution on the policy for the content of compensation for individual Directors. Before the Board of Directors makes a resolution, they consult with the Nomination and Compensation Committee about the content of the resolution and receive a report. The Board of Directors also confirms that the method for determining the content of compensation, etc. and the content of the determined compensation, etc. are in harmony with the policy that was resolved by the Board of Directors, and that the report by the Nomination and Compensation Committee was respected. Therefore, it was determined that the individual compensation, etc. for Directors during the current fiscal year was in harmony with determined policy.

- 2) Matters related to performance-linked compensation

Performance-linked compensation is paid in a range between 0 and 200% according to the degree of achievement of evaluation items.

When determining short-term performance-linked compensation, it is the Company's judgment that maintaining and improving the profit level is the most appropriate indicator of corporate performance. As such, the degree of achievement of the initial operating profit plan, dividend amount, employee bonus amount and other matters impacting performance (natural disasters, extraordinary gains/losses, etc.) are considered. The Company has set a consolidated operating profit plan of 7.8 billion yen, and based on the actual operating profit of 9.264 billion yen for the current fiscal year, short-term performance-linked compensation for the current fiscal year was determined to be paid at a rate of 100% of the base value (100%) for each position.

Company stock is used for medium- to long-term performance-linked compensation (non-monetary compensation), and we utilize the officer compensation BIP (Board Incentive Plan) trust system. The relevant compensation indicators and reason for selecting those indicators are as described in "3) Policy and method of determining officer compensation, etc." Moreover, indicator results for medium- to long-term performance-linked compensation (non-monetary compensation) for the current fiscal year are undetermined since these are based on the results of the fiscal year ending March 31, 2026, which is the end of the trust period. The amount of medium- to long-term performance-linked compensation, etc. (non-monetary compensation) for the current fiscal year is granted to each eligible person based on the stock issue regulations, using the number of points obtained by subtracting the assumed stock price (average closing price of the Company's shares in regular trading on the Tokyo Stock Exchange on each day of the month preceding the month containing the start date of the target period (excluding days on which no trading takes place)) from the base amount.

- 3) Policy and method of determining officer compensation, etc.

The Company has established the policy below for determining compensation for Directors and Audit & Supervisory Board Members. Director compensation is determined by the Board of Directors, and Audit & Supervisory Board Member compensation, etc. is determined via through discussions with Audit & Supervisory Board Members within the total amount decided at the General Meeting of Shareholders based on this policy.

The Company has established a Nomination and Compensation Committee, which is comprised of the Chairman of the Board of Directors and Outside Directors, as an advisory body to the Board of Directors in order to improve the objectiveness and transparency of the nomination and compensation of officers. The committee regularly checks on particularly important matters such as nomination of officers and compensation for Directors and provides appropriate advice to the Board of Directors.

The Company's policy for determining compensation, etc. for Directors and Audit & Supervisory Board Members is provided below.

- **Basic policy**

The Group seeks to grow stronger and more highly profitable by making unique and socially useful products backed by technology at a low cost around the world and providing them at reasonable prices. We believe that pursuing this policy from a medium- to long-term perspective will contribute to improving the Group's medium- to long-term corporate value and increase stakeholder satisfaction.

In carrying out this policy, we believe that it is necessary for us to promote the motivation of the management team, including the Directors of the Company, to achieve performance targets and stakeholder satisfaction from the standpoint of compensation. For that reason, we have decided to introduce new treasury stock compensation for the Company's management that varies to a certain extent according to the degree of achievement of KPIs related to the priority measures in the Group's medium-term plan. Balancing this with monetary compensation that varies according to the degree of achievement of performance targets for each fiscal year, we aim to improve corporate value and stakeholder satisfaction over the medium to long term.

- **Policy for determining amounts for individual compensation, etc. and method of calculation (excluding performance-linked compensation, etc. / non-monetary compensation, etc.)**

Considering their responsibilities in improving performance in each fiscal year and increasing corporate value over the medium to long term, Director compensation is broken down into three categories. These are base compensation (monetary), short-term performance-linked compensation (monetary) and medium- to long-term performance-linked compensation (stock), comprised of fixed compensation, expectations for short-term results and expectations for long-term results. On the other hand, Outside Directors are expected to provide objective opinions and suggestions from an outside perspective that is independent from business execution, so in light of this, they are only paid base compensation pay (monetary). In addition, compensation for Audit & Supervisory Board Members is base compensation pay (monetary) only according to position as they are responsible for auditing the execution of duties for the Group as a whole. Compensation may be temporarily reduced or not paid at all in the event of a sudden worsening of performance or damage to corporate value.

The compensation system for the Company's Directors is set up in such a way that compensation differs according to the responsibilities of the position (chairman, president, vice president, senior managing director, etc.). The difference currently applied is where managing directors are 1, the chairman and president are about 1.6 when the short-term/long-term results portion is the standard amount.

- **Policy for determining performance indicators, etc. related to performance-linked compensation, etc. and the method of calculating the amount or number**

Performance-linked compensation is paid in a range between 0 and 200% according to the degree of achievement of evaluation items.

When determining short-term performance-linked compensation, it is the Company's judgment that maintaining and improving the profit level is the most appropriate indicator of corporate performance. As such, the degree of achievement of the initial operating profit plan, dividend amount, employee bonus amount and other matters impacting performance (natural disasters, extraordinary gains/losses, etc.) are considered.

The indicators of medium- to long-term performance-linked compensation are ROIC (financial indicator) and the FTSE Russell ESG score (non-financial indicator) to increase overall profitability of the Group and promote ESG management. The weight given to these items is 90% and 10%, respectively.

- **Policy for determining the content, amount, number or method of calculating non-monetary compensation, etc.**

For medium- to long-term performance-linked compensation, we utilize the officer compensation BIP (Board Incentive Plan) trust system in order to increase the motivation of Directors to contribute to improving the Group's medium- to long-term performance and increasing corporate value. This plan is a system for issuing and paying the shares of the Company and share exchange price at disposal of the Company (hereinafter referred to as "the Company's shares, etc.") in a number corresponding to points calculated according to position/length of service and the degree of achievement, etc. of medium-term targets to eligible Directors (excluding Outside Directors) and Executive Officers following the Rules for Issuance of Shares approved by the Board of Directors.

- **Policy for determining the ratio (percentage) of each type of individual compensation, etc.**

The Company's business domain is the manufacture and sale of mechanical seals, special valves, etc. and other mechanical parts in industries that include automobiles, construction equipment, general industrial machinery, semiconductors, ships and aerospace. Considering that business performance is easily affected by trends in these industries, the percentages of short-term and medium- to long-term performance-linked compensation for Directors are 10% and 20% of total compensation, respectively.

- **Policy for determining the timing of and conditions for compensation, etc.**

Monthly base compensation pay is determined by the Board of Directors after the Ordinary General Meeting of Shareholders for one year beginning from the following month and is paid in a fixed amount on a fixed day every month. Short-term performance-linked compensation is determined by the Board of Directors based on the year-end financial results in accordance with the above-mentioned "Policy for determining performance indicators, etc. related to performance-linked compensation, etc. and the method of calculating the amount or number." It is paid by the time of the Ordinary General Meeting of Shareholders for the financial results in question. As for medium- to long-term performance-linked compensation, following the Rules for Issuance of Shares approved by the Board of Directors, a fixed number of points calculated according to position and length of service and performance-linked points designed to incentivize achievement of the medium-term management plan, etc. are granted at a certain time every year. In principle, when the medium-term management plan ends, a number of the Company's shares, etc. corresponding to the cumulative number of fixed points and a number of the shares, etc. corresponding to the cumulative number of performance-linked points multiplied by a performance-linked coefficient according to the degree of achievement of medium-term targets are issued and paid.

- **Method of determining individual compensation, etc.**

The Chairman of the Board of Directors, who is the chair of meetings of the Board of Directors, submits an executive compensation plan to the Board of Directors where the amount of compensation, etc. for individual Directors and the method of calculation thereof are determined, taking into account the advice of the Nomination and Compensation Committee.

The proposal for payment of compensation for Audit & Supervisory Board Members is determined by the Audit & Supervisory Board through discussions with Audit & Supervisory Board Members.

◎ The following is a description of the above report.

1. Amounts in millions of yen are rounded down to the nearest million yen.
2. Earnings per share is calculated based on the average number of outstanding shares during the period, excluding treasury stock, and is rounded to the nearest yen.
3. Percentage of change from the previous year in consolidated net sales, consolidated ordinary profit, etc. and investment ratio in important subsidiaries of the Company are rounded to the nearest first decimal place.

Consolidated Financial Statements

(April 1, 2022 to March 31, 2023)

Consolidated Balance Sheets

(As of March 31, 2023)

(Millions of yen)

| Subject | Amount | Subject | Amount |
|---|----------------|--|----------------|
| Assets | | Liabilities | |
| Current assets | 107,712 | Current liabilities | 44,457 |
| Cash and deposits | 30,581 | Accounts payable - trade | 9,655 |
| Notes receivable - trade | 1,565 | Electronically recorded obligations - operating | 2,590 |
| Accounts receivable - trade | 30,977 | Short-term borrowings | 2,148 |
| Electronically recorded monetary claims - operating | 5,073 | Current portion of long-term borrowings | 11,475 |
| Merchandise and finished goods | 11,606 | Accounts payable - other | 3,063 |
| Work in process | 8,298 | Lease liabilities | 484 |
| Raw materials and supplies | 12,961 | Income taxes payable | 1,855 |
| Accounts receivable - other | 3,745 | Contract liabilities | 595 |
| Other | 3,008 | Deposits received from employees | 4,230 |
| Allowance for doubtful accounts | (105) | Provision for bonuses | 2,818 |
| Non-current assets | 85,519 | Provision for loss on orders received | 646 |
| Property, plant and equipment | 60,879 | Other provisions | 9 |
| Buildings and structures | 25,015 | Other | 4,884 |
| Machinery, equipment and vehicles | 21,322 | Non-current liabilities | 35,844 |
| Tools, furniture and fixtures | 3,543 | Long-term borrowings | 20,508 |
| Land | 6,522 | Lease liabilities | 850 |
| Leased assets | 1,603 | Retirement benefit liability | 13,120 |
| Construction in progress | 2,871 | Provision for environmental measures | 300 |
| Intangible assets | 2,727 | Negative goodwill | 45 |
| Goodwill | 829 | Other | 1,019 |
| Other | 1,898 | Total liabilities | 80,302 |
| Investments and other assets | 21,913 | Net assets | |
| Investment securities | 14,733 | Shareholders' equity | 96,249 |
| Long-term loans receivable | 475 | Share capital | 10,490 |
| Deferred tax assets | 5,294 | Capital surplus | 11,819 |
| Other | 1,518 | Retained earnings | 75,824 |
| Allowance for doubtful accounts | (109) | Treasury shares | (1,884) |
| | | Accumulated other comprehensive income | 8,170 |
| | | Valuation difference on available-for-sale securities | 518 |
| | | Foreign currency translation adjustment | 7,310 |
| | | Remeasurements of defined benefit plans | 340 |
| | | Non-controlling interests | 8,510 |
| | | Total net assets | 112,930 |
| Total assets | 193,232 | Total liabilities and net assets | 193,232 |

Consolidated Statements of Income
(April 1, 2022 to March 31, 2023)

(Millions of yen)

| Subject | Amount |
|---|----------------|
| Net sales | 157,380 |
| Cost of sales | 119,893 |
| Gross profit | 37,487 |
| Selling, general and administrative expenses | 28,222 |
| Operating profit | 9,264 |
| Non-operating income | 4,293 |
| Interest and dividend income | 398 |
| Share of profit of entities accounted for using equity method | 1,881 |
| Other | 2,013 |
| Non-operating expenses | 1,280 |
| Interest expenses | 415 |
| Other | 864 |
| Ordinary profit | 12,277 |
| Extraordinary income | 216 |
| Gain on sale of non-current assets | 42 |
| Gain on sale of investment securities | 173 |
| Extraordinary losses | 275 |
| Loss on sale of non-current assets | 10 |
| Loss on retirement of non-current assets | 101 |
| Impairment losses | 163 |
| Profit before income taxes | 12,218 |
| Income taxes - current | 3,710 |
| Income taxes - deferred | (142) |
| Total income taxes | 3,567 |
| Profit | 8,650 |
| Profit attributable to non-controlling interests | 1,853 |
| Profit attributable to owners of parent | 6,796 |