



Consolidated Financial Statements

for the Year Ended March 31, 2023 and Independent Auditor's Report

EIZO Corporation and Subsidiaries

EIZO Corporation

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of EIZO Corporation:

Opinion

We have audited the consolidated financial statements of EIZO Corporation and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 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.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside 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 provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was 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 the matter.

Reasonableness of valuation of excess or slow-moving inventories	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As described in Note 7 "Inventories" to the consolidated financial statements, the Group recorded finished products of ¥17,539 million, work in process of ¥2,192 million, raw materials and supplies of ¥28,290 million on the consolidated balance sheet as of March 31, 2023, a total of which accounts for 30.8% of total assets.</p> <p>The Group also recorded a reversal of write-down of inventories of ¥21 million due to a decline in profitability.</p> <p>The write-down of inventories is based on estimates of the future cash flows that inventories will generate from the estimated future sales based on market demand and net sales value.</p> <p>Uncertainties exist in the business of the Group, such as changes in market demands for visual products and related products, new competitive product launches by other companies, and new entrants in the market. In addition, the Group strategically maintains inventory level in order to realize a stable supply of products for customers in the event of any shortage in the supply of materials. As a results, the amount of inventories has been quantitatively material.</p> <p>With respect to the write-down of excess or slow-moving inventories, the Group selects inventories based on certain criteria such as inventory turnover for further internal discussions to assess the valuation of inventories. In the internal discussions, the Group evaluates future sales prospects considering information such as sales performance and orders received. As a result of the internal discussions, the Group records the write-down of inventories by excluding the items which the Group deems not to be excess or slow-moving inventories from the items subject to the write-down of book value.</p> <p>The future sales prospects including future projections used in the valuation of inventories involve uncertainty in accounting estimates. Accordingly, we determined the future sales prospects used in the valuation of inventories as a key audit matter.</p>	<p>Our audit procedures related to the reasonableness of the valuation of excess or slow-moving inventories included the following, among others:</p> <ul style="list-style-type: none"> • We evaluated the design and operating effectiveness of internal controls over the valuation of inventories in excess or slow-move. In particular, we paid attention to controls related to the internal discussions held by the Group to exclude certain inventories based on the future sales prospects from the inventories subject to the write-down of book value which were selected based on certain criteria such as turnover. • For write-downs on inventories due to excess or slow-move, we reperformed the selection results based on certain criteria, such as turnover period, to test accuracy and completeness. • For the valuation of excess or slow-moving inventories, among the inventories selected based on certain criteria such as turnover, we performed the following procedures for the items which the Group deemed not to be excess or slow-moving inventories by considering the future sales prospects based on sales performance and orders received: <ul style="list-style-type: none"> —In order to test the reasonableness of the valuation of excess or slow-moving inventories, we inspected the results of the internal discussions and inquired about the process and basis for conclusions for some inventories considered not to be excess or slow-moving. —In order to test the reasonableness of the future sales prospects used in the valuation of excess or slow-moving inventories, we compared the future sales prospects with other information such as sales performance and order received. • We evaluated the accuracy of the future sales prospects by comparing the historical future sales prospects for inventories in previous years with the actual sales and examining the factors which caused the differences between them.

Other Information

Other information comprises the information included in the Group's disclosure documents accompanying the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

Responsibilities of Management and the Audit and Supervisory Committee 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, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over 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. The procedures selected depend on the auditor's judgment. In addition, we 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, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as 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 the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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.

Deloitte Touche Tohmatsu LLC

September 14, 2023

EIZO Corporation and Subsidiaries

Consolidated Balance Sheet March 31, 2023

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)	LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023		2023	2022	2023
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents (Note 15)	¥ 9,557	¥ 22,388	\$ 71,857	Short-term bank loans (Notes 8 and 15)	¥ 1,575	¥ 2,051	\$ 11,842
Short-term investments (Notes 6 and 15)		300		Current portion of long-term debt (Notes 8 and 15)	450	336	3,383
Notes, accounts receivable and contract assets (Note 15):				Accounts payable (Note 15):			
Trade notes	47	32	353	Trade accounts	6,898	7,522	51,865
Trade accounts	16,587	20,079	124,714	Other	2,743	1,965	20,624
Contract assets	2,347	2,925	17,647	Income taxes payable	1,075	2,399	8,083
Electronically recorded monetary claims	1,680	1,779	12,632	Accrued expenses	5,269	4,847	39,617
Other	709	247	5,331	Other current liabilities	1,707	1,606	12,834
Allowance for doubtful receivables	(100)	(103)	(752)				
Inventories (Notes 3 and 7)	48,021	31,749	361,060	Total current liabilities	19,717	20,726	148,248
Prepaid expenses and other current assets	1,056	1,115	7,940				
Total current assets	79,904	80,511	600,782	LONG-TERM LIABILITIES:			
PROPERTY, PLANT AND EQUIPMENT:				Long-term debt (Notes 8 and 15)	2,308	2,172	17,353
Land	4,410	4,326	33,158	Liability for retirement benefits (Note 9)	2,670	3,086	20,075
Buildings and structures	24,082	22,366	181,068	Deferred tax liabilities (Note 11)	9,667	9,810	72,684
Machinery and equipment	7,198	6,649	54,120	Other long-term liabilities	994	1,083	7,474
Furniture and fixtures	9,113	8,620	68,519	Total long-term liabilities	15,639	16,151	117,586
Right-of-use assets	2,139	1,706	16,083	COMMITMENTS AND CONTINGENT LIABILITIES			
Construction in progress	4	91	29	(Notes 14 and 16)			
Total	46,946	43,758	352,977	EQUITY (Notes 10 and 18):			
Accumulated depreciation	(24,957)	(23,584)	(187,646)	Common stock—authorized, 65,000,000 shares; issued, 21,981,160 shares in 2023 and 22,731,160 shares in 2022	4,426	4,426	33,278
Net property, plant and equipment	21,989	20,174	165,331	Capital surplus	4,314	4,314	32,436
INVESTMENTS AND OTHER ASSETS:				Retained earnings	83,896	82,040	630,797
Investment securities (Notes 6 and 15)	52,191	52,825	392,414	Treasury stock—at cost, 1,408,606 shares in 2023 and 1,411,088 shares in 2022	(3,998)	(2,665)	(30,060)
Deferred tax assets (Note 11)	634	659	4,767	Accumulated other comprehensive income:			
Other assets	1,218	1,290	9,157	Unrealized gain on available-for-sale securities	28,851	28,801	216,925
Total investments and other assets	54,043	54,774	406,338	Foreign currency translation adjustments	2,600	1,439	19,549
				Defined retirement benefit plans	491	227	3,692
TOTAL	¥ 155,936	¥ 155,459	\$ 1,172,451	Total equity	120,580	118,582	906,617
				TOTAL	¥ 155,936	¥ 155,459	\$ 1,172,451

See notes to consolidated financial statements.

EIZO Corporation and Subsidiaries

Consolidated Statement of Income Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2023</u>	<u>2022</u>	<u>2023</u>
NET SALES	¥80,850	¥86,789	\$607,895
COST OF SALES	<u>55,606</u>	<u>55,929</u>	<u>418,090</u>
Gross profit	25,244	30,860	189,805
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 12 and 13)	<u>20,242</u>	<u>19,561</u>	<u>152,196</u>
Operating income	<u>5,002</u>	<u>11,299</u>	<u>37,609</u>
OTHER INCOME (EXPENSES):			
Interest and dividend income	1,099	933	8,263
Interest expense	(41)	(22)	(308)
Foreign exchange loss—net	(104)	(203)	(782)
Gain on sale of investment securities (Note 6)	1,943	420	14,609
Loss on sale of investment securities	(5)		(38)
Loss on impairment of long-lived assets		(1,243)	
Other—net	<u>170</u>	<u>103</u>	<u>1,279</u>
Other income (expenses) —net	<u>3,062</u>	<u>(12)</u>	<u>23,023</u>
INCOME BEFORE INCOME TAXES	<u>8,064</u>	<u>11,287</u>	<u>60,632</u>
INCOME TAXES (Note 11):			
Current	2,332	3,722	17,534
Deferred	<u>(130)</u>	<u>(230)</u>	<u>(977)</u>
Total income taxes	<u>2,202</u>	<u>3,492</u>	<u>16,557</u>
NET INCOME	<u>5,862</u>	<u>7,795</u>	<u>44,075</u>
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>¥ 5,862</u>	<u>¥ 7,795</u>	<u>\$ 44,075</u>
	<u>Yen</u>		<u>U.S. Dollars</u>
PER SHARE OF COMMON STOCK (Note 2.p):			
Basic net income	¥280.97	¥365.61	\$2.11
Cash dividends applicable to the year	120.00	120.00	0.90

See notes to consolidated financial statements.

EIZO Corporation and Subsidiaries

Consolidated Statement of Comprehensive Income Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2023</u>	<u>2022</u>	<u>2023</u>
NET INCOME	<u>¥5,862</u>	<u>¥ 7,795</u>	<u>\$44,075</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 17):			
Unrealized gain (loss) on available-for-sale securities	50	(2,608)	376
Foreign currency translation adjustments	1,161	1,396	8,729
Defined retirement benefit plans	<u>264</u>	<u>105</u>	<u>1,985</u>
Total other comprehensive income (loss)	<u>1,475</u>	<u>(1,107)</u>	<u>11,090</u>
COMPREHENSIVE INCOME	<u>¥7,337</u>	<u>¥ 6,688</u>	<u>\$55,165</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO—			
Owners of the parent	<u>¥7,337</u>	<u>¥ 6,688</u>	<u>\$55,165</u>

See notes to consolidated financial statements.

EIZO Corporation and Subsidiaries

Consolidated Statement of Changes in Equity Year Ended March 31, 2023

	Thousands Number of Shares of Common Stock Outstanding	Millions of Yen							
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total Equity
						Unrealized Gain on Available-for- Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	
BALANCE, APRIL 1, 2021	21,320	¥4,426	¥4,314	¥76,803	¥(2,664)	¥31,409	¥ 43	¥122	¥ 114,453
Net income				7,795					7,795
Cash dividends, ¥120 per share				(2,558)					(2,558)
Purchase of treasury stock					(1)				(1)
Net decrease in unrealized gain on available-for-sale securities						(2,608)			(2,608)
Net change in foreign currency translation adjustments							1,396		1,396
Net change in defined retirement benefit plans								105	105
BALANCE, APRIL 1, 2022	21,320	4,426	4,314	82,040	(2,665)	28,801	1,439	227	118,582
Net income				5,862					5,862
Cash dividends, ¥120 per share				(2,527)					(2,527)
Purchase of treasury stock	(750)				(2,822)				(2,822)
Cancellation of treasury stock	3		(1,482)		1,482				
Disposal of treasury stock			3		7				10
Transfer from retained earnings to common stock			1,479	(1,479)					
Net increase in unrealized gain on available-for-sale securities						50			50
Net change in foreign currency translation adjustments							1,161		1,161
Net change in defined retirement benefit plans								264	264
BALANCE, MARCH 31, 2023	<u>20,573</u>	<u>¥4,426</u>	<u>¥4,314</u>	<u>¥83,896</u>	<u>¥(3,998)</u>	<u>¥28,851</u>	<u>¥ 2,600</u>	<u>¥491</u>	<u>¥ 120,580</u>

	Thousands of U.S. Dollars (Note 1)							
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total Equity
					Unrealized Gain on Available-for- Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	
BALANCE, APRIL 1, 2022	\$ 33,278	\$ 32,436	\$ 616,842	\$ (20,038)	\$ 216,549	\$ 10,820	\$ 1,707	\$ 891,594
Net income			44,075					44,075
Cash dividends, \$0.90 per share			(19,000)					(19,000)
Purchase of treasury stock				(21,218)				(21,218)
Cancellation of treasury stock		(11,143)		11,143				
Disposal of treasury stock		23		53				76
Transfer from retained earnings to common stock		11,120	(11,120)					
Net increase in unrealized gain on available-for-sale securities					376			376
Net change in foreign currency translation adjustments						8,729		8,729
Net change in defined retirement benefit plans							1,985	1,985
BALANCE, MARCH 31, 2023	<u>\$ 33,278</u>	<u>\$ 32,436</u>	<u>\$ 630,797</u>	<u>\$ (30,060)</u>	<u>\$ 216,925</u>	<u>\$ 19,549</u>	<u>\$ 3,692</u>	<u>\$ 906,617</u>

See notes to consolidated financial statements.

EIZO Corporation and Subsidiaries

Consolidated Statement of Cash Flows Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2023</u>	<u>2022</u>	<u>2023</u>
OPERATING ACTIVITIES:			
Income before income taxes	¥ 8,064	¥11,287	\$60,632
Adjustments for:			
Income taxes—paid	(3,589)	(3,242)	(26,985)
Depreciation and amortization	2,317	2,234	17,421
Amortization of goodwill		379	
Provision of allowance for doubtful receivables	(7)	27	(53)
Foreign exchange gain—net	(198)	(156)	(1,489)
Gain on sale of investment securities	(1,943)	(420)	(14,609)
Loss on sale of investment securities	5		38
Loss on impairment of long-lived assets		1,243	
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	4,563	(4,863)	34,308
(Increase) decrease in inventories	(15,243)	342	(114,609)
(Decrease) increase in accounts payable	(1,733)	1,179	(13,030)
Increase in accrued expenses	370	302	2,782
Decrease in liability for retirement benefits	(188)	(96)	(1,414)
Other—net	(10)	214	(75)
Total adjustments	<u>(15,656)</u>	<u>(2,857)</u>	<u>(117,715)</u>
Net cash (used in) provided by operating activities	<u>(7,592)</u>	<u>8,430</u>	<u>(57,083)</u>
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(1,962)	(2,769)	(14,752)
Purchases of software and other long-lived assets	(183)	(504)	(1,376)
Proceeds from sales of short-term investments and investment securities	2,954	1,666	22,211
Purchases of investment securities	(2)	(902)	(15)
Decrease in other assets	47	115	353
Net cash provided by (used in) investing activities	<u>854</u>	<u>(2,394)</u>	<u>6,421</u>
FINANCING ACTIVITIES:			
Decrease in short-term bank loans-net	(629)		(4,729)
Repayments of long-term debt	(141)	(131)	(1,060)
Dividends paid	(2,526)	(2,558)	(18,993)
Repayments of lease obligations	(234)	(209)	(1,759)
Repurchases of treasury stock	(2,822)	(1)	(21,218)
Net cash used in financing activities	<u>(6,352)</u>	<u>(2,899)</u>	<u>(47,759)</u>
FOREIGN CURRENCY TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS			
	<u>259</u>	<u>368</u>	<u>1,947</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS — (Forward)	¥(12,831)	¥3,505	\$(96,474)

EIZO Corporation and Subsidiaries

Consolidated Statement of Cash Flows Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2023</u>	<u>2022</u>	<u>2023</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS — (Forward)	¥(12,831)	¥ 3,505	\$ (96,474)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>22,388</u>	<u>18,883</u>	<u>168,331</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥ 9,557</u>	<u>¥22,388</u>	<u>\$ 71,857</u>

See notes to consolidated financial statements.

EIZO Corporation and Subsidiaries

Notes to Consolidated Financial Statements Year Ended March 31, 2023

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2022 consolidated financial statements to conform to the classifications used in 2023.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which EIZO Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133 to \$1, the approximate rate of exchange at March 31, 2023. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Consolidation**—The consolidated financial statements as of March 31, 2023, include the accounts of the Company and its 16 (16 in 2022) subsidiaries (together, the "Group") listed below.

Consolidated Subsidiaries	Location	Equity Ownership Percentage (%) ^{*1}
EIZO MS Corporation	Ishikawa, Japan	100
Irem Software Engineering Inc.	Tokyo, Japan	100
EIZO Support Network Corporation	Ishikawa, Japan	100
Carina System Corporation	Hyogo, Japan	100
EIZO Agency Corporation	Ishikawa, Japan	100
EIZO Engineering Corporation	Ishikawa, Japan	100
EIZO GmbH	Rülzheim, Germany	100
EIZO Technologies GmbH	Geretsried, Germany	100
		(100) ^{*2}
EIZO Rugged Solutions Inc.	Orlando, FL, U.S.A.	100
		(100) ^{*2}
EIZO Display Technologies (Suzhou) Co., Ltd.	Suzhou, China	100
EIZO Inc.	Cypress, CA, U.S.A.	100
EIZO Nordic AB	Väsby, Sweden	100
EIZO AG	Wädenswil, Switzerland	100
EIZO Limited	Ascot, U.K.	100
EIZO Europe GmbH	Mönchengladbach, Germany	100
EIZO Austria GmbH	Vienna, Austria	100
		(100) ^{*2}

^{*1} As of March 31, 2023

^{*2} The percentages in "Equity Ownership Percentage" indicate indirect ownership ratio included in the total.

Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

In addition, the Company established EIZO Private Limited, a 100% subsidiary in India. As of the end of the current consolidated fiscal year, EIZO Private Limited is not included in the scope of consolidation because it had not yet completed the payment of capital.

(1) *Purpose of establishment*

The market is expected economic growth in the mid to long term, and the local market and applications for which EIZO products are sought are expanding and diversifying. Therefore, the Company will directly conduct sales and marketing activities in order to expand sales in India and neighboring countries by implementing flexible sales measures and developing new markets in response to market changes.

(2) *Name, business activities, size, and location of the company to be established*

Name: EIZO Private Limited
Business activities: Sales of imaging products and related products
Size: 30 million Indian rupee (100% owner by the Group)
Location: Mumbai, Maharashtra, India

(3) *Date of establishment*

March 2023

- b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements**—Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of research and development ("R&D"); (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. Business Combinations—Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

d. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposit, and commercial paper, all of which mature or become due within three months of the date of acquisition.

e. Inventories—Inventories are stated at the lower of cost, determined by the average method for finished products and work in process and by the moving-average method for raw materials, or net selling value.

f. Short-Term Investments and Investment Securities—Short-term investments and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in earnings; and (2) available-for-sale securities, which are not classified as either trading securities or held to maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

g. Property, Plant and Equipment—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic subsidiaries is computed substantially by the declining balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings of the Company and its domestic subsidiaries acquired after April 1, 1998, buildings improvements and structures acquired on or after April 1, 2016, and all property, plant and equipment of foreign subsidiaries. The range of useful lives is principally from 15 to 50 years for buildings and structures, from 7 to 10 years for machinery and equipment, and from 2 to 6 years for furniture and fixtures.

h. Long-Lived Assets—The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

- i. Retirement and Pension Plans*—The Company and certain of its domestic subsidiaries have a defined contribution pension plan and unfunded retirement benefit plans. Other domestic subsidiaries have a defined benefit pension plan and unfunded retirement benefit plans. Certain foreign subsidiaries have either a defined contribution plan or defined benefit plan. Additionally, the Company or its subsidiaries may add premium severance pay.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses and prior service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over five years, no longer than the expected average remaining service period of the employees. The discount rate is determined using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment.

Retirement benefits to directors and the Audit and Supervisory Committee members are recorded at the amount that would be required if the directors and the Audit and Supervisory Committee members retired at the consolidated balance sheet date. In June 2004, the retirement benefit system was abolished and the amount required to be paid at the time of the abolishment will be paid to directors and the Audit and Supervisory Committee members upon their retirement.

- j. R&D Costs*—R&D costs are charged to income as incurred.

- k. Revenue Recognition*— The Group's principal business is the development, manufacture, and sale of visual displays and related products.

For product sales, the Company determines that the performance obligations to customers are satisfied when the products are delivered to the customers, and obtain control of the products. Therefore, the Company recognizes the revenue at a point in time of delivery of the products. For sales of entrusted development of amusement software, the Company determines that performance obligations to customers for an entrusted development are satisfied over a certain period of time from the start of development based on the customer's request to the provision of the software deliverables to the customers and the completion of the inspection. Therefore, the Company recognizes the revenue over a period from the start of development to the completion of the inspection. When it is probable that the total costs will exceed total revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on development contracts.

The transaction price is measured by the amount promised in contracts with customers, which is the amount deducting the amount of discount and rebate. The amount of consideration does not include any significant financial component.

- l. Income Taxes*—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

The Group files a tax return under the consolidated corporate tax system in Japan, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

With regard to the transition to the Group Tax Sharing System established based on "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8, 2020) and to the items reconsidered on the Non-consolidated Tax Return Filing System in accordance with this transition to the Group Tax Sharing System, the Company and certain subsidiaries calculate the amounts of deferred tax assets and deferred tax liabilities based on the provisions of the Income Tax Act before the amendment, without applying the provisions of Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) pursuant to Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Tax Return Filing System to the Group Tax Sharing System" (Practical Issues Task Force No. 39, March 31, 2020).

- m. Foreign Currency Transactions**—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.
- n. Foreign Currency Financial Statements**—The balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date, except for equity, which is translated at the historical rate.

Differences arising from such translation were shown as "Foreign currency translation adjustments" under accumulated other comprehensive income as a separate component of equity.

Revenue and expense accounts of foreign subsidiaries are translated into Japanese yen at the average exchange rate.

- o. Derivatives**—The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign currency exchange rates. Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: all derivatives are recognized as either assets or liabilities and measured at fair value with gains or losses on derivative transactions recognized in the consolidated statement of income.

- p. Per Share Information**—Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period.

Cash dividends per share shown in the consolidated statement of income are presented on an accrual basis, and include interim dividends paid and year-end dividends to be approved after the consolidated balance sheet date.

Diluted net income per share of common stock is not disclosed herein because the Company has not issued any securities that are potentially dilutive for the years ended March 31, 2023 and 2022.

3. SIGNIFICANT ACCOUNTING ESTIMATE

Valuation of Inventories

- (1) Amounts recognized in the consolidated financial statements for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Finished products	¥17,539	¥10,038	\$ 131,872
Work in process	2,192	1,730	16,481
Raw materials and supplies	<u>28,290</u>	<u>19,981</u>	<u>212,707</u>
Total	<u>¥48,021</u>	<u>¥31,749</u>	<u>\$ 361,060</u>

- (2) Information on the significant accounting estimate

The necessary write-downs are recorded by estimating future cash flows that inventories will generate from estimated future sales based on market demand and net sales value. If actual market demand or net selling prices fall beyond our estimates, additional write-downs may be required.

It is difficult to objectively predict the impact of inventory valuation on the consolidated financial statements for the following fiscal year at this time. According to the past results, the Group estimates the maximum increase or decrease will be about 3% of total inventories. Estimates are based on information available at the end of the current fiscal year. In determining accounting estimates, the Group assumes that the impact of COVID-19 will be insignificant. However, if future sales are expected to be lower than initially estimated, the book value of the subject inventory assets may be devalued.

4. NEW ACCOUNTING PRONOUNCEMENTS

—"Accounting Standard for Current Income Taxes"(ASBJ Statement No. 27, October 28, 2022, Accounting Board of Japan)

—"Accounting Standard or Presentation of Comprehensive Income"(ASBJ Statement No. 25, October 28, 2022, Accounting Board of Japan)

—"Implementation Guidance on Tax Effect Accounting"(ASBJ Guidance No. 28, October 28, 2022, Accounting Board of Japan)

In February 2018, the ASBJ has issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc." ("ASBJ Statement No. 28"). In the course of deliberations on the transfer of the practical guidelines on tax effect accounting by the Japanese Institute of Certified Public Accountants to the ASBJ, the results of the deliberations on the following two issues were decided to be reviewed after the publication of ASBJ Statement No. 28.

—Classification of current income taxes (taxation for comprehensive income)

—Tax effect on the sale of shares of subsidiaries and affiliates that applied Group Taxation Regime

The new accounting standards are effective for annual periods beginning on or after April 1, 2024. The Company is in the process of measuring the effects of applying the new accounting standards in future applicable periods.

5. ADDITIONAL INFORMATION

There were no significant changes in the assumptions used to estimate the future performance of the Group related to COVID-19 during the current fiscal year. Accounting estimates for the impairment of long-lived assets and the recoverability of deferred tax assets were made based on information available at the end of the current fiscal year. In determining accounting estimates, the Group assumes that the impact of COVID-19 will be insignificant.

6. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Short-term investments:			
Debt securities		¥ 300	
Others	_____	_____	_____
Total	=====	<u>¥ 300</u>	=====
Investment securities:			
Marketable equity securities	¥52,026	¥52,560	\$ 391,173
Nonmarketable equity securities	17	17	128
Others	<u>148</u>	<u>248</u>	<u>1,113</u>
Total	<u>¥52,191</u>	<u>¥52,825</u>	<u>\$ 392,414</u>

The cost and aggregate fair value of short-term investments and investment securities at March 31, 2023 and 2022, were as follows:

	Millions of Yen			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
<u>March 31, 2023</u>				
Securities classified as:				
Available for sale:				
Equity securities	¥ 10,670	¥ 41,786	¥ 430	¥ 52,026
Debt securities				
Others	<u>148</u>	_____	_____	<u>148</u>
Total	<u>¥ 10,818</u>	<u>¥ 41,786</u>	<u>¥ 430</u>	<u>¥ 52,174</u>
<u>March 31, 2022</u>				
Securities classified as:				
Available for sale:				
Equity securities	¥ 11,284	¥ 42,092	¥ 816	¥ 52,560
Debt securities	300			300
Others	<u>248</u>	_____	_____	<u>248</u>
Total	<u>¥ 11,832</u>	<u>¥ 42,092</u>	<u>¥ 816</u>	<u>¥ 53,108</u>

<u>March 31, 2023</u>	Thousands of U.S. Dollars			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Securities classified as:				
Available for sale:				
Equity securities	\$ 80,226	\$ 314,180	\$ 3,233	\$ 391,173
Debt securities				
Others	<u>1,113</u>			<u>1,113</u>
Total	<u>\$ 81,339</u>	<u>\$ 314,180</u>	<u>\$ 3,233</u>	<u>\$ 392,286</u>

The proceeds, realized gains and realized losses of the available-for-sale securities which were sold during the years ended March 31, 2023 and 2022, were as follows:

<u>March 31, 2023</u>	Millions of Yen		
	<u>Proceeds</u>	<u>Realized Gains</u>	<u>Realized Losses</u>
Available-for-sale – Equity securities	¥ 2,554	¥ 1,943	¥ 5
Total	<u>¥ 2,554</u>	<u>¥ 1,943</u>	<u>¥ 5</u>
<u>March 31, 2022</u>			
Available-for-sale – Equity securities	¥ 614	¥ 420	
Total	<u>¥ 614</u>	<u>¥ 420</u>	

<u>March 31, 2023</u>	Thousands of U.S. Dollars		
	<u>Proceeds</u>	<u>Realized Gains</u>	<u>Realized Losses</u>
Available-for-sale – Equity securities	\$ 19,203	\$ 14,609	\$ 38
Total	<u>\$ 19,203</u>	<u>\$ 14,609</u>	<u>\$ 38</u>

7. INVENTORIES

Inventories at March 31, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Finished products	¥17,539	¥10,038	\$131,872
Work in process	2,192	1,730	16,481
Raw materials and supplies	<u>28,290</u>	<u>19,981</u>	<u>212,707</u>
Total	<u>¥48,021</u>	<u>¥31,749</u>	<u>\$361,060</u>

Provision for write-down of the book values of inventories to reflect the decline in profitability for the years ended March 31, 2023 and 2022, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2023</u>	<u>2022</u>	<u>U.S. Dollars</u>
			<u>2023</u>
Provision for write-down of the book values of inventories	¥ (21)	¥ 379	\$ (158)

8. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2023 and 2022, consisted of notes to banks. The weighted-average annual interest rates applicable to the short-term bank loans at March 31, 2023 and 2022, were 0.26% and 0.07%, respectively.

Long-term debt at March 31, 2023 and 2022, consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2023</u>	<u>2022</u>	<u>U.S. Dollars</u>
			<u>2023</u>
Loans from banks, due 2030, with interest rates of 3.17% at March 31, 2023 and 0.15% at March 31,2022	¥1,093	¥1,162	\$8,218
Obligations under finance leases	<u>1,665</u>	<u>1,346</u>	<u>12,518</u>
Total	2,758	2,508	20,736
Current portion of long-term debt	<u>(450)</u>	<u>(336)</u>	<u>(3,383)</u>
Long-term debt, less current portion	<u>¥2,308</u>	<u>¥2,172</u>	<u>\$17,353</u>

Annual maturities of long-term debt, as of March 31, 2023, for the next five years and thereafter were as follows:

<u>Year Ending</u> <u>March 31</u>	<u>Millions of Yen</u>	<u>Thousands of</u>
		<u>U.S. Dollars</u>
2023	¥ 450	\$3,383
2024	423	3,180
2025	334	2,511
2026	302	2,271
2027	260	1,955
2028 and thereafter	<u>989</u>	<u>7,436</u>
Total	<u>¥2,758</u>	<u>\$20,736</u>

9. RETIREMENT AND PENSION PLANS

The Company and certain of its subsidiaries have severance payment plans for employees, directors, and the Audit and Supervisory Committee members.

Retirement and Pension Plans for Employees

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are given in the form of a lump-sum severance payment from the Company or from certain subsidiaries and annuity payments from the Company, certain subsidiaries, or a trustee. Employees of the Company or certain subsidiaries are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

- (1) The changes in defined benefit obligation for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Balance at beginning of year	¥4,197	¥4,245	\$ 31,556
Current service cost	200	219	1,504
Interest cost	20	16	150
Actuarial (gains) losses	(437)	198	(3,286)
Benefits paid	(243)	(269)	(1,827)
Past service cost		(4)	
Others	<u>57</u>	<u>(208)</u>	<u>429</u>
Balance at end of year	<u>¥3,794</u>	<u>¥4,197</u>	<u>\$ 28,526</u>

- (2) The changes in plan assets for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Balance at beginning of year	¥1,183	¥1,075	\$ 8,895
Expected return on plan assets	28	15	211
Actuarial (losses) gains	(29)	62	(218)
Contributions from the employer	29	27	218
Benefits paid	(62)	(27)	(466)
Others	<u>46</u>	<u>31</u>	<u>345</u>
Balance at end of year	<u>¥1,195</u>	<u>¥1,183</u>	<u>\$ 8,985</u>

- (3) A reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2023 and 2022, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Funded defined benefit obligation	¥1,648	¥1,933	\$ 12,391
Plan assets	<u>(1,195)</u>	<u>(1,183)</u>	<u>(8,985)</u>
Total	453	750	3,406
Unfunded defined benefit obligation	<u>2,145</u>	<u>2,265</u>	<u>16,128</u>
Net liability for defined benefit obligation	<u>¥2,598</u>	<u>¥3,015</u>	<u>\$ 19,534</u>

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Liability for retirement benefits	¥2,598	¥3,015	\$ 19,534
Net liability for defined benefit obligation	<u>¥2,598</u>	<u>¥3,015</u>	<u>\$ 19,534</u>

- (4) The components of net periodic benefit costs for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Service cost	¥200	¥219	\$ 1,504
Interest cost	20	16	150
Expected return on plan assets	(28)	(15)	(211)
Recognized actuarial gains	(113)	(61)	(850)
Amortization of prior service cost	(4)	(4)	(30)
Others	<u>52</u>	<u>3</u>	<u>392</u>
Net periodic benefit costs	<u>¥127</u>	<u>¥158</u>	<u>\$ 955</u>

- (5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Actuarial gains	¥(258)	¥(89)	\$(1,940)
Prior service cost	<u>4</u>	<u>4</u>	<u>30</u>
Total	<u>¥(254)</u>	<u>¥(85)</u>	<u>\$(1,910)</u>

- (6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2023 and 2022, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2023</u>	<u>2022</u>	<u>U.S. Dollars</u>
			<u>2023</u>
Unrecognized actuarial gains	¥ (505)	¥ (247)	\$ (3,797)
Unrecognized prior service cost	<u> </u>	<u> (4)</u>	<u> </u>
Total	<u>¥ (505)</u>	<u>¥ (251)</u>	<u>\$ (3,797)</u>

- (7) Plan assets

a. *Components of plan assets*

Plan assets as of March 31, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
Debt investments	54%	52%
Equity investments	15	16
Cash and cash equivalents	5	5
Others	<u>26</u>	<u>27</u>
Total	<u>100%</u>	<u>100%</u>

b. *Method of determining the expected rate of return on plan assets*

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

- (8) Assumptions used for the years ended March 31, 2023 and 2022, are set forth as follows:

	<u>2023</u>	<u>2022</u>
Discount rate	0.9%–3.9%	0.3%–1.7%
Expected rate of return on plan assets	4.5%	2.5%

The expected raise rate is based on the index of the raise calculated by age as of March 31, 2018.

- (9) Defined contribution plan

The required contribution amounts of the Group for the years ended March 31, 2023 and 2022, were ¥335 million (\$2,519 thousand) and ¥301 million, respectively.

Provision for Retirement Benefits for Directors and the Audit and Supervisory Committee Members

The liability for retirement benefits at March 31, 2023 and 2022, for directors and the Audit and Supervisory Committee members was ¥72 million (\$541 thousand) and ¥72 million, respectively.

10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria, including (1) having a board of directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the board of directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. With respect to the third condition above, the board of directors of companies with an audit and supervisory committee (as implemented under the Companies Act effective May 1, 2015) may also declare dividends at any time because such companies, by their nature, meet the criteria under the Companies Act. The Company is organized as a company with an audit and supervisory committee, effective June 23, 2016. The Company meets all the above criteria, and accordingly, the board of directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the board of directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of the legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the board of directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes that, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.5% and 30.4% for the years ended March 31, 2023 and 2022, respectively.

The tax effects of significant temporary differences and tax loss carryforwards that resulted in deferred tax assets and liabilities at March 31, 2023 and 2022, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Deferred tax assets:			
Inventories	¥ 1,233	¥ 930	\$ 9,271
Liability for retirement benefits	834	860	6,271
Tax loss carryforwards	1,435	1,114	10,789
Accrued expenses	942	991	7,083
Other	1,117	1,233	8,398
Less valuation allowance	<u>(2,033)</u>	<u>(1,747)</u>	<u>(15,286)</u>
Total	<u>3,528</u>	<u>3,381</u>	<u>26,526</u>
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(12,505)	(12,475)	(94,023)
Other	<u>(56)</u>	<u>(56)</u>	<u>(420)</u>
Total	<u>(12,561)</u>	<u>(12,531)</u>	<u>(94,443)</u>
Net deferred tax liabilities	<u>¥ (9,033)</u>	<u>¥ (9,150)</u>	<u>\$ (67,917)</u>

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2023, with the corresponding figures for 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Normal effective statutory tax rate	30.5%	
Tax credit for research expenses	(4.7)	
Effect of reduction of income tax rates on deferred tax assets	3.6	
Subsidiaries earnings taxed at different rates	(0.5)	
Other—net	<u>(1.6)</u>	
Actual effective tax rate	<u>27.3%</u>	<u> </u>

Notes are omitted because the difference between the statutory tax rate and the effective tax rate was less than or equal to 5% of the statutory tax rate for the year ended March 31, 2022.

12. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended March 31, 2023 and 2022, principally consisted of the following:

	Millions of Yen		Thousands of
	<u>2023</u>	<u>2022</u>	<u>U.S. Dollars</u>
Salaries for employees	¥7,033	¥6,417	\$52,880
Provision for bonuses	461	446	3,466
Retirement benefit expenses	250	243	1,880
Provision for product warranty liabilities	420	635	3,158
R&D expenses	5,654	5,514	42,511
Provision for loss on recycling of monitors	(44)	(22)	(331)
Provision of allowance for doubtful accounts	(2)	44	(15)

13. R&D COSTS

R&D costs charged to income were ¥6,142 million (\$46,180 thousand) and ¥5,835 million for the years ended March 31, 2023 and 2022, respectively.

14. LEASES

The minimum rental commitments under noncancelable operating leases at March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of
	<u>2023</u>	<u>2022</u>	<u>U.S. Dollars</u>
Due within one year		¥ 58	
Due after one year	¥ 1	2	\$ 8
Total	¥ 1	¥ 60	\$ 8

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

The Group uses financial instruments based on its capital expenditure plan. Cash surpluses, if any, are invested in low-risk financial assets. Derivatives are not used for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) *Nature and Extent of Risks Arising from Financial Instruments*

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts. Short-term investment and investment securities, mainly equity instruments of customers and suppliers of the Group, debt securities and funds in trust are exposed to credit risk and the risk of fluctuation in market price and interest rate.

All payment terms of payables, such as trade accounts, are within one year. Although payables in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currency, as noted above.

Short-term bank loans are used to hedge the exchange risk for nontrade receivables denominated in foreign currency. The payment term is within three months after the consolidated balance sheet date. The long-term bank loan is used to finance for construction of new buildings at EIZO GmbH which is a consolidated subsidiary. All the loans are traded in foreign currency and have variable interest rates. Thus, they are exposed to the market risk of fluctuation in exchange rates and interest rates.

Derivatives mainly include forward foreign currency contracts that are used to manage exposure to risk of changes in foreign currency exchange rates of receivables and payables. Please see Note 16 for more details about derivatives.

(3) Risk Management for Financial Instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage. With respect to debt securities, the Group manages its exposure to credit risk by limiting its funding to high credit rating bonds in accordance with its internal guidelines. Please see Note 16 for information about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2023.

Market risk management (foreign exchange rate risk and interest rate risk)

Foreign currency trade receivables, payables, short-term bank loans, and long-term debt are exposed to fluctuations in foreign currency exchange rates. Such foreign exchange rate risk is hedged occasionally by forward foreign currency contracts.

Marketable and investment securities are managed by monitoring the market values and financial position of issuers on a regular basis.

The basic policies regarding derivative transactions have been approved by the director in charge of accounting based on internal guidelines that prescribe the authority and the limit for each transaction by the corporate treasury department. Reconciliation of the transactions and balances with customers is made and the transaction data is reported to the director in charge of accounting on a monthly basis.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk by holding an adequate volume of liquid assets along with adequate financial planning by the corporate treasury department.

(4) Concentration of Credit Risk

As of March 31, 2023, 10.5% of total receivables are from specific major customers of the Group.

(5) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. The fair values of cash and cash equivalents, notes and account receivable, account payable and short-term bank loan are not disclosed because their maturities are short and the carrying values approximate fair value.

(a) *Fair value of financial instruments*

	Millions of Yen		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gain/Loss</u>
<u>March 31, 2023</u>			
Short-term investments and investment securities	¥52,174	¥52,174	_____
Total	<u>¥52,174</u>	<u>¥52,174</u>	=====
Long-term bank loan	¥ 1,093	¥ 1,093	_____
Total	<u>¥ 1,093</u>	<u>¥ 1,093</u>	=====
Derivatives	¥ (57)	¥ (57)	
<u>March 31, 2022</u>			
Short-term investments and investment securities	¥53,108	¥53,108	_____
Total	<u>¥53,108</u>	<u>¥53,108</u>	=====
Long-term bank loan	¥ 1,162	¥ 1,162	_____
Total	<u>¥ 1,162</u>	<u>¥ 1,162</u>	=====
Derivatives	¥ (134)	¥ (134)	
	Thousands of U.S. Dollars		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gain/Loss</u>
<u>March 31, 2023</u>			
Short-term investments and investment securities	\$ 392,286	\$ 392,286	_____
Total	<u>\$ 392,286</u>	<u>\$ 392,286</u>	=====
Long-term bank loan	\$ 8,218	\$ 8,218	_____
Total	<u>\$ 8,218</u>	<u>\$ 8,218</u>	=====
Derivatives	\$ (429)	\$ (429)	

(b) *Carrying amount of financial instruments that do not have a quoted market price in an active market*

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Investments in equity instruments that do not have a quoted market price in an active market	¥17	¥17	\$128
Debt securities that do not have a quoted market price in an active market			

(6) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
<u>March 31, 2023</u>				
Cash and cash equivalents	¥ 9,555			
Receivables	16,587			
Investment securities:				
Others	<u>79</u>	<u>¥ 70</u>	<u>—</u>	<u>—</u>
Total	<u>¥26,221</u>	<u>¥ 70</u>	<u>—</u>	<u>—</u>
<u>March 31, 2022</u>				
Cash and cash equivalents	¥22,386			
Receivables	20,079			
Investment securities:				
Debt securities	300			
Others	<u>88</u>	<u>¥ 160</u>	<u>—</u>	<u>—</u>
Total	<u>¥42,853</u>	<u>¥ 160</u>	<u>—</u>	<u>—</u>

	Thousands of U.S. Dollars			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
<u>March 31, 2023</u>				
Cash and cash equivalents	\$ 71,842			
Receivables	124,714			
Investment securities:				
Others	<u>594</u>	<u>\$ 526</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 197,150</u>	<u>\$ 526</u>	<u>—</u>	<u>—</u>

(7) Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is categorized at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(a) *The financial assets and liabilities measured at the fair values in the consolidated balance sheet*

<u>March 31, 2023</u>	Millions of Yen			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable and investment securities:				
Available-for-sale securities:				
Equity securities	¥52,026			¥52,026
Corporate bonds		¥148		148
Other				
Total assets	<u>¥52,026</u>	<u>¥148</u>		<u>¥52,174</u>
Derivative transactions:				
Foreign currency forward contracts		¥ 57		¥ 57
Total liabilities		<u>¥ 57</u>		<u>¥ 57</u>

<u>March 31, 2022</u>	Millions of Yen			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable and investment securities:				
Available-for-sale securities:				
Equity securities	¥52,560			¥52,560
Corporate bonds		¥300		300
Other		248		248
Total assets	<u>¥52,560</u>	<u>¥548</u>		<u>¥53,108</u>
Derivative transactions:				
Foreign currency forward contracts		¥134		¥ 134
Total liabilities		<u>¥134</u>		<u>¥ 134</u>

<u>March 31, 2023</u>	Thousands of U.S. Dollars			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable and investment securities:				
Available-for-sale securities:				
Equity securities	\$ 391,173			\$ 391,173
Corporate bonds		\$1,113		1,113
Other				
Total assets	<u>\$ 391,173</u>	<u>\$1,113</u>		<u>\$ 392,286</u>
Derivative transactions:				
Foreign currency forward contracts		\$ 429		\$ 429
Total liabilities		<u>\$ 429</u>		<u>\$ 429</u>

(b) *The financial assets and liabilities not measured at the fair values in the consolidated balance sheet*

<u>March 31, 2023</u>	Millions of Yen			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Long-term bank loan	_____	<u>¥1,093</u>	_____	<u>¥1,093</u>
Total liabilities	=====	<u>¥1,093</u>	=====	<u>¥1,093</u>
<u>March 31, 2022</u>	Millions of Yen			
<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
Long-term bank loan	_____	<u>¥1,025</u>	_____	<u>¥1,025</u>
Total liabilities	=====	<u>¥1,025</u>	=====	<u>¥1,025</u>
<u>March 31, 2023</u>	Thousands of U.S. Dollars			
<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
Long-term bank loan	_____	<u>\$8,218</u>	_____	<u>\$8,218</u>
Total liabilities	=====	<u>\$8,218</u>	=====	<u>\$8,218</u>

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Marketable and Investment Securities

The fair values of listed equity securities, corporate bonds and others are measured at the quoted market prices. Since listed equity securities are traded in active markets, the fair values of listed equity securities are categorized as Level 1. Whereas the quoted market prices of corporate bonds and others are not considered to be in active markets due to low market transactions, the fair values of corporate bonds and others are categorized as Level 2.

Derivatives

The fair values of foreign currency forward contracts are measured at the quoted market prices considering observable inputs such as foreign currency exchange rate, and are categorized as Level 2.

Long-Term Bank Loan

The fair values of long-term bank loan are measured by using discounted present value techniques considering assumptions including expected future cash flows and discount rates taking into account maturity and credit risk, and are categorized as Level 2.

16. DERIVATIVES

The Group enters into derivative contracts, including foreign currency forward contracts, to hedge foreign exchange rate risk associated with certain assets and liabilities denominated in foreign currencies.

All derivative transactions are entered into to hedge foreign currency exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies that regulate the authorization and credit limit amount.

Derivative Transactions to Which Hedge Accounting Is Not Applied

Derivative transactions to which hedge accounting is not applied at March 31, 2023 and 2022, were as follows:

	Millions of Yen			
	Contract Amount	Contract Amount Due after 1 Year	Fair Value	Unrealized Gain/Loss
<u>March 31, 2023</u>				
Foreign currency forward contracts— Selling Euro	¥2,285		¥ (57)	¥ (57)
<u>March 31, 2022</u>				
Foreign currency forward contracts— Selling Euro	¥3,150		¥ (134)	¥ (134)
	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after 1 Year	Fair Value	Unrealized Gain/Loss
<u>March 31, 2023</u>				
Foreign currency forward contracts— Selling Euro	\$17,180		\$ (429)	\$ (429)

The fair value of derivative transactions is measured at the quoted price obtained from financial institutions.

17. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2022</u>	<u>2023</u>
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥ 2,017	¥ (3,290)	\$ 15,165
Reclassification adjustments to profit or loss	<u>(1,937)</u>	<u>(389)</u>	<u>(14,563)</u>
Amount before income tax effect	80	(3,679)	602
Income tax effect	<u>(30)</u>	<u>1,071</u>	<u>(226)</u>
Total	<u>¥ 50</u>	<u>¥ (2,608)</u>	<u>\$ 376</u>
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 1,161	¥ 1,396	\$ 8,729
Amount before income tax effect	<u>1,161</u>	<u>1,396</u>	<u>8,729</u>
Total	<u>¥ 1,161</u>	<u>¥ 1,396</u>	<u>\$ 8,729</u>
Defined retirement benefit plans:			
Adjustments arising during the year	¥ 371	¥ 147	\$ 2,789
Reclassification adjustments to profit or loss	<u>(112)</u>	<u>(62)</u>	<u>(842)</u>
Amount before income tax effect	259	85	1,947
Income tax effect	<u>5</u>	<u>20</u>	<u>38</u>
Total	<u>¥ 264</u>	<u>¥ 105</u>	<u>\$ 1,985</u>
Total other comprehensive income (loss)	<u>¥ 1,475</u>	<u>¥ (1,107)</u>	<u>\$ 11,090</u>

18. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2023, was approved at the board of directors' meeting held on May 18, 2023:

	Millions of Yen	Thousands of U.S. Dollars
	<u></u>	<u></u>
Year-end cash dividends, ¥65 (\$0.5) per share	¥1,337	\$ 10,053

19. REVENUE

(1) Information Regarding Disaggregated Revenue from Contracts with Customers

	Millions of Yen		
	2023		
	Geographical Areas		
	<u>Overseas</u>	<u>Japan</u>	<u>Total</u>
Reportable Segment:			
Business & Plus	¥ 13,212	¥ 5,371	¥ 18,583
Healthcare	22,881	11,833	34,714
Creative Work	5,644	1,102	6,746
Vertical & Specific	5,515	3,754	9,269
Amusement		6,498	6,498
Other	<u>908</u>	<u>4,132</u>	<u>5,040</u>
Total	<u>¥ 48,160</u>	<u>¥ 32,690</u>	<u>¥ 80,850</u>

	Millions of Yen		
	2022		
	Geographical Areas		
	<u>Overseas</u>	<u>Japan</u>	<u>Total</u>
Reportable Segment:			
Business & Plus	¥ 12,123	¥ 5,421	¥ 17,544
Healthcare	19,445	12,460	31,905
Creative Work	5,231	1,048	6,279
Vertical & Specific	4,373	3,965	8,338
Amusement		18,142	18,142
Other	<u>654</u>	<u>3,927</u>	<u>4,581</u>
Total	<u>¥ 41,826</u>	<u>¥ 44,963</u>	<u>¥ 86,789</u>

	Thousands of U.S. Dollars		
	2023		
	Geographical Areas		
	<u>Overseas</u>	<u>Japan</u>	<u>Total</u>
Reportable Segment:			
Business & Plus	\$ 99,338	\$ 40,383	\$ 139,721
Healthcare	172,038	88,970	261,008
Creative Work	42,436	8,286	50,722
Vertical & Specific	41,466	28,226	69,692
Amusement		48,857	48,857
Other	<u>6,827</u>	<u>31,068</u>	<u>37,895</u>
Total	<u>\$ 362,105</u>	<u>\$ 245,790</u>	<u>\$ 607,895</u>

(2) Basic Information to Understand Revenues from Contracts with Customers

Although the Group is effectively a single segment consisting mainly of visual products and related products, revenue is divided into sales of products and entrusted development of amusement software due to differences in the timing of fulfillment of performance obligations. Product sales are included in Business & Plus, Healthcare, Creative Work, Vertical & Specific and Amusement, and entrusted development of amusement software is included in others.

The sales of products

The Company determines that the performance obligations to customers for the sales of the products is satisfied when the products are delivered to the customers and the customers obtains control of the products. Therefore, the Company recognizes the revenue at a point in time of delivery of the products.

The transaction price is measured by the amount promised in contracts with customers, which is the amount deducting the amount of discount and rebate. The amount of consideration does not include any significant financial component.

Entrusted development of amusement software

The Company determines that performance obligations to customers for an entrusted development will be satisfied over a certain period of time from the start of development based on the customer's request to the provision of the software deliverables to the customers and the completion of the inspection. Therefore, the Company recognizes the revenue over the period from the start of development to the completion of acceptance. Revenue recognition is based on cost recovery method when it is not possible to reasonably estimate the degree of progress regarding satisfied performance obligations, but it is expected to recover the costs. The transaction price is based on the amount of consideration promised in contracts with customers and does not include any significant financial component.

(3) Information to Understand the Amount of Revenue for the Current Consolidated Fiscal Year and the Next Consolidated Fiscal Year

(a) The balances of contract assets, contract liabilities and receivables from contracts with customers

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Receivables from contracts with customers	¥18,314	¥ 21,890	\$ 137,699
Contract assets	2,347	2,925	17,647
Contract liabilities	581	895	4,368

Contract assets relate to the Company's rights to consideration for the development deliverables of the entrusted development of amusement software with customers. The contract assets will be transferred to the receivables from contracts with customers when the Company's right to consideration becomes unconditional. The consideration for the entrusted development is invoiced at the time of delivery of the deliverable to the customer and the completion of acceptance in accordance with the contractual terms and is generally received in the second month following the billing month.

Contract liabilities are related to advance payments for which the maintenance period has not elapsed out of the maintenance price received after concluding the maintenance contracts with customers. Contract liabilities are reversed when revenue is recognized.

(b) Transaction price allocated to remaining performance obligations

The total transaction price allocated to the remaining performance obligations related to the entrusted development of amusement software by the Company is ¥950 million. Revenue will be recognized over the next 12 months as its development is completed.

20. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available, and such information is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Group is primarily engaged in the manufacture, development, and sale of visual products and related products. The Group consists of this single industry, and therefore, it is not required to disclose separate financial information by segment.

(2) Information about Products and Services

	Millions of Yen						
	2023						
	<u>Business & Plus</u>	<u>Healthcare</u>	<u>Creative Work</u>	<u>Vertical & Specific</u>	<u>Amusement</u>	<u>Other</u>	<u>Total</u>
Sales to external customers	¥ 18,583	¥ 34,714	¥ 6,746	¥ 9,269	¥ 6,498	¥ 5,040	¥ 80,850

	Millions of Yen						
	2022						
	<u>Business & Plus</u>	<u>Healthcare</u>	<u>Creative Work</u>	<u>Vertical & Specific</u>	<u>Amusement</u>	<u>Other</u>	<u>Total</u>
Sales to external customers	¥ 17,544	¥ 31,905	¥ 6,279	¥ 8,338	¥ 18,142	¥ 4,581	¥ 86,789

	Thousands of U.S. Dollars						
	2023						
	<u>Business & Plus</u>	<u>Healthcare</u>	<u>Creative Work</u>	<u>Vertical & Specific</u>	<u>Amusement</u>	<u>Other</u>	<u>Total</u>
Sales to external customers	\$ 139,721	\$ 261,008	\$ 50,722	\$ 69,692	\$ 48,857	\$ 37,895	\$ 607,895

(3) Information about Geographical Areas

(a) Sales

	Millions of Yen			
	2023			
<u>Japan</u>	<u>Europe</u>	<u>North America</u>	<u>Other</u>	<u>Total</u>
¥ 32,690	¥ 33,620	¥ 8,062	¥ 6,478	¥ 80,850

	Millions of Yen			
	2022			
<u>Japan</u>	<u>Europe</u>	<u>North America</u>	<u>Other</u>	<u>Total</u>
¥ 44,963	¥ 30,502	¥ 5,979	¥ 5,345	¥ 86,789

Thousands of U.S. Dollars				
2023				
<u>Japan</u>	<u>Europe</u>	<u>North America</u>	<u>Other</u>	<u>Total</u>
\$ 245,789	\$ 252,782	\$ 60,617	\$ 48,707	\$ 607,895

Notes : 1. Sales are classified by country or region based on the location of customers.
2. Within Europe, sales in Germany for the years ended March 31, 2023 and 2022, were ¥18,291 million (\$137,526 thousand) and ¥15,853 million, respectively.

(b) *Property, plant and equipment*

Millions of Yen				
2023				
<u>Japan</u>	<u>Europe</u>	<u>North America</u>	<u>Other</u>	<u>Total</u>
¥ 12,793	¥ 7,001	¥ 2,126	¥ 69	¥ 21,989

Millions of Yen				
2022				
<u>Japan</u>	<u>Europe</u>	<u>North America</u>	<u>Other</u>	<u>Total</u>
¥ 11,744	¥ 6,820	¥ 1,519	¥ 91	¥ 20,174

Thousands of U.S. Dollars				
2023				
<u>Japan</u>	<u>Europe</u>	<u>North America</u>	<u>Other</u>	<u>Total</u>
\$ 96,188	\$ 52,639	\$ 15,985	\$ 519	\$ 165,331

Note: Within Europe, property, plant and equipment in Germany for the years ended March 31, 2023 and 2022, were ¥5,955 million (\$44,774 thousand) and ¥5,821 million, respectively.

(4) **Information about Major Customers**

<u>Name of Customers</u>	<u>Millions of Yen</u> <u>2023</u> <u>Sales</u>
JT Japan Technicals	¥ 10,077

<u>Name of Customers</u>	<u>Millions of Yen</u> <u>2022</u> <u>Sales</u>
JT Japan Technicals	¥ 21,408

<u>Name of Customers</u>	<u>Thousands of U.S. Dollars</u> <u>2023</u> <u>Sales</u>
JT Japan Technicals	\$ 75,767

* * * * *