

# **The Items Disclosed on the Internet Concerning the Notice of the 119th Annual Shareholders Meeting**

**Status of Share Acquisition Rights, etc.**

**Notes to Consolidated Financial Statements**

**Notes to Non-consolidated Financial Statements**

(From April 1, 2021 to March 31, 2022)

## **TSUGAMI CORPORATION**

“Status of Share Acquisition Rights, etc.,” the “Notes to Consolidated Financial Statements” and the “Notes to Non-consolidated Financial Statements” are provided to shareholders on the Company website (<https://www.tsugami.co.jp/eng/>), pursuant to the provisions of applicable laws and regulations as well as Article 14 of the Company’s Articles of Incorporation.

## Status of Share Acquisition Rights, etc.

### (i) Status of share acquisition rights held by officers (as of March 31, 2022)

Date of resolution to issue share acquisition rights		June 24, 2005	June 23, 2006	
Number of share acquisition rights		35	22	
Class and number of shares to be delivered upon exercise of share acquisition rights		35,000 common shares (1,000 shares per share acquisition right)	22,000 common shares (1,000 shares per share acquisition right)	
Amount of payment for share acquisition rights		Free of charge	¥608	
Value of assets to be paid in upon the exercise of share acquisition rights		¥1 per share	¥1 per share	
Exercise period		July 1, 2005 to June 30, 2025	July 21, 2006 to July 20, 2026	
Conditions of exercise		Partial exercise of each share acquisition right shall not be allowed. Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.	Partial exercise of each share acquisition right shall not be allowed. Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.	
Status of holding the rights by officers	Directors (excluding Audit and Supervisory Committee Members)	Directors (excluding Outside Directors)	Number of persons holding the rights: 1 Number of the rights held: 35 Number of subject shares: 35,000 shares	Number of persons holding the rights: 1 Number of the rights held: 22 Number of subject shares: 22,000 shares
		Outside Directors	Number of persons holding the rights: – Number of the rights held: – Number of subject shares: –	Number of persons holding the rights: – Number of the rights held: – Number of subject shares: –
	Directors (Audit and Supervisory Committee Members)		Number of persons holding the rights: – Number of the rights held: – Number of subject shares: –	Number of persons holding the rights: – Number of the rights held: – Number of subject shares: –
Date of resolution to issue share acquisition rights		June 22, 2007	June 20, 2008	
Number of share acquisition rights		29	20	
Class and number of shares to be delivered upon exercise of share acquisition rights		29,000 common shares (1,000 shares per share acquisition right)	20,000 common shares (1,000 shares per share acquisition right)	
Amount of payment for share acquisition rights		¥513	¥279	
Value of assets to be paid in upon the exercise of share acquisition rights		¥1 per share	¥1 per share	
Exercise period		July 10, 2007 to July 9, 2027	July 8, 2008 to July 7, 2028	
Conditions of exercise		Partial exercise of each share acquisition right shall not be allowed. Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.	Partial exercise of each share acquisition right shall not be allowed. Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.	
Status of holding the rights by officers	Directors (excluding Audit and Supervisory Committee Members)	Directors (excluding Outside Directors)	Number of persons holding the rights: 1 Number of the rights held: 29 Number of subject shares: 29,000 shares	Number of persons holding the rights: 1 Number of the rights held: 20 Number of subject shares: 20,000 shares
		Outside Directors	Number of persons holding the rights: – Number of the rights held: – Number of subject shares: –	Number of persons holding the rights: – Number of the rights held: – Number of subject shares: –
	Directors (Audit and Supervisory Committee Members)		Number of persons holding the rights: – Number of the rights held: – Number of subject shares: –	Number of persons holding the rights: – Number of the rights held: – Number of subject shares: –

Date of resolution to issue share acquisition rights			June 19, 2009	June 18, 2010
Number of share acquisition rights			45	25
Class and number of shares to be delivered upon exercise of share acquisition rights			52,000 common shares (1,000 shares per share acquisition right)	29,000 common shares (1,000 shares per share acquisition right)
Amount of payment for share acquisition rights			¥123	¥532
Value of assets to be paid in upon the exercise of share acquisition rights			¥1 per share	¥1 per share
Exercise period			July 7, 2009 to July 6, 2029	July 6, 2010 to July 5, 2030
Conditions of exercise			Partial exercise of each share acquisition right shall not be allowed. Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.	Partial exercise of each share acquisition right shall not be allowed. Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.
Status of holding the rights by officers	Directors (excluding Audit and Supervisory Committee Members)	Directors (excluding Outside Directors)	Number of persons holding the rights: 1 Number of the rights held: 45 Number of subject shares: 45,000 shares	Number of persons holding the rights: 1 Number of the rights held: 25 Number of subject shares: 25,000 shares
		Outside Directors	Number of persons holding the rights: – Number of the rights held: – Number of subject shares: –	Number of persons holding the rights: – Number of the rights held: – Number of subject shares: –
	Directors (Audit and Supervisory Committee Members)		Number of persons holding the rights: – Number of the rights held: – Number of subject shares: –	Number of persons holding the rights: – Number of the rights held: – Number of subject shares: –
Date of resolution to issue share acquisition rights			June 17, 2011	June 15, 2012
Number of share acquisition rights			51	40
Class and number of shares to be delivered upon exercise of share acquisition rights			51,000 common shares (1,000 shares per share acquisition right)	40,000 common shares (1,000 shares per share acquisition right)
Amount of payment for share acquisition rights			¥408	¥459
Value of assets to be paid in upon the exercise of share acquisition rights			¥1 per share	¥1 per share
Exercise period			July 5, 2011 to July 4, 2031	July 3, 2012 to July 2, 2032
Conditions of exercise			Partial exercise of each share acquisition right shall not be allowed. Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.	Partial exercise of each share acquisition right shall not be allowed. Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.
Status of holding the rights by officers	Directors (excluding Audit and Supervisory Committee Members)	Directors (excluding Outside Directors)	Number of persons holding the rights: 1 Number of the rights held: 45 Number of subject shares: 45,000 shares	Number of persons holding the rights: 1 Number of the rights held: 35 Number of subject shares: 35,000 shares
		Outside Directors	Number of persons holding the rights: – Number of the rights held: – Number of subject shares: –	Number of persons holding the rights: – Number of the rights held: – Number of subject shares: –
	Directors (Audit and Supervisory Committee Members)		Number of persons holding the rights: 1 Number of the rights held: 6 Number of subject shares: 6,000 shares	Number of persons holding the rights: 1 Number of the rights held: 5 Number of subject shares: 5,000 shares

Date of resolution to issue share acquisition rights			June 21, 2013	June 20, 2014
Number of share acquisition rights			44	44
Class and number of shares to be delivered upon exercise of share acquisition rights			44,000 common shares (1,000 shares per share acquisition right)	44,000 common shares (1,000 shares per share acquisition right)
Amount of payment for share acquisition rights			¥445	¥452
Value of assets to be paid in upon the exercise of share acquisition rights			¥1 per share	¥1 per share
Exercise period			July 9, 2013 to July 8, 2013	July 8, 2014 to July 7, 2014
Conditions of exercise			Partial exercise of each share acquisition right shall not be allowed. Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.	Partial exercise of each share acquisition right shall not be allowed. Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.
Status of holding the rights by officers	Directors (excluding Audit and Supervisory Committee Members)	Directors (excluding Outside Directors)	Number of persons holding the rights: 1 Number of the rights held: 39 Number of subject shares: 39,000 shares	Number of persons holding the rights: 1 Number of the rights held: 39 Number of subject shares: 39,000 shares
		Outside Directors	Number of persons holding the rights: – Number of the rights held: – Number of subject shares: –	Number of persons holding the rights: – Number of the rights held: – Number of subject shares: –
	Directors (Audit and Supervisory Committee Members)		Number of persons holding the rights: 1 Number of the rights held: 5 Number of subject shares: 5,000 shares	Number of persons holding the rights: 1 Number of the rights held: 5 Number of subject shares: 5,000 shares
Date of resolution to issue share acquisition rights			June 18, 2015	June 22, 2016
Number of share acquisition rights			32	45
Class and number of shares to be delivered upon exercise of share acquisition rights			32,000 common shares (1,000 shares per share acquisition right)	45,000 common shares (1,000 shares per share acquisition right)
Amount of payment for share acquisition rights			¥526	¥272
Value of assets to be paid in upon the exercise of share acquisition rights			¥1 per share	¥1 per share
Exercise period			July 7, 2015 to July 6, 2015	July 8, 2016 to July 7, 2016
Conditions of exercise			Partial exercise of each share acquisition right shall not be allowed. Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.	Partial exercise of each share acquisition right shall not be allowed. Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.
Status of holding the rights by officers	Directors (excluding Audit and Supervisory Committee Members)	Directors (excluding Outside Directors)	Number of persons holding the rights: 1 Number of the rights held: 28 Number of subject shares: 28,000 shares	Number of persons holding the rights: 1 Number of the rights held: 40 Number of subject shares: 40,000 shares
		Outside Directors	Number of persons holding the rights: – Number of the rights held: – Number of subject shares: –	Number of persons holding the rights: – Number of the rights held: – Number of subject shares: –
	Directors (Audit and Supervisory Committee Members)		Number of persons holding the rights: 1 Number of the rights held: 4 Number of subject shares: 4,000 shares	Number of persons holding the rights: 1 Number of the rights held: 5 Number of subject shares: 5,000 shares

Date of resolution to issue share acquisition rights			June 21, 2017	June 20, 2018
Number of share acquisition rights			30	270
Class and number of shares to be delivered upon exercise of share acquisition rights			30,000 common shares (1,000 shares per share acquisition right)	27,000 common shares (100 shares per share acquisition right)
Amount of payment for share acquisition rights			¥706	¥771
Value of assets to be paid in upon the exercise of share acquisition rights			¥1 per share	¥1 per share
Exercise period			July 7, 2017 to July 6, 2037	July 7, 2018 to July 6, 2038
Conditions of exercise			Partial exercise of each share acquisition right shall not be allowed. Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.	Partial exercise of each share acquisition right shall not be allowed. Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.
Status of holding the rights by officers	Directors (excluding Audit and Supervisory Committee Members)	Directors (excluding Outside Directors)	Number of persons holding the rights: 2 Number of the rights held: 27 Number of subject shares: 27,000 shares	Number of persons holding the rights: 2 Number of the rights held: 270 Number of subject shares: 27,000 shares
		Outside Directors	Number of persons holding the rights: – Number of the rights held: – Number of subject shares: –	Number of persons holding the rights: – Number of the rights held: – Number of subject shares: –
	Directors (Audit and Supervisory Committee Members)		Number of persons holding the rights: 1 Number of the rights held: 3 Number of subject shares: 3,000 shares	Number of persons holding the rights: – Number of the rights held: – Number of subject shares: –
Date of resolution to issue share acquisition rights			June 19, 2019	June 17, 2020
Number of share acquisition rights			400	230
Class and number of shares to be delivered upon exercise of share acquisition rights			40,000 common shares (100 shares per share acquisition right)	23,000 common shares (100 shares per share acquisition right)
Amount of payment for share acquisition rights			¥753	¥753
Value of assets to be paid in upon the exercise of share acquisition rights			¥1 per share	¥1 per share
Exercise period			July 6, 2019 to July 5, 2039	July 7, 2020 to July 6, 2040
Conditions of exercise			Partial exercise of each share acquisition right shall not be allowed. Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.	Partial exercise of each share acquisition right shall not be allowed. Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.
Status of holding the rights by officers	Directors (excluding Audit and Supervisory Committee Members)	Directors (excluding Outside Directors)	Number of persons holding the rights: 3 Number of the rights held: 400 Number of subject shares: 40,000 shares	Number of persons holding the rights: 2 Number of the rights held: 230 Number of subject shares: 23,000 shares
		Outside Directors	Number of persons holding the rights: – Number of the rights held: – Number of subject shares: –	Number of persons holding the rights: – Number of the rights held: – Number of subject shares: –
	Directors (Audit and Supervisory Committee Members)		Number of persons holding the rights: – Number of the rights held: – Number of subject shares: –	Number of persons holding the rights: – Number of the rights held: – Number of subject shares: –

- (ii) Share acquisition rights issued to employees, etc. as compensation for the execution of their duties during the fiscal year under review  
Not applicable.

## Notes to Consolidated Financial Statements

### 1. Important Matters that Become Basis of Presenting Consolidated Financial Statements

#### (1) Standards used to prepare the consolidated financial statements

The Company and its subsidiaries (the “Group”) are applying the International Financial Reporting Standards (IFRS) to prepare the Group’s consolidated financial statements in accordance with the provisions of Article 120, paragraph (1) of the Regulations on Corporate Accounting. Part of the disclosure items requested under the IFRS are omitted in the consolidated financial statements, in accordance with the latter clause of said paragraph.

#### (2) Scope of consolidation

- Number of consolidated subsidiaries: 12
- Names of major consolidated subsidiaries: TSUGAMI GENERAL SERVICE CO., LTD.  
Precision Tsugami (China) Corporation Limited  
Precision Tsugami (Hong Kong) Limited  
Precision Tsugami (China) Corporation  
Shinagawa Precision Machinery (Zhejiang) Co., Ltd.  
Precision Tsugami (Anhui) Corporation  
Precision Nakatsu (China) Corporation  
TSUGAMI KOREA Co., Ltd.  
TSUGAMI PRECISION ENGINEERING INDIA  
PRIVATE LIMITED
- Changes in scope of consolidation: Precision Nakatsu (China) Corporation was established in the consolidated fiscal year under review and is included in the scope of consolidation.

#### (3) Application of equity method

- Number of companies accounted for using equity method: 0

#### (4) Matters concerning fiscal year of consolidated subsidiaries, etc.

For subsidiaries that settle accounts on a day different from the Company’s consolidated fiscal year-end, financial statements based on provisional settlement of accounts, carried out on the consolidated closing date, are used.

#### (5) Matters concerning significant accounting policies

##### (i) Financial assets

##### (a) Initial recognition and measurement

The Tsugami Group classifies financial assets at initial recognition as financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income or financial assets measured at amortized cost.

The Tsugami Group recognizes these financial assets at the transaction date when the Group becomes a party to the contract for the financial assets.

At initial recognition, all financial assets are measured at fair value plus transaction expenses, except for those measured at fair value through profit or loss.

Financial assets are classified into financial assets measured at amortized cost, on the condition that they meet both of the following criteria:

- Financial assets are held based on the business model to hold financial assets for the purpose of collecting contractual cash flows
- Contractual terms associated with financial assets give rise to cash flows on specified dates, consisting only of payment of the principal and interest on the principal balance

Financial assets other than financial assets measured at amortized cost are classified as financial assets measured at fair value.

Equity instruments measured at fair value, except those held for trading purposes which must be measured at fair value through profit or loss, are each irrevocably designated as either assets measured at fair value through profit or loss or assets measured at fair value through other comprehensive income.

(b) Subsequent measurement

Financial assets are subsequently measured as follows depending on their classification.

a. Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method subsequent to the initial recognition.

b. Financial assets measured at fair value

Changes in fair value of financial assets measured at fair value are recognized in profit or loss subsequent to the initial recognition.

Any change in the fair value of equity instruments measured at fair value through other comprehensive income is recognized as other comprehensive income subsequent to the initial recognition. If such instruments are derecognized or the fair value decreased significantly, accumulated other comprehensive income is directly transferred to retained earnings. Dividends from such instruments are recognized in profit or loss as part of financial income.

(c) Derecognition of financial assets

The Tsugami Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to receive the cash flows from the financial asset are assigned and substantially all the risks and rewards of ownership are transferred. When the Group retains control of the assigned financial asset, it recognizes a liability in relation to the asset to the extent of its continuing involvement.

(d) Impairment of financial assets

For financial assets measured at amortized cost, the Tsugami Group recognizes an allowance for doubtful accounts for expected credit losses.

The Group evaluates at the end of each reporting period whether there is a significant increase in credit risk of financial assets since initial recognition. When there is no significant increase in the credit risk since initial recognition, the amount equal to expected credit losses for 12 months are recognized as allowance for doubtful accounts. When there is a significant increase in credit risk since initial recognition, the amount equal to expected credit losses for the remaining life of the financial assets are recognized as allowance for doubtful accounts.

The Group considers, as a general rule, that there has been a significant increase in the credit risk when contractual payments are more than 30 days past due. The Group considers not only the information regarding due date but also other reasonable and supportable information (internal and external credit ratings, etc.) when determining whether credit risk has increased significantly since initial recognition.



The Group considers that there has not been a significant increase in the credit risk since initial recognition when the financial assets are determined to have low credit risk at the end of the reporting period.

However, for trade receivables that do not have a significant financing component, the allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses regardless of whether credit risk has increased significantly since initial recognition.

The Tsugami Group estimates credit losses on financial assets to reflect the following factors:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- the time value of money
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions

The Group endeavors to adjust estimated credit losses calculated in accordance with the above as necessary to reflect the impact of significant economic fluctuation, etc.

When the Tsugami Group has no reasonable expectation of recovery of all or part of a financial asset, it directly reduces the gross carrying amount of a financial asset.

A provision for doubtful accounts related to financial assets is recognized in profit or loss. The Group recognizes a reversal of provision for doubtful accounts in profit or loss when an event which decreases the allowance for doubtful accounts occurs.

## (ii) Financial liabilities

### (a) Initial recognition and measurement

The Tsugami Group classifies financial liabilities into financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost at initial recognition.

The Group initially recognizes all financial liabilities at the transaction date when the Group becomes a party to the contract for the financial liabilities.

All financial liabilities are measured at fair value at initial recognition, whereas financial liabilities measured at amortized cost are measured at the amount less directly attributable transaction costs.

### (b) Subsequent measurement

Financial liabilities are subsequently measured as follows depending on their classification.

#### a. Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading purposes and financial liabilities designated at initial recognition as financial liabilities measured at fair value through profit or loss and changes in fair value of financial liabilities measured at fair value through profit or loss are recognized in profit or loss subsequent to the initial recognition.

#### b. Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are measured at amortized cost subsequent to the initial recognition, by using the effective interest method.

Amortization by the effective interest method, as well as gains and losses associated with the derecognition shall be recognized in profit or loss as part of financial costs in the fiscal year under review.

### (c) Derecognition of financial liabilities

The Tsugami Group derecognizes a financial liability when it is extinguished, namely when the obligation specified in the contract is discharged, cancelled or becomes invalid.

(iii) Derivatives and hedge accounting

The Tsugami Group uses derivatives (forward foreign exchange contracts) as hedging instruments against foreign exchange risk in respect of foreign currency denominated receivables. These derivatives are initially recognized at fair value at the time the forward foreign exchange contract is concluded and are measured at fair value subsequently. Hedge accounting is not applied to the derivatives.

(iv) Inventories

Inventories are measured at the lower of acquisition cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The acquisition cost of inventories is determined principally based on the moving average method and includes the purchase cost, processing cost, and any other costs incurred in bringing the inventories to their present location and condition.

(v) Property, plant and equipment

The Company uses the cost model for measuring property, plant and equipment and the value of acquisition cost is stated net of accumulated depreciation and impairment losses.

The acquisition cost of property, plant and equipment comprises any costs directly attributable to the acquisition of the item, the cost of site dismantlement, removal and restoration and borrowing costs that should be capitalized.

Depreciation costs on an item of property, plant and equipment, other than land and construction in progress, are recognized on a straight-line method over its estimated useful life. The range of estimated useful lives by major asset item is as follows:

- Buildings and structures: 15 to 38 years
- Machinery and equipment: 9 years
- Tools, furniture and fixtures: 2 to 20 years

Estimated useful life, residual value, and depreciation methods are reviewed at the end of each consolidated fiscal year and, if there is a change, adjustments will be applied from that point forward as changes in accounting estimate.

(vi) Intangible assets

Separately acquired intangible assets are recognized initially at cost.

The Company uses the cost model for measuring intangible assets after initial recognition, and intangible assets are amortized on a straight-line basis over their estimated useful lives and stated at acquisition cost less accumulated amortization and impairment losses. The estimated useful lives of major asset items are as follows:

- Software: 5 years

Estimated useful life, residual value, and depreciation methods are reviewed at the end of each consolidated fiscal year and, if there is a change, adjustments will be applied from that point forward as changes in accounting estimate.

(vii) Lease

The Tsugami Group assesses whether a contract is or contains a lease at inception of a contract. A contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

When the Group assesses that a contract is or contains a lease, at the commencement of the lease, the Group recognizes a right-of-use asset and a lease liability. The Group has opted not to recognize assets and liabilities for short-term leases of less than 12 months and leases of low-value assets.

A right-of-use asset is measured by using the cost model and is stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The acquisition cost of a right-of-use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, and any initial direct costs. The right-of-use asset is depreciated using the straight-line method over its estimated useful life or lease term, whichever is shorter. Lease payments for short-term leases and leases of low-value assets are recognized as an expense over the lease term on a straight-line basis.

The lease liability is measured at the present value of the lease payment that is not paid. The lease payments are allocated to financial costs and the repayments of the lease liabilities based on the effective interest method. The financial costs are recognized in the consolidated statement of profit or loss.

(viii) Impairment losses on non-financial assets

Non-financial assets (excluding inventories and deferred tax assets) are assessed at the final date of each reporting period for indications of impairment. If there is an indication of impairment, the asset's recoverable amount is estimated. For intangible assets with an indefinite useful life or intangible assets not yet available for use, the Group estimates the recoverable amount at the same time every year regardless of whether there is an indication of impairment.

The recoverable amount of an asset or a cash-generating unit is the higher of its value in use and its fair value less the cost of disposal. In determining the value in use, estimated future cash flows arising from assets and cash-generating units are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For assets not tested individually at impairment test, assets are grouped together into the smallest cash-generating unit that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or asset group. The Tsugami Group's corporate assets do not generate independent cash flows. If there is an indication of impairment in corporate assets, the Group determines the recoverable amount of the cash-generating unit to which the corporate assets belong.

The Group recognizes impairment losses in profit or loss when the carrying amount of assets or cash-generating units exceeds the estimated recoverable amount. Impairment losses recognized in relation to a cash-generating unit are allocated first to reduce the carrying amount of goodwill allocated to the cash-generating unit and then the carrying amount of other assets in the cash-generating unit are reduced pro rata.

(ix) Provisions

Provisions are recognized when the Group has present legal and constructive obligations as a result of past events, it is highly probable that outflows of economic resources will be occurred to settle the obligations, and reliable estimates of the obligations can be made. In instances where the time value of money becomes material, the provision amount is measured based on estimated future cash flows discounted to their present value using a pre-tax discount rate reflecting the time value of money and risk specific to the liability. The unwinding of discount due to passage of time is recognizes as finance costs.

(x) Employee benefits accruals

The Group uses funded and unfunded defined-benefit pension plans and defined-contribution pension plans as retirement benefit plans for employees.

The Group uses the projected unit credit method to calculate the present value of the defined benefit obligation and related current and past service costs.

The discount rates are determined based on market yields of high quality corporate bonds at the end of the fiscal year that correspond to the discount period, which is set on the basis of a period up to the estimated date of benefit payment for each future year.

Assets or liabilities related to the defined benefit plans are calculated as the net sum of the present value of the defined benefit obligation and the fair value of plan assets for each plan.

Differences arising in remeasurement of defined benefit plans are recognized in a lump sum in other comprehensive income in the period they are incurred and immediately transferred from other components of equity to retained earnings.

Past service costs are recognized as profit or loss in the period they occur.

In case that the Group has a surplus in the defined benefit plans as a result of calculation, the net defined benefit asset is measured to the extent of the present value of economic benefits available in the form of a future refund from the plan or a reduction in future contributions to the plan.

Expenses related to defined contribution retirement benefits are recognized as expenses at the time contributions are made.

#### (xi) Revenue

With regard to contracts with customers, the Tsugami Group recognizes revenue by applying the following steps (except for interest and dividend revenue, etc. under IFRS 9 “Financial Instruments”).

Step 1: Identify the contract with the customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Tsugami Group is engaged in the manufacture and sale of machine tools and the provision of services such as maintenance and repair services. With regard to the sales of machine tools and machine tool parts, performance obligations are satisfied when, in light of the contract terms, the customer obtains control over the product and the Group recognizes revenue either upon the product’s arrival with/acceptance by the customer or based on trade terms, etc. With regard to machine tool-related services, performance obligations are satisfied when provision of the service is complete and the Group recognizes revenue at such time.

Revenue is measured at the amount of promised consideration in contracts with customers less rebates and others.

#### (xii) Government grants

Government grants are recognized at fair value when there is reasonable assurance that the Company will comply with any conditions attached to the grant and the grant will be received.

A grant relating to costs is recognized as income on a systematic basis, over the period in which the Company recognizes expenses for the related costs for which the grant is intended to compensate. A grant relating to assets is recognized as deferred income and is recognized in profit or loss on a systematic basis over the estimated useful life of the asset to which the grant relates.

(xiii) Foreign currencies

(a) Transactions denominated in foreign currencies

Transactions conducted in currencies other than the functional currency of each Group company are translated into the functional currency using the exchange rate on the transaction date or an exchange rate that approximates the exchange rate on that date.

Foreign currency monetary assets and liabilities at the end of a reporting period are converted into the functional currency at the exchange rate on that date.

Foreign currency non-monetary assets and liabilities measured at fair value are converted into the functional currency at the exchange rate on the date of calculation of fair value.

Any exchange difference arising from conversion or settlement is recognized in profit or loss. However, exchange differences arising from financial instruments measured through other comprehensive income are recognized in other comprehensive income.

(b) Foreign operations

Assets and liabilities of the Group's foreign operations are translated into Japanese yen using the exchange rates on the final date of the reporting period. Income and expense items are translated at the average exchange rates for the reporting period, unless any significant change has occurred. Any exchange differences arising from these translations are recognized in other comprehensive income. Exchange differences of foreign operations are recognized in profit or loss in the period in which the foreign operations are disposed of.

## 2. Notes on Changes in Accounting Policy

Not applicable.

## 3. Notes to Accounting Estimates

### (1) Valuation of inventories

#### (i) Amounts recorded in the consolidated financial statements for the fiscal year under review

Inventories	¥32,618 million
Write-down of inventories	¥591 million
Reversal of write-down of inventories	¥791 million

The write-down of inventories is recognized by the reversal method.

#### (ii) Information to facilitate understanding of accounting estimates

The Company measures inventories at acquisition cost but if their net realizable value at the end of the reporting period is lower than their acquisition cost, the Company measures inventories at their net realizable value and recognizes the difference between their net realizable value and acquisition cost in the cost of sales in principle. The Company also estimates the net realizable value of slow-moving inventory deviating from the business cycle model to reflect the assumptions and judgments of management concerning factors such as future demand, selling prices and the estimated cost of additional machining. If the market environment experiences a sharper downturn than forecast and net realizable value falls dramatically, the Company may incur losses.

### (2) Recoverability of deferred tax assets

#### (i) Amounts recorded in the consolidated financial statements for the fiscal year under review

Net deferred tax assets	¥308 million
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Deferred tax assets before offset against deferred tax liabilities are ¥1,076 million.

#### (ii) Information to facilitate understanding of accounting estimates

A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. The timing and amount of taxable profit that will arise in the future are based on a business plan approved by management. Since the timing and amount of future taxable profit will be affected by future uncertain changes in the environment, any discrepancies between the actual timing and amount and those estimated could seriously impact the amount recognized in the consolidated financial statements for subsequent fiscal years.

#### 4. Notes to Consolidated Statement of Financial Position

(1) Direct write-off amount of allowance for doubtful accounts from assets	
Current assets	¥143 million
Non-current assets	¥– million
(2) Accumulated depreciation and accumulated impairment losses of property, plant and equipment	¥14,093 million

#### 5. Notes to Consolidated Statement of Profit or Loss

(1) The breakdown of “Other income” is as follows.	
Government grant income	¥980 million
Insurance income	¥1,938 million
Other	¥100 million
Total	<u>¥3,019 million</u>

Insurance income includes insurance claims for the fire incident that occurred on August 17, 2021, at the Company’s consolidated subsidiary, Precision Tsugami (China) Corporation.

(2) The breakdown of “Other expenses” is as follows.	
Loss on retirement of fixed assets	¥16 million
Impairment loss	¥156 million
Disaster loss	¥1,895 million
Other	¥45 million
Total	<u>¥2,114 million</u>

Disaster loss is loss resulting from the fire incident that occurred on August 17, 2021, at the Company’s consolidated subsidiary, Precision Tsugami (China) Corporation, and includes loss on the destruction, etc., of raw materials, etc.

## 6. Notes to Consolidated Statement of Changes in Equity

### (1) Matters relating to the total number of outstanding shares

Class of shares	Number of shares at the beginning of the consolidated fiscal year under review	Increase in shares in the consolidated fiscal year under review	Decrease in shares in the consolidated fiscal year under review	Number of shares at the end of the consolidated fiscal year under review
Common shares	55,000 thousand shares	– thousand shares	5,000 thousand shares	50,000 thousand shares

Note: The decrease in outstanding shares is due to the retirement of 5,000 thousand treasury shares.

### (2) Matters relating to the number of treasury shares

Class of shares	Number of shares at the beginning of the consolidated fiscal year under review	Increase in shares in the consolidated fiscal year under review	Decrease in shares in the consolidated fiscal year under review	Number of shares at the end of the consolidated fiscal year under review
Common shares	4,105 thousand shares	2,750 thousand shares	5,251 thousand shares	1,603 thousand shares

Note: The increase in treasury shares is due to the purchase of 2,750 thousand treasury shares.

The decrease in treasury shares is due to the exercise of stock options for 187 thousand shares, the disposal of 64 thousand treasury shares as restricted stock compensation, and the retirement of 5,000 thousand treasury shares.

### (3) Matters relating to dividends

#### (i) Dividends paid

Matters relating to dividends resolved at the Board of Directors meeting on May 13, 2021

- Total amount of dividend                    ¥712 million
- Dividend per share                            ¥14
- Record date                                    March 31, 2021
- Effective date                                   May 28, 2021

Matters relating to dividends resolved at the Board of Directors meeting on November 12, 2021

- Total amount of dividend                    ¥886 million
- Dividend per share                            ¥18
- Record date                                    September 30, 2021
- Effective date                                   November 30, 2021

#### (ii) Dividends with a record date in the fiscal year under review but an effective date in the following fiscal year

The following dividends will be submitted to the Board of Directors meeting on May 12, 2022 for approval.

- Total amount of dividend                    ¥1,065 million
- Dividend per share                            ¥22
- Record date                                    March 31, 2022
- Effective date                                   May 30, 2022

Dividend resources are planned to be retained earnings.



(4) Matters concerning share acquisition rights at the end of the consolidated fiscal year under review

	Resolved at the annual shareholders meeting on June 24, 2005	Resolved at the Board of Directors meeting on June 23, 2006
Class of shares to be issued upon exercise of share acquisition rights	Common shares	Common shares
Number of shares to be issued upon exercise of share acquisition rights	35,000 shares	22,000 shares
Unexercised share acquisition rights	35	22
	Resolved at the Board of Directors meeting on June 22, 2007	Resolved at the Board of Directors meeting on June 20, 2008
Class of shares to be issued upon exercise of share acquisition rights	Common shares	Common shares
Number of shares to be issued upon exercise of share acquisition rights	29,000 shares	20,000 shares
Unexercised share acquisition rights	29	20
	Resolved at the Board of Directors meeting on June 19, 2009	
Class of shares to be issued upon exercise of share acquisition rights	Common shares	
Number of shares to be issued upon exercise of share acquisition rights	45,000 shares	
Unexercised share acquisition rights	45	
	Resolved at the Board of Directors meeting on June 18, 2010	Resolved at the annual shareholders meeting on June 18, 2010
Class of shares to be issued upon exercise of share acquisition rights	Common shares	Common shares
Number of shares to be issued upon exercise of share acquisition rights	25,000 shares	3,000 shares
Unexercised share acquisition rights	25	3
	Resolved at the Board of Directors meeting on June 17, 2011	Resolved at the annual shareholders meeting on June 17, 2011
Class of shares to be issued upon exercise of share acquisition rights	Common shares	Common shares
Number of shares to be issued upon exercise of share acquisition rights	51,000 shares	6,000 shares
Unexercised share acquisition rights	51	6
	Resolved at the Board of Directors meeting on June 15, 2012	Resolved at the annual shareholders meeting on June 15, 2012
Class of shares to be issued upon exercise of share acquisition rights	Common shares	Common shares
Number of shares to be issued upon exercise of share acquisition rights	40,000 shares	10,000 shares
Unexercised share acquisition rights	40	10
	Resolved at the Board of Directors meeting on June 21, 2013	Resolved at the annual shareholders meeting on June 21, 2013
Class of shares to be issued upon exercise of share acquisition rights	Common shares	Common shares
Number of shares to be issued upon exercise of share acquisition rights	44,000 shares	25,000 shares
Unexercised share acquisition rights	44	25

	Resolved at the Board of Directors meeting on June 20, 2014	Resolved at the annual shareholders meeting on June 20, 2014
Class of shares to be issued upon exercise of share acquisition rights	Common shares	Common shares
Number of shares to be issued upon exercise of share acquisition rights	44,000 shares	29,000 shares
Unexercised share acquisition rights	44	29
	Resolved at the Board of Directors meeting on June 18, 2015	Resolved at the Board of Directors meeting on June 18, 2015
Class of shares to be issued upon exercise of share acquisition rights	Common shares	Common shares
Number of shares to be issued upon exercise of share acquisition rights	32,000 shares	38,000 shares
Unexercised share acquisition rights	32	38
	Resolved at the Board of Directors meeting on June 22, 2016	Resolved at the Board of Directors meeting on June 22, 2016
Class of shares to be issued upon exercise of share acquisition rights	Common shares	Common shares
Number of shares to be issued upon exercise of share acquisition rights	45,000 shares	72,000 shares
Unexercised share acquisition rights	45	72
	Resolved at the Board of Directors meeting on June 21, 2017	Resolved at the Board of Directors meeting on June 21, 2017
Class of shares to be issued upon exercise of share acquisition rights	Common shares	Common shares
Number of shares to be issued upon exercise of share acquisition rights	30,000 shares	51,000 shares
Unexercised share acquisition rights	30	51
	Resolved at the Board of Directors meeting on June 20, 2018	Resolved at the Board of Directors meeting on June 20, 2018
Class of shares to be issued upon exercise of share acquisition rights	Common shares	Common shares
Number of shares to be issued upon exercise of share acquisition rights	27,000 shares	63,000 shares
Unexercised share acquisition rights	270	630
	Resolved at the Board of Directors meeting on June 19, 2019	Resolved at the Board of Directors meeting on June 19, 2019
Class of shares to be issued upon exercise of share acquisition rights	Common shares	Common shares
Number of shares to be issued upon exercise of share acquisition rights	40,000 shares	71,000 shares
Unexercised share acquisition rights	400	710
	Resolved at the Board of Directors meeting on June 17, 2020	Resolved at the Board of Directors meeting on June 17, 2020
Class of shares to be issued upon exercise of share acquisition rights	Common shares	Common shares
Number of shares to be issued upon exercise of share acquisition rights	23,000 shares	72,000 shares
Unexercised share acquisition rights	230	720

## 7. Notes on Financial Instruments

### (1) Situation of financial instruments

#### (i) Capital management

The Group's basic policy for capital management is to seek to strengthen its business structure through sustainable growth and aim for improvement of shareholder returns.

The main indicators used by the Group for monitoring capital management are ratio of equity attributable to owners of parent and ratio of profit to equity attributable to owners of parent.

The Group is not subject to substantial capital requirements.

#### (ii) Credit risk management

Credit risk is the possibility that a counterparty to a financial asset held by the Group will fail to fulfil its contractual obligations and the Group will incur a financial loss as a result.

The Group seeks to quickly detect and reduce credit risk by having systems in place to manage due dates and outstanding balances for each counterparty and regularly monitor the credit status of major counterparties.

The Group does not have excess concentration of credit risk in specific counterparties or specific groups of counterparties.

#### (iii) Liquidity risk management

Liquidity risk is the possibility that the Group will be unable to fulfil its obligation to repay financial liabilities as they fall due.

The Group manages liquidity risk by setting aside appropriate funds for repayment and also by ensuring readily accessible lines of credit from financial institutions and monitoring actual cash flows against forecasts on an ongoing basis.

#### (iv) Foreign currency risk management

The Tsugami Group operates globally and, with production and sales of subsidiaries in China accounting for an increasing percentage of total production and sales, fluctuations of the Chinese yuan exchange rate in particular may impact the Group's performance.

Overseas export transactions are denominated in yen in principle while overseas subsidiaries conduct sales and purchases locally in the local currency. Foreign currency-denominated trade payables are within the balance of trade receivables denominated in the same foreign currency and the Group believes that it is, by and large, capable of dealing with foreign currency risk. The Group will continue seeking to balance foreign currency-denominated receivables and payables and will also consider hedging instruments such as forward foreign exchange contracts to hedge its foreign exchange fluctuation risks depending on the situation.

#### (v) Interest rate risk management

The Group is exposed to various interest rate risks in the course of carrying out its business activities and movements in interest rates have a significant effect on the cost of borrowing in particular.

To reduce interest rate risk, the Group endeavors to properly manage borrowings balances and also considers the use of interest rate swap transactions and other measures where necessary.

#### (vi) Market risk management

The Group holds listed shares for strategic purposes such as the facilitation of business alliances. The share prices of listed shares are determined based on market principles and market and economic trends may cause price fluctuation. The Group monitors the share prices of listed shares and the financial status of the issuers on a regular basis and continuously reviews its shareholdings in light of its relationships with business partners.

(2) The carrying amount and fair value of financial instruments

The table below shows the carrying amount and fair values of financial instruments for the consolidated fiscal year under review.

	(Millions of yen)	
	Carrying amount	Fair value
Assets		
Cash and cash equivalents	18,844	18,844
Trade and other receivables	27,614	27,614
Other financial assets	4,160	4,160
Total	50,620	50,620
Liabilities		
Trade and other payables	22,234	22,234
Borrowings	13,313	13,313
Other financial liabilities	276	276
Total	35,824	35,824

(3) Breakdown of fair value of financial instruments by appropriate classification

(i) Fair value hierarchy

For financial instruments measured at fair value, the amount of fair value measurement is classified into three levels from Level 1 through Level 3 according to the observability and significance of the inputs used for the measurement. Transfers among Level 1, Level 2 and Level 3 of the fair value hierarchy are recognized on the date of the event or the change in circumstances that resulted in the transfer.

Level 1: Market prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair value determined using observable prices other than those in Level 1, either directly or indirectly

Level 3: Fair value determined using an assessment technique that includes unobservable input

(ii) Financial instruments measured at fair value

Methods to calculate the fair values of financial instruments are as follows.

(Trade receivables)

Some trade receivables are classified as financial assets which are measured at fair value through other comprehensive income, and fair value is based on the present discounted value of the future net cash flows calculated using a discount rate which takes the time to maturity and credit risk into consideration.

(Equity securities and investments in capital, etc.)

The fair value of listed equity securities is based on quoted market prices at the end of the period. The fair value of non-listed equity securities and investments in capital, etc. is calculated by an appropriate method giving comprehensive consideration to net asset value, important assets held by the investee and other quantitative information.

The fair value hierarchy of financial instruments measured at fair value is as follows.

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through other comprehensive income				
Trade receivables	–	15,548	–	15,548
Equity securities	3,767	–	28	3,795
Investments in capital, etc.	–	–	334	334
Total	3,767	15,548	363	19,679

#### Valuation process

Financial instruments classified as Level 3 are mainly non-listed equity securities and investments in capital, etc., and their fair value is calculated by an appropriate method giving comprehensive consideration to net asset value, important assets held by the investee and other quantitative information.

The reasonability of the valuation is verified by a department in charge of accounting and approved by the department head.

Reconciliation of financial instruments classified as Level 3 from their beginning balance to their ending balance  
Changes in financial instruments classified as Level 3 from their beginning balance to their ending balance are as follows.

(Millions of yen)

	Consolidated fiscal year under review (From April 1, 2021 to March 31, 2022)
Beginning balance	327
Total gains and losses	35
Other comprehensive income	35
Sales	–
Ending balance	363

(iii) Financial instruments measured at amortized cost

The method of determining the fair value of major financial instruments measured at amortized cost is as follows.

The fair value hierarchy of financial instruments measured at amortized cost is not stated because they are financial instruments whose carrying amount is a reasonable approximation of the fair value as well as immaterial financial instruments.

(Cash and cash equivalents, Trade and other receivables, and Trade and other payables)

The fair value is based on the carrying amount as the carrying amount approximates fair value due to the short period of settlement terms.

(Other financial assets and other financial liabilities)

The fair value of time deposits and other included in other financial assets is based on the carrying amount as the carrying amount approximates fair value due to the short period of settlement terms.

The fair values of lease liabilities included in other financial liabilities are classified into certain groups by period lengths, and calculated at the present value of payables discounted by the interest rate that takes into consideration the remaining period to maturity and credit risk.

(Borrowings)

The fair value of short-term borrowings is based on the carrying amount as the carrying amount approximates fair value due to the short period of settlement terms.

**8. Notes on Per Share Information**

(1) Equity attributable to owners of parent per share	¥941.82
(2) Basic earnings per share	¥191.99

## 9. Notes to Revenue Recognition

### (1) Disaggregation of revenue

Disaggregation of revenue by major product line is as follows.

(Millions of yen)

	Reportable segment					
	Japan	China	India	South Korea	Other	Total
Main product lines						
Automatic lathes	18,378	56,174	2,620	1,722	609	79,504
Grinding machines	1,070	2,834	40	–	–	3,945
Machining centers, rolling machines and specialized machines	1,235	4,171	27	–	1	5,435
Other	2,565	1,476	76	73	96	4,288
Total	23,249	64,656	2,765	1,796	706	93,174

Note: “Other” in main product lines include components and services

### (2) Information concerning satisfaction of performance obligations

In sales of machine tools (automatic lathes, grinding machines, machining centers, rolling machines and specialized machines) and related parts, the performance obligation is satisfied when, according to contract terms and conditions, the customer is deemed to have gained control of the products, etc. and the Company recognizes revenue on arrival of the products, etc. at the customer, at the time of the acceptance inspection or based on the trading terms and conditions, etc. In the case of services related to machine tools, the performance obligation is satisfied when delivery of the services is complete and the Company recognizes revenue at such time. In the case of receivables from contracts with customers, the Company usually receives the consideration within six months after satisfaction of the performance obligation in accordance with payment terms and conditions established separately. Receivables from contracts with the Group’s customers do not include a significant financing component.

### (3) Contract balances

A breakdown of receivables from contracts with customers and contract liabilities at the end of the fiscal year under review is as follows.

Receivables from contracts with customers	
Trade notes receivable	¥19,903 million
Accounts receivable	¥7,267 million
Contract liabilities	¥4,421 million

The amount of revenue recognized in the fiscal year under review included in the balance of contract liabilities at the beginning of the fiscal year is ¥3,161 million.

Contract liabilities mainly relate to advances received from customers.

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

As the Group does not have important transactions whose individual expected contractual period exceeds one year, the Company has applied the practical expedient and does not include information concerning remaining performance obligations.

**10. Notes on Important Post-Balance Sheet Events**

Not applicable.



## Notes to Non-consolidated Financial Statements

### 1. Matters Concerning Significant Accounting Policies

#### (1) Valuation standard and valuation method for assets

(i) Shares of subsidiaries and associates: Cost accounting method using the moving-average method

(ii) Other securities:

- Items other than shares, etc. that do not have a market price:

Market value method (Valuation differences are directly charged or credited to shareholders' equity, and the cost of securities sold is calculated using the moving-average method.)

- Shares, etc. that do not have a market price:

Cost accounting method using the moving-average method

(iii) Valuation standard and valuation method for inventories

Primarily cost accounting method using the moving-average method (The values in the balance sheet were calculated using the book-value write-down method based on the decline of profitability.).

#### (2) Depreciation method for non-current assets

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

The straight-line method is adopted.

The significant service lives are summarized as follows:

Buildings: 15 to 38 years

Machinery and equipment: 9 years

Tools, furniture and fixtures: 5 years

(ii) Intangible assets (excluding leased assets)

- Software for internal use

Such assets are amortized using the straight-line method based on the effective period of internal use (five years).

(iii) Leased assets

- Depreciation for leased assets is computed using the straight-line method over the lease terms as service life, assuming no residual value.

#### (3) Accounting standards for allowances

(i) Allowance for doubtful accounts

To provide for a loss on doubtful accounts, general allowances are provided using a rate determined by past experience with bad debts. Specific allowances are provided for the estimated amounts considered to be uncollectible after reviewing the individual collectibility of certain doubtful accounts.

(ii) Allowance for employees' bonuses

To prepare for bonus payments to employees, an amount that needs to be paid in the fiscal year under review are provided as an estimate.

(iii) Allowance for retirement benefits

To prepare for retirement benefits payment to employees, the allowance is provided on the basis of amounts of retirement benefit obligations and pension assets estimated at the end of the fiscal year under review.

Any actuarial difference is expensed equally from the fiscal year following its accrual over the average remaining service period (five years) of employees at the time of the accrual using the straight-line method.

- (iv) Allowance for product warranties To provide for expenses for repair cost that arise in the after-sales free-repair warranty period, the Company accrues repair expenses using an amount projected based on the past ratio of repairs.

(4) Standards for recognition of revenues and expenses

The Company is engaged in the manufacture and sale of machine tools and the provision of services such as maintenance and repair services.

In sales of machine tools and related parts, the performance obligation is satisfied when, according to contract terms and conditions, the customer is deemed to have gained control of the products, etc. and the Company recognizes revenue on arrival of the products, etc. at the customer, at the time of the acceptance inspection or based on the trading terms and conditions, etc. In the case of services related to machine tools, the performance obligation is satisfied when delivery of the services is complete and the Company recognizes revenue at such time.

## 2. Notes on Changes in Accounting Policy

(Adoption of Accounting Standard for Fair Value Measurement, etc.)

The Company has adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as “Fair Value Measurement Standard”) and other standards from the beginning of the reporting period, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019).

The adoption has no significant impact on the financial statements.

## 3. Notes to Changes in Presentation Method

Not applicable.

## 4. Notes to Accounting Estimates

### (1) Valuation of inventories

(i) Amounts recorded in the financial statements for the fiscal year under review

Inventories	¥10,159 million
Write-down of inventories	¥532 million
Reversal of write-down of inventories	¥559 million

The write-down of inventories is recognized by the reversal method.

(ii) Information to facilitate understanding of accounting estimates

Notes are omitted since information is included in Notes to Consolidated Financial Statements.

### (2) Recoverability of deferred tax assets

(i) Amounts recorded in the financial statements for the fiscal year under review

Net deferred tax assets	¥– million
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The amount before offset with deferred tax liabilities is ¥528 million.

(ii) Information to facilitate understanding of accounting estimates

Notes are omitted since information is included in Notes to Consolidated Financial Statements.

## 5. Notes to Non-consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment	¥5,910 million
(2) Discounted notes receivable	¥127 million
Discounts on export bills receivable	¥3,511 million
Discounts on electronically recorded monetary claims	¥449 million
(3) Direct write-off amount of allowance for doubtful accounts from assets	
Investments and other assets	¥18 million
(4) Monetary receivables and payables from/to subsidiaries and associates are as follows.	
(i) Short-term monetary receivables	¥3,122 million
(ii) Long-term monetary receivables	¥3,711 million
(iii) Short-term monetary payables	¥3,633 million

## 6. Notes to Non-consolidated Statement of Income

Transactions with subsidiaries and associates

(1) Transactions by business transactions	
Sales	¥12,334 million
Purchases	¥12,523 million
Selling, general and administrative expenses	¥41 million
(2) Transactions other than business transactions	
Dividend income	¥2,563 million
Other	¥71 million

## 7. Notes to Non-consolidated Statement of Changes in Equity

Matters relating to the number of treasury stock

Share type	Number of shares at the beginning of the current fiscal year	Increase in shares in the fiscal year under review	Decrease in shares in the fiscal year under review	Number of shares at the end of the fiscal year under review
Common shares	4,105 thousand	2,750 thousand	5,251 thousand	1,603 thousand

Note: The increase in treasury shares is due to the purchase of 2,750 thousand treasury shares.

The decrease in treasury shares is due to the exercise of stock options for 187 thousand shares, the disposal of 64 thousand treasury shares as restricted stock compensation, and the retirement of 5,000 thousand treasury shares.

## 8. Deferred Tax Accounting

The major causes for the generation of deferred tax assets are the denials of provision for retirement benefits, provision for product warranties, reduction in valuation of inventories and provision for bonuses, etc., while the major cause for the generation of deferred tax liabilities is unrealized gains on marketable securities.

## 9. Notes on Non-current Assets Used Under Lease Contracts

Not applicable.

## 10. Notes on Transactions with Related Parties

Notes on transactions with subsidiaries and affiliates

Attributes	Company names	Ownership of voting rights in percentage	Relationships	Transactions	Transaction amount (Millions of yen)	Account	Balance at end of year (Millions of yen)
Subsidiary	Precision Tsugami (China) Corporation Limited	(Owning) Direct: 70.9%	Holds all shares in Precision Tsugami (Hong Kong) Limited Concurrent service by directors	Dividend income	2,534	—	—
Subsidiary	Precision Tsugami (China) Corporation	(Owning) Indirect: 100.0%	Manufacture and sales of products of the Company Purchase of products of the company Concurrent service by directors	Sales of the Company's products and parts	9,433	Accounts receivable	951
				Purchase of products of the company (Note1)	12,300	Accounts payable	3,617
Subsidiary	TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED	(Owning) Direct: 75.7% Indirect: 15.1%	Manufacture and sales of products of the Company Concurrent service by directors Financial support	Sales of the Company's products and parts (Note1)	1,764	Accounts receivable	733
				Loans	1,520	Short-term loans receivable	293
				Collection of interest (Note2)	68	Long-term loans receivable	3,711
Subsidiary	TSUGAMI KOREA CO., LTD.	(Owning) Direct: 100.0%	Sales of products of the Company Concurrent service by directors	Sales of the Company's products and parts (Note1)	567	Accounts receivable	627
Subsidiary	TSUGAMI (THAI) CO., LTD.	(Owning) Direct: 54.4%	Sales of products of the Company Concurrent service by directors	Provision of allowance for doubtful accounts	12	Allowance for doubtful accounts	51

Business terms and policies for their determination, etc.

Notes: 1. Terms for sales of the Company's products and parts, and purchase of the company's products, etc. are determined with their market prices as reference data.

2. Reasonable interest rates on loans are determined in consideration of market interest rates.

## 11. Notes to Revenue Recognition

Notes are omitted since information is included in Notes to Consolidated Financial Statements.

## 12. Notes on Per Share Information

(1) Net assets per share ¥368.72

(2) Net income per share ¥86.76

## 13. Notes on Important Post-Balance Sheet Events

Not applicable.