[Cover]

Document submitted	Annual Securities Report ("Yukashoken Hokokusho")
Applicable law clause	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
Destination	Director-General of the Kanto Local Finance Bureau
Date of submission	June 17, 2025
Fiscal year	The 122nd term (from April 1, 2024 to March 31, 2025)
Corporate name	TSUGAMI CORPORATION
Name and title of representative	Kenji Yoneyama, Representative Director
Address of home office	12-20, Tomizawa-cho, Nihonbashi, Chuo-ku, Tokyo
Telephone number	+81-3-3808-1711 (key number)
Contact person	Tomohiro Yamaguchi, Senior Executive Officer, Accounting
Nearest contact point	12-20, Tomizawa-cho, Nihonbashi, Chuo-ku, Tokyo
Telephone number	+81-3-3808-1711 (key number)
Contact person	Tomohiro Yamaguchi, Senior Executive Officer, Accounting
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1, Kabutocho, Nihonbashi, Chuo-ku, Tokyo)

Note：This document has been translated from a part of the Japanese original for reference purposes only.
In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Chapter 1. Corporate Information
Section 1. Overview of the Company's Situation
1. Changes in major financial data
(1) Consolidated financial data

Fiscal term	118th term	119th term	120th term	121 st term	122 nd term
Closing month and year	March 2021	March 2022	March 2023	March 2024	March 2025
Revenue (million yen)	61,662	93,174	94,963	83,928	107,411
Profit before tax (million yen)	9,459	18,776	16,467	13,795	23,709
Profit attributable to owners of parent (million yen)	4,917	9,486	7,695	5,376	10,901
Comprehensive income attributable to owners of parent (million yen)	8,405	13,155	8,318	8,822	9,954
Equity attributable to owners of parent (million yen)	38,229	45,580	50,953	56,605	62,897
Total assets (million yen)	79,278	103,761	112,364	117,714	127,306
Equity attributable to owners of parent per share (yen)	751.14	941.82	1,057.67	1,190.52	1,327.03
Basic earnings per share (yen)	95.21	191.99	159.39	112.57	231.55
Diluted earnings per share (yen)	93.08	188.07	157.33	111.04	228.55
Percentage of equity attributable to owners of parent (%)	48.2	43.9	45.3	48.1	49.4
Return on equity attributable to owners of parent (%)	13.9	22.6	15.9	10.0	18.2
Price-earnings ratio (times)	17.47	6.93	9.00	10.22	7.86
Cash flows from operating activities (million yen)	6,784	6,296	8,300	11,883	8,855
Cash flows from investing activities (million yen)	1,432	-3,009	-1,278	-2,605	-2,020
Cash flows from financing activities (million yen)	-2,781	-3,514	-379	-6,687	-8,762
Cash and cash equivalents at the end of the term (million yen)	17,207	18,844	25,779	30,495	27,729
Number of employees (Average number of temporary employees in addition to the above)	2,586 (92)	3,078 (96)	3,103 (88)	3,063 (91)	3,433 (90)

(Note) 1. The consolidated financial statements are prepared under the International Financial Reporting Standards (hereinafter "IFRS accounting standards").

(2) Financial data of the submitting company

Fiscal term	118th term	119th term	120th term	121 st term	122 nd term
Closing month and year	March 2021	March 2022	March 2023	March 2024	March 2025
Net sales (million yen)	18,447	30,668	32,676	28,647	27,215
Ordinary income (loss) (million yen)	1,518	4,791	4,045	3,609	3,810
Net income (million yen)	3,777	4,280	3,600	3,364	6,645
Capital (million yen) (Total number of shares issued) (thousand shares)	12,345 (55,000)	12,345 (50,000)	12,345 (50,000)	12,345 (50,000)	12,345 (48,000)
Net assets (million yen)	20,010	18,257	19,198	19,779	23,278
Total assets (million yen)	35,238	38,456	43,916	38,813	36,466
Net assets per share (yen)	380.94	366.65	392.00	410.18	491.14
Dividend per share (Of which, interim dividend per share) (yen)	26.00 (12.00)	40.00 (18.00)	46.00 (22.00)	48.00 (24.00)	59.00 (27.00)
Net income per share (yen)	73.13	86.63	74.58	70.17	139.72
Net income per share after residual equity adjustment (yen)	71.50	84.86	73.61	69.49	139.39
Capital adequacy ratio (%)	55.0	46.1	43.0	50.2	63.8
Earnings on equity (%)	19.8	23.1	19.7	17.5	31.1
Price-earnings ratio (times)	22.74	15.35	19.23	16.39	13.03
Dividend payout ratio (%)	35.6	46.2	61.7	68.4	42.2
Number of employees (Average number of temporary employees in addition to the above)	496 (76)	482 (82)	482 (74)	491 (76)	500 (74)
Total shareholder return (%) (Comparative indicator: TOPIX) (%)	224.0 (139.3)	185.1 (138.7)	205.0 (142.8)	173.7 (197.3)	270.4 (189.5)
Highest share price (yen)	1,899	2,023	1,560	1,458	2,090
Lowest share price (yen)	670	1,121	1,058	1,051	1,100

(Note) 1. The highest share price and the lowest share price are those on the Tokyo Stock Exchange (Prime Market) from April 4, 2022 and on the Tokyo Stock Exchange (First Section) prior to that.

2. Corporate history

March 1937	Tsugami Mfg., Co., Ltd. was established with capital of ¥2 million in Nagaoka, Niigata
December 1938	Head office relocated to Kyobashi-ku, Tokyo
September 1941	All plants in Nagaoka factory completed
February 1945	Tsugami Precision Engineering Industry Co., Ltd. absorbed and renamed Shinshu Plant
February 1948	Head office relocated to Minato-ku, Tokyo
May 1949	Listed on Tokyo Stock Exchange, Osaka Securities Exchange, and Niigata Stock Exchange
October 1961	Toyo Seiki K.K. absorbed and made Ibaraki Plant
July 1968	Zao Seisakusho K.K. was established
September 1970	Tsugami Sogo Kenkyusho (Research Institute) was established in Nagaoka
November 1970	Corporate name was changed to TSUGAMI CORPORATION
September 1974	Tsugami Machine Tool Trading Corp. was established
March 1975	Ibaraki Plant closed and sold
May 1988	Shares of Azuma Shimamoto Ltd. (corporate name changed to Tsugami Shimamoto Ltd.) acquired
November 1989	TSUGAMI(THAI)CO.,LTD. (currently a consolidated subsidiary) was established in Thai
April 1991	TSUGAMI PRECISION CO., LTD. was established
May 1991	Weldon Machine Tool Inc., a U.S. manufacturer of machine tools, acquired (corporate name changed to WMT Corporation)
April 1997	Tsugami High Tech Co., Ltd. was established
November 2001	Shares of Tsugami Techno Co., Ltd. acquired
December 2002	Liquidation of WMT Corporation completed
September 2003	Precision Tsugami (China) Corporation (currently a consolidated subsidiary) was established in China
April 2004	Tsugami Machine Tool Trading Corp. absorbed
October 2004	Shimamoto Precision Ltd. and Tsugami Techno Co., Ltd. merged. The corporate name of the new company as a result of the merger is Tsugami Shimamoto Ltd. Tsugami High Tech Co., Ltd. and TSUGAMI MACHINAERY CO., LTD. merged. The corporate name of the new company is TSUGAMI MACHINAERY CO., LTD.
February 2005	Invests in REM Sales LLC
November 2005	New plants in Nagaoka and Shinshu factories were completed
October 2006	TSUGAMI GENERAL SERVICE CO., LTD. and Tsugami Tool Co., Ltd. were merged. The corporate name of the new company formed as a result of the merger is TSUGAMI GENERAL SERVICE CO., LTD. (currently a consolidated subsidiary)
November 2007	TSUGAMI GmbH was established in Germany
January 2009	Tsugami Shimamoto Ltd. absorbed
February 2010	TSUGAMI KOREA CO., LTD. (currently a consolidated subsidiary) was established in South Korea
November 2010	Shinagawa Precision Machinery (Zhejiang) Co., Ltd. (currently a consolidated subsidiary) was established in China
April 2011	TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED (currently a consolidated subsidiary) was established in India
June 2011	TSUGAMI TECH SOLUTIONS INDIA PRIVATE LIMITED was established in India
March 2012	TSUGAMI Universal Pte. Ltd. (currently a consolidated subsidiary) was established in Singapore
April 2013	TSUGAMI GENERAL SERVICE CO., LTD. and TSUGAMI PRECISION CO., LTD. were merged. The corporate name of the new company formed as a result of the merger is TSUGAMI GENERAL SERVICE CO., LTD. (currently a consolidated subsidiary)

July 2013	Precision Tsugami (China) Corporation Limited (currently a consolidated subsidiary) was established in the Cayman Islands
September 2013	Precision Tsugami (Hong Kong) Limited (currently a consolidated subsidiary) was established in Hong Kong
April 2015	TSUGAMI GmbH changed its trade name to TSUGAMI EUROPE GmbH (currently a consolidated subsidiary)
September 2017	Precision Tsugami (China) Corporation Limited (currently a consolidated subsidiary) was listed on the Main Board of The Stock Exchange of Hong Kong Limited
April 2018	Precision Tsugami (Anhui) Corporation (currently a consolidated subsidiary) was established in China
October 2020	TSUGAMI MACHINAERY CO., LTD. absorbed
October 2021	Precision Nakatsu (China) Corporation (currently a consolidated subsidiary) was established in China
April 2022	Transferred from the First Section to the Prime Market of the Tokyo Stock Exchange following a review of the market classification of the Tokyo Stock Exchange.
July 2023	TSUGAMI UNIVERSAL SDN.BHD. was established in Malaysia
October 2023	TSUGAMI VIETNAM COMPANY LIMITED was established in Vietnam
October 2024	Precision Tsugami (China) Corporation merged with and absorbed Precision Nakatsu (China) Corporation.

3. Businesses

The Group consists of TSUGAMI Corporation (“the Company”) and 13 subsidiaries (of which 13 are consolidated subsidiaries) and engages primarily in the manufacture and sale of Automatic lathes, Grinding machines, Machining centers, and Rolling machines chiefly in Japan and China. The Group undertakes additional business activities, including research on individual companies and other services.

(1) Positions of Group companies in the Group’s businesses

The following is a description of the positions of Group companies in the Group’s businesses in Japan, China, India and South Korea:

(i) Japan

The Company manufactures and sells machine tools. The Company purchases certain parts and products from subsidiary Precision Tsugami (China) Corporation.

(ii) China

Precision Tsugami (China) Corporation manufactures and sells machine tools, Shinagawa Precision Machinery (Zhejiang) Co., Ltd. manufactures and sells machine tool castings, and Precision Tsugami (Anhui) Corporation manufactures and sells machine tools and manufactures and sells machine tool castings.

Precision Tsugami (China) Corporation also purchases certain parts from the Company, Shinagawa Precision Machinery (Zhejiang) Co., Ltd. and Precision Tsugami (Anhui) Corporation, and sells products to the Company.

(iii) India

TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED manufactures and sells machine tools.

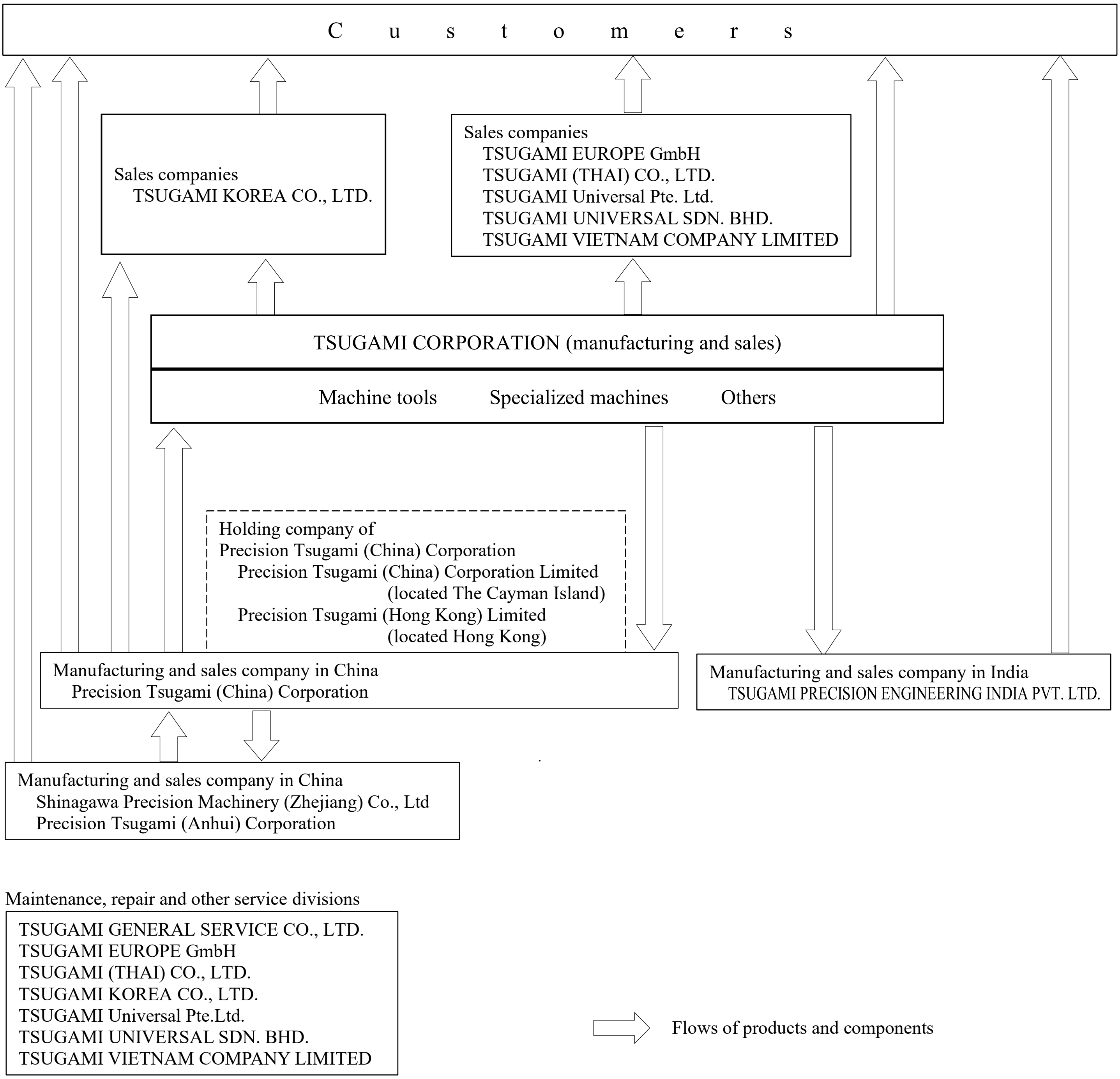
(iv) South Korea

TSUGAMI KOREA CO., LTD. sells products of the Company and provides maintenance and repair services for products of the Company.

TSUGAMI EUROPE GmbH(Germany), TSUGAMI (THAI) CO., LTD.(Thailand), TSUGAMI Universal Pte.Ltd.(Singapore), TSUGAMI UNIVERSAL SDN.BHD.(Malaysia) and TSUGAMI VIETNAM COMPANY LIMITED(Vietnam) , sell products of the Company and provides maintenance and repair services for products of the Company.

(2) Business diagram

Businesses operated by the Group are as presented in the following figure.



4. Situations of affiliates

Name	Address	Capital or investments	Main business	Ownership of voting rights (%)	Relations
(Consolidated subsidiaries)					
TSUGAMI GENERAL SERVICE CO., LTD.	Nagaoka-shi, Niigata	¥42 million	Inspections and maintenance of buildings and facilities of factories and non-life insurance agency operations in Japan.	100	Checks and maintains buildings and equipment on the premises of the Company's plants; carries out the agency of nonlife insurance of the Company. There are interlocking officers.
TSUGAMI EUROPE GmbH	Frankfurt, Germany	€60 thousand	Sale of machine tools and the provision of services such as maintenance and repair services in Europe	100	Sells products of the Company and provides maintenance and repair services for products of the Company. There are interlocking officers.
Precision Tsugami (China) Corporation Limited (Note 1)	The Cayman Islands	HK$380 million	Holding Company	66.4	Holds all shares in Precision Tsugami (Hong Kong) Limited. There are interlocking officers.
Precision Tsugami (Hong Kong) Limited (Note 1, 3)	Hong Kong, China	HK$767 million	Holding Company	100 (100)	Holds all shares in Precision. Tsugami (China) Corporation. There are interlocking officers.
Precision Tsugami (China) Corporation (Note 1, 2, 3)	Zhejiang, China	CNY 741 million	Manufacturing and sales of machine tools in China.	100 (100)	Manufactures and sells products of the Company. There are interlocking officers.
Shinagawa Precision Machinery (Zhejiang) Co., Ltd. (Note 3)	Zhejiang, China	CNY35 million	Manufacturing and sales of machine tool castings in China.	100 (100)	Manufactures and sells of machine tool castings for products of the Company. There are interlocking officers.
Precision Tsugami (Anhui) Corporation (Note 1,3)	Anhui, China	CNY150 million	Manufacturing and sales of machine tools and metal castings in China	100 (100)	Manufactures and sells mainly the products of the Company and castings for products of the Company. There are interlocking officers.
TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED (Note 3)	Oragadam, Dt.Tamil Nadu, India	INR495 million	Manufacturing and sales of machine tools in India.	90.9 (15.1)	Manufactures and sells products of the Company. There are interlocking officers.
TSUGAMI (THAI) CO.,LTD. (Note 4)	Bangkok, Thailand	THB10 million	Sale of machine tools and the provision of services such as maintenance and repair services in Thailand	47.9	Sells products of the Company and provides maintenance and repair services for products of the Company There are interlocking officers.
TSUGAMI KOREA CO., LTD.	Anyang-Si, South Korea	₩1,000 million	Sale of machine tools and the provision of services such as maintenance and repair services in South Korea	100	Sells products of the Company and provides maintenance and repair services for products of the Company There are interlocking officers.
TSUGAMI Universal Pte.Ltd.	Singapore	S$125 million	Sale of machine tools and the provision of services such as maintenance and repair services in Singapore	100	Sells products of the Company and provides maintenance and repair services for products of the Company There are interlocking officers.

TSUGAMI UNIVERSAL SDN.BHD. (Note 3)	Johor Bahru, Malaysia	MYR150 thousand	Sale of machine tools and the provision of services such as maintenance and repair services in Malaysia	100 (100)	Sells products of the Company and provides maintenance and repair services for products of the Company There are interlocking officers.
TSUGAMI VIETNAM COMPANY LIMITED	Ho Chi Minh City, Vietnam	VND1,689 million	Sale of machine tools and the provision of services such as maintenance and repair services in Vietnam	100	Sells products of the Company and provides maintenance and repair services for products of the Company There are interlocking officers.

(Note) 1. They are specified subsidiaries.

2. The ratio of the net sales of Precision Tsugami (China) Corporation (excluding intra-Group sales among consolidated companies) to consolidated net sales exceeded 10%.

Information on major profit and other items

(1) Revenue	¥90,075 million
(2) Profit before tax	¥23,483 million
(3) Profit	¥17,906 million
(4) Total equity	¥57,921 million
(5) Total assets	¥85,787 million

3. The figure in the parenthesis is the indirect ownership of voting rights.

4. Although the Company’s equity interest is less than 50%, it is deemed to be a subsidiary because it is effectively controlled by the Company.

5. Employees

(1) Group employees

As of March 31, 2025

Business segment	Number of employees	
Japan	504	(90)
China	2,399	(--)
India	475	(--)
South Korea	23	(--)
Others	32	(--)
Total	3,433	(90)

(Note) 1. The number of employees is the number of people employed by the Group. The figure in parentheses is the annual average of temporary employees and is not included in the number of employees.
2. The number of employees increased by 370 employees from the end of the previous fiscal year, mainly due to an increase in the number of employees overseas.

(2) Employees of the submitting company

As of March 31, 2025

Number of employees		Average age	Average service years	Average annual salary (thousand yen)
500	(74)	44.0	19.2	6,935

(Note) 1. The number of employees is the number of people employed by the Group. The figure in parentheses is the annual average of temporary employees and is not included in the number of employees. Workers on loan from other companies to the Company (4 employees) are included. Workers on loan from the Company to other companies (30 employees) are not included. The employees of the Company are classified into Japan Segment.
2. The average annual salary (tax included) includes overtime charges and bonuses.

(3) Labor union

The labor union of the Company belongs to JAM, an industrial union. The number of union members, who have concluded union-shop contracts, is 239.

Labor-management relations are good.

(4) Percentage of female employees in management positions, percentage of eligible male employees taking childcare leave, and wage gap between male and female employees

Submitting company

Fiscal year under review				
Percentage of female employees in management positions (%) (Note 1)	Percentage of eligible male employees taking childcare leave (%) (Note 2)	Wage gap between male and female employees (%) (Note 1)		
		All employees	Regular full-time employees	Part-time and fixed-term employees
7.2	75.0	71.9	79.5	61.0

(Note) 1. Calculated based on the provisions of the Act on the Promotion of Female Participation and Career Advancement in the Workplace (Act No. 64 of 2015)
2. Percentage of eligible male employees who take childcare leave under Article 71-6 (i) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor, No. 25 of 1991) based on the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991)
3. Data for consolidated subsidiaries omitted because the consolidated subsidiaries are not obliged to disclose the data under the Act on the Promotion of Female Participation and Career Advancement in the Workplace (Act No. 64 of 2015) and under the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

Section 2. Business Situation

1. Management Policy, Management Environment and Issues to Be Addressed, etc.

Forward-looking statements in the document are based on the judgments of the Group's management as of the end of the fiscal year under review.

(1) Management Policy

The Group's basic management policy is to contribute to society by constantly anticipating market needs and generating new value, underpinned by the precision technologies it has been developing since the Company was first established.

We are determined to achieve sustained growth over the long term, through the provision of high-precision, high-speed and high-rigidity products that meet our customers' needs.

(2) Management environment and priority issues to be addressed

Regarding the management environment, we will focus on the following challenges based on the recognition described in [Section 2 Business Situation, 4. Analysis of financial position, operating results, and cash flows by management (1) Overview of operating results, etc. (i) Financial position and operating results].

(Challenges in the medium to long term)

The Group is addressing the following priority issues proactively as its medium- and long-term management strategies.

(i) Introduction of new products targeting growth fields

The Group will make every effort to launch new products that will sufficiently meet customers' requests in markets that are expected to grow, including the auto parts market, where eco-friendliness and energy saving are required, the IT market and the medical care market.

(ii) Business strategies targeting growth regions

The Group will continue its efforts to build up production, sales and after-sales service organizations in Asian markets (including China, Southeast Asia and India), which we continue to need to emphasize.

(iii)Management streamlining and customer satisfaction enhancement

To bolster the comprehensive strength of the corporate group, the Group, including affiliates, will seek to enhance its sales, production, and management systems and to achieve efficient management.

The Group will continue to make every effort to offer new products that satisfy customer demands, to expand and upgrade its services, to improve customer satisfaction on a constant basis, and to maintain the trust of its customers.

(iv) Enhancement of the corporate governance system

To ensure the fairness, transparency and objectivity of the appointment of officers and compensation for officers, the Company has established a Nomination Committee and a Compensation Committee, voluntary committees in which independent outside directors constitute a majority, as advisory bodies to the Board of Directors. Through this improvement in the effectiveness of the organizational structure and other initiatives, the Company will further enhance the corporate governance system.

(v) Strengthening of sustainability management

The Group has established a Sustainability Committee and signed the United Nations Global Compact (UNGC), which consists of ten principles in the areas of human rights, labor, the environment, and anti-corruption advocated by the United Nations, for the purpose of swiftly carrying out its strategies to promote sustainability. By supporting and enacting the UNGC, the Group will fulfill its responsibilities as a global citizen and pursue initiatives to further contribute to the realization of a sustainable society through its business operations.

As part of its initiatives, the Group is continuously reducing CO_2 emissions from its business activities to address climate change and environmental issues.

The Group also announced its support for the recommendations of the Task Force on Climate- Related Financial Disclosures (TCFD). The Group will conduct an assessment and analysis of the business risks and opportunities that climate change presents to the TSUGAMI Group, focus on initiatives to combat climate change, and endeavor to disclose non-financial information in accordance with the TCFD recommendations.

Through these initiatives, the Group will continue making maximum efforts as a group of companies trusted by our shareholders, customers and all other stakeholders.

2. Approach to Sustainability and Sustainability Initiatives

The Group believes the implementation of sustainability initiatives is an important management issue. We endeavor to reduce the environmental impact of our products and services, taking environmental impacts at all stages of the lifecycle into consideration. We are committed to providing other like-minded enterprises with solutions to help solve issues through business. We perceive innovation to resolve issues as a business growth opportunity and invest in and accumulate intellectual property.

To implement strategies to promote sustainability groupwide, the Group strives to raise awareness and promote the understanding of sustainability within itself and develops human resources who will support sustainable growth. The Group will take steps to promote diversity and create and ensure a safe and employee-friendly working environment.

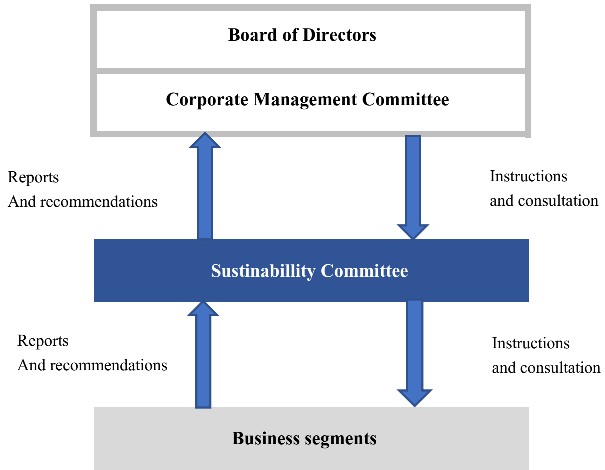
(1) Governance

The Group recognizes that sustainability is an important management issue and, under the supervision of the Board of Directors, the Sustainability Committee plays a central role in promoting companywide initiatives.

The Sustainability Committee has the role of proposing groupwide strategies to promote sustainability and managing their progress, and it comprehensively manages and promotes environmental, social and governance (ESG) initiatives and makes appropriate ESG information disclosures.

The committee also takes the lead on initiatives that link sustainability with business through active communication with the relevant business segments, aiming to raise awareness and facilitate understanding of sustainability issues in order to promote sustainability on a groupwide basis.

The Sustainability Committee consists of committee members chaired by the Representative Director. It deliberates on ESG-related matters which have a bearing on management decisions such as action on climate change and a framework under which deliberated matters are reported to the Board of Directors has been established.



(2) Strategy

For the manufacture and sale of precision tools, which is the TSUGAMI Group's core business, the Company considered climate-related risks (transition risks and physical risks) and opportunities that will impact the Group's business and identified major risks and opportunities. We then conducted a scenario analysis with respect to the identified risks and opportunities.

The Company adopted two scenarios: (i) the 1.5°C/2°C scenario where society as a whole is on a decarbonization pathway and limits the global temperature rise and (ii) the 4°C scenario where economic development is given priority and the global temperature rise and its impact worsen. For each of the scenarios, we assessed and considered to what extent the identified risks and opportunities would impact the Tsugami Group's business and assessed the financial impact on business activities according to three levels: major, moderate and minor.

An explanation of the scenarios and a summary of risks and opportunities are described on the Company's website. For details, please visit the website below.

https://www.tsugami.co.jp/eng/csr/environment/

By recognizing major climate-related risks and opportunities and their impact for the TSUGAMI Group through the implementation of scenario analysis and by considering action to address the recognized risks and opportunities, we aim to build a sustainable and resilient framework for mitigating climate-related risks and tapping into more opportunities.

Business Impacts and Countermeasures in Relation to Major Risk and Opportunity Factors

Classification		Matter		Financial impact assessment 1.5/2°C	Financial impact assessment 4°C	Countermeasures
Risks	Transition risks	Policies and legal restrictions	Higher costs due to introduction of carbon pricing	Minor	Minor	Adoption of the ICP system and shift to energy-saving manufacturing methods
			Costs incurred when forced to respond in some way to tighter regulation in China and India in the future or similar developments	Minor	Minor	Implementation of more energy-efficient manufacturing methods and processes
		Technology	Higher R&D costs due to the development of environmentally-friendly products	Moderate	Minor	Assessment of climate change needs and R&D and rapid response based on this assessment
		Market	Decline in revenue due to weakening demand amid changes in the needs of customers and business partners associated with climate change	Major	Moderate	Assessment of climate change needs and R&D and rapid response based on this assessment
			Higher energy and production costs due to the scaling-down of thermal power generation and substitution of thermal power with renewables, and rising fuel costs for thermal power generation	Moderate	Moderate	Implementation of more energy-efficient manufacturing methods and processes
		Reputation	Decrease in revenue and/or increase in financing costs due to delayed response to environmental concerns resulting in fiercer competition, rejection by customers and/or a reputational damage	Moderate	Moderate	Assessment of climate change needs and R&D and rapid response based on this assessment Enhancement of information disclosure regarding responses to climate change
	Physical risks	Acute risks	Decline in revenue and/or higher costs due to suspension of business amid increasing severity of natural disasters	Minor	Moderate	Enhancement of BCP for procurement and manufacturing
		Chronic risks	Higher costs due to increase in average global temperature	Minor	Minor	Improvement of energy efficiency in manufacturing to limit the rise in utilities
Opportunities		Market	Reduction of financing costs due to improvement in reputation as a result of proactive response to climate change	Minor	Minor	Enhancement of information disclosure regarding responses to climate change
		Resource efficiency	Reduction of costs through manufacturing at highly efficient factories and lower costs as a result of energy conservation	Moderate	Moderate	Implementation of more energy-efficient manufacturing methods and processes
		Products and services	Increase in revenue due to growing demand for new equipment associated with more widespread changes in behavior such as working remotely and going paperless	Major	Minor	Assessment of needs and R&D in line with transitioning society and optimization of production and sales
			Increase in revenue due to growing demand for products that can contribute to a low carbon society	Major	Major	Assessment of needs and R&D in line with transitioning society and optimization of production and sales
		Resilience	Mitigation of decline in or increase of sales and/or reduction of costs in the event of disaster through enhancement of disaster resilience	Minor	Minor	Enhancement of BCP for procurement and manufacturing

(3) Risk management

To prevent the materialization of various business risks or minimize them, the TSUGAMI Group convenes the Risk Management Committee as appropriate, assesses and monitors groupwide risk including climate change risk, and takes appropriate measures in accordance with the Risk Management Rules and Essential Risk Management Execution Rules.

We recognize climate change risk as a material issue alongside other business risks and, under the supervision of the Board of Directors, the Sustainability Committee monitors groupwide climate change risk, proposes sustainability promotion strategies and manages their progress.

A framework for relevant divisions to report climate change risks to the Sustainability Committee has also been established.

We are also working to strengthen groupwide risk management through means such as status reports to and consultations with the Board of Directors and others as appropriate.

(4) Metrics and targets

Given the global framework set out in the Paris Agreement and the Japanese government's commitment to net zero carbon emissions by 2050, we believe that recognizing the role enterprises must play to realize a sustainable society and achieving solutions to such issues through business will lead to the TSUGAMI Group's sustainable growth. To reduce greenhouse gas emissions that cause global warming, we set ourselves the goal of achieving carbon neutrality by 2050 and medium- and long-term targets for this goal. We are committed to further strengthening and accelerating initiatives for action on climate change.

As part of these initiatives, in February 2022, we switched to 100% renewable energy-derived electricity for all electricity consumption at the Nagaoka Factory, our domestic production base in the city of Nagaoka in Niigata Prefecture, achieving net zero CO_2 emissions associated with electricity consumption there.

(i) Establishment of medium- and long-term targets for achieving carbon neutrality by 2050

Medium-term target

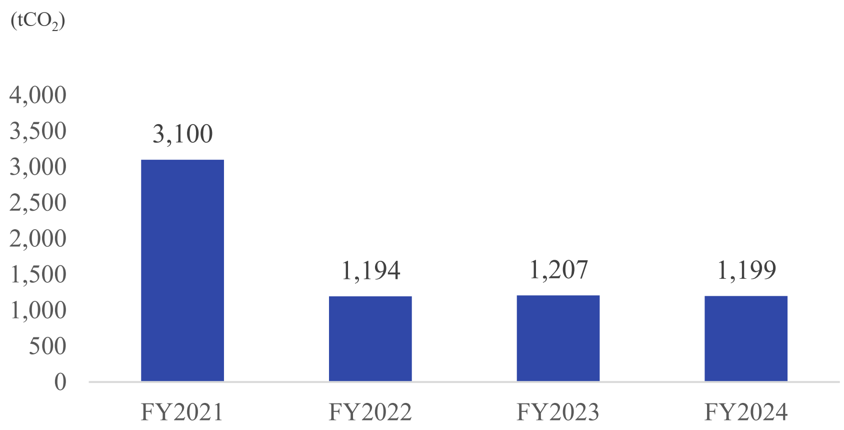
55% reduction in CO_2emissions by 2030 (compared with FY2013 levels)
We will reduce CO_2emissions (Scope 1 + Scope 2) from our business activities by 55%.

Long-term target

Achievement of carbon neutral by 2050
We will reduce CO_2emissions (Scope 1 + Scope 2) from our business activities to net zero.

(ii) CO_2emissions results

GHG emissions (Scope 1, Scope 2) (non-consolidated basis)



* Total emissions of Nagaoka Factory, Takami Warehouse, Parts Center Warehouse, Head Office, and Sendai, Kanto, Suwa, Shinshu, Nagoya, Osaka and Fukuoka Sales Offices.

GHG emissions (Scope 3) (non-consolidated basis)

(tCO_2)

	FY2021	FY2022	FY2023	FY2024
Purchased products and services	101,146	119,864	70,450	67,425
Transportation and distribution(upstream)	2,574	2,564	1,390	1,563
Transportation and distribution(downstream)	1,550	1,914	1,676	1,181
Use of sold products	95,544	97,229	82,315	67,724
End-of-life treatment of sold products	806	817	670	488
※Categories other than the above	1,279	1,176	1,127	1,041
Total	202,899	223,564	157,628	139,422

※Breakdown of emissions in Categories other than the above (tCO_2)

	FY2021	FY2022	FY2023	FY2024
Capital goods	437	536	503	391
Fuel not included in scope 1 or 2	433	190	195	193
Waste generated in operation	159	177	133	124
Business travel	42	65	83	116
Employee commuting	208	208	213	217
Total	1,279	1,176	1,127	1,041

Details of the Group's sustainability initiatives are described on the Company's website. For details, please visit the website below.
https://www.tsugami.co.jp/eng/csr/environment/

(5) Human capital and diversity
(i) Strategy
a. Recruitment policy
In addition to new graduates, the Group actively recruits mid-career employees with diverse experience, skills and qualifications and who are work ready to encourage capable human resources to join the Group. The Group aims to cultivate human resources who can demonstrate their capabilities in different environments with different customs and cultures.
b. Developing an environment where diverse employees can demonstrate their capabilities
The Group works to build a work environment where all employees can demonstrate their capabilities and grow regardless of age, gender, nationality or disability.
1) Has set a target percentage of women in managerial posts to promote the participation of women.
2) Has established a system where highly skilled part-time employees are promoted to regular employees.
3) Has established a consultation desk in the human resources department that provides consultation regarding childcare leave.
c. Health and productivity management
The Group promotes activities focusing on employees' health management and safety management.
1) Has all employees received regular medical check-ups. Conducts stress tests to prevent mental disorders.
2) Industrial physicians conduct mental health interviews.
3) Has introduced new medical life insurance and insurance covering three major diseases.

(ii) Metrics and targets

Metrics	Targets	Results (fiscal year under review)
Percentage of women employees in managerial posts	10%	7. 2%
Percentage of new women (regular) employees	20%	0%
Percentage of managers that were hired mid-career	—	20. 8%
Percentage of non-Japanese employees in managerial posts	—	0. 5%

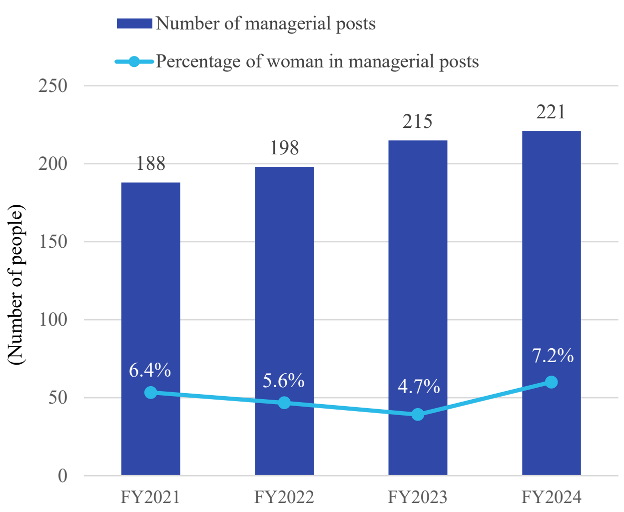
The Company manages data related to the metrics in (ii) Metrics and targets and take concrete measures, but all of the consolidated companies do not necessarily manage data or take specific measures. It is thus difficult to state targets and results on a consolidated basis. The targets and results above are for the submitting company, which engages in the main businesses of the consolidated companies.

At the Company, female managers actively participate in overseas operations, which account for a large percentage of revenue, and major departments, particularly those involved in technical management. The Company will continue to actively promote female employees to managerial positions and take steps to increase the percentage of female managers to 10% by around 2026. To increase the number of female managers, the Company has set the target of 20% of its new female regular employees and it is taking steps to recruit women. In the fiscal year under review, no female regular employees were hired, and the percentage of women hired including part-time employees was 17.9%.

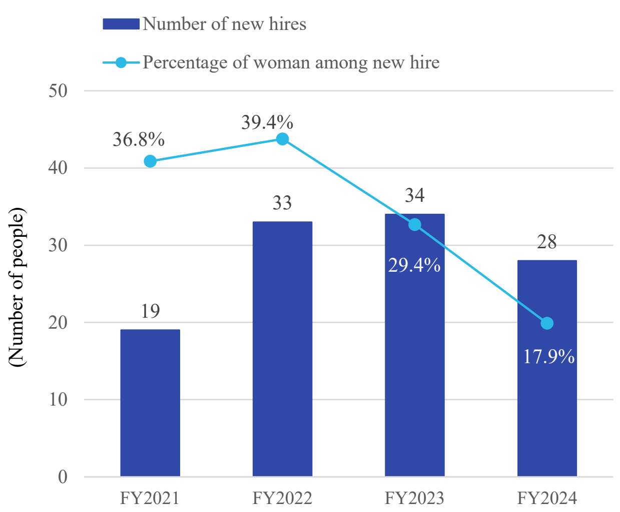
At the Company, 20.8% of managers are employees that were hired mid-career. The Company has a large number of employees that have been hired mid-career, and accordingly, they are a large percentage of its managers. The Company promotes employees to management positions in comprehensive consideration of their capabilities and aptitudes, regardless of whether they were hired mid-career or as new graduates. Thus, the Company has not set any targets regarding the promotion of employees who were hired mid-career.

Non-Japanese employees account for 0.5% of the Company's managers. As overseas operations are expanding, local officers at major overseas subsidiaries concurrently hold the position of director and other important positions at the Company. Most managers at overseas subsidiaries are local staff members. Group companies work closely with each other and exchange information and execute operations for the entire Group. Thus the Company has not set any targets regarding the promotion of non-Japanese employees to managerial positions.

Percentage of women in managerial posts (non-consolidated basis)



Percentage of women among new hires (regular employees) (non-consolidated basis)



3. Business and other risks

Of the matters related to the Business Situation, the Financial Status, and other sections of the Annual Securities Report, major risks that the management considers likely to have a significant effect on the financial situation, operating results, and cash flows of the consolidated companies are as described below.

Forward-looking statements in the document are based on the judgments of the Group's management as of the end of the fiscal year under review.

(1) Effects of business fluctuations

The machine tool industry is an industry that is susceptible to the effects of business fluctuations. The Group is continuing its efforts to minimize the effects that unexpected market downsizing can have on its performance, by reducing fixed costs and taking other steps in an attempt to maximize management efficiency. Sudden and unexpected changes, however, may affect the Group's production, business performance and financial situation.

(2) Effects of changes in prices of raw materials

The prices of cast metals and iron and steel products, the main raw materials of products of the Group, are influenced by movements of exchange rates and the international supply-demand situation. Increases in prices of raw materials for those reasons may affect the Group's production, business performance, and financial situation.

(3) Effects of fluctuations in exchange rates

Each year, overseas sales are accounting for a greater percentage of total sales of the Group's products. Exports by the Group are denominated in yen and are not directly influenced by exchange rate fluctuations, in principle. A sharp appreciation of the yen, however, prompts agents and users overseas to ask the Group to lower its selling prices. A sharp appreciation of the yen, however, prompts agents and users overseas to ask the Group to lower its selling prices for its products. In addition, the risk of an exchange loss attributable to fluctuations in the Chinese yuan is rising in proportion to the growing weight of production at manufacturing factories in China.

(4) Effects of overseas operations

Subsidiaries in China and India manufacture and sell machine tools, and the Group sells products and provides after-the-sale services through subsidiaries in South Korea, Thailand, Germany and others. Deterioration in political situations and changes in laws and regulations in those countries may affect the Group's production, business performance and financial standing.

(5) Effects of matters relating to quality

The Group is united in its commitment to improving quality, in addition to proactively developing new products and introducing them to markets. Nonetheless, unexpected issues, such as accidents and poor service, may affect the Group's production, business performance and financial conditions should they arise.

(6) Effects relating to intellectual property rights

To protect its technologies, the Group applies for patents for them and acquires intellectual property rights. However, if other companies infringe on the intellectual property rights of the Group, if the invalidation of intellectual property rights of the Group is sought, or if injunctions against the manufacture and sale of products are filed against the Group in association with infringements of intellectual property rights, then this may affect the Group's production, business performaand financial conditions.

(7) Effects of the situation of business partners

The Group deals with range of industries, including the electronics, information and telecommunications, and automobile industries. The Group pays close attention to the environment and credit risk. However, if the situation of business partner, especially those with which the Group conducts large transactions, changes because of amendments to contracts, changes in the business environment, business downturns, or other factors, this may affect the Group's production, business performance, and financial situation.

(8) Effects of natural disasters

The Group has production, selling, and service bases worldwide, and may therefore be affected by disasters that might be caused by a range of phenomena, including natural disasters, computer viruses, and terrorism.

The Group has production bases in Niigata prefecture in Japan, in Zhejiang province, China and in Oragadam, Tamil Nadu Province, India. If large natural disasters, such as earthquakes and floods, should occur, and if as a result the supply of products should become impossible or be delayed, then this may affect the Group's production, business performance and financial situation.

4. Analysis of financial position, operating results, and cash flows by management

(1) Overview of operating results, etc.

Overview of financial position, operating results, and cash flows situation (hereinafter “operating results, etc.”) of the Group (the Company and its consolidated subsidiaries) in the consolidated fiscal year under review are as follows:

(i) Financial position and operating results

(Operating results)

Regarding the environment surrounding the Group in the fiscal year under review, although some movement has been observed in China and other markets, the overall sense of uncertainty could not be denied. In this situation, the Group steadily promoted its business in each of its locations, and as a result, revenue stood at ¥107,411 million (up 28.0% year on year), operating profit was ¥23,309 million (up 78.0% year on year), and profit attributable to owners of parent was ¥10,901 million (up 102.8% year on year), with both revenue and profit reaching historic highs.

(Operating results by business segment)

a. In Japan, revenue decreased 5.3% year on year, to ¥29,373 million, and segment profit amounted to ¥225 million compared to segment loss of ¥968 million in the previous fiscal year.
b. In China, revenue increased 42.7% year on year, to ¥90,480 million, and segment profit grew 77.6% year on year, to ¥22,384 million.
c. In India, revenue declined 12.5% year on year, to ¥4,672 million, and segment loss came to ¥310 million, compared to segment loss of ¥50 million in the previous fiscal year.
d. In South Korea, revenue decreased 10.2% year on year, to ¥1,592 million, and segment profit grew 6.0% year on year, to ¥50 million.
e. In other markets, revenue decreased 22.5% year on year, to ¥522 million, and the segment loss amounted to ¥36 million, compared to a segment loss of ¥42 million in the previous fiscal year.

Segment profit is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.

(Financial position)

Assets totaled ¥127,306 million at the end of the fiscal year under review, increasing ¥9,592 million from the end of the previous fiscal year.

The increase resulted mainly from decreases of ¥2,765 million in cash and cash equivalents and ¥306 million in other financial assets, despite increases of ¥12,715 million in trade and other receivables and ¥232 million in property, plant and equipment.

Liabilities totaled ¥43,192 million at the end of the fiscal year under review, decreasing ¥2,160 million from the end of the previous fiscal year.

The result was mainly due to a decrease of ¥5,292 million in borrowings, despite increases of ¥1,744 million in income taxes payable, etc. and ¥1,588 million in contract liabilities.

Equity totaled ¥84,114 million at the end of the fiscal year under review, increasing ¥11,752 million from the end of the previous fiscal year.

The result was mainly due to the recording of ¥16,184 million in profit and increases of ¥3,000 million in non-controlling interests resulting from capital transactions related to the partial sale of shares of subsidiaries and associates held by the Company, despite decreases of ¥4,564 million due to dividends and ¥1,633 million due to other comprehensive income.

As a result of the above, the ratio of equity attributable to owners of the parent increased by 1.3 percentage points compared to the end of the previous fiscal year to 49.4%.

(ii) State of cash flows

The balance of cash and cash equivalents at the end of the fiscal year under review decreased ¥2,765 million from the end of the previous fiscal year, to ¥27,729 million. The state of cash flows during the fiscal year under review is as follows.

(Cash flows from operating activities)

Cash generated through operating activities was ¥8,855 million (cash generated of ¥11,883 million in the previous fiscal year).

The result principally reflected increases of ¥23,709 million in profit before tax, ¥2,214 million in depreciation and amortization, and ¥1,658 million in contract liabilities, which were partly offset by an increase of ¥13,569 million in trade and other receivables and income taxes paid of ¥6,602 million.

(Cash flows from investing activities)

Cash used in investing activities was ¥2,020 million (cash used of ¥2,605 million in the previous fiscal year).

The cash outflow was primarily attributable to a decrease in cash for the purchase of property, plant and equipment of ¥2,026 million.

(Cash flows from financing activities)

Cash used in financing activities was ¥8,762 million (cash used of ¥6,687 million in the previous fiscal year).

The results largely reflected an increase in cash due to ¥3,610 million in proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation, which was offset by a decrease in short-term borrowings of ¥5,251 million, dividends paid of ¥2,428 million, payment of dividends to non-controlling interests of ¥2,135 million, and acquisition of interests in subsidiaries from non-controlling interests of ¥1,309 million.

(iii) Production, orders received, and sales

a. Production performance

The table below shows production performance by segment for the fiscal year under review.

Business segment	Consolidated fiscal year under review (from April 1, 2024 to March 31, 2025) (Million yen)	Year on year (%)
Japan	25,295	93.8
China	69,669	157.8
India	4,671	87.7
South Korea	--	--
Others	--	--
Total	99,636	130.4

(Note) 1. The amounts above are amounts before intra-Group transfers based on standard invoice prices.
2. The amounts above do not include consumption taxes.
3. In South Korea and Others, the Group does not engage in production.

b. Orders received

Since the Group (the Company and its consolidated subsidiaries) produces based on prospects for orders, a description of orders received is omitted.

c. Sales performance

The table below show sales performance by business segment for the fiscal year under review.

Business segment	Consolidated fiscal year under review (from April 1, 2024 to March 31, 2025) (Million yen)	Year on year (%)
Japan	19,956	88.9
China	80,881	150.1
India	4,671	87.7
South Korea	1,568	90.9
Others	333	61.6
Total	107,411	128.0

(Note) 1. Transactions between the segments were canceled out.

(2) Analysis and consideration of operating results, etc. from the perspective of management

The recognition, analysis and consideration of operating results, etc. of the Group from the perspective of management are as follows.

Forward-looking statements in the text are judgments of the Company as of the end of the fiscal year under review.

(i) Recognition, analysis, and consideration of financial position and operating results

a. Analysis of operating results for the consolidated fiscal year under review

(Revenue)

Net sales for the fiscal year under review increased 28.0% year on year, to ¥107,411 million.

By geographic region, revenue in Japan decreased 9.6% year on year, to ¥7,844 million. Overseas revenue increased 32.3% year on year, to ¥99,566 million. The ratio of overseas revenue stood at 92.7%.

Breakdown by region of overseas net sales in the consolidated fiscal year under review are as follows:

(Million yen)

	China	Asia	America	Europe	Total
I Overseas revenue	80,488	11,251	4,190	3,635	99,566
II Consolidated revenue					107,411
III Ratio of overseas revenue to consolidated revenue (%)	74.9	10.5	3.9	3.4	92.7

(Note) 1.National or regional classifications are based on geographic proximity.
2. Major countries or regions in each classification

(1) Asia：India, South Korea, Thailand, Singapore and the Philippines
(2) America：the United States and Mexico
(3) Europe：Switzerland, Germany, France and Italy

3. Overseas revenue refer to revenue achieved by the Company and its consolidated subsidiaries in countries or regions other than Japan.

(Operating profit)

Operating profit increased 78.0% year on year, to ¥23,309 million. This was mainly due to higher sales.

(Profit attributable to owners of parent)

Profit attributable to owners of the parent inclined 102.8% year on year, to ¥10,901 million. As with operating profit, this was mainly due to higher sales.

(Segment)

Operating results by business segment are stated in “Section 2. Business Situation, 4. Analysis of financial position, operating results, and cash flows by management, (1) Overview of operating results, etc., (i) Financial position and operating results.”

b. Factors which may have a significant impact on operating results

The factors which may have a significant impact on operating results of the Group are described in “Section 2. Business Situation, 3. Business and other risks”.

c. Analysis and consideration of cash flows and information on financial source of capital and liquidity of funds

The situation of cash flows is stated in “Section 2. Business Situation, 4. Analysis of financial position, operating results, and cash flows by management, (1) Overview of operating results, etc., (ii) State of cash flows.”

The Group plans to make capital expenditures including reconstruction of the new factory building at Nagaoka Factory in Japan and the construction of a new factory in India with cash provided by operating activities, etc., as stated in “Section 3. Facilities, 3. Equipment introduction and retirement plans.

(ii) Significant accounting policies and significant accounting estimates, and assumptions for significant accounting estimates

The Group’s consolidated financial statements are prepared in compliance with the International Financial Reporting Standards (IFRS ACCOUNTING STANDARDS). Individual significant accounting policies and significant accounting estimates are described in Section 5. Financial Status, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements, 3. Significant accounting policies and 4. Significant accounting estimates and decisions with estimates.

5. Significant management contracts

Not applicable.

6. Research and development activities

The Group is focusing on product development activities to quickly meet the needs of customers and develop high-precision, high-speed and high-rigidity machines promptly based on precision processing technologies that the Group has cultivated in product development and technology development for many years.

The Group is also developing power-saving, high-efficiency, environmentally friendly products to reduce CO_2 emissions for sustainability.

Total R&D expenses in the entire Group in the consolidated fiscal year under review were ¥3,136 million.

The R&D are mainly conducted in the Company (Japan).

The Group focuses on the development of small, high-speed, high-precision processing machines that can be used in the processing of auto parts (motorized power steering devices, next-generation brakes, EV motors) for environmentally friendly, safe and energy saving automobiles as well as parts for small information terminals, particularly mobile phones, in the field of information and telecommunications, where higher precision is required, and super high precision machined parts, such as vehicle cameras and medical equipment parts.

Major achievements in the fiscal year ended March 31, 2025 were the development of M10JL10,M10D, FMA3-V、VA4-II.

Section 3. Facilities

1. Overview of capital investment

Capital expenditures of the Group were ¥2,241 million (including some right-of-use assets).

Capital expenditures by business segment are as follows:

Capital expenditures in Japan were ¥113 million, which was allocated primarily to the maintenance and repair of Nagaoka Factory.

Capital expenditures in China were ¥926 million, which was allocated primarily to production facilities at Precision Tsugami (China) Corporation and Precision Tsugami (Anhui) Corporation.

Capital expenditures in India were ¥1,183 million, which were chiefly expenditures for a new factory of TSUGAMI PRECISION ENGINEERING INDIA PVT., LTD.

Capital expenditures in South Korea were ¥3 million, which was allocated primarily to facilities at TSUGAMI KOREA CO., LTD., a subsidiary.

The Group’s own funds for the capital expenditures.

2. Major facilities

The table below shows major facilities of the Group.

(1) Submitting company

As of March 31, 2025

Factory (location)	Business segment	Facilities	Book value (Million yen)						Number of employees
			Buildings	Machinery and equipment	Land (m^2)	Other	Right-of-use assets	Total	
Nagaoka factory (Nagaoka-shi, Niigata)	Japan	Equipment for producing machine tools	1,335	166	203 (70,523)	82	17	1,805	441 (68)

“(2) Overseas subsidiary

As of March 31, 2025

Corporate name	Factory (location)	Business segment	Facilities	Book value (Million yen)						Number of employees
				Buildings	Machinery and equipment	Land (m^2)	Other	Right-of-use assets	Total	
Precision Tsugami (China) Corporation	China factory (Zhejiang, China)	China	Equipment for producing machine tools	4,927	1,546	--	165	1,087	7,727	2,133 (--)
Precision Tsugami (Anhui) Corporation	China factory (Anhui, China)	China	Equipment for producing machine tools	2,819	1,342	--	39	189	4,391	198 (--)
Shinagawa Precision Machinery (Zhejiang) Co., Ltd	China factory (Zhejiang, China)	China	Equipment for producing machine tools	232	79	--	24	53	389	68 (--)
TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED	India factory (Dt. Tamil Nadu, India)	India	Equipment for producing machine tools	871	961	--	28	294	2,155	475 (--)

(Note) 1. The book value in the “Other” column is a total value of structures, tools, and equipment and fixtures and does not include construction in progress.

2. The number in parentheses in the number of employee’s column is the number of temporary employees.

3. Equipment introduction and retirement plans

The Group develops capital expenditure plans, taking into comprehensive consideration of business forecasts, industry trends, and financial efficiency.

In principle, each consolidated company develops an equipment plan, which is adjusted primarily by the submitting company.

The table below shows plans for the introduction of important equipment as of the end of the fiscal year ended March 31, 2025.

Corporate name, factory	Location	Business segment	Facilities	Planned investments (Million yen)		Financing method	Planned start and completion date	
				Total	Amount paid		Start	Completion
Nagaoka factory	Nagaoka-shi, Niigata	Japan	Buildings	2,300	--	Self-financing	July 2025	April 2027
TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED	Dt. Tamil Nadu, India	India	Buildings, machinery and equipment	3,611	3,663	Self-financing	January 2019	September 2025

(Note) 1. The total amount of planned investments is calculated based on the budget exchange rate (1.00 INR = 1.63 JPY).

Section 4. Situation of Submitting Company

1. Shares of the Company

(1) Total number of shares and other information

(i) Total number of shares

Type	Number of shares issuable
Common stock	320,000,000
Total	320,000,000

(ii) Shares issued

Type	Number of shares issued at end of fiscal year (March 31, 2025)	Number of shares issued on the date of the submission of the report (June 17, 2025)	Stock exchange or registered financial instruments dealers association	Remarks
Common stock	48,000,000	48,000,000	Tokyo Stock Exchange Prime Market	Number of shares per unit: 100
Total	48,000,000	48,000,000	--	--

(Note) 1. The Company disposed of 427,900 treasury shares on July 12, 2024 as restricted stock compensation based on a resolution of the Board of Directors on June 19, 2024.

2. Of the shares issued as of the date of submission, 659,650 shares were issued in exchange for in-kind contributions (monetary remuneration claims of ¥986 million) at the time of disposal of the treasury shares.

(2) Share acquisition rights

(i) Stock option system

Not applicable.

On July 12, 2024, the Company implemented measures to transition to restricted shares from share acquisition rights granted as stock compensation-type stock options.

(ii) Features of rights plan

Not applicable.

(iii) Other Matters on Share acquisition rights, etc.

Not applicable.

(3) Exercise of bonds with share acquisition rights with an amended exercise price

Not applicable.

(4) Changes in the number of shares outstanding and share capital

Date	Change in number of shares outstanding (shares)	Number of shares outstanding (shares)	Change in share capital (Million yen)	Share capital (Million yen)	Change in Legal capital surplus (Million yen)	Legal capital surplus (Million yen)
October 28, 2021 (Note 1)	-5,000,000	50,000,000	--	12,345	--	--
May 21, 2024 (Note 1)	-2,000,000	48,000,000	--	12,345	--	--

(Note) 1. The decrease of outstanding shares was due to the retirement of treasury shares.

(5) Ownership of shares by owner

As of March 31, 2025

Classification	Ownership of shares (one unit is 100 shares)								Fractional shares (shares)
	Government and local governments	Financial institutions	Securities companies	Other corporations	Foreign corporations and individuals		Individuals and others	Total	
					Entities other than individuals	Individuals			
Number of shareholders	--	23	36	121	185	16	6,987	7,368	--
Number of shares held (unit)	--	180,512	19,403	30,170	139,077	575	109,344	479,081	91,900
Holdings (%)	--	37.7	4.1	6.3	29.0	0.1	22.8	100.0	--

(Note) 1. Treasury shares (602,760 shares) includes6,027 units in the individuals and others category and 60 fractional shares.

2. Shares in the other corporations' column include 120 units of shares under the name of the Japan Securities Depository Center.

(6) Major shareholders

As of March 31, 2025

Name	Address	Number of shares held (thousand shares)	Ratio of holdings to the number of shares issued (%)
The Master Trust Bank of Japan, Ltd. (trust account)	Akasaka Intercity AIR, 1-8-1 Akasaka, Minato-ku, Tokyo	6,865	14.49
Custody Bank of Japan, Ltd. (trust account)	1-8-12, Harumi, Chuo-ku, Tokyo	3,053	6.44
Daishi Hokuetsu Bank, Ltd.	1071-1, Higashiborimae-dori, 7-bancho, Chuo-ku, Niigata-shi, Niigata	2,184	4.61
Sumitomo Mitsui Banking Corporation	1-1-2, Marunouchi, Chiyoda-ku, Tokyo	1,516	3.20
The Dai-ichi Life Insurance Company, Limited (Standing proxy: Custody Bank of Japan, Ltd.)	1-13-1, Yurakucho, Chiyoda-ku, Tokyo (1-8-12, Harumi, Chuo-ku, Tokyo)	1,470	3.10
THE BANK OF NEW YORK 133652 (Standing proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd.)	BOULEVARD ANSPACH 1, 1000 BRUSSELS, BELGIUM (2-15-1 Konan, Minato-ku, Tokyo)	1,352	2.85
Tsugami Customers' Shareholding Association	1-1-1, Higashi-Zao, Nagaoka-shi, Niigata	1,155	2.44
JPMorgan Securities Japan Co., Ltd.	2-7-3, Marunouchi, Chiyoda-ku, Tokyo	982	2.07
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd.)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS (2-15-1 Konan, Minato-ku, Tokyo)	868	1.83
DAIKIN INDUSTRIES, LTD.	1-13-1, Umeda, Kita-ku, Osaka-shi, Osaka	717	1.51
Total	--	20,165	42.54

(Note) 1. All shares held by The Master Trust Bank of Japan, Ltd. relate to the trust service.
2. All shares held by Custody Bank of Japan, Ltd. relate to the trust service.
3. The Company received a report from Baillie Gifford & Co in its change report of the statement of large-value holdings submitted on November 8, 2024 that the company holds shares as described below as of October 31, 2024. However, the Company does not include the company in the major shareholders above because the Company has yet to confirm the substantive number of shares held as of March 31, 2025.

Name	Address	Number of shares held (shares)	Ratio of shares held (%)
Baillie Gifford & Co	Calton Square, 1 Greenside Row, Edinburgh EH1 3AN Scotland	shares 1,213,500	2.53
Baillie Gifford Overseas Limited	Calton Square, 1 Greenside Row, Edinburgh EH1 3AN Scotland	shares 964,000	2.01

(7) Voting rights

(i) Shares issued

As of March 31, 2025

Classification	Number of shares		Number of voting rights	Remarks
Nonvoting shares		--	--	--
Shares with limited voting rights (Treasury shares)		--	--	--
Shares with limited voting rights (other shares)		--	--	--
Shares with complete voting rights (Treasury shares)	Common stock	602,700	--	--
Shares with complete voting rights (other shares)	Common stock	47,305,400	473,054	--
Fractional shares	Common stock	91,900	--	--
Total number of shares issued		48,000,000	--	--
Number of voting rights of all shareholders		--	473,054	--

(Note) Shares with complete voting rights (other shares) include 12,000 shares (120 voting rights) under the name of the Japan Securities Depository Center.

(ii) Treasury shares

As of March 31, 2025

Owner	Address of owner	Number of shares held under the owner's own name (shares)	Number of shares held under the name of any other person (shares)	Total number of shares held (shares)	Ratio of holdings to the Total number of shares issued (%)
Tsugami Corporation	12-20, Tomizawa-cho Nihonbashi, Chuo-ku, Tokyo	602,700	--	602,700	1.3
Total	--	602,700	--	602,700	1.3

2. Acquisition of Treasury shares

[Type of stock] The acquisition of common stock under Article 155, Item 3 of the Companies Act and the acquisition of common stock under Article 155, Item 7 of the Companies Act

(1) Acquisition based on resolutions at the shareholders meeting

Not applicable.

(2) Acquisition based on resolutions at Board of Directors meeting

Classification	Number of shares	Total value (yen)
Resolution at a Board of Directors meeting held on November 10, 2023 (Acquisition period: from November 10 2023 to May 13, 2024)	500,000	550,000,000
Treasury shares acquired before the fiscal year under review	413,000	492,516,400
Treasury shares acquired in the fiscal year under review	47,000	55,041,700
Number and total value of remaining Treasury shares	40,000	2,441,900
Ratio of Treasury shares that had not been acquired until the end of the fiscal year under review (%)	8.0	0.4
Treasury shares acquired in the current fiscal year	--	--
Ratio of Treasury shares that has not been acquired until the date of the submission of the report (%)	8.0	0.4

Classification	Number of shares	Total value (yen)
Resolution at a Board of Directors meeting held on May 14, 2024 (Acquisition period: from May 14, 2024 to November 12, 2024)	500,000	750,000,000
Treasury shares acquired before the fiscal year under review	--	--
Treasury shares acquired in the fiscal year under review	394,200	564,533,100
Number and total value of remaining Treasury shares	105,800	185,466,900
Ratio of Treasury shares that had not been acquired until the end of the fiscal year under review (%)	21.2	24.7
Treasury shares acquired in the current fiscal year	--	--
Ratio of Treasury shares that has not been acquired until the date of the submission of the report (%)	21.2	24.7

Classification	Number of shares	Total value (yen)
Resolution at a Board of Directors meeting held on November 13, 2024 (Acquisition period: from November 13 2024 to May 12, 2025)	250,000	400,000,000
Treasury shares acquired before the fiscal year under review	--	--
Treasury shares acquired in the fiscal year under review	226,100	346,302,300
Number and total value of remaining Treasury shares	23,900	53,697,700
Ratio of Treasury shares that had not been acquired until the end of the fiscal year under review (%)	9.6	13.4
Treasury shares acquired in the current fiscal year	--	--
Ratio of Treasury shares that has not been acquired until the date of the submission of the report (%)	9.6	13.4

Classification	Number of shares	Total value (yen)
Resolution at a Board of Directors meeting held on May 13, 2025 (Acquisition period: from May 13, 2025 to November 12, 2025)	500,000	925,000,000
Treasury shares acquired before the fiscal year under review	--	--
Treasury shares acquired in the fiscal year under review	--	--
Number and total value of remaining Treasury shares	--	--
Ratio of Treasury shares that had not been acquired until the end of the fiscal year under review (%)	--	--
Treasury shares acquired in the current fiscal year	44,500	81,995,200
Ratio of Treasury shares that has not been acquired until the date of the submission of the report (%)	91.1	91.1

(Note) Treasury shares acquired in the current fiscal year do not include the number of shares acquired from June 1, 2025 until the date of the submission of this Annual Securities Report.

(3) Acquisition not based on resolutions at the shareholders meeting or Board of Directors meetings

Classification	Number of shares	Total value (yen)
Treasury shares acquired in the fiscal year under review	4,732	697,509
Treasury shares acquired in the current fiscal year	46	86,342

(Note) The Treasury shares acquired in the current fiscal year does not include fractional shares repurchased from June 1, 2025 to the date of the submission of the report.

(4) Treatment of acquired Treasury shares and Treasury shares held

Classification	Fiscal year under review		Current fiscal year	
	Number of shares	Total value disposed of (yen)	Number of shares	Total value disposed of (yen)
Acquired Treasury shares offered to prospective underwriters	--	--	--	--
Acquired Treasury shares cancelled	2,000,000	2,458,000,000	--	--
Acquired Treasury shares transferred in relation to mergers, stock swaps, stock issuance, and company splits	--	--	--	--
Other (Note 1,2)	522,900	659,376,900	--	--
Treasury shares held (Note 3)	602,760	--	647,306	--

(Note) 1. Exercise of share acquisition rights (95,000 shares, disposal of ¥119,795,000) and disposal of treasury shares as restricted stock compensation (427,900 shares, disposal of ¥539,581,900) in the fiscal year under review.
2. The Treasury shares disposed of in the current fiscal year does not include fractional shares transferred from June 1, 2025 to the date of the submission of the report.
3. The Treasury shares held in the current fiscal year does not include fractional shares repurchased or transferred from June 1, 2025 to the date of the submission of the report.

3. Dividend Policy

The Group adopts a basic policy of increasing its collective capabilities and returning profits to shareholders by sustaining aggressive investment in development projects in response to changing social demands and continuing its efforts to enhance competitiveness and streamline management. Based on this policy, the Group is united in its commitment to strengthening its business structure and achieving stable dividends.

The Group will also deal appropriately with the acquisition of treasury stock for the flexible enforcement of capital policies and other purposes as part of its measures for returning profits to shareholders, based on a comprehensive assessment of factors, including need, financial conditions and share price trends.

For the year ended March 31, 2025, the Company has decided to pay annual dividends of 59 yen per share including interim dividends of 27 yen per share and the year-end dividends of 32 yen per share.

Dividends are determined by the Board of Directors.

The Articles of Incorporation stipulate that the Company may pay dividends by resolution of the Board of Directors under the provisions of Article 459, Paragraph 1 of the Companies Act.

For the fiscal year ending March 31, 2026 the Company plans to pay annual dividends of 64 yen per share, including interim dividends of 32 yen per share and the year-end dividends of 32 yen per share.

The Articles of Incorporation specifies that the Company may pay interim dividends whose record date is September 30 of every year by resolution of the Board of Directors.

The table below shows dividends for the fiscal year ended of March 31, 2025

Resolution	Total amount of dividend (Million yen)	Dividend per share (yen)
Resolution of Board of Directors on November 13, 2024	1,287	27.00
Resolution of Board of Directors on May 13, 2025	1,516	32.00

4. Corporate Governance

(1) Corporate governance

(i) Basic policy on corporate governance

The Company is committed to fulfilling the expectations of its shareholders and fulfilling its corporate social responsibility as a member of the international community by making quick and appropriate management judgments that facilitate continued growth in corporate value and maintaining sound management through the building and reinforcement of an internal control system and its effective operation.

In addition, the Company made the shift to a company with an audit and supervisory committee with the approval of the shareholders' meeting held in June 2018. The Company will strengthen the governance system of the Board of Directors by audits conducted by the audit and supervisory committee members with voting rights at the Board of Directors meetings on the legality and adequacy of the execution of business and increase the mobility of the execution of business by delegating some of the business execution authority of the Board of Directors to directors.

(ii) Outline of the corporate governance system and reason for the establishment of the system

The Company is a company with an Audit and Supervisory Committee, and five Outside Directors who are Audit and Supervisory Committee Members (of whom four are Independent Directors) audit the execution of duties of Directors as of the date of submission (June 17, 2025). The Company's Audit and Supervisory Committee consists of the Audit and Supervisory Committee Members listed in (2) Officers.

As of the date of submission (June 17, 2025), the Company has a total of five Directors (excluding Directors who are the Audit and Supervisory Committee Members), consisting of four inside Directors and one Outside Director. The Company's Directors (excluding Directors who are Audit and Supervisory Committee Members) are as listed in (2) Officers

The Company believes that it has created a system in which appropriate judgments are made because the Company is able to incorporate extensive insight and knowledge into important matters for company management, including the development of company-wide management strategies from an independent position that does not give rise to a conflict of interest with general shareholders, as a result of the election of outside directors.

The Company positions the Board of Directors as a key organization for corporate governance. In principle, the Board of Directors meets every month and makes decisions through comprehensive discussions and studies of management challenges and significant matters to address.

The Company has established the Nomination Committee and Compensation Committee, voluntary committees, as advisory bodies to the Board of Directors and ensures the transparency and objectivity of the process for evaluating and determining the nomination and compensation, etc. of Directors and Executive Officers. Each committee is made up of three or more Directors elected by the Board of Directors and a majority of the members are independent Outside Directors. The members of each committee as of the date of submission (June 17, 2025) are as follows:

1) Nomination Committee

Chairperson: Outside Director (Members of the Audit and Supervisory Committee) Kenyu Adachi
Members: Outside Director (Members of the Audit and Supervisory Committee) Shu Hamba,
Representative Director Nobuhiro Watabe

2) Compensation Committee

Chairperson: Outside Director (Members of the Audit and Supervisory Committee) Michiyo Yamamiya
Members: Outside Director (Members of the Audit and Supervisory Committee) Yoshimi Takeuchi
Outside Director (Members of the Audit and Supervisory Committee) Shu Hamba

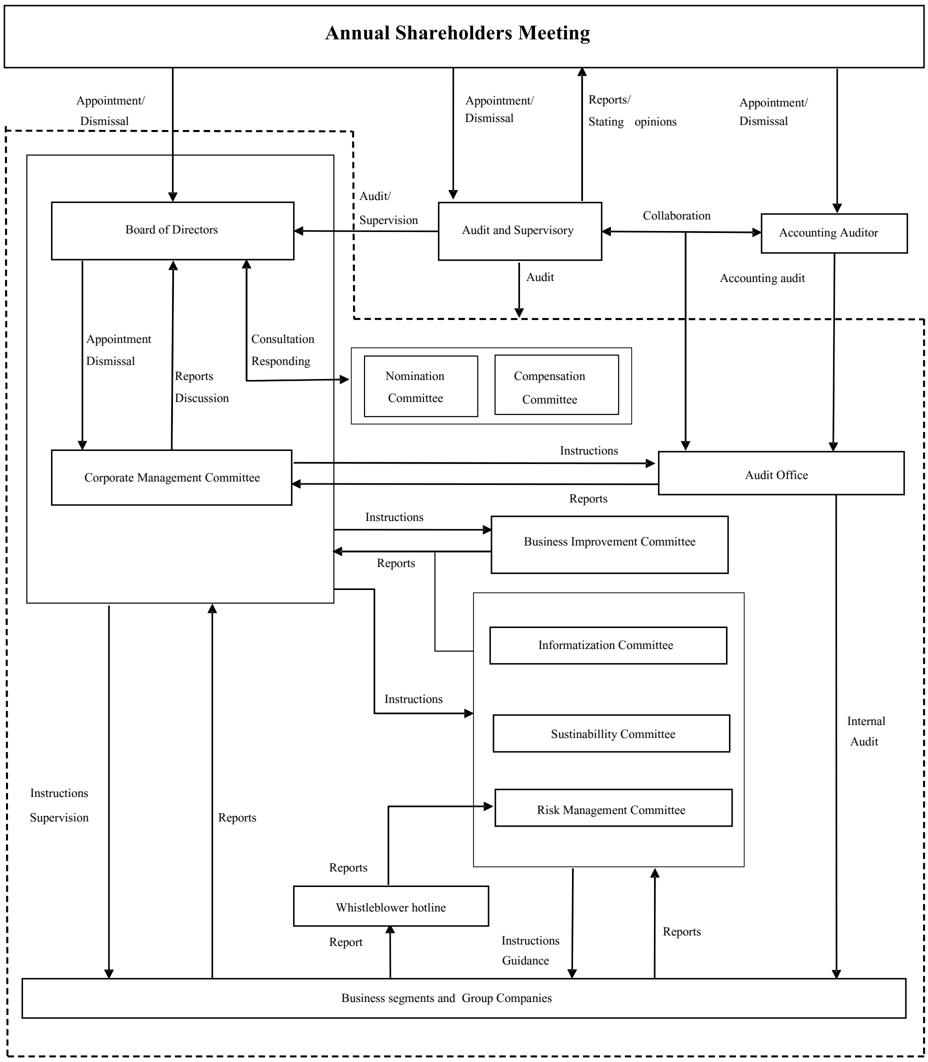
The Company has also established the Corporate Management Committee, which consists of representative directors and major executive officers as an organ for reporting and discussing matters concerning the consensual decision making of important business execution issues including those submitted to the Board of Directors for discussion and other important operations and their execution.

To enhance corporate governance, the Company has placed the Audit Office (two officers) under the direct control of the Corporate Management Committee and has established a Risk Management Committee and other committees.

* As proposed resolutions (Items to be resolved) for the Annual Shareholders Meeting to be held on June 18, 2025, the Company has proposed Election of Five (5) Directors (excluding Directors who are Audit and Supervisory Committee Members) and Election of One (1) Director who is an Audit and Supervisory Committee Member). If these proposed resolutions are approved and passed, the Company will have nine (9) Directors (of which, five are Outside Directors). If the proposed resolutions are approved and passed, the members of the Board of Directors will be as stated in (2) Officers, and the members of each committee will be as follows:

1) Nomination Committee
Chairperson: Outside Director (Members of the Audit and Supervisory Committee) Kenyu Adachi
Members: Outside Director (Members of the Audit and Supervisory Committee) Shu Hamba,
Representative Director Nobuhiro Watabe

2) Compensation Committee
Chairperson: Outside Director Michiyo Yamamiya
Members: Outside Director (Members of the Audit and Supervisory Committee) Yoshimi Takeuchi
Outside Director (Members of the Audit and Supervisory Committee) Shu Hamba



(iii)Development of internal control system

The Company's Board of Directors has adopted the following basic policies for building internal control systems:

i. Systems for ensuring the execution of the duties of directors and employees are in compliance with laws and ordinances and the Articles of Incorporation

a. Given that compliance is one of its key management issues, the Board of Directors shall establish the Tsugami Group Code of Conduct and develop a compliance policy to ensure that the Company operates based on sound social practices.

b. The Company shall establish a "whistle-blowing system," an internal reporting system through which activities that apparently violate the laws and ordinances, the Articles of Incorporation, any other internal rules, or social norms carried out by directors or employees are reported. Whistle blowers shall be protected.

c. The Company shall have an Audit Office, an organization under the direct control of the Corporate Management Committee, and shall conduct internal audits of compliance.

d. The Company has an audit and supervisory committee. The directors' execution of their duties shall be in accordance with the standards on audits by the audit and supervisory committee established by the audit and supervisory committee.

ii. Systems for the storage and management of information concerning directors' execution of duties

The Company shall appropriately maintain and manage the minutes of the Board of Directors, approval documents, documents associated with the directors' executions of their duties, and other related information in accordance with internal rules, such as the document management rules and information security management rules.

iii. Rules and systems concerning risk management

To manage the diverse risks associated with its business activities, and to prevent such risks from materializing, the Company shall have a Risk Management Committee through which it will collect and analyze information about risks to identify any indications that risks are emerging at an early stage. The Company shall also establish a risk management system by developing rules and manuals so that it can promptly and accurately respond to the situation if risks have materialized.

iv. Systems for securing efficiency of directors' execution of duties

a. The Company shall hold regular meetings of the Board of Directors once a month in principle, and ensure that it makes important decisions on items that are stipulated in the Board of Directors Rules or that come under the criteria for deliberation at meetings of the Board of Directors, through discussions at meetings of the Board of Directors.

b. By establishing the Nomination Committee and the Compensation Committee as advisory bodies to the Board of Directors, the Company ensures the fairness, transparency and objectivity of the nomination and compensation of Directors because matters referred by the Board of Directors are deliberated at these committee, details of deliberations are reported to the Board of Directors, and the Board of Directors passes resolutions based on the content of these reports.

c. In addition, the Company shall hold monthly Corporate Management Committee meetings to share management information, through which it considers and makes flexible decisions on issues related to important operations in its effort to achieve management efficiency.

v. System for ensuring the appropriateness of business in the corporate group consisting of the Company and its subsidiaries

a. A system for reporting to the Company matters related to the execution of duties by the Directors of subsidiaries, and the like shall be put into operation.

The Company shall set the Group Companies Management Regulations, and its subsidiaries shall report their monthly results, financial position and other important information at the Corporate Management Committee, and the like, in order for the Company to accurately understand the details of the subsidiaries' management.

b. Regulations and other systems relating to the management of risk loss at subsidiaries

The Company shall hold meetings of the Risk Management Committee as needed, understand the risks and take appropriate measures for preventing or minimizing various risks that surround Group operations in compliance with risk management rules and essential risk management execution rules.

c. System for ensuring efficient execution of duties by the Directors of subsidiaries, and the like

The Company shall respect the management independence of its subsidiaries. At the same time, the Company shall ensure efficiency by discussing important matters with the subsidiaries in advance at regular Corporate Management Committee meetings, and the like, and by asking the subsidiaries to resolve such matters at the meetings of their Board of Directors.

d. Systems for ensuring the conformity of the execution of duties by the Directors, and the like, and the employees of subsidiaries with laws, regulations and Articles of Incorporation

1) The Company shall ensure the compliance systems of its subsidiaries based on the Tsugami Group Code of Conduct.

2) The Directors, etc., of the Company's subsidiaries shall take part in regular Corporate Management Committee, and the like, meetings and advance discussions on internal control.

3) The internal audit division (the Audit Office) of the Company shall confirm that the Company's subsidiaries are complying with laws, regulations and in-house rules in the execution of their businesses.

vi. Matters concerning applicable employees in cases where the audit and supervisory committee request the assignment of employees who should assist them in their duties

a. The Company may assign employees (auxiliary employees) who should assist the audit and supervisory committee in cases where the audit and supervisory committee request their assignment.

b. The Company shall work to strengthen its system of auxiliary employees from the viewpoint of ensuring the effectiveness of the audit, taking into account corporate size, business type, management risks and other company-specific circumstances.

vii. Matters concerning the independence of employees from Directors (other than directors who are members of the audit and supervisory committee) stated in the foregoing paragraph and matters concerning securing the effectiveness of instructions the audit and supervisory committee provide to the concerned employees

a. The Company shall work to ensure the independence of auxiliary employees from Directors (other than directors who are members of the audit and supervisory committee).

b. The Company shall address issues, including clarification of the following items necessary for ensuring the independence of auxiliary employees.

1) The authority that auxiliary employees have
2) Organizations which auxiliary employees belong to
3) Elimination of the chain of command Directors (other than directors who are members of the audit and supervisory committee) have over auxiliary employees
4) Granting of consent rights to the audit and supervisory committee regarding the reassignment, performance evaluation, disciplinary punishment, etc., of auxiliary employees

viii. System concerning reports to the audit and supervisory committee

a. A system that enables the directors and employees of the Company to submit reports to the audit and supervisory committee.

The directors (other than directors who are members of the audit and supervisory committee) and employees of the Company shall report the following items without delay to the audit and supervisory committee concerning the execution of their duties.

1) Items concerning important facts that may affect the Company significantly when such facts are found
2) Items concerning acts in violation of laws, regulations or the Articles of Incorporation or acts with such risk when such facts are found
3) Results of internal audits performed by the internal audit division (the Audit Office)
4) The operational status for the Whistle-blowing System and the details of reports

b. A system that enables the Directors, an audit and supervisory committee and employees of subsidiaries or individuals who received reports from them to submit reports to the audit and supervisory committee of the Company

1) The directors and employees of the Company's subsidiaries shall report acts in violation of laws, regulations or the Articles of Incorporation, acts with such a risk or important facts that may affect the Company significantly to the audit and supervisory committee of the Company without delay when they find such acts or facts.
2) The internal audit divisions of the Company's subsidiaries shall report the results of internal audits performed at the subsidiaries to the audit and supervisory committee of the Company.

ix. System for ensuring the prevention of unfavorable treatment of individuals who submitted reports to the audit and supervisory committee for the reason of having submitted such reports

The Company shall work to establish a system that prevents the unfavorable treatment of individuals who submitted the reports stated in the foregoing paragraph to the audit and supervisory committee for the reason for having submitted such reports.

x. Matters concerning procedures for the advance payment or the refunding of expenses that arise in connection with duty execution by the audit and supervisory committee members or policies on processing expenses or debts that arise in connection with the execution of other concerned duties

The Company shall promptly comply with the concerned request when the audit and supervisory committee members requests the advance payment of expenses, etc., in connection with the execution of his or her duties unless the requested expenses, etc., could be proven as unnecessary for the execution of the duties by the concerned the audit and supervisory committee members.

xi. Other systems for ensuring the effectiveness of audits performed by the audit and supervisory committee

a. The audit and supervisory committee shall meet Representative Directors periodically and exchange opinions with them regarding important audit issues.
b. The audit and supervisory committee shall meet accounting auditors periodically, to exchange opinions and information with them, and ask them to submit reports as needed.
c. The audit and supervisory committee shall stay in close cooperation with the internal audit division (the Audit Office). The audit and supervisory committee may ask the internal audit division to perform investigations as needed.

xii. System for ensuring the reliability of financial reports

a. The Company shall establish the Internal Control Reporting System for ensuring the reliability of financial reports and submitting internal control reports effectively and appropriately as prescribed in the Financial Instruments and Exchange Act.
b. The Company shall continually evaluate internal control systems and take the necessary steps in order to correct them in order to ensure the compliance of such systems with the Financial Instruments and Exchange Act, other laws and regulations.
c. The internal audit division (the Audit Office), as a responsible division, shall implement monitoring, evaluation and assist in improving the operation of internal control systems.

xiii. Systems for excluding antisocial forces

a. The Company shall systematically deal with antisocial forces that threaten social order and sound corporate activities with a resolute attitude.
b. The Company shall deal with antisocial forces in cooperation with police, lawyers and external specialized agencies, such as corporate defense councils, when cases of unreasonable demand by such forces, and the like emerge.

(iv) Other matters concerning corporate governance

a. Outline of contracts for limitation of liability

Under the provision of Article 427, Paragraph 1 of the Companies Act, the Company and the outside directors (other than directors who have executive authority over operations) have concluded contracts to limit liability for damages stipulated in Article 423, Paragraph 1 of the Companies Act.

The minimum amount of liability for damages under the contracts is the minimum amount of liability specified by laws and ordinances.

b. Outline of a directors' and officers' liability insurance contract in which directors and officers are the insured persons

The Company has entered into a directors' and officers' liability insurance contract with an insurance company as stipulated in Article 430-3, paragraph 1 of the Companies Act. Directors (including persons who were in office during the fiscal year under review) of the Company are the insured persons under the contract. The insurance premiums are borne in full by the Company. Under the insurance contract, the insurance company agrees to indemnify any damage that may arise when directors or officers, who are the insured persons, assume liability for the execution of their duties or receive a claim related to the pursuit of such liability. The contract is renewed each year. The insurance contract states that insurance shall not be paid in cases where the Company takes action pursuing liability for compensation of damages against directors or officers and stipulates provisions to the effect that the scope of damages to be compensated shall be limited, for the purpose of guaranteeing the appropriateness of the directors’ and officers’ execution of duties. The Company also plans to renew the contract with the same content at next renewal.

c. Decision-making body of dividends etc.

The Articles of Incorporation of the Company stipulate that the matters specified in each item of Article 459, Paragraph 1 of the Companies Act, including dividends, may be determined not by resolution of a shareholders meeting but by resolution of the Board of Directors, unless otherwise specified in laws and ordinances. This is intended to facilitate the flexible distribution of profits by making the determination of dividends the authority of the Board of Directors.

d. Number of directors

The Articles of Incorporation stipulate that the number of the Company’s directors (other than directors who are members of the audit and supervisory committee) is 10 at maximum and the number of the Company’s directors who are members of the audit and supervisory committee is five at maximum.

e. Requirements for a resolution to elect directors

The Articles of Incorporation stipulate that a resolution of a shareholders meeting to elect directors shall be made by a majority of the votes of the shareholders present at a meeting where shareholders holding one third or more of the votes of shareholders who are entitled to exercise their votes are present. The Articles of Incorporation also stipulate that cumulative votes shall not be cast for a resolution to elect directors.

f. Requirements for a special resolution in shareholders meeting

To ensure that a quorum is constituted for a special resolution in a shareholders meeting, the Articles of Incorporation stipulate that the resolutions specified in Article 309, Paragraph 2 of the Companies Act shall be made by a majority of two-thirds of the votes of the shareholders present at a meeting where shareholders holding a majority of one-third of the votes of the shareholders entitled to exercise their votes are present.

(v) Status of activities of the Board of Directors and Committees

a. Board of Directors

The Company held a total of 9 meetings of the Board of Directors during the fiscal year under review, and the attendance of individual Directors is as follows:

Title	Name	Attendance
Director	Ken Kubo	9／9
Representative Director and President	Nobuhiro Watabe	9／9
Representative Director	Mami Matsushita	7／7 (Note) 2
Representative Director	Kenji Yoneyama	9／9
Director and Senior Advisor Executive Director, Chairman & CEO of Precision Tsugami (China) Corporation Limited	Donglei Tang	9／9
Director	Takeshi hirayama	2／2 (Note) 1
Outside Director (Members of the Audit and Supervisory Committee)	Yutaka Kimura	9／9
Outside Director (Members of the Audit and Supervisory Committee)	Yoshimi Takeuchi	9／9

Outside Director (Members of the Audit and Supervisory Committee)	Kenyu Adachi	9／9
Outside Director (Members of the Audit and Supervisory Committee)	Kunio Shimada	2／2 (Note) 1
Outside Director (Members of the Audit and Supervisory Committee)	Michiyo Yamamiya	9／9
Outside Director (Members of the Audit and Supervisory Committee)	Shu Hamba	7／7 (Note) 2

(Note) 1. They retired from their positions at the conclusion of the Annual shareholders meeting held on June 19, 2024.
2. Mami Matsushita became Director, Shu Hamba became Outside Director (Members of the Audit and Supervisory Committee) at the Annual shareholders meeting held on June 19, 2024.

Major matters discussed by the Board of Directors are as follows.

Matters to be discussed	Major matters
Items to be resolved	Financial results, shareholder return, budgets, shareholders meetings, management and execution systems, officer compensation, election of Nomination Committee members, requesting that the Nomination Committee and Compensation Committee submit reports, personnel changes, organizational changes, subsidiaries management system, revision of internal important regulation, reconstruction of new factory building, execution of parent subsidiary loan to Indian subsidiary
Items to be reported	Results of surveys on the evaluation of the effectiveness of the Board of Directors, the status of the operations of the whistle-blowing system and the system for proposing improvements, reports on audits by the Audit Office and internal control, partial sale of shares of affiliated company, planning of construction of new factory building

b. Nomination Committee

The Company held 6 meetings of the Nomination Committee during the fiscal year under review, and the attendance of individual members is as follows:

Title	Name	Attendance
Outside Director, Chairperson of the Audit and Supervisory Committee	Kunio Shimada	2／2 (Note) 1
Outside Director, Chairperson of the Audit and Supervisory Committee	Kenyu Adachi	6／6
Outside Director (Members of the Audit and Supervisory Committee)	Shu Hamba	4／4 (Note) 2
Representative Director and President	Nobuhiro Watabe	3／4 (Note) 2
Representative Director	Kenji Yoneyama	2／2 (Note) 1

(Note) 1. They retired from their positions at the conclusion of the Annual shareholders meeting held on June 19, 2024.
2. A Nomination Committee member from June 19, 2024.

Major matters discussed at the Nomination Committee are as follows.

1) Discussing the election and dismissal of directors and executive officers and submitting reports on them.
2) Discussing other matters that the Board of Directors thinks need to be discussed and submitting reports on them.

c. Compensation Committee

The Company held 5 meeting of the Compensation Committee during the fiscal year under review, and the attendance of individual members is as follows:

Title	Name	Attendance
Outside Director, Chairperson of the Audit and Supervisory Committee	Michiyo Yamamiya	5／5
Outside Director (Members of the Audit and Supervisory Committee)	Yoshimi Takeuchi	5／5
Outside Director (Members of the Audit and Supervisory Committee)	Kunio Shimada	1／1 (Note) 1
Outside Director (Members of the Audit and Supervisory Committee)	Shu Hamba	4／4 (Note) 2

(Note) 1. They retired from their positions at the conclusion of the Annual shareholders meeting held on June 19, 2024.
2. A Compensation Committee member from June 19, 2024.

Major matters discussed at the Compensation Committee are as follows;

1) Discussing compensation for directors and executive officers and submitting reports on it.
2) Discussing other matters that the Board of Directors thinks need to be discussed and submitting reports on them.

(2) Officers

(i) Executive list

a. The Company's officers as of June 17, 2025 (date of submission of the annual securities report) are as follows:

Male: 8 Female: 2 (The ratio of female among the officers: 20%)

Title	Name	Date of birth	Career summary		Term of office	Number of shares held (thousand shares)
Director	Ken Kubo	November 20, 1953	Apr. 1977	Joined the Sumitomo Bank, Ltd. (now Sumitomo Mitsui Banking Corporation)	(Note 3)	--
			Nov. 2009	President and CEO of Promise Co. Ltd. (now SMBC Consumer Finance Co., Ltd.)		
			Apr. 2013	Deputy President and Executive Officer of Sumitomo Mitsui Financial Group, Inc. Deputy President and Executive Officer of Sumitomo Mitsui Banking Corporation		
			June. 2013	Director of Sumitomo Mitsui Financial Group, Inc.		
			June. 2015	President and CEO of Sumitomo Mitsui Card Co., Ltd.		
			Apr. 2019	Special Advisor		
			June. 2020	Outside Director of the Company (current position)		
			Nov. 2023	Advisor of Sumitomo Mitsui Card Co., Ltd. (current position)		
Representative Director and President	Nobuhiro Watabe	January 29, 1971	Apr. 1993	Joined the Company	(Note 3)	66
			Apr. 2011	Executive Officer, Deputy General Manager of Overseas Division		
			Dec. 2014	Seconded to TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED		
			Apr. 2019	Co-COO and Domestic Sales and Operation Manager of the Company		
			June. 2022	Head of Domestic Sales and Operation		
			June. 2023	Representative Director and President Head of Domestic Sales and Operation		
			Oct. 2023	Representative Director and President Head of Domestic Sales and Operation and Factories (current position)		
			June 2024	President and Representative Director, Nagaoka Plant Manager, Domestic Operation (current position)		
Representative Director	Mami Matsushita	July 3, 1964	Jan. 2010	Joined the Company	(Note 3)	115
			Apr. 2011	Executive Officer, Deputy General Manager of Overseas Division		
			June 2013	Senior Executive Officer, General Manager of Overseas Division		
			Apr. 2016	Senior Executive Officer, General Manager of Overseas Division		
			Apr. 2017	COO, General Manager of Overseas Division		
			June 2021	Co-COO, Head of Overseas Sales and Operation, General Manager of Overseas Division		
			June 2022	Head of Overseas Sales and Operation, General Manager of Overseas Division		
			Apr. 2024	Head of Overseas Sales and Operation, General Manager of Overseas Division		
			June 2024	Representative Director, Head of Overseas Sales and Operation (current position)		

Title	Name	Date of birth	Career summary	Term of office	Number of shares held (thousand shares)
Representative Director	Kenji Yoneyama	March 7, 1965	Apr. 1988 Joined The Hokuetsu Bank, Ltd. (now Daishi Hokuetsu Bank, Ltd.) Apr. 2015 Advisor of Accounting of the Company June. 2017 Standing Statutory Auditor of the Company June. 2018 Director of the Company (Standing Audit and Supervisory Committee Member) June. 2021 CLO of the Company Apr. 2023 Head of Administration of the Company June. 2023 Representative Director Head of Administration of the Company June. 2024 Representative Director, Administration Oct. 2024 Representative Director, Head of Administration (current position)	(Note 3)	29
Director and Senior Advisor Executive Director, Chairman and CEO of Precision Tsugami (China) Corporation Limited	Donglei Tang	November 27, 1962	Nov. 2005 Joined the Company June. 2010 Director, Managing Executive Officer in Charge of China Operations Vice Chairman and CEO of Precision Tsugami (China) Corporation Feb. 2017 Vice Chairman and CEO of Precision Tsugami (China) Corporation Director of Precision Tsugami (Hong Kong) Limited (current position) Executive Director of Precision Tsugami (China) Corporation Limited June. 2018 Director and Senior Advisor of the Company (current position) Apr. 2022 Chairman and CEO of Precision Tsugami (China) Corporation Chairman and CEO of Precision Tsugami (China) Corporation Limited (current position) Oct. 2023 Chairman of Precision Tsugami (China) Corporation (current position)	(Note 3)	39
Director (Members of the Audit and Supervisory Committee)	Yutaka Kimura	June 5, 1963	Apr. 1986 Joined The Daishi Bank, Ltd. (now The Daishi Hokuetsu Bank, Ltd.) Feb. 2015 General Manager of the Management Supervision Department of the bank Mar. 2017 General Manager of the Risk Division of the bank Oct. 2018 General Manager of the Risk Management Department of Daishi Hokuetsu Financial Group, Inc. June. 2020 Director (Audit and Supervisory Committee member) of the Daishi Hokuetsu Financial Group June. 2023 Outside Director (who is a member of the Audit and Supervisory Committee) of the Company (current position)	(Note 4)	--

Title	Name	Date of birth	Career summary		Term of office	Number of shares held (thousand shares)
Director (Members of the Audit and Supervisory Committee)	Yoshimi Takeuchi	August 21, 1948	Jan. 1978	Assistant Professor at Kyushu Institute of Technology	(Note 5)	--
			Jan. 1988	Professor at the University of Electro-Communications		
			June. 2002	Professor at the Graduate School of Engineering Science, Osaka University		
			Sep. 2011	Professor at the College of Engineering, Chubu University Honorary Professor at Osaka University (current position)		
			Apr. 2017	Vice-President of Chubu University		
			Apr. 2019	Advisor to the Chancellor and Professor at Chubu University		
			June. 2020	Outside Director (Audit and Supervisory Committee Member) of the Company (current position)		
			Apr. 2021	President of Chubu University		
			June 2023	Chairman of Chubu University (current position)		
Director (Members of the Audit and Supervisory Committee)	Kenyu Adachi	July 27, 1952	Apr. 1977	Joined the Ministry of International Trade and Industry (now the Ministry of Economy, Trade and Industry (METI))	(Note 5)	--
			July. 2007	Director-General of Trade and Economic Cooperation Bureau, METI		
			July. 2008	Director-General of Minister's Secretariat, METI		
			July. 2010	Director-General of Economic and Industrial Policy Bureau, METI		
			Aug. 2011	Vice-Minister of Economy, Trade and Industry		
			June. 2014	Outside Director of Asahi Kasei Corporation Outside Director of Toyo Engineering Corporation		
			June. 2016	President of the Shoko Chukin Bank, Ltd.		
			June. 2020	Outside Director (Audit and Supervisory Committee Member) of the Company (current position)		
			June. 2021	Outside Director of Japan Alcohol Trading CO., LTD (current position)		
			Mar. 2023	Outside Director of ENECHANGE Ltd. (current position)		
Director (Members of the Audit and Supervisory Committee)	Shu Hamba	August 21, 1965	Apr. 1993	Registered as an attorney	(Note 5)	--
			Apr. 1993	Joined Iwata Godo		
			Feb. 2004	Registered as an attorney in New York State		
			Aug, 2010	Joined Shimada Hamba & Osajima		
			Aug. 2010	Partner of Shimada Hamba & Osajima (current position)		
			Jun. 2024	Outside Director (Audit and Supervisory Committee Member) of the Company (current position)		

Title	Name	Date of birth	Career summary		Term of office	Number of shares held (thousand shares)
Director (Members of the Audit and Supervisory Committee)	Michiyo Yamamiya	July 26, 1969	Apr. 1998	Registered as an attorney in Tokyo	(Note 5)	--
			Sep. 2005	Registered as an attorney in New York State		
			July. 2010	Joined Tanabe & Partners		
			Jan. 2011	Partner at Tanabe & Partners (current position)		
			June. 2020	Outside Director (Audit and Supervisory Committee Member) of the Company (current position)		
Total						250

(Note) 1. Directors Ken Kubo is outside director.
2. Directors who are members of the audit and supervisory committee Yutaka Kimura, Yoshimi Takeuchi, Kenyu Adachi, Shu Hamba and Michiyo Yamamiya are outside directors.
3. One year from the closing of the Annual shareholders meeting held on June 19, 2024.
4. Two years from the closing of the Annual shareholders meeting held on June 21, 2023.
5. Two years from the closing of the Annual shareholders meeting held on June 19, 2024.

b. As proposed resolutions (Items to be resolved) at the Annual Shareholders Meeting to be held on June 18, 2025, the Company has proposed the Election of Five (5) Directors (excluding Directors who are Audit and Supervisory Committee Members) and Election of One (1) Director who is an Audit and Supervisory Committee Member). If these proposed resolutions are approved, the Company's officers and their terms of office will be as follows:

The positions, etc. of the officers described below include the contents of items to be resolved (positions, etc.) at the meeting of the Board of Directors to be held immediately after the above Annual Shareholders Meeting.

Male: 7 Female:2 (The ratio of female among the officers: 22%)

Title	Name	Date of birth	Career summary		Term of office	Number of shares held (thousand shares)
Director	Michiyo Yamamiya	July 26, 1969	Apr. 1998	Registered as an attorney in Tokyo	(Note 3)	--
			Sep. 2005	Registered as an attorney in New York State		
			July. 2010	Joined Tanabe & Partners		
			Jan. 2011	Partner at Tanabe & Partners (current position)		
			June. 2020	Outside Director (Audit and Supervisory Committee Member) of the Company		
			June 2025	Outside Director of the Company (current position)		
Representative Director and President	Nobuhiro Watabe	January 29, 1971	Apr. 1993	Joined the Company	(Note 3)	66
			Apr. 2011	Executive Officer, Deputy General Manager of Overseas Division		
			Dec. 2014	Seconded to TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED		
			Apr. 2019	Co-COO and Domestic Sales and Operation Manager of the Company		
			June. 2022	Head of Domestic Sales and Operation		
			June. 2023	Representative Director and President Head of Domestic Sales and Operation		
			Oct. 2023	Representative Director and President Head of Domestic Sales and Operation and Factories (current position)		
			June 2024	President and Representative Director, Nagaoka Plant Manager, Domestic Operation (current position)		
Representative Director	Mami Matsushita	July 3, 1964	Jan. 2010	Joined the Company	(Note 3)	115
			Apr. 2011	Executive Officer, Deputy General Manager of Overseas Division		
			June 2013	Senior Executive Officer, General Manager of Overseas Division		
			Apr. 2016	Senior Executive Officer, General Manager of Overseas Division		
			Apr. 2017	COO, General Manager of Overseas Division		
			June 2021	Co-COO, Head of Overseas Sales and Operation, General Manager of Overseas Division		
			June 2022	Head of Overseas Sales and Operation, General Manager of Overseas Division		
			Apr. 2024	Head of Overseas Sales and Operation, General Manager of Overseas Division		
			June 2024	Representative Director, Head of Overseas Sales and Operation (current position)		

Title	Name	Date of birth	Career summary	Term of office	Number of shares held (thousand shares)
Representative Director	Shoichiro Haga	July 29, 1972	Apr. 1995 Joined The Hokuetsu Bank, Ltd. (now Daishi Hokuetsu Bank, Ltd.) Apr. 2019 Manager of Planning Coordination Division of The Hokuetsu Bank, Ltd. (now Daishi Hokuetsu Bank, Ltd.) Jan. 2021 Senior Manager of Planning Coordination Division of Daishi Hokuetsu Bank, Ltd. Apr. 2021 Senior Manager of General Affairs Division of Daishi Hokuetsu Bank, Ltd. July 2022 Deputy General Manager of General Affairs Division of Daishi Hokuetsu Bank, Ltd. Mar. 2025 Full-time Advisor, General Manager assigned to the administration of the Company June 2025 Representative Director, Head of Administration, General Manager of Administration (current position)	(Note 3)	--
Director and Senior Advisor Executive Director, Chairman and CEO of Precision Tsugami (China) Corporation Limited	Donglei Tang	November 27, 1962	Nov. 2005 Joined the Company June. 2010 Director, Managing Executive Officer in Charge of China Operations Vice Chairman and CEO of Precision Tsugami (China) Corporation Feb. 2017 Vice Chairman and CEO of Precision Tsugami (China) Corporation Director of Precision Tsugami (Hong Kong) Limited (current position) Executive Director of Precision Tsugami (China) Corporation Limited June. 2018 Director and Senior Advisor of the Company (current position) Apr. 2022 Chairman and CEO of Precision Tsugami (China) Corporation Chairman and CEO of Precision Tsugami (China) Corporation Limited (current position) Oct. 2023 Chairman of Precision Tsugami (China) Corporation (current position)	(Note 3)	39
Director (Members of the Audit and Supervisory Committee)	Shu Hamba	August 21, 1965	Apr. 1993 Registered as an attorney Apr. 1993 Joined Iwata Godo Feb. 2004 Registered as an attorney in New York State Aug, 2010 Joined Shimada Hamba & Osajima Aug. 2010 Partner of Shimada Hamba & Osajima (current position) Jun. 2024 Outside Director (Audit and Supervisory Committee Member) of the Company (current position)	(Note 4)	--

Title	Name	Date of birth	Career summary		Term of office	Number of shares held (thousand shares)
Director (Members of the Audit and Supervisory Committee)	Yoshimi Takeuchi	August 21, 1948	Jan. 1978	Assistant Professor at Kyushu Institute of Technology	(Note 4)	--
			Jan. 1988	Professor at the University of Electro-Communications		
			June. 2002	Professor at the Graduate School of Engineering Science, Osaka University		
			Sep. 2011	Professor at the College of Engineering, Chubu University Honorary Professor at Osaka University (current position)		
			Apr. 2017	Vice-President of Chubu University		
			Apr. 2019	Advisor to the Chancellor and Professor at Chubu University		
			June. 2020	Outside Director (Audit and Supervisory Committee Member) of the Company (current position)		
			Apr. 2021	President of Chubu University		
			June 2023	Chairman of Chubu University (current position)		
Director (Members of the Audit and Supervisory Committee)	Kunimasa Ota	February 16, 1949	June 2002	Director of TOKYO SEIMITSU CO., LTD.	(Note 5)	2
			Oct. 2004	Representative Director and CFO of TOKYO SEIMITSU CO., LTD.		
			June 2009	Outside Auditor of the Company		
			Apr. 2011	President and CEO of TOKYO SEIMITSU CO., LTD.		
			Apr. 2015	Representative Director and Chairman of TOKYO SEIMITSU CO., LTD.		
			Apr. 2017	Director and Chairman of TOKYO SEIMITSU CO., LTD.		
			Apr. 2019	Senior Adviser of TOKYO SEIMITSU CO., LTD.		
			June 2019	Corporate Auditor (Outside) of ASIA PILE HOLDINGS CORPORATION (current position)		
			Nov. 2023	Councilor of Musashino Art University (current position)		
			June 2024	Auditor of The Precise Measurement Technology Promotion Foundation (current position)		
			June 2025	Outside Director (Audit and Supervisory Committee Member) of the Company (current position)		

Title	Name	Date of birth	Career summary	Term of office	Number of shares held (thousand shares)
Director (Members of the Audit and Supervisory Committee)	Kenyu Adachi	July 27, 1952	Apr. 1977 Joined the Ministry of International Trade and Industry (now the Ministry of Economy, Trade and Industry (METI)) July. 2007 Director-General of Trade and Economic Cooperation Bureau, METI July. 2008 Director-General of Minister's Secretariat, METI July. 2010 Director-General of Economic and Industrial Policy Bureau, METI Aug. 2011 Vice-Minister of Economy, Trade and Industry June. 2014 Outside Director of Asahi Kasei Corporation Outside Director of Toyo Engineering Corporation June. 2016 President of the Shoko Chukin Bank, Ltd. June. 2020 Outside Director (Audit and Supervisory Committee Member) of the Company (current position) June. 2021 Outside Director of Japan Alcohol Trading CO., LTD (current position) Mar. 2023 Outside Director of ENECHANGE Ltd. (current position)	(Note 4)	--
Total					223

(Note) 1. Directors Michiyo Yamamiya is outside director.
2. Directors who are members of the audit and supervisory committee Shu Hamba, Yoshimi Takeuchi, Kunimasa Ota and Kenyu Adachi are outside directors.
3. One year from the closing of the Annual shareholders meeting held on June 18, 2025.
4. Two years from the closing of the Annual shareholders meeting held on June 19, 2024.
5. Two years from the closing of the Annual shareholders meeting held on June 18, 2025.

(ii) Outside officers

The Company has six outside directors.

Outside Director Ken Kubo was a director of Sumitomo Mitsui Financial Group until April 2015. Sumitomo Mitsui Banking Corporation, a company in the Sumitomo Mitsui Financial Group, is the main financial institution of the Company. Sumitomo Mitsui Banking Corporation has 1,516,000 shares in the Company.

Outside Director Yutaka Kimura was a director and audit and supervisory committee member of Daishi Hokuetsu Financial Group, Inc. until June 2023. Daishi Hokuetsu Bank, Ltd. of the Daishi Hokuetsu Financial Group is a major financial institution that the Company deals with. It holds 2,184,000 shares of the Company's stock.

Outside Director Yoshimi Takeuchi is a Chairman of Chubu University. The Company and Mr. Takeuchi or Chubu University do not have any stake in each other or any trading relationships. He is registered as an independent officer with the Tokyo Stock Exchange.

Outside Director Kenyu Adachi and the Company do not have any stake in each other or any trading relationships. Mr. Adachi is registered as an independent officer with the Tokyo Stock Exchange.

Outside Director Shu Hamba is a partner of Shimada Hamba & Osajima. The Company and Mr. Shu Hamba or Shimada Hamba & Osajima do not have any stake in each other or any trading relationships. He is registered as an independent officer with the Tokyo Stock Exchange.

Outside Director Michiyo Yamamiya is a partner at Tanabe & Partners. The Company and Ms. Yamamiya or Tanabe & Partners do not have any stake in each other or any trading relationships. She is registered as an independent officer with the Tokyo Stock Exchange.

As proposed resolutions (Items to be resolved) at the Annual Shareholders Meeting to be held on June 18, 2025, the Company has proposed the Election of Five (5) Directors (excluding Directors who are Audit and Supervisory Committee Members) and Election of One (1) Director who is an Audit and Supervisory Committee Member). If these proposed resolutions are approved, Outside Director Ken Kubo and Outside Director Yutaka Kimura will resign from office and Mr. Kunimasa Ota will be appointed as Outside Director, bringing the number of Outside Directors to five (5) and the number of Outside Audit and Supervisory Committee Members to four (4).

Mr. Kunimasa Ota, a candidate for Outside Director served as Director of TOKYO SEIMITSU CO., LTD. until March 2019. The Company purchases measurement devices and other items from TOKYO SEIMITSU CO., LTD. but the ratio of the transaction amount to said company's consolidated net sales is less than 1%. Mr. Kunimasa Ota used to serve as a non-executive officer (Auditor) of the Company. The Company will register Mr. Kunimasa Ota as an independent officer with the Tokyo Stock Exchange.

The outside directors deliver expert and appropriate opinions and advice on the overall management of the Company based on their considerable business experience and extensive insight and perform the function of supervising the decision-making of the Board of Directors and the execution of the duties of directors.

The Company does not have any clearly defined standards or policies for the independence of outside directors. However, when appointing outside directors, the Company checks their backgrounds and its relationships with them to ensure that each can remain independent and that conflicts of interest that may affect general shareholders are unlikely to occur.

(iii) Supervision and audits by outside directors and their collaboration with the internal audit division, the audit and supervisory committee and independent auditors, and their relationships with the internal control division

In supervising and auditing, the outside directors enhance collaboration with the internal audit division, the audit and supervisory committee, independent auditors, and internal control division by asking questions about reports and resolutions and expressing opinions from the perspective of people outside the Company as needed.

(3) Audits

(i) Audits by the audit and supervisory committee

The Company is a company with an audit and supervisory committee. The audit and supervisory committee members as of the date of submission (June 17, 2025) are listed in (2) Officers, (i) Executive list. In the fiscal year under review, 5 audit and supervisory committee members, including 4 independent outside directors, audited the directors' execution of their duties.

In the fiscal year under review, the Company held five audit and supervisory committee meetings and the attendance of individual audit and supervisory committee members is as follows.

Title	Name	Attendance
Outside Director (Standing Audit and Supervisory Committee Member)	Yutaka Kimura	5／5
Outside Director (Members of the Audit and Supervisory Committee)	Yoshimi Takeuchi	5／5
Outside Director (Members of the Audit and Supervisory Committee)	Kenyu Adachi	5／5
Outside Director (Members of the Audit and Supervisory Committee)	Kunio Shimada	1／1 (Note 1)
Outside Director (Members of the Audit and Supervisory Committee)	Shu Hamba	4／4 (Note 2)
Outside Director (Members of the Audit and Supervisory Committee)	Michiyo Yamamiya	5／5

(Note) 1. They retired from their positions at the conclusion of the Annual shareholders meeting held on June 19, 2024.
2. He became Outside Director (Members of the Audit and Supervisory Committee) at the Annual shareholders meeting held on June 19, 2024.

The Audit & Supervisory Committee audits the execution of the duties of the directors based on the audit standards set by the Audit & Supervisory Committee and checks and examines the audit reports of the accounting auditor and the internal audit division about year-end audits of business reports and financial statements and proposal to the shareholders meeting, among other documents. In addition to regular Audit and Supervisory Committee meetings, the Audit and Supervisory Committee meets with accounting auditors regularly and exchanges opinions with them mainly on the implementation status of audits and key audit matters (KAM).

The standing member of the audit and supervisory committee exchanges opinions with the representative directors, interviews the directors, executive officers and other employees regarding the status of their execution of operations and exchanges information with the internal audit division and the accounting auditor to supervise the execution of the duties of the directors and regularly report their activities to the audit and supervisory committee.

*As a proposed resolution (Item to be resolved) at the Annual Shareholders Meeting to be held on June 18, 2025, the Company has proposed the Election of One (1) Director who is an Audit and Supervisory Committee Member). Meanwhile, two (2) Directors who are Audit and Supervisory Committee Members will resign from office at the close of the Shareholders Meeting. If these proposed resolutions are approved, the Company will have four (4) Audit and Supervisory Committee Members (of which, four (4) are Outside Directors). If the proposed resolutions are approved and passed, the members of the Audit and Supervisory Committee will be as stated in (2) Officers.

(ii) Internal audits

In the Company, internal audits are conducted based on the internal audit regulations to check whether the business activities of the Company and its subsidiaries are conducted appropriately and efficiently in accordance with laws, regulations, internal regulations and management policies from an independent position by establishing the Audit Office (2 officers) under the direct control of the Corporate Management Committee.

The Audit Office regularly reports the results of internal audits to the Board of Directors, the Corporate Management Committee and the audit and supervisory committee. The Audit Office regularly exchanges information with accounting auditors and coordinates internal audits, audits of the audit and supervisory committee and accounting audits. In addition, the Audit Office also exchanges information with the internal control division as needed to secure the appropriateness of operations and the reliability of financial reporting through audits of the development and operation status of internal control.

(iii) Accounting auditor

a. Name of accounting auditor

Ernst & Young ShinNihon LLC

b. Continuous audit period

15 years

c. Certified public accountants who executed operations
Operating Partners Hiroyuki Ishii, Issei Watanabe

d. Composition of assistants of audit operations
5 certified public accountants and 19 other members

e. Policy and reason for appointment of accounting auditor
With respect to the appointment of the accounting auditor, the Company decides on the appropriateness of reappointment, taking into comprehensive consideration whether or not the status of the execution of duties (including the status of the execution of duties in prior fiscal years), the audit system, independence and expertise are appropriate.

The audit and supervisory committee will determine the content of a proposal for the dismissal or refusal of the reappointment of the accounting auditor to be submitted to a shareholders' meeting if the committee has decided that it is necessary or if there are any issues in the execution of the duties of the accounting auditor. The audit and supervisory committee will also dismiss the accounting auditor based on the consent of all the audit and supervisory committee members if it is deemed that the accounting auditor falls under any of the items of Article 340, Paragraph 1 of the Companies Act. In this case, an audit and supervisory committee member appointed by the audit and supervisory committee will report the fact the audit and supervisory committee has dismissed the accounting auditor and its reason at the first shareholders' meeting held after the dismissal.

In addition, the Board of Directors will ask the audit and supervisory committee to make the dismissal or the refusal to reappoint the accounting auditor the subject of a shareholders' meeting if the Board of Directors has decided that it is necessary or if there are any issues in the execution of the duties of the accounting auditor. The audit and supervisory committee will determine the content of a proposal to be submitted to the shareholders' meeting after deciding whether or not it is appropriate.

f. Evaluation of the accounting auditor by the audit and supervisory committee
The audit and supervisory committee discussed and evaluated the adequacy of the audit activities of the accounting auditor in the fiscal year under review and confirmed that there were no issues by directly interviewing the accounting auditor regarding its audit activities and listening to the opinions of the management execution divisions such as the accounting division.

(iv) Audit fees

a. Compensation for auditing certified public accountants

Classification	Previous fiscal year		Fiscal year under review	
	Compensation for audit certification work (million yen)	Compensation for non-audit work (million yen)	Compensation for audit certification work (million yen)	Compensation for non-audit work (million yen)
Submitting company	62	--	61	--
Consolidated subsidiaries	--	--	--	--
Total	62	--	61	--

As compensation for audit certification work in the end of the previous consolidated fiscal year, there is an audit certification for corrections to financial results for past fiscal years of 8 million yen, in addition to the amount shown above.

b. Compensation for the network (Ernst & Young (EY)) of auditing certified public accountants (excluding compensation described in a. above)

Classification	Previous fiscal year		Fiscal year under review	
	Compensation for audit certification work (million yen)	Compensation for non-audit work (million yen)	Compensation for audit certification work (million yen)	Compensation for non-audit work (million yen)
Submitting company	--	1	--	1
Consolidated subsidiaries	55	3	62	4
Total	55	4	62	5

Non-audit work at the Company consisted of transfer pricing taxation consulting services in the previous fiscal year and the fiscal year under review.

Non-audit work at consolidated subsidiaries consisted of transfer pricing taxation consulting services and tax declaration services in the previous fiscal year and transfer pricing taxation consulting services, tax declaration services and tax advisory services in the fiscal year under review.

c. Compensation for other significant audit certification work

Not applicable.

d. Policy for determining audit fees

Not applicable.

e. Reason for agreement of the audit and supervisory committee on compensation for the accounting auditor

The audit and supervisory committee has agreed on compensation for the accounting auditor in light of the adequacy of its audit activities in the fiscal year under review and internal control evaluation items in the next fiscal year.

(4) Compensation for officers

(i) Matters concerning policy for deciding the amount of compensation for officers and the calculation method thereof

The Company's Board of Directors resolved a policy for determining details of the compensation, etc. of individual Directors. The resolution by the Board of Directors was made on the basis of a report by the Compensation Committee, which was consulted in advance about the details of the resolution. The Board of Directors confirmed with respect to the compensation, etc. of individual Directors for the fiscal year under review that the method of determining the details of compensation, etc. and the details of the determined compensation, etc. is consistent with the determination policy and that the reports of the Nomination and Compensation Committees have been respected and judged that the determination policy had been adhered to.

Details of the policy for determining details of compensation, etc. of individual Directors are as follows.

a. Basic policy

・In accordance with its basic policy for corporate governance, the Company adopts a compensation structure that aligns the values of Directors with those of shareholders to ensure that compensation effectively incentivizes Directors to strive for sustainable improvement in corporate value and, when determining compensation amounts for individual Directors, the Company sets these at an appropriate level in light of the responsibilities of each Director.

・Compensation is determined following deliberation by the Compensation Committee where a majority of members are independent Outside Directors, in order to ensure objectivity and transparency.

・Compensation must be within the overall compensation limited fixed by resolution of the Annual Shareholders Meeting.

b. Structure of compensation

・Compensation of Executive Directors consists of basic compensation, performance-linked compensation and non-monetary compensation. The proportions of each type of compensation are deliberated at the Compensation Committee, giving consideration to factors such as trends at other companies of a similar size and also taking individual circumstances such as rank and responsibilities into account. The Board of Directors (panel of 3 Representative Directors under authority delegated by the Board as described later) determines the proportions of the different types of compensation and details of compensation for each Director, giving due respect to the report of the Compensation Committee. In terms of monetary compensation, the Company pays basic compensation according to individual circumstances such as rank and responsibilities as base pay, and since Directors are responsible for business execution, the Company makes them aware of their responsibility for business execution and incentivizes them to improve business performance by paying a portion as performance-linked compensation. The compensation structure also includes non-monetary compensation in the form of stock compensation for greater alignment of the values of Directors with those of shareholders, thereby encouraging Directors to think about enhancement of corporate value in the medium and long term.

・Outside Directors and Directors who are Audit & Supervisory Committee members are paid basic compensation only, in light of their role in the supervisory function.

c. Basic salary (monetary compensation)

・Basic compensation is a fixed monthly salary determined based on comprehensive consideration of a range of factors including rank and responsibilities, whether the Director is an Outside Director and is full-time or part-time, and the Company's business performance.

d. Performance-linked compensation

・Performance-linked compensation is monetary compensation that reflects performance indicators to motivate Directors to improve performance, and it is paid as monthly compensation. Performance indicators and their target levels are set and reviewed as appropriate according to changes in the environment to ensure that they are consistent with evaluations of the level of achievement of business performance forecasts (consolidated revenue, consolidated operating profit, etc.) and the performance of the business for which each Director is responsible.

e. Non-monetary compensation

・The Company pays non-monetary compensation in the form of restricted stock compensation as part of medium-to-long-term performance-linked compensation. The Company provides monetary compensation claims within the range of annual amounts set by resolution of a shareholders meeting, and each eligible director pays in the entire monetary compensation claim as an in-kind contribution to the Company and receives the allocated restricted stock. Restricted shares are allocated at a fixed time every year in comprehensive consideration of roles, responsibilities, the Company's results, among other factors. Restrictions on transfer of shares are lifted at the time of retirement.

f. Procedure for determining details of compensation, etc. of each Director

・Upon determination of the details of compensation, etc. of Directors (excluding those who are Audit & Supervisory Committee members), the Compensation Committee is consulted by the Board of Directors and holds deliberations and issues a report based on the policy and standards outlined above.

・The details of compensation, etc. of individual Directors (excluding those who are Audit & Supervisory Committee members) are determined by 3 Representative Directors under authority delegated by resolution of the Board of Directors, through consultation giving due respect to the report of the Compensation Committee.

・Details of compensation, etc. of individual Directors who are Audit & Supervisory Committee members are discussed and determined at the Audit & Supervisory Committee with the unanimous consent of all of the Audit & Supervisory Committee members, giving due respect to the report of the Compensation Committee.

(ii) Maximum amount of compensation by post of officers and the type of compensation and the number of officers for compensation

Post	Total compensation (Million yen)	Breakdown of compensation (Million yen)			Number of officers
		Basic compensation	Performance-linked compensation	Non-monetary compensation, etc.	
Director (excluding members of the audit and supervisory committee and Outside Director)	396	64	39	292	5
Director (members of the audit and supervisory committee) (excluding Outside Director)	--	--	--	--	--
Outside officer	60	60	--	--	7

(Note) 1. The above includes 1 Director (excluding those who are Audit and Supervisory Committee members) and 1 Director who is an Audit and Supervisory Committee member (Outside Director) who retired as of the closing of the 121th Annual Shareholders Meeting held on June 19, 2024.

2. It was resolved at the 115th Annual Shareholders Meeting held on June 20, 2018 that the amount of monetary compensation for Directors (excluding those who are Audit & Supervisory Committee members) should be no more than ¥250 million per year. The number of Directors (excluding those who are Audit & Supervisory Committee members) at the closing of the 115th Annual Shareholders Meeting was seven (including two Outside Directors).
In addition, separate from this monetary compensation, it was also resolved at the 118th Annual Shareholders Meeting held on June 16, 2021 that the provisions on the amount of compensation, etc. related to subscription rights to shares to be allotted as stock compensation-type stock options should be abolished and that the amount of compensation, etc. related to restricted stock for Directors (excluding Directors who are Audit & Supervisory Committee members) should be no more than ¥80 million per year and that the total number of restricted stock to be allotted in each fiscal year should be no more than 150,000 shares. The number of Directors (excluding those who are Audit & Supervisory Committee members as well as Outside Directors) at the closing of the 118th Annual Shareholders Meeting was three.
Separate from the limit on compensation for Directors related to restricted stock resolved at the 118th Annual Shareholders Meeting held on June 16, 2021, it was resolved at the 121st Annual Shareholders Meeting held on June 19, 2024 that, only for the 122nd fiscal year of the Company (April 1, 2024 to March 31, 2025), the amount of monetary compensation claims to be granted to reappointed Directors, etc. as compensation, etc. related to restricted stock to be allotted as a measure for transitioning from share acquisition rights (unexercised portion) that were already granted as stock compensation-type stock options to restricted stock should be no more than ¥334 million per year, and that the total number of restricted stock to be allotted should be no more than 167,000 shares. The number of Directors (excluding those who are Audit and Supervisory Committee Members as well as Outside Directors) at the closing of the 121st Annual Shareholders Meeting was four. Non-monetary compensation, etc. in the above table includes compensation of ¥262 million corresponding to restricted stock (167,000 shares) granted on July 12, 2024 as transition measures.

3. It was resolved at the 115th Annual Shareholders Meeting held on June 20, 2018 that the amount of monetary compensation for Directors who are Audit & Supervisory Committee members should be no more than ¥80 million per year. The number of Directors serving as Audit & Supervisory Committee members at the closing of the 115th Annual Shareholders Meeting was four.

4. The Board of Directors delegates authority to determine the details of compensation, etc. (including amounts of basic compensation and performance-linked compensation) of individual Directors (excluding those who are Audit & Supervisory Committee members) to the 3 Representative Directors (Nobuhiro Watabe Mami Matsushita and Kenji Yoneyama). The Board of Directors delegated authority based on the judgment that a collegiate body consisting of the 3 Representative Directors was the right body to evaluate the performance of the business unit each Director is

responsible for whilst taking into consideration the performance of the Company as a whole and other pertinent factors. In addition, the Company has established a Nomination Committee and a Compensation Committee as consultative bodies of the Board of Directors. These voluntary committees consist of a majority of Independent Outside Directors. Upon determination of the details of compensation, etc. of Directors described above, the details are first deliberated at the Compensation Committee and then determined by 3 Representative Directors, under authority delegated by the Board of Directors, giving due respect to the report of the Compensation Committee.

(5) Shareholdings

(i) Standards and concepts of categories of stocks held

The Company categorizes the stocks that it holds into the stocks held for the purpose of pure investment, which are held solely for the purpose of receiving benefits from fluctuations in the value of stocks and dividends from stocks, and the stocks held for purposes other than pure investment.

(ii) Stocks held for purposes other than pure investment

a. Holding policy, the method of verifying the rationality of holding and the content of verification of appropriateness of holding individual stocks by the Board of Directors

The Company will invest in stocks if the Company has decided that doing so will strengthen trust with important business partners and contribute to the medium- to long-term growth and enhancement of corporate value for the Company. The Company comprehensively examines the significance, benefits, risks, and other aspects of the economic rationality of cross-shareholding for each stock held by the Company, taking into consideration capital cost, among other factors, every year at the corporate management meeting consisting of major executive officers. It also conducts reviews at meetings of the Board of Directors as needed. If the Company determines that the significance and rationality of holding stocks is lacking, it will sell shares of the stocks, considering market trends.

b. Number of stocks and balance sheet amount

	Number of stocks (stocks)	Balance sheet amount (million yen)
Non-listed stocks	2	0
Stocks other than non-listed stocks	12	4,352

(Stocks whose number of shares increased in the fiscal year under review)

	Number of stocks (stocks)	Total acquisition value pertaining to the increase in the number of shares (million yen)	Reason for the increase in the number of shares
Non-listed stocks	--	--	--
Stocks other than non-listed stocks	2	2	Cumulative stock investment

(Stocks whose number of shares decreased in the fiscal year under review)

	Number of stocks (stocks)	Total sales value pertaining to the decrease in the number of shares (million yen)
Non-listed stocks	1	0
Stocks other than non-listed stocks	1	42

(Note) Increases or decreases in the Company’s shareholding do not include changes associated with reverse stock split, stock split, stock transfer, stock swap, mergers, etc.

c. Information on the number of shares and balance sheet amount for each specific stock held

Specific stocks held

Stock	At end of the fiscal year under review Number of shares Balance sheet amount (million yen)	At end of the previous fiscal year Number of shares Balance sheet amount (million yen)	Purpose, outline of business alliance, etc., quantitative effect of shareholding and reason for an increase in the number of shares (Note)1.	Whether the Company's stock is held or not
FANUC CORPORATION	250,000 1,015	250,000 1,046	Major supplier. To maintain and strengthen the business relationship and facilitate business activities	Yes
DAIKIN INDUSTRIES, LTD	46,700 753	46,700 962	Major supplier. To maintain and strengthen the business relationship and facilitate business activities	Yes
YAMAZEN CORPORATION	500,000 658	500,000 673	Major customer. To maintain and strengthen the business relationship and promote sales activities	Yes
YUASA TRADING CO., LTD.	100,000 453	100,000 535	Major customer. To maintain and strengthen the business relationship and promote sales activities	Yes
MinebeaMitsumi Inc.	100,000 217	100,000 295	Major customer. To maintain and strengthen the business relationship and facilitate business activities	Yes
Daishi Hokuetsu Financial Group, Inc.	106,904 337	53,227 237	To facilitate financing activities by acquiring shares in this financial institution Acquiring shares by cumulative stock investment (Note 2)	Yes
Mitsubishi UFJ Financial Group, Inc.	134,800 271	134,800 209	To facilitate financing activities by acquiring shares in this financial institution	Yes
THK CO., LTD.	59,000 214	59,000 208	Major supplier. To maintain and strengthen the business relationship and facilitate business activities	Yes
The Hachijuni Bank, Ltd.	196,000 206	196,000 203	To facilitate financing activities by acquiring shares in this financial institution	Yes
Dai-ichi Life Holdings, Inc.	38,700 175	38,700 149	Have entered into insurance contracts with the company. To maintain and strengthen the business relationship and facilitate business activities	Yes
OKASAN SECURITIES Group, Inc	42,739 28	42,739 34	To facilitate financing activities by acquiring shares in this financial institution	Yes
Teikoku Tsushin Kogyo Co., Ltd.	-- --	16,000 29	The Company sold all its shares in Teikoku Tsushin Kogyo Co., Ltd. in the fiscal year under review	No

<table>
<tr><td rowspan="3">Stock</td><td>At end of the fiscal year under review</td><td>At end of the previous fiscal year</td><td rowspan="3">Purpose, outline of business alliance, etc., quantitative effect of shareholding and reason for an increase in the number of shares (Note)1.</td><td rowspan="3">Whether the Company's stock is held or not</td></tr>
<tr><td>Number of shares</td><td>Number of shares</td></tr>
<tr><td>Balance sheet amount (million yen)</td><td>Balance sheet amount (million yen)</td></tr>
<tr><td rowspan="2">TOMITA CO., LTD.</td><td>16,318</td><td>15,728</td><td rowspan="2">Major customer.
To maintain and strengthen the business relationship and facilitate business activities
Acquiring shares by cumulative stock investment</td><td rowspan="2">No</td></tr>
<tr><td>22</td><td>23</td></tr>
</table>

(Note) 1.The quantitative effect of holding is not stated in consideration of the Company's relationships with the business partners. The rationality of holding is described in "a. Holding policy, the method of verifying the rationality of holding and the content of verification of appropriateness of holding individual stocks by the Board of Directors."
2.The number of shares held in Daishi Hokuetsu Financial Group, Inc. increased because Daishi Hokuetsu Financial Group, Inc. implemented a 2-for-1 split of its common shares effective October 1, 2024.

(iii) Stocks held for the purpose of pure investment

Not applicable.

Section 5. Financial Status

1. Preparation of consolidated financial statements and non-consolidated financial statements

(1) Consolidated financial statements of the Company are prepared in compliance with the International Financial Reporting Standards (hereinafter "IFRS ACCOUNTING STANDARDS") pursuant to the provisions of Article 312 of "Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Order No. 28 of 1976).

(2) The Company's non-consolidated financial statements are prepared under the Regulations Concerning Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Ordinance No. 59 of 1963; hereinafter the "Regulations for non-consolidated Financial Statements").

The company is required to submit special-purpose financial statements. Therefore, the non-consolidated financial statements are prepared in accordance with Article 127 of "Regulations for non-consolidated Financial Statements".

2. Audit certification

Under the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the consolidated financial statements for the fiscal year under review (from April 1, 2024 to March 31, 2025) and the financial statements for the 122nd fiscal year (from April 1, 2024 to March 31, 2025) were audited by Ernst & Young ShinNihon LLC.

3. Special efforts to ensure the adequacy of consolidated financial statements and the development of system to properly prepare consolidated financial statements under IFRS ACCOUNTING STANDARDS

The Company is making special efforts to ensure the adequacy of consolidated financial statements and developing a system that enables to properly prepare consolidated financial statements under IFRS ACCOUNTING STANDARDS. Its details are as follows.

(1) To develop a system that enables to properly comprehend the content of accounting standards or accurately respond to changes in accounting standards, the Company has joined the Financial Accounting Standards Foundation (FASF) and participates in seminars and other events hosted by FASF and audit corporations.

(2) With respect to the application of IFRS ACCOUNTING STANDARDS, the Company comprehends the latest standards by obtaining press releases and statements published by the International Accounting Standards Board (IASB) as needed. In addition, to prepare adequate consolidated financial statements under IFRS ACCOUNTING STANDARDS, the Company prepares the Group accounting policies and guidelines in compliance with IFRS ACCOUNTING STANDARDS and performs accounting based on them.

1. Consolidated Financial Statements, etc.
(1) Consolidated Financial Statements
(i) Consolidated statement of financial position

(Million yen)

	Note	Figures at the end of the previous consolidated fiscal year (As of March 31, 2024)	Figures at the end of the consolidated fiscal year under review (As of March 31, 2025)
Assets			
Current assets			
Cash and cash equivalents	7	30,495	27,729
Trade and other receivables	8	27,980	40,695
Other financial assets	9	142	80
Inventories	10	32,730	32,629
Other current assets	11	1,586	1,663
Total current assets		92,935	102,799
Non-current assets			
Property, plant and equipment	12	16,308	16,540
Right-of-use assets	17	2,094	1,999
Intangible assets	13	359	166
Retirement benefit asset	19	110	0
Other financial assets	9	5,104	4,859
Deferred tax assets	15	461	619
Other non-current assets	11	340	322
Total non-current assets		24,779	24,507
Total assets		117,714	127,306

(Million yen)

	Note	Figures at the end of the previous consolidated fiscal year (As of March 31, 2024)	Figures at the end of the consolidated fiscal year under review (As of March 31, 2025)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	14	17,546	17,649
Borrowings	16	16,816	11,524
Other financial liabilities	16,17	205	199
Income taxes payable, etc.		1,670	3,414
Provisions	20	428	469
Contract liabilities	25	2,481	4,069
Other current liabilities	21	898	988
Total current liabilities		40,047	38,317
Non-current liabilities			
Other financial liabilities	16,17	183	163
Retirement benefit liability	19	903	967
Provisions	20	5	5
Deferred tax liabilities	15	3,555	3,123
Other non-current liabilities	21,22	655	614
Total non-current liabilities		5,304	4,874
Total liabilities		45,352	43,192
Equity			
Share capital	23	12,345	12,345
Capital surplus	23	2,885	2,878
Treasury shares	23	-3,008	-861
Other components of equity	23	10,316	8,712
Retained earnings	23	34,065	39,822
Total equity attributable to owners of parent		56,605	62,897
Non-controlling interests	34	15,756	21,217
Total equity		72,361	84,114
Total liabilities and net equity		117,714	127,306

(ii) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	Note	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Revenue	6,25	83,928	107,411
Cost of sales		-60,258	-71,056
Gross profit		23,669	36,355
Selling, general and administrative expenses	26	-11,775	-14,302
Other income	27	1,346	1,305
Other expenses	27	-145	-48
Operating profit		13,095	23,309
Finance income	28	1,071	741
Finance costs	28	-370	-341
Profit before tax		13,795	23,709
Income tax expense	15	-5,615	-7,525
Profit		8,180	16,184
Profit for the year attributable to:			
Owners of parent		5,376	10,901
Non-controlling interests		2,803	5,282
Profit		8,180	16,184
Earnings per share			
Basic earnings per share (yen)	30	112.57	231.55
Diluted earnings per share (yen)	30	111.04	228.55

Consolidated Statements of Comprehensive Income

(Million yen)

	Note	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Profit		8,180	16,184
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	29	384	-183
Remeasurements of defined benefit plans	29	80	-118
Total of items that will not be reclassified to profit or loss		464	-301
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	29	4,186	-1,331
Total of items that may be reclassified to profit or loss		4,186	-1,331
Total other comprehensive income		4,651	-1,633
Comprehensive income		12,831	14,550
Comprehensive income attributable to:			
Owners of parent		8,822	9,954
Non-controlling interests		4,009	4,596
Comprehensive income		12,831	14,550

(iii) Consolidated statement of changes in equity

Previous consolidated fiscal year (from April 1, 2023 to March 31, 2024)

(Million yen)

	Note	Equity attributable to owners of parent				
					Other components of equity	
		Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2023		12,345	3,022	-2,247	4,726	2,161
Profit						
Other comprehensive income					2,980	384
Total comprehensive income		--	--	--	2,980	384
Purchase of treasury shares	23			-934		
Disposal of treasury shares	23		-35	172		
Dividends	24					
Transfer to retained earnings						
Capital transactions with non-controlling interests	34		-100		63	
Total transactions with owners		--	-136	-761	63	--
Balance As of March 31, 2024		12,345	2,885	-3,008	7,771	2,545

	Note	Equity attributable to owners of parent				Non-controlling interests	Total
		Other components of equity		Retained earnings	Total		
		Remeasurements of defined benefit plans	Total				
Balance as of April 1, 2023		--	6,887	30,945	50,953	13,968	64,922
Profit			--	5,376	5,376	2,803	8,180
Other comprehensive income		80	3,445		3,445	1,206	4,651
Total comprehensive income		80	3,445	5,376	8,822	4,009	12,831
Purchase of treasury shares	23		--		-934		-934
Disposal of treasury shares	23		--	-26	110		110
Dividends	24		--	-2,310	-2,310	-1,684	-3,994
Transfer to retained earnings		-80	-80	80	--		--
Capital transactions with non-controlling interests	34		63		-36	-537	-573
Total transactions with owners		-80	-16	-2,256	-3,170	-2,221	-5,392
Balance As of March 31, 2024		--	10,316	34,065	56,605	15,756	72,361

Consolidated fiscal year under review (from April 1, 2024 to March 31, 2025)

(Million yen)

	Note	Equity attributable to owners of parent				
					Other components of equity	
		Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2024		12,345	2,885	-3,008	7,771	2,545
Profit						
Other comprehensive income					-645	-183
Total comprehensive income		--	--	--	-645	-183
Purchase of treasury shares	23			-966		
Disposal of treasury shares	23		12	653		
Cancellation of treasury shares	23		-64	2,459		
Dividends	24					
Transfer to retained earnings						-22
Capital transactions with non-controlling interests	34		45		-752	
Total transactions with owners		--	-6	2,146	-752	-22
Balance As of March 31, 2025		12,345	2,878	-861	6,372	2,339

	Note	Equity attributable to owners of parent				Non-controlling interests	Total
		Other components of equity		Retained earnings	Total		
		Remeasurements of defined benefit plans	Total				
Balance as of April 1, 2024		--	10,316	34,065	56,605	15,756	72,361
Profit			--	10,901	10,901	5,282	16,184
Other comprehensive income		-118	-947		-947	-686	-1,633
Total comprehensive income		-118	-947	10,901	9,954	4,596	14,550
Purchase of treasury shares	23		--		-966		-966
Disposal of treasury shares	23		--	-225	440		440
Cancellation of treasury shares	23		--	-2,394	--		--
Dividends	24		--	-2,428	-2,428	-2,135	-4,564
Transfer to retained earnings		118	96	-96	--		--
Capital transactions with non-controlling interests	34		-752		-707	3,000	2,293
Total transactions with owners		118	-656	-5,144	-3,662	864	-2,797
Balance As of March 31, 2025		--	8,712	39,822	62,897	21,217	84,114

(iv) Consolidated Statements of Cash Flows

(Million yen)

	Note	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Cash flows from operating activities			
Profit before tax		13,795	23,709
Depreciation and amortization		2,049	2,214
Impairment losses and reversal of impairment losses (gain)	18	-93	--
Finance income		-830	-656
Finance costs		232	240
Loss on retirement of fixed assets	27	9	7
Loss (gain) on sale of fixed assets	27	18	-1
Government grant income	27	-1,101	-1,162
Insurance claim income	27	-32	-42
Decrease (increase) in inventories		7,302	-530
Decrease (increase) in trade and other receivables		-2,370	-13,569
Increase (decrease) in trade and other payables		-3,762	605
Increase (decrease) in contract liabilities		-394	1,658
Increase or decrease in retirement benefit asset or liability		-27	55
Increase (decrease) in provisions		-100	63
Other		-247	792
Subtotal		14,446	13,384
Interest and dividends received		806	629
Interest paid		-232	-240
Government grant received	27	1,101	1,162
Insurance received	27	32	42
Income taxes paid		-4,883	-6,602
Income taxes refund		612	479
Net cash provided by (used in) operating activities		11,883	8,855
Cash flows from investing activities			
Payments into time deposits		-160	-266
Proceeds from withdrawal of time deposits		50	317
Purchase of property, plant and equipment		-2,419	-2,026
Proceeds from sale of property, plant and equipment		8	15
Purchase of intangible assets		-54	-72
Purchase of investment securities		-2	-2
Proceeds from sale of investment securities		--	43
Payments for investments in capital		-19	-20
Other		-7	-8
Net cash provided by (used in) investing activities		-2,605	-2,020

(Million yen)

	Note	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	31	-917	-5,251
Payments for acquisition of interests in subsidiaries from non-controlling interests	34	-580	-1,309
Proceeds from sale of treasury shares		0	0
Purchase of treasury shares		-935	-968
Dividends paid	24	-2,310	-2,428
Payment of dividends to non-controlling interests		-1,684	-2,135
Repayments of lease obligations	31	-258	-280
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	34	--	3,610
Net cash provided by (used in) financing activities		-6,687	-8,762
Effect of exchange rate changes on cash and cash equivalents		2,125	-838
Net increase (decrease) in cash and cash equivalents		4,716	-2,765
Cash and cash equivalents at the beginning of the period		25,779	30,495
Cash and cash equivalents at the end of the period	7	30,495	27,729

Notes to Consolidated Financial Statements

1. Reporting entity

TSUGAMI CORPORATION is a stock company located in Japan. Its shares are listed on the Tokyo Stock Exchange's Prime Market. The addresses of its registered head office and major factories are disclosed on its website (https://www.tsugami.co.jp/). The Company's consolidated financial statements consist of the Company and its subsidiaries (hereinafter the "Group") with March 31, 2025 as the fiscal year end.

The business activity of the Group is the manufacture and sale of machine tools. Details of its businesses are stated in "Chapter 1. Corporate Information, Section 1. Overview of the Company's Situation, 3. Businesses."

2. Basis of preparation

(1) Compliance with IFRS ACCOUNTING STANDARDS and matters concerning the first-time adoption of IFRS ACCOUNTING STANDARDS

The consolidated financial statements of the Group are prepared in compliance with IFRS ACCOUNTING STANDARDS pursuant to the provisions of Article 312 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976) because they have satisfied the requirements for a "specified company complying with designated international accounting standards" set forth in the Article 1-2 of the said regulation.

The consolidated financial statements are approved by Kenji Yoneyama, Representative Director of the Company, on June 17, 2025.

(2) Basis of measurement

As stated in Note "3. Significant accounting policies," the consolidated financial statements of the Group are prepared based on acquisition costs, except for specified financial instruments that are measured at fair value.

(3) Functional currency and the currency of denomination

The consolidated financial statements of the Group are denominated in the Japanese yen, which is the functional currency of the Company, and presented by rounding off amounts to a million yen.

3. Significant accounting policies

(1) Basis of consolidation

A subsidiary refers to a company that is controlled by the Group. When the Group is exposed, or has rights, to variable returns from its involvement with a company and has an ability to affect those returns through its power over the company, the Group decides that it controls the company.

The financial statements of a subsidiary are included in consolidation from the day when the Group gains control until the day when the Group loses control.

If accounting policies applied by a subsidiary are different from those applied by the Group, the Group makes adjustments to the financial statements of the subsidiary as required. The balances of receivables and payables between the Group companies, intra-group transactions and unrealized gains or losses arising from intra-group transactions are eliminated when the consolidated financial statements are prepared.

The comprehensive income of a subsidiary is attributed to owners of parent and non-controlling interests even if the balance of non-controlling interests will become negative.

If control over a subsidiary continues even when part of the interest in the subsidiary is disposed of, it is accounted for as a capital transaction. Any difference between the amount of adjustments to non-controlling interests and the fair value of consideration is directly recognized in equity as equity attributable to owners of parent.

If control has been lost, gains or losses arising from the loss of control are recognized as profit or loss.

(2) Business combinations

Business combinations are accounted for using the acquisition method. Consideration for acquisition is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred in exchange for control over the acquiree, the liabilities assumed, and the equity instruments issued by the Company. If the consideration exceeds the fair value of identifiable assets and liabilities, it is posted as goodwill in the consolidated statement of financial position. If, on the other hand, the consideration falls below the fair value of identifiable assets and liabilities, it is immediately posted as profit or loss in the consolidated statement of income.

In the case of a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the fair value on the day when control is gained and recognizes gains or losses that have arisen as profit or loss.

(3) Foreign currency translation

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of each company of the Group at the foreign exchange rate on the date of the transaction or at a rate that approximates the foreign exchange rate.

Monetary assets and monetary liabilities in foreign currency on the closing date are translated into the functional currency at the foreign exchange rate on the closing date.

Non-monetary assets and non-monetary liabilities in foreign currency that are measured at fair value are translated into the functional currency at the foreign exchange rate on the date of calculation of the fair value.

Exchange differences arising from translation or settlement are recognized as profit or loss. However, financial assets that are measured through other comprehensive income are recognized as other comprehensive income.

(ii) Financial statements of foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen by using the foreign exchange rate on the closing date, and their revenue and expenses are translated into Japanese yen by using an average foreign exchange rate, unless there is a significant fluctuation. Exchange differences arising from the translation of financial statements of foreign operations are recognized as other comprehensive income. Exchange differences of a foreign operation are recognized as profit or loss in the period when the foreign operation is disposed of.

(4) Financial instruments

(i) Financial assets

i. Initial recognition and measurement

The Group classifies financial assets into those that are measured at fair value through profit or loss or other comprehensive income and those that are measured at amortized cost. This classification is decided at the time of initial recognition.

The Group recognizes relevant financial instruments when it becomes a party to the contract of the financial assets.

Unless financial assets are classified into the category in which they are measured at fair value through profit or loss, the Group measures all financial assets at an amount that is obtained by adding transaction costs to the fair value.

A financial asset is classified into the category in which it is measured at amortized cost if it satisfies both of the following requirements:

・The financial asset is held based on a business model whose objective is to hold assets in order to collect the contractual cash flows.
・The contractual terms of the financial asset give rise on the specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets other than those that are measured at amortized cost are classified into the category in which they are measured at fair value.

As for equity financial assets that are measured at fair value, except for equity financial assets held for trading that must be measured at fair value through profit or loss, the Group designates each equity financial asset as a financial asset that is measured at fair value through profit or loss or measured at fair value through other comprehensive income and applies the designation continuously.

ii. Subsequent measurement

After initial recognition, financial assets are measured as follows according to 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.

(b) Financial assets measured at fair value

The amount of change in the fair value of financial assets measured at fair value is recognized as profit or loss.

Of equity financial assets, however, the amount of change in the fair value of those that are designated to be measured at fair value through other comprehensive income is recognized as other comprehensive income. In addition, if they are derecognized or their fair value falls significantly, accumulated other comprehensive income is directly transferred to retained earnings. Dividends from the said financial assets are recognized as profit or loss for the period as part of financial income.

iii. Derecognition of financial assets

The Group derecognizes a financial asset if the contractual rights to the cash flows from the financial asset expire or if the Group transfers substantially all the risks and rewards of ownership of the financial asset. If the Group retains control over the transferred financial asset, the Group continues to recognize the asset and related liability to the extent of its continuing involvement in the financial asset.

iv. Impairment of financial assets

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

The Group assesses whether the credit risk of each financial asset has increased significantly from the time of initial recognition on the closing date and, if the credit risk has not increased significantly from the time of initial recognition, the Group recognizes an allowance account for credit losses for expected credit losses for 12 months. On the other hand, if the credit risk has increased significantly from the time of initial recognition, the Group recognizes an amount equal to the lifetime expected credit losses as an allowance account for credit losses.

If contractual payments are more than 30 days past due, the Group deems that the credit risk has increased significantly, in principle. However, when the Group assesses whether or not the credit risk has increased significantly, the Group takes into consideration reasonable and supportable information that is available (such as internal rating and external rating), in addition to information on payments past due.

If it is decided that the credit risk on a financial asset is low as of the closing date, the Group assesses that the credit risk on the financial asset has not increased significantly since initial recognition.

However, for trade receivables that do not contain a significant financing component, the Group always recognizes an allowance account for credit losses at an amount equal to the lifetime expected credit losses, regardless of whether the credit risk has increased significantly from the time of initial recognition.

If significant economic fluctuations have an impact, the necessary adjustments will be made to the expected credit losses measured in the manner stated above.

The Group directly reduces the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Provision of allowance account for credit losses is recognized in profit or loss. If any event that will reduce an allowance account for credit losses arises, the reversal of the allowance account for credit losses is recognized in profit or loss.

(ii) Financial liabilities

i. Initial recognition and measurement

The Group classifies financial liabilities into those that are measured at fair value through profit or loss and those that are measured at amortized cost. This classification is decided at the time of initial recognition.

The Group initially recognizes all financial liabilities on the date of transactions when the Group becomes a party to the contract of the relevant financial instruments.

While all financial liabilities are initially measured at fair value, financial liabilities that are measured at amortized cost are measured at an amount that is obtained by deducting directly attributable transaction costs.

ii. Subsequent measurement

After initial recognition, financial liabilities are measured as follows according to 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 and financial liabilities that are designated to be measured at fair value through profit or loss at the time of initial recognition. They are measured at fair value after initial recognition, and the changes thereof are recognized as profit or loss for the period.

(b) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method after initial recognition.

When the amortization and recognition by the effective interest method are discontinued, gains and losses are recognized as profit or loss for the period as part of financial expenses.

iii. Derecognition of financial liabilities

The Group derecognizes a financial liability when the financial liability is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expires.

(iii) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are offset in the consolidated statement of financial position and are presented in net amount only if the Group has a legal right to offset their balances and has the intention to settle them in net amount or realize the assets and settle the liabilities at the same time.

(iv) Derivatives and hedge accounting

The Group uses derivatives of forward exchange contracts to hedge the foreign currency risk of foreign currency receivables. These derivatives are initially recognized at fair value when the contract is concluded and are subsequently remeasured at fair value. There are no derivatives to which hedge accounting is applied.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments that are both readily convertible to cash and present a minimal risk of changes in value and that will mature within three months from the date of acquisition.

(6) Inventories

Inventories are measured at acquisition cost or net realizable value, whichever is lower. The net realizable value is an amount that is obtained by deducting the estimated costs required until completion and the estimated selling expenses from an estimated selling price in the normal business process. The acquisition cost is calculated primarily based on the moving average method and includes the cost of purchase, the processing cost and all costs required until the present location and state is reached.

(7) Property, plant and equipment

Property, plant and equipment is presented at a value that is obtained by deducting accumulated depreciation and accumulated impairment losses from the acquisition cost.

The acquisition cost includes costs directly related to the acquisition of an asset, costs for demolition and removal and restoring land to the original state and borrowing costs that should be capitalized.

Depreciation of each asset other than land and construction in progress is posted using the straight-line method over its estimated useful life. The estimated useful life by major asset item is as follows:

・Buildings and structures 15 – 38 years
・Machinery and vehicles 9 years
・Tools, furniture and fixtures 2 – 20 years

The estimated useful life, the residual value and the depreciation method are reviewed at the end of each fiscal year, and if there is a change, it is applied prospectively as a change in accounting estimates.

(8) Intangible assets

Intangible assets acquired individually are measured at the acquisition cost at the time of initial recognition.

Intangible assets are amortized by the straight-line method over their estimated useful life after initial recognition, and they are presented at a value that is obtained by deducting accumulated amortization and accumulated impairment loss from the acquisition cost. The estimated useful life of a major intangible asset is as follows:

・Software 5 years

The estimated useful life, the residual value and the amortization method are reviewed at the end of each fiscal year, and if there is a change, it is applied prospectively as a change in accounting estimates.

(9) Leases (lessee)

Upon conclusion of a contract, the Group determines whether the contract is or includes a lease agreement. If the contract conveys the right to control use of a specified asset for a certain period in exchange for the consideration, the Group determines that the contract is or includes a lease agreement.

If the Group determines that the contract is or includes a lease agreement, it recognizes right-of-use assets and lease liabilities at the lease start date. The Group has opted not to recognize right-of-use assets and lease liabilities for short-term leases whose term is 12 months or less and leases of low-value assets.

The Company uses the cost model for measuring right-of-use assets and the value of acquisition cost is stated net of cumulative depreciated expenses and cumulative impairment losses. Acquisition cost is initially measured by adjusting the initial value of lease liabilities with lease expenses paid prior to the commencement of lease transactions, initial direct costs, etc. Right-of-use assets are depreciated based on the straight-line method over the lesser of their estimated useful lives and the lease term. Short-term lease and lease of small-value assets are recognized as expenses on a straight-line basis over the lease term.

Lease liabilities are measured at the present value of unpaid lease expenses and are included in other financial liabilities in the consolidated statement of financial position. Lease expenses are distributed to financial costs and repayment of lease liabilities through the interest method and financial costs are recognized in the consolidated statement of income.

(10) Impairment of non-financial assets

For the carrying amount of non-financial assets of the Group other than inventories and deferred tax assets, the Group decides whether there are any signs of impairment on the closing date. If there are signs of impairment, the Group estimates the recoverable amount of the assets. For intangible assets whose useful life cannot be fixed or that cannot yet be used, the Group estimates the recoverable amount at the same time every year, regardless of whether or not there are any signs of impairment.

The recoverable amount of an asset or a cash-generating unit is set to be its value in use or its fair value after deducting the cost of sales, whichever is larger. In determining the value in use, estimated future cash flows are discounted to the present value by using a pre-tax discount rate that reflects the time value of money and risks inherent in the asset. Assets that are not tested individually in an impairment test are integrated into the minimal cash-generating unit that generates cash inflows that are largely independent from cash inflows from other assets or groups of assets due to their continuous use. The company-wide assets of the Group do not generate independent cash inflows. If there are any signs of impairment in Company-wide assets, the Group determines the recoverable amount of cash generating units to which Company-wide assets are attributable.

If the carrying amount of an asset or a cash-generating unit exceeds the estimated recoverable amount, an impairment loss is recognized as profit or loss. An impairment loss recognized in relation to the cash-generating unit is first allocated in such a way as to reduce the carrying amount of goodwill allocated to the unit, and then the carrying amount of other assets in the cash-generating unit is reduced proportionally.

An impairment loss for goodwill is never reversed. Impairment losses recognized in the past for other assets are assessed at the end of each reporting period to see whether there is any indication that the impairment loss may have decreased or no longer exists. A reversal of an impairment loss is recognized if there has been a change in the estimates used to determine the recoverable amount.

(11) Employee benefits

The Group adopts funded and unfunded defined benefit plans and defined contribution plans as an employee benefit plan.

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

The discount rate is determined based on the market yields of good-quality corporate bonds as of the closing date corresponding to the discount period by setting the discount period based on the period until the expected payment date of benefits every fiscal year in the future.

Liabilities or assets of the defined benefit plans are determined by deducting the fair value of the plan assets from the present value of defined benefit obligations.

The amount of remeasurements of defined benefit plans is recognized collectively as other comprehensive income in the period when the remeasuments occurred and immediately transferred to retained earnings from other components of equity.

Past service cost is accounted for as profit or loss for the period when the cost was generated.

If the defined benefit plan is overfunded, the present value of available future economic benefits such as return from the plan or the reduction of contributions in the future is set to be an asset ceiling.

Expenses for defined contribution retirement plans are recognized as an expense at the time of contribution.

(12) Share-based payment

The Company and some of its consolidated subsidiaries adopt the following equity-settled stock compensation plans as an incentive plan for the Company’s Directors and the Company’s Executive Officers, etc.

(i) Stock option plan

On July 12, 2024, the Company implemented measures to transition to restricted shares from share acquisition rights granted as stock compensation-type stock options.

(ii) Restricted stock compensation plan

The Company introduced a restricted stock compensation plan as an incentive plan for the Company’s Directors (excludes Directors who are Audit & Supervisory Committee members and Outside Directors) and the Company’s Executive Officers, etc. Compensation under the restricted stock compensation plan is measured with reference to fair value of the Company’s common shares granted as of the grant date and recognized as an expense over the vesting period from the grant date. The same amount is recognized as an increase in equity.

(iii) The share award scheme

Precision Tsugami (China) Corporation Limited, which is a consolidated subsidiary of the Company, introduced the share award scheme as an incentive for its officers and executive officers, etc. Compensation under the share award scheme is measured with reference to fair value of the Company’s common shares granted as of the grant date and recognized as an expense over the vesting period from the grant date. The same amount is recognized as an increase in equity.

(13) Provisions

Provisions are recognized if the Group has a current legal or constructive obligation as a result of a past event, if an outflow of economic resources is likely to settle the obligation, and if the amount of the obligation can be estimated with sufficient reliability. If the time value of money is significant, estimated future cash flows are discounted to the present value by using a pre-tax interest rate that reflects the time value of money and risks inherent in the obligation. The rebate of the discounted amount associated with the passage of time is recognized as a financial expense.

(14) Revenue

The Group recognizes revenue from contracts with customers, except for interest and dividend income based on financial instruments in IFRS 9, by applying the following steps:

Step 1: Identify a contract with a customer.

Step 2: Identify the performance obligation in the contract.

Step 3: Determine the acquisition price.
Step 4: Allocate the acquisition price to the performance obligation in the contract.
Step 5: Recognize revenue when the performance obligation has been satisfied (or as the performance obligation is satisfied).

The Group manufactures and sells machine tools and provides services such as maintenance and repair. In the sale of machine tools and related parts, the time when a customer is deemed to have obtained control over a product in light of the terms of the contract is the time when the performance obligation of the contract has been satisfied, and the Group recognizes revenue when the product arrives at the customer based on the conditions at the time of the acceptance inspection and trade conditions. For services related to machine tools, the time when the provision of services has been completed is the time when the performance obligation has been satisfied, and the Group recognizes revenue at this time.

Revenue is presented by deducting rebates, etc. from consideration promised in the contract with the customer.

(15) Government grants

Government grants are recognized at fair value when the incidental conditions for delivering grants have been met and when reasonable assurance of receiving grants has been obtained.

If government grants are related to expense items, they are recognized systematically as revenue over the period when the related costs that are intended to be covered by the grants are recognized as an expense. Grants related to assets are recognized as deferred income and are recognized systematically as profit or loss over the estimated useful life of the related assets.

(16) Income taxes

Income tax expenses consist of current tax and deferred tax. These taxes are recognized as profit or loss unless they arise from an item that is directly recognized in other comprehensive income or equity, or unless they arise from a business combination.

Current tax is measured in an amount in which a payment to or refund from tax authorities is expected. A tax rate and tax law used for determining the tax amount are those that have been established or substantively established by the closing date.

Deferred tax is recognized for temporary differences, which are differences between the carrying amount of an asset or a liability and its tax base on the closing date, unused tax losses and unused tax credits.

A deferred tax asset or a deferred tax liability is not posted for the following temporary differences.

・Temporary difference arising from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit (tax loss) at the time of transaction and does not give rise to equal taxable and deductible temporary differences at the time of the transaction.
・As for deductible temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, in cases where the said temporary differences are unlikely to be reversed in the foreseeable future, or in cases where taxable income that will be subject to the use of the said temporary differences is unlikely to be earned.
・As for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, in cases where the said temporary differences are unlikely to be reversed in the foreseeable future because it is possible to control the time for reversing temporary differences.

A deferred tax liability is recognized for all taxable temporary differences, in principle, and the Group recognizes a deferred tax asset for all deductible temporary differences to the extent that sufficient taxable income to use deductible temporary differences is likely to be earned.

The carrying amount of deferred tax assets is reviewed every fiscal year, and the carrying amount is reduced for the portion for which it cannot be decided that sufficient taxable income to use all or part of deferred tax assets is likely to be earned. Unrecognized deferred tax assets are reviewed every fiscal year, and the Group recognizes a deferred tax asset to the extent that the deferred tax asset becomes likely to be recovered by future taxable income.

Deferred tax assets and liabilities are measured based on a tax rate and tax law that are expected to be applied to the period when the assets will be realized or liabilities will be settled based on the tax rate and tax law that have been established or substantively established on the closing date.

Deferred tax assets and liabilities are offset if taxes are imposed on the same taxable entity by the same tax authority and there is a legally enforceable right to offset tax assets for the period and tax liabilities for the period, or if it is intended to settle tax assets for the period and tax liabilities for the period in a net amount or intended to realize assets and settle liabilities at the same time even if the taxable entities are different.

(17) Earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to common shareholders of parent by the weighted average number of outstanding common shares adjusted for treasury shares for the period. Diluted earnings per share are calculated by making an adjustment to the impact of all potentially dilutive shares.

(18) Segment information

A business segment is a constituent unit of business activities that will earn revenue and give rise to expenses, including transactions with other business segments. Financial information for the outcomes of the businesses of all business segments is available individually and is reviewed by the Board of Directors of the Company regularly to allocate management resources to each segment and evaluate their performance.

(19) Treasury shares

Treasury shares are valued at acquisition cost and deducted from equity. Gains or losses are not recognized in the purchase, sale or cancellation of treasury shares of the Company. Differences between the carrying amount and consideration at the time of sale are recognized as capital surplus.

4. Significant accounting estimates and decisions with estimates

In the preparation of consolidated financial statements in compliance with IFRS ACCOUNTING STANDARDS, management is required to apply accounting policies and make decisions, estimates and assumptions that could have an impact on the amount of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and assumptions that form the basis for estimates are reviewed on a continuing basis. The impact of the review of accounting estimates will be recognized in the accounting period when the estimates are reviewed and subsequent accounting periods.

Major decisions and estimates made by management that could have a significant impact on the amounts in the consolidated financial statements are as follows:

(1) Valuation of inventories

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.

The Company also estimates the net realizable value of inventory in the operating cycle process based on the key of assumptions of management concerning factors such as selling prices and the estimated cost of additional machining. The Company also estimates the net realizable value of slow-moving inventory deviating from the operating cycle process based on key assumptions 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.

The amounts of inventories and inventory write-down are stated in Note 10. Inventories.

(2) Recoverability of deferred tax assets

A deferred tax asset is recognized for unused tax losses and unused tax credits 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, and a key assumption of the plan is the forecast of orders received during the relevant period. Since the timing and amount of future taxable profit will be affected by changes in the future environment, which are uncertain, 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.

Deferred tax assets are described in Note 15. Income tax expense.

5. New standards and interpretation guidelines that are not yet applied

The main new and revised standards and interpretation guidelines announced before the approval date of the consolidated financial statements are as follows but the Group did not adopt them early. The impact of adoption of these standards on the consolidated financial statements is currently under consideration.

IFRS ACCOUNTING STANDARDS		Timing of compulsory application (followed by starting fiscal year)	The Group Timing of application	Overview of establishment / revision
IFRS 18	Presentation and Disclosure in Financial Statements	Jan. 1, 2027	FY March 2028	New standards that will replace the current IAS 1 requirements, the accounting standards for the presentation and disclosure in financial statements

6. Segment information

(1) Summary of reportable segments

The Company's reportable segments are its constituent business units for which the Company is able to obtain respective financial information separately. They fall under the scope of periodic review performed by the Company's Board of Directors to determine the distribution of its management resources and assess its operating results. The Company does not aggregate any of its operating segments.

The Group manufactures and sells machine tools in Japan and abroad. The Group consists of geographic segments based on its manufacturing and sales organizations. The Company's reportable segments are Japan, China, India, South Korea and Other which are the areas where Group companies are located.

(2) Segment revenues and operating results

The accounting policies for the reportable segments are the same as the Group's accounting policies stated in Note "3. Significant accounting policies."

Amounts of transactions of parts and materials for value with subsidiaries are included in inter-segment revenues. Intersegment revenues are based on market prices.

Revenues and operating results of the Group's reportable segments are as follows.

Previous consolidated fiscal year (from April 1, 2023 to March 31, 2024)

(Million yen)

	Reportable segment						Adjustment	Consolidated
	Japan	China	India	South Korea	Other	Total		
Revenue								
Revenue from external customers	22,459	53,876	5,324	1,726	541	83,928	--	83,928
Intersegment revenue	8,545	9,518	13	46	133	18,257	-18,257	--
Total	31,004	63,395	5,338	1,773	674	102,185	-18,257	83,928
Segment profit (loss)	-968	12,606	-50	47	-42	11,592	301	11,893
Other income and expenses, net	--	--	--	--	--	--	--	1,201
Operating profit	--	--	--	--	--	--	--	13,095
Finance income and costs, net	--	--	--	--	--	--	--	700
Profit before tax	--	--	--	--	--	--	--	13,795
Other items								
Depreciation and mortization	631	1,188	177	58	3	2,059	-9	2,049
Reversal of impairment losses	--	--	93	--	--	93	--	93
Segment assets	30,508	76,539	7,979	1,811	825	117,664	49	117,714
Capital expenditure	311	1,932	668	62	0	2,975	-1	2,974

(Notes) 1. Segment profit is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.
2. "Adjustment" of segment profit of ¥301 million is the adjustment of unrealized profit., etc.
3. "Adjustment" items of ¥ -9 million in depreciation and amortization are adjustments for unrealized profit., etc.
4. "Adjustment" of segment assets of ¥49 million includes Company-wide assets of ¥9,075 million and the effect of intersegment adjustments of ¥ -9,026 million.
5. "Adjustment" items of ¥ -1 million in capital expenditure are adjustments for unrealized profit., etc.

Consolidated fiscal year under review (from April 1, 2024 to March 31, 2025)

(Million yen)

	Reportable segment						Adjustment	Consolidated
	Japan	China	India	South Korea	Other	Total		
Revenue								
Revenue from external customers	19,956	80,881	4,671	1,568	333	107,411	--	107,411
Intersegment revenue	9,416	9,599	1	23	189	19,230	-19,230	--
Total	29,373	90,480	4,672	1,592	522	126,641	-19,230	107,411
Segment profit (loss)	225	22,384	-310	50	-36	22,314	-261	22,052
Other income and expenses, net	--	--	--	--	--	--	--	1,256
Operating profit	--	--	--	--	--	--	--	23,309
Finance income and costs, net	--	--	--	--	--	--	--	399
Profit before tax	--	--	--	--	--	--	--	23,709
Other items								
Depreciation and amortization	697	1,292	176	48	4	2,219	-5	2,214
Segment assets	28,770	89,432	8,757	1,629	633	129,222	-1,916	127,306
Capital expenditure	314	944	1,212	21	14	2,508	-28	2,479

(Notes) 1. Segment profit is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.
2. "Adjustment" of segment profit of ¥ -261 million is the adjustment of unrealized profit., etc.
3. "Adjustment" items of ¥ -5 million in depreciation and amortization are adjustments for unrealized profit., etc.
4. "Adjustment" of segment assets of ¥ -1,916 million includes Company-wide assets of ¥7,833 million and the effect of intersegment adjustments of ¥ -9,749 million.
5. "Adjustment" items of ¥ -28 million in capital expenditure are adjustments for unrealized profit., etc.

(3) Information about products and services

The same information is disclosed in Note “25. Revenue.”

(4) Regional Information

The breakdown of revenues and non-current assets by region is as follows.

Revenue from external customers

(Million yen)

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Japan	8,673	7,844
China	53,848	80,488
Asia	10,843	11,251
America	5,126	4,190
Europe	5,435	3,635
Total	83,928	107,411

(Note) Revenues are classified by country or region based on the customer's location.

Non-current assets

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2024)	Consolidated fiscal year under review (As of March 31, 2025)
Japan	2,705	2,309
China	13,458	12,952
India	2,776	3,637
South Korea	146	103
Other	14	24
Total	19,102	19,028

(Note) The non-current assets are classified according to their locations. Assets related to financial instruments, deferred tax assets, and retirement benefits are not included.

(5) Information about major customers

This is omitted because there is no party that accounts for 10% or more of revenue in the consolidated statements of income among revenue to external customers.

7. Cash and cash equivalents

Cash and cash equivalents in the previous consolidated fiscal year and the consolidated fiscal year under review consist of cash and deposits (excluding time deposits with a maturity of more than three months).

8. Trade and other receivables

The breakdown of trade and other receivables is as follows.

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2024)	Consolidated fiscal year under review (As of March 31, 2025)
Financial assets measured at amortized cost		
Trade notes receivable	17,836	20,342
Accounts receivable	4,030	8,467
Accounts receivable – other	536	460
Other	71	56
Allowance for doubtful accounts	-110	-223
Financial assets measured at fair value through other comprehensive income		
Trade notes receivable	5,616	11,592
Total	27,980	40,695

9. Other non-current assets

(1) Breakdown of other financial assets

The breakdown of other financial assets is as follows.

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2024)	Consolidated fiscal year under review (As of March 31, 2025)
Financial assets measured at amortized cost		
Time deposits	142	80
Financial assets measured at fair value through other comprehensive income		
Stocks	4,611	4,352
Investments in capital, etc.	492	506
Total	5,246	4,940
Current assets	142	80
Non-current assets	5,104	4,859
Total	5,246	4,940

Stock and investments in capital, etc. are classified into financial assets measured at fair value through other comprehensive income, and time deposits are classified into financial assets measured at amortized cost.

(2) Financial assets measured at fair value through other comprehensive income

Major stocks and fair value of financial assets measured at fair value through other comprehensive income are as follows.

(Million yen)

Stocks	Previous consolidated fiscal year (As of March 31, 2024)	Consolidated fiscal year under review (As of March 31, 2025)
FANUC CORPORATION	1,046	1,015
Daikin Industries, Ltd.	962	753
Other	3,095	3,091

Because the Group holds stocks mainly for the purpose of cross-shareholding, they are designated as financial assets measured at fair value through other comprehensive income.

(3) Derecognition of financial assets measured at fair value through other comprehensive income

The Group derecognizes financial assets measured at fair value through other comprehensive income by selling some of them for the purpose of streamlining assets and reviewing business relationships.

There were no financial assets measured at fair value through other comprehensive income that were derecognized in the previous fiscal year or the fiscal year under review.

Fair value at the time of sale and cumulative gain or loss recognized in other comprehensive income in each fiscal year are as follows:

(Million yen)

Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)		Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)	
Fair value	Cumulative gain or loss	Fair value	Cumulative gain or loss
--	--	43	31

When financial assets measured at fair value through other comprehensive income are derecognized, cumulative gains or losses that were recognized as other comprehensive income are transferred to retained earnings. Cumulative gain or loss (after-tax) previously recognized in other comprehensive income and reclassified into retained earnings amounted to ¥22 million in the fiscal year under review.

The breakdown of dividend income that was recognized from equity instruments is as follows.

(Million yen)

Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)		Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)	
Investments derecognized during the period	Investments held as of the closing date	Investments derecognized during the period	Investments held as of the closing date
--	100	2	120

10. Inventories

The breakdown of inventories is as follows.

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2024)	Consolidated fiscal year under review (As of March 31, 2025)
Merchandise and finished goods	15,859	16,032
Work in process	5,440	5,649
Raw materials	11,430	10,947
Total	32,730	32,629

The amount of inventories that were recognized as an expense in the previous consolidated fiscal year is almost the same as “cost of sales” in the consolidated statement of income.

In addition, the amount of inventory write-down that was recognized as an expense is ¥831 million in the previous consolidated fiscal year and ¥1,836 million in the consolidated fiscal year under review. The amounts of reversal of inventory write-down are ¥873 million and ¥847 million, respectively. These amounts are based on the araigae method (reversal method) because it is difficult to determine the amount of individual reversal of inventory write-down.

11. Other assets

The breakdown of other assets is as follows.

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2024)	Consolidated fiscal year under review (As of March 31, 2025)
Other current assets		
Prepaid expenses	178	157
Advance payments	150	240
Consumption taxes receivable	1,229	1,256
Other	27	9
Total	1,586	1,663
Other non-current assets		
Long-term prepaid expenses	221	222
Other	118	99
Total	340	322

12. Property, plant and equipment

(1) Table of increases/decreases

Increases and decreases in the acquisition cost and accumulated depreciation and impairment loss of property, plant and equipment and their carrying amount are as follows.

Acquisition cost

(Million yen)

	Buildings and Structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
April 1, 2023	15,129	10,946	1,328	268	1,554	29,227
Purchase	98	304	84	--	2,131	2,618
Sales or disposal	--	-411	-34	--	--	-445
Exchange differences on translation of foreign operations	777	656	68	--	232	1,734
Transfer	--	443	--	--	-443	--
March 31, 2024	16,005	11,939	1,447	268	3,474	33,134
Purchase	128	276	136	--	1,616	2,158
Sales or disposal	--	-325	-70	--	--	-396
Exchange differences on translation of foreign operations	-210	-139	-18	--	-67	-435
Transfer	2,968	707	7	--	-3,686	-3
March 31, 2025	18,892	12,458	1,501	268	1,336	34,457

Accumulated depreciation and impairment loss

(Million yen)

	Buildings and Structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
April 1, 2023	-6,466	-7,557	-1,027	-21	--	-15,073
Depreciation	-830	-504	-101	--	--	-1,435
Reversal of impairment losses	93	--	--	--	--	93
Sales or disposal	--	295	26	--	--	321
Exchange differences on translation of foreign operations	-285	-397	-49	--	--	-733
Transfer	--	--	--	--	--	--
March 31, 2024	-7,489	-8,163	-1,152	-21	--	-16,826
Depreciation	-954	-581	-106	--	--	-1,642
Reversal of impairment losses	--	--	--	--	--	--
Sales or disposal	--	303	67	--	--	371
Exchange differences on translation of foreign operations	80	88	13	--	--	181
Transfer	--	--	--	--	--	--
March 31, 2025	-8,363	-8,354	-1,178	-21	--	-17,916

(Note) Depreciation of property, plant and equipment is included in “cost of sales” and “selling, general and administrative

Carrying amount

(Million yen)

	Buildings and Structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
April 1, 2023	8,662	3,389	300	246	1,554	14,154
March 31, 2024	8,516	3,776	294	246	3,474	16,308
March 31, 2025	10,529	4,104	322	246	1,336	16,540

13. Intangible assets

(1) Table of increases/decreases

Increases and decreases in the acquisition cost and accumulated amortization and impairment loss of intangible assets and their carrying amount are as follows.

Acquisition cost

(Million yen)

	Intangible assets		
	Software	Other	Total
April 1, 2023	1,683	8	1,692
Purchase	54	--	54
Sales or disposal	--	--	--
Exchange differences on translation of foreign operations	18	--	18
Transfer	--	--	--
March 31, 2024	1,756	8	1,765
Purchase	72	--	72
Sales or disposal	--	--	--
Exchange differences on translation of foreign operations	-5	--	-5
Transfer	3	--	3
March 31, 2025	1,826	8	1,835

Accumulated amortization and impairment loss

(Million yen)

	Intangible assets		
	Software	Other	Total
April 1, 2023	-1,076	-0	-1,077
Amortization	-316	-0	-316
Sales or disposal	--	--	--
Exchange differences on translation of foreign operations	-11	--	-11
March 31, 2024	-1,405	-0	-1,405
Amortization	-267	-0	-267
Sales or disposal	--	--	--
Exchange differences on translation of foreign operations	4	--	4
March 31, 2025	-1,668	-0	-1,669

(Note) Amortization of intangible assets is included in “cost of sales” and “selling, general and administrative expenses” in the consolidated statement of income.

Carrying amount

(Million yen)

	Intangible assets		
	Software	Other	Total
April 1, 2023	606	8	615
March 31, 2024	350	8	359
March 31, 2025	157	8	166

Payments for research and development activities of the Group that were recognized as an expense during the previous consolidated fiscal year and the fiscal year under review are ¥2,392 million and ¥3,136 million, respectively, and they are included in “selling, general and administrative expenses” in the consolidated statement of income.

14. Trade and other payables

The breakdown of trade and other payables is as follows.

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2024)	Consolidated fiscal year under review (As of March 31, 2025)
Trade notes payable	4,371	3,649
Trade accounts payable	10,917	10,955
Accounts payable - other	980	1,449
Other	1,276	1,595
Total	17,546	17,649

Trade and other payables are classified into financial liabilities measured at amortized cost.

15. Income tax expense

(1) Deferred tax assets and Deferred tax liabilities

The breakdown of deferred tax assets and deferred tax liabilities by major cause of occurrence and their increases and decreases are as follows.

Previous consolidated fiscal year (from April 1, 2023 to March 31, 2024)

(Million yen)

	April 1, 2023	Recognized through profit or loss	Recognized in other comprehensive income	Other	March 31, 2024
Deferred tax assets					
Inventories	424	-59	--	6	371
Fixed assets	48	2	--	-0	50
Allowance for doubtful accounts	17	-0	--	0	17
Accrued bonuses	184	11	--	9	204
Income taxes payable, etc.	3	7	--	--	11
Provisions	136	-27	--	18	127
Retirement benefit liability	274	3	-35	--	242
Lease liabilities	90	8	--	1	100
Non-qualified contribution in-kind	--	65	--	--	65
Tax losses carried forward	--	27	--	--	27
Other	268	24	--	-3	289
Total	1,448	62	-35	32	1,508
Deferred tax liabilities					
Financial assets	-829	--	-123	--	-952
Retained earnings at foreign subsidiaries	-2,197	-1,151	-193	--	-3,542
Right-of-use assets	-90	-10	--	-1	-102
Other	--	-4	--	--	-4
Total	-3,117	-1,166	-317	-1	-4,602

Consolidated fiscal year under review (from April 1, 2024 to March 31, 2025)

(Million yen)

	April 1, 2024	Recognized through profit or loss	Recognized in other comprehensive income	Other	March 31, 2025
Deferred tax assets					
Inventories	371	121	--	-3	489
Fixed assets	74	38	--	--	112
Allowance for doubtful accounts	17	29	--	-0	46
Accrued bonuses	204	0	--	-2	203
Income taxes payable, etc.	11	71	--	--	82
Provisions	127	5	--	-0	132
Retirement benefit liability	242	5	55	--	303
Lease liabilities	100	-2	--	-0	97
Non-qualified contribution in-kind	65	-65	--	--	--
Tax losses carried forward	27	-12	--	-0	14
Other	265	97	--	-2	360
Total	1,508	289	55	-10	1,842
Deferred tax liabilities					
Financial assets	-952	--	48	--	-904
Retained earnings at foreign subsidiaries	-3,542	3	193	--	-3,345
Right-of-use assets	-102	5	--	0	-96
Other	-4	4	--	--	-0
Total	-4,602	13	241	0	-4,347

Deferred tax assets and deferred tax liabilities in the consolidated statement of financial position are as follows.

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2024)	Consolidated fiscal year under review (As of March 31, 2025)
Deferred tax assets	461	619
Deferred tax liabilities	-3,555	-3,123
Net amount	-3,093	-2,504

Unused tax credits and deductible temporary differences for which a deferred tax asset is not recognized are as follows.

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2024)	Consolidated fiscal year under review (As of March 31, 2025)
Unused tax credits	1,427	1,120
Deductible temporary differences	1,270	1,508
Total	2,698	2,628

The scheduled expiration of unused tax credits for which a deferred tax asset is not recognized is as follows.

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2024)	Consolidated fiscal year under review (As of March 31, 2025)
First year	162	510
Second year	654	610
Third year	610	--
Total	1,427	1,120

The sums of taxable temporary differences for investments in subsidiaries, etc. for which a deferred tax liability is not recognized in the previous consolidated fiscal year and the consolidated fiscal year under review are ¥9,378 million and ¥14,384 million and respectively. The Group does not recognize these as deferred tax liabilities since it is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

(2) Income tax expense

The breakdown of income tax expense is as follows.

(Million yen)

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Current tax expense	4,511	7,828
Deferred tax expense	1,104	-302
Total	5,615	7,525

Current tax expense includes the amount of tax benefit arising from a previously unrecognized tax loss or temporary difference in a prior period. The amounts of decreases in current tax expense associated with this in the previous consolidated fiscal year and the consolidated fiscal year under review are ¥104 million and ¥376 million, respectively.

Deferred tax expense includes an amount of tax benefit arising from previously unrecognised tax loss and temporary difference of a prior period. This caused deferred asset expense in the previous consolidated fiscal year to decrease by ¥65 million.

Factors for the difference between the statutory effective tax rate and the actual average tax rate are as follows.

(%)

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Statutory effective tax rate	30.5	30.5
Expenses that are not reduced for the calculation of taxable income	0.7	1.3
Experimentation and research expenses	--	-0.6
Deemed foreign tax credit	--	-1.5
Withholding tax on dividends from overseas subsidiaries	6.1	4.9
Difference from tax rate applied to overseas subsidiaries	-7.9	-7.1
Retained earnings at foreign subsidiaries	8.3	0.0
Consolidation adjustment of gain on sale of shares of subsidiaries	--	3.7
Effect of the evaluation of the recoverability of deferred tax assets	1.3	-0.5
Other	1.7	1.1
Actual average tax rate	40.7	31.7

(Note) Corporate tax, inhabitant tax and business tax are mainly imposed on the Group, and the statutory effective tax rates calculated based on these taxes are 30.5% in the previous consolidated fiscal year and the consolidated fiscal year under review. However, corporate tax, etc. is imposed on overseas subsidiaries in their location.

The Act Amending the Income Tax Act (Act No. 13 of 2025) was passed by the Diet on March 31, 2025, and the Special Defense Corporation Tax will be levied starting from the fiscal year beginning April 1, 2026.

Due to this change, the Company has changed the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities resulting from temporary differences between accounting and tax values that will become deductible from the fiscal year beginning April 1, 2026. The tax rate has changed from 30.5% to 31.4%.

The impact of this change in the tax rate is immaterial.

In Japan, under the 2023 tax reform, a global minimum corporate tax was introduced, and the Tax Reform Act (Act Partially Amending the Income Tax Act, etc, (Act No. 3 of 2023)) (hereinafter the “Amended Income Tax Act”) providing for the new tax (hereinafter, the “Global Minimum Tax”) was enacted on March 28, 2023. Under the Amended Income Tax Act, the income inclusion rule (IIR), which is one of the global minimum tax rules of BEPS Pillar 2, has been introduced, and from fiscal years starting on or before April 1, 2024, parent entities in Japan will be required to pay top-up tax until the tax burden of subsidiaries, etc. of the parent entity in Japan reaches the minimum tax rate (15%).

This top-up tax does not apply to the Group and has no impact.

The Group applies the temporary exception to the requirements in IAS 12 - Income Taxes and neither recognizes nor discloses deferred tax assets and liabilities related to Pillar 2 income taxes.

16. Borrowings

Breakdown of financial liabilities

The breakdown of “borrowings” and “other financial liabilities” is as follows.

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2024)	Consolidated fiscal year under review (As of March 31, 2025)	Average interest rate (%)	Repayment term
Short-term borrowings	16,816	11,524	2.3	--
Short-term lease liabilities	205	199	--	--
Long-term lease liabilities	183	163	--	From 2026 to 2029
Total	17,205	11,888	--	--
Current liabilities	17,021	11,724	--	--
Non-current liabilities	183	163	--	--
Total	17,205	11,888	--	--

(Note) 1. The average interest rate is a weighted average interest rate on the end balance of borrowings.

2. “Borrowings” and “other financial liabilities” are classified into financial liabilities measured at amortized cost.

17. Leases

The Group, as a lessee, leases buildings and structures, machinery and vehicles, tools, furniture and fixtures, land and software. There are no important purchase options, escalation clauses, or restrictions imposed by lease contracts (such as restrictions on dividends, additional borrowings or additional leases).

The breakdown of profit and loss related to leases is as follows.

(Million yen)

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Depreciation of right-of-use assets		
Buildings and Structures	195	201
Machinery and vehicles	45	46
Tools, furniture and fixtures	14	12
Land	39	41
Software	1	1
Total	297	303
Short-term lease costs	93	57
Small-value assets lease costs	2	2

The breakdown of the book value of right-of-use assets is as follows.

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2024)	Consolidated fiscal year under review (As of March 31, 2025)
Right-of-use assets		
Buildings and Structures	268	238
Machinery and vehicles	93	95
Tools, furniture and fixtures	35	37
Land	1,693	1,624
Software	4	3
Total	2,094	1,999

An increase in right-of-use assets in the previous consolidated fiscal year and in the consolidated fiscal year under review was ¥303 million and ¥248 million, respectively.
Total cash outflows related to leases in the previous consolidated fiscal year and in the consolidated fiscal year under review were ¥354 million and ¥339 million, respectively.

The breakdown of the balance of lease liabilities by due date is as follows.

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2024)	Consolidated fiscal year under review (As of March 31, 2025)
Up to 1 year	205	200
More than 1 year, up to 5 years	184	163
More than 5 years	--	--
Total	389	363

18. Impairment losses on non-financial assets

The Group determines impairment losses by grouping assets based on the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other asset groups.

(1) Impairment losses

Impairment losses are recorded under “Other expenses” in the Consolidated Statements of Income.

The Group did not recognize impairment losses in the previous consolidated fiscal year or the consolidated fiscal year under review.

(2) Reversal of impairment losses

Reversal of impairment losses are recorded under “Other income” in the Consolidated Statements of Income.

The breakdown of reversal of impairment losses by asset type is as follows.

(Million yen)

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Property, plant and equipment		
Buildings and Structures	93	--
Total	93	--

TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED, which is a consolidated subsidiary of the Company, plans to transfer production from its existing factory to a new factory, and impairment losses were recognized in past fiscal years due to the write-down of the carrying amount of assets to the recoverable amount. However, the existing factory will operate longer than planned due to a delay in the construction of the new factory, and the recoverable amount is expected to increase. The expected increase in the recoverable amount was posted as a reversal of impairment losses in the previous consolidated fiscal year. The recoverable amount is determined based on value in use. Future cash flows used to measure value in use were not discounted due to the short duration of the remaining period of use and the lack of materiality when determining the recoverable amount.

19. Employee benefits accruals

The Company and some of its consolidated subsidiaries adopt funded and unfunded defined benefit plans and defined contribution plans to apply them to the retirement benefits of employees. The defined benefit plans of the Group are a plan proportional to final salary for Japanese employees, and they are required to make contributions to an independently managed fund. These pension plans are exposed to a general investment risk, an interest rate risk and an inflation risk, among others.

The funded defined benefit plans are managed by a pension fund that is legally separated from the Group. The board of directors of the pension fund and an organization entrusted with pension management are required by law to act by giving the highest priority to the benefits of the plan participants, and they assume the responsibility of managing the plan assets based on the predetermined policy.

(1) Defined benefit plans

(i) Reconciliation of defined benefit obligation and plan assets

The relationship between the defined benefit obligation and plan assets and the net defined benefit liability and defined benefit asset posted in the consolidated statement of financial position is as follows.

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2024)	Consolidated fiscal year under review (As of March 31, 2025)
Present value of funded defined benefit obligation	1,449	1,453
Fair value of plan assets	-1,560	-1,546
Subtotal	-110	-92
Effect of the asset ceiling	--	151
Present value of unfunded defined benefit obligation	903	908
Net defined benefit liability and defined benefit asset	793	967
Amounts in the consolidated statement of financial position		
Retirement benefit liability	903	967
Retirement benefit asset	-110	-0
Net defined benefit liability and defined benefit asset posted in the consolidated statement of financial position	793	967

(ii) Reconsolidation of the present value of defined benefit obligation

Increases and decreases in the present value of defined benefit obligation are as follows.

(Million yen)

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Beginning balance of the present value of defined benefit obligation	2,391	2,353
Current service cost	136	128
Interest cost	24	29
Remeasurements		
Actuarial gain (loss) arising from changes in demographic assumptions	--	-19
Actuarial gain (loss) arising from changes in financial assumptions	-66	-33
Actuarial gain (loss) arising from revisions to actual results	15	29
Benefit payments	-155	-117
Exchange differences on translation of foreign operations	8	-9
Ending balance of the present value of defined benefit obligation	2,353	2,362

The weighted average duration for defined benefit obligations in the previous fiscal year and the fiscal year under review is 8 years and 9 years, respectively.

(iii) Reconciliation of the fair value of plan assets

Increases and decreases in the fair value of plan assets are as follows.

(Million yen)

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Beginning balance of the fair value of plan assets	1,490	1,560
Interest income	18	22
Remeasurement		
Actuarial gain (loss)	64	-45
Employer contributions	83	89
Benefit payments	-104	-71
Exchange differences on translation of foreign operations	8	-9
Ending balance of the fair value of plan assets	1,560	1,546

The Group plans to make contributions of ¥105 million in the next consolidated fiscal year (ending March 31, 2026).

(iv) Breakdown of plan assets by item

The breakdown of plan assets by major item is as follows.

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2024)	Consolidated fiscal year under review (As of March 31, 2025)
Assets with a published price in an active market		
Stocks	683	438
Bonds	559	778
Assets without a published price in an active market		
General accounts of life insurance	72	82
Other	244	246
Total	1,560	1,546

(Note) Other is primarily short-term financial assets, including deposits.

The management policy of plan assets of the Group aims to ensure stable income in the medium to long term to ensure that the defined benefit obligation is paid in the future according to company rules. Specifically, the Group sets a target rate of return and the asset composition ratio by investment asset within the range of tolerated risks that are set every fiscal year and manages the plan assets by maintaining the composition ratio. When reviewing the asset composition ratio, the Group considers the introduction of plan assets with a high linkage with changes in the defined benefit obligation each time.

In addition, the Group regularly reviews the amount of contributions, including the re-computation of contributions every three years, in order to be able to maintain the financial balance in the future based on the Defined Benefit Corporate Pension Act.

(v) Increases and decreases in the asset ceiling

Increases and decreases in the asset ceiling are as follows:

(%)

	Previous consolidated fiscal year (As of March 31, 2024)	Consolidated fiscal year under review (As of March 31, 2025)
Beginning balance of the effect of the asset ceiling	--	--
Remeasurements		
Change in the effect of the asset ceiling	--	151
Ending balance of the effect of the asset ceiling	--	151

(vi) Major actuarial assumptions

Major assumptions used for the actuarial computation are as follows.

(%)

	Previous consolidated fiscal year (As of March 31, 2024)	Consolidated fiscal year under review (As of March 31, 2025)
Discount rate	1.3	2.0

The actuarial assumptions include an anticipated rate of salary increase, a mortality rate and an anticipated rate of retirement, etc. other than the above.

(vii) Sensitivity analysis

If the discount rate used for the actuarial computation changes by 0.5%, it has an impact on the present value of the defined benefit obligation as follows. While this analysis assumes that all other variables are constant, changes in other assumptions could have an impact on the sensitivity analysis in reality.

(%)

	Previous consolidated fiscal year (As of March 31, 2024)	Consolidated fiscal year under review (As of March 31, 2025)
If the discount rate rises 0.5%	-93	-90
If the discount rate falls 0.5%	100	97

(2) Defined contribution plans

The amounts recognized as an expense for defined contribution plans are ¥844 million in the previous consolidated fiscal year and ¥947 million in the consolidated fiscal year under review. These amounts include an amount recognized as an expense for contributions to public plans.

(3) Employee benefit expenses

The sums of employee benefit expenses included in “cost of sales” and “selling, general and administrative expenses” in the consolidated statement of income for the previous consolidated fiscal year and the consolidated fiscal year under review are ¥13,145 million and ¥15,991 million, respectively.

20. Provisions

The breakdown of provisions and their increases and decreases is as follows.

(Million yen)

	Provision for product	Other provisions	Total
April 1, 2024	411	22	433
Amount of increase during the period	469	--	469
Amount of decrease during the period (utilization)	--	--	--
Amount of decrease during the period (reversal)	-411	-16	-428
March 31, 2025	469	5	474
Current liabilities	469	--	469
Non-current liabilities	--	5	5
Total	469	5	474

In the provision for product warranties, an estimated amount of expenditure is posited for certain projects whose expenditure can be estimated specifically, in addition to an amount based on the ratio of after-sales service expenses generated to revenue in prior years, in preparation for expenditure associated with future product warranties. Most of these expenses are expected to be generated within one year.

21. Other liabilities

The breakdown of other liabilities is as follows.

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2024)	Consolidated fiscal year under review (As of March 31, 2025)
Other current liabilities		
Accrued bonuses	519	587
Accrued paid leave	313	329
Other	65	72
Total	898	988
Other non-current liabilities		
Long-term accounts payable	274	255
Deferred income	377	341
Other	4	17
Total	655	614

22. Deferred income

The breakdown of deferred income is as follows.

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2024)	Consolidated fiscal year under review (As of March 31, 2025)
Non-current liabilities		
Those related to government grants	377	341
Total	377	341

Deferred income related to government grants was received mainly to purchase property, plant and equipment.

There are no unfulfilled conditions or other contingencies incidental to government grants that were recognized as deferred income.

23. Equity and other equity items

(1) Number of shares authorized and total number of shares issued

The number of shares authorized and the total number of shares issued are as follows.

(Thousand shares)

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Number of shares authorized		
Common stock	320,000	320,000
Total number of shares issued		
Beginning balance	50,000	50,000
Changes during the period	--	-2,000
Ending balance	50,000	48,000

(Note)1. All shares issued by the Company are no-par value common shares with no limitations on rights, and the full amount has already been paid for the shares issued.

2. The change in the total number of shares issued during the fiscal year under review is a decrease of 2,000 thousand shares that resulted from cancellation of treasury shares.

(2) Treasury shares

Changes in the number and balance of treasury shares are as follows.

	Number of shares (thousand shares)	Amount (Million yen)
April 1, 2023	1,824	2,247
Changes during the period	628	761
March 31, 2024	2,453	3,008
Changes during the period	-1,850	-2,146
March 31, 2025	602	861

(Note) 1. The changes in the number of treasury shares during the previous fiscal year are an increase of 768 thousand shares that resulted from the purchase of treasury shares, a decrease of 79 thousand shares that resulted from the disposal of treasury shares as restricted stock compensation, and a decrease of 60 thousand shares that resulted from the exercise of stock options.

2. The changes in the number of treasury shares during the fiscal year under review are an increase of 672 thousand shares that resulted from the purchase of treasury shares, a decrease of 2,000 thousand shares that resulted from cancellation of treasury shares, a decrease of 427 thousand shares that resulted from the disposal of treasury shares as restricted stock compensation, and a decrease of 95 thousand shares that resulted from the exercise of stock options.

(3) Capital surplus

(i) Capital surplus

The Companies Act in Japan (hereinafter the "Companies Act") stipulates that the amount of not less than half of the payment or contribution at share issue may be incorporated into stated capital, and that the remaining amount may be incorporated into capital reserves. In addition, the Companies Act says that capital reserves may be incorporated into stated capital by resolution reached at a shareholders' meeting.

(ii) Other capital surplus

Changes in ownership interests in subsidiaries that do not result in the loss of control are treated as an equity transaction, and an amount equivalent to goodwill and negative goodwill that have arisen from the changes is posted in other capital surplus.

(4) Other components of equity

(i) Exchange differences on translation of foreign operations

These are exchange differences that have arisen when the financial statements of foreign operations that were prepared in foreign currencies were consolidated

(ii) Financial assets measured at fair value through other comprehensive income

These represent the amount of changes in the fair value of financial assets measured at fair value through other comprehensive income.

(iii) Remeasurements of defined benefit plans

These represent the amount of changes in actuarial differences related to defined benefit obligation and income related to plan assets.

(5) Retained earnings

The Companies Act stipulates that an amount equivalent to one tenth of the amount spent as dividends of surplus must be accumulated as capital reserves or retained earnings reserves until the sum of capital reserves and retained earnings reserves reaches one fourth of the stated capital. Accumulated retained earnings reserves may be appropriated to the deficit to cover it. In addition, retained earnings reserves may be reversed by resolution reached at a shareholders' meeting.

24. Dividends

The amount of dividends paid is as follows.

Previous consolidated fiscal year (from April 1, 2023 to March 31, 2024)

(Resolution)	Type of shares	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Board of directors meeting held on May 11, 2023	Common shares	1,156	24	March 31, 2023	May 30, 2023
Board of directors meeting held on November 10, 2023	Common shares	1,153	24	September 30, 2023	November 30, 2023

Consolidated fiscal year under review (from April 1, 2024 to March 31, 2025)

(Resolution)	Type of shares	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Board of directors meeting held on May 14, 2024	Common shares	1,141	24	March 31, 2024	May 28, 2024
Board of directors meeting held on November 13, 2024	Common shares	1,287	27	September 30, 2024	November 29, 2024

Dividends whose effective date will be in the following consolidated fiscal year are as follows.

Previous consolidated fiscal year (from April 1, 2023 to March 31, 2024)

(Resolution)	Type of shares	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Board of directors meeting held on May 14, 2024	Common shares	1,141	24	March 31, 2024	May 28, 2024

Consolidated fiscal year under review (from April 1, 2024 to March 31, 2025)

(Resolution)	Type of shares	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Board of directors meeting held on May 13, 2025	Common shares	1,516	32	March 31, 2025	May 28, 2025

25. Revenue

(1) Disaggregation of revenue

The relationship between the disaggregation of revenue based on main product lines and reportable segments is as follows.

Previous consolidated fiscal year (from April 1, 2023 to March 31, 2024)

(Million yen)

	Reportable segment					
	Japan	China	India	South Korea	Other	Total
Main product lines						
Automatic lathes	17,641	46,087	4,957	1,573	421	70,681
Grinding machines	1,074	2,778	27	73	--	3,954
Machining centers, thread and form rolling machines, and specialized machines	1,172	3,494	73	--	--	4,740
Other	2,569	1,516	265	79	119	4,550
Total	22,459	53,876	5,324	1,726	541	83,928

(Note) “Other” in main product lines include components and services.

Consolidated fiscal year under review (from April 1, 2024 to March 31, 2025)

(Million yen)

	Reportable segment					
	Japan	China	India	South Korea	Other	Total
Main product lines						
Automatic lathes	14,998	69,245	4,459	1,383	213	90,299
Grinding machines	748	4,304	--	90	--	5,142
Machining centers, thread and form rolling machines, and specialized machines	1,533	5,249	46	--	--	6,829
Other	2,677	2,081	165	95	119	5,139
Total	19,956	80,881	4,671	1,568	333	107,411

(Note) “Other” in main product lines include components and services.

(2) Information on the satisfaction of performance obligations

In sales of machine tools (automatic lathes, grinding machines, machining centers, rolling machines, specialized machines) and related parts, the time when a customer is deemed to have obtained control over a product, etc. in light of the terms of the contract is the time when the performance obligation of the contract has been satisfied, and revenue is recognized when the product, etc. has arrived at the customer, at the time of the acceptance inspection and based on trade conditions. For services related to machine tools, the time when the provision of services has been completed is the time when the performance obligation has been satisfied, and revenue is recognized at this time. For receivables arising from the contract with the customer, the Group receives consideration mostly within six months based on separately established payment terms after the performance obligation has been satisfied. In addition, there is no significant financing component in the receivables arising from contracts with customers.

(3) Contract balances

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

Previous consolidated fiscal year (from April 1, 2023 to March 31, 2024)

(Million yen)

	April 1, 2023	March 31, 2024
Receivables arising from contracts with customers		
Trade notes receivable	17,119	23,453
Accounts receivable	5,295	4,030
Contract liabilities	2,721	2,481

Consolidated fiscal year under review (from April 1, 2024 to March 31, 2025)

(Million yen)

	April 1, 2024	March 31, 2025
Receivables arising from contracts with customers		
Trade notes receivable	23,453	31,934
Accounts receivable	4,030	8,467
Contract liabilities	2,481	4,069

With respect to revenue recognized in the previous consolidated fiscal year and the consolidated fiscal year under review, the amounts included in the beginning balance of contract liabilities are ¥2,721 million and ¥2,481 million, respectively.

Contract liabilities are mainly related to advance payments from customers.

Revenue recognized from performance obligations satisfied (or partly satisfied) in previous periods in the previous fiscal year and the fiscal year under review is not significant.

(4) Transaction price allocated to the remaining performance obligations

The Group does not have important transactions whose individual expected contractual period exceeds one year. In addition, there is no important amount that is not included in the transaction price in considerations arising from contracts with customers.

26. Selling, general and administrative expenses

The breakdown of selling, general and administrative expenses is as follows.

(Million yen)

	Previous consolidated fiscal year (from April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Personnel expenses	5,151	6,242
Travel and transportation expenses	568	490
Research and development expenses	2,392	3,136
Depreciation, rent expenses	523	550
Insurance expenses	194	194
Taxes and dues	241	354
Transportation costs	361	465
Advertising and sales promotion expenses	398	516
Product warranty costs	346	585
Commission expenses	620	614
Other	977	1,151
Total	11,775	14,302

27. Other income and expenses

The breakdown of other income is as follows.

(Million yen)

	Previous consolidated fiscal year (from April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Insurance claim income	32	42
Gain on sale of fixed assets	1	2
Reversal of impairment losses	93	--
Government grant income	1,101	1,162
Other	117	97
Total	1,346	1,305

(Note) 1. Government grant income is primarily grants to the subsidiaries in China from the government.

The breakdown of other expenses is as follows.

(Million yen)

	Previous consolidated fiscal year (from April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Loss on retirement of fixed assets	9	7
Loss on sale of fixed assets	19	0
Other	115	40
Total	145	48

28. Finance income and finance costs

The breakdown of financial income is as follows.

(Million yen)

	Previous consolidated fiscal year (from April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Interest income		
Financial assets measured at amortized cost	730	533
Dividend income		
Financial assets measured at fair value through other comprehensive income	100	123
Foreign exchange gain	240	84
Total	1,071	741

The breakdown of financial costs is as follows.

(Million yen)

	Previous consolidated fiscal year (from April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Interest expenses		
Financial liabilities measured at amortized cost	342	322
Other	28	19
Total	370	341

29. Other comprehensive income

The amount generated during the period, the amount of reclassification adjustments into profit or loss, and the impact of the tax effect of other comprehensive income by item are as follows.

(Million yen)

	Previous consolidated fiscal year (from April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Financial assets measured at fair value through other comprehensive income		
Amount generated during the period	507	-222
Amount of tax effect	-123	38
After tax effect	384	-183
Remeasurements of defined benefit plans		
Amount generated during the period	115	-173
Amount of tax effect	-35	55
After tax effect	80	-118
Exchange differences on translation of foreign operations		
Amount generated during the period	4,380	-1,525
Amount of tax effect	-193	193
After tax effect	4,186	-1,331
Total other comprehensive income	4,651	-1,633

30. Per Share information

(1) Basis for calculation of basic earnings per share

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Profit attributable to owners of parent (million yen)	5,376	10,901
Profit not attributable to common shareholders of the parent (million yen)	--	--
Profit used to calculate basic earnings per share (million yen)	5,376	10,901
Weighted average number of common shares (thousand shares)	47,760	47,081
Basic earnings per share (yen)	112.57	231.55

(2) Basis for calculation of diluted earnings per share

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Profit used to calculate basic earnings per share (million yen)	5,376	10,901
Adjustment on profit (million yen)	--	--
Profit used to calculate diluted earnings per share (million yen)	5,376	10,901
Weighted average number of common shares (thousand shares)	47,760	47,081
Increase in common shares		
Share acquisition rights as stock option (thousand shares)	470	113
Common shares as restricted stock compensation (thousand shares)	187	504
Weighted average number of diluted common shares (thousand shares)	48,418	47,700
Diluted earnings per share (yen)	111.04	228.55

31. Cash flow information

(1) Changes in liabilities related to financing activities

Changes in liabilities related to financing activities are as follows.

Previous consolidated fiscal year (from April 1, 2023 to March 31, 2024)

(Million yen)

	April 1, 2023	Changes accompanied by cash flows	Changes not accompanied by cash flows		March 31, 2024
			Exchange differences on translation of foreign operations	Other	
Short-term borrowings	17,698	-917	36	--	16,816
Lease liabilities	342	-258	2	303	388
Total	18,040	-1,176	38	303	17,205

Consolidated fiscal year under review (from April 1, 2024 to March 31, 2025)

(Million yen)

	April 1, 2024	Changes accompanied by cash flows	Changes not accompanied by cash flows		March 31, 2025
			Exchange differences on translation of foreign operations	Other	
Short-term borrowings	16,816	-5,251	-40	--	11,524
Lease liabilities	388	-280	6	248	363
Total	17,205	-5,531	-34	248	11,888

32. Share-based payment

The Group adopts equity-settled stock compensation plans for Directors, Executive Officers, and employees for the purpose of achieving sustainable improvement in corporate value and further enhancing value-sharing with shareholders.

(1) Content of the share-based payment plan

(i) Description of stock option plan

Stock options are granted to the directors, executive officers and employees of the Company by resolution at its Board of Directors' meeting based on the content approved at its shareholders' meeting for the purpose of increasing their motivation and morale to enhance the Company's corporate value. All stock options issued by the Company are an equity-settled share-based payment.

On July 12, 2024, the Company implemented measures to transition to restricted shares from share acquisition rights granted as stock compensation-type stock options.

The stock options that existed in the fiscal year under review were as follows.

	2010 Stock compensation-type stock options Plan B
Company	The Company
Positions and numbers of officers to receive stock options	Executive officers and employees with similar positions 20
Number of stock options by share type (Note 1)	Common stock 100,000 shares
Grant date	July 5, 2010
Vesting conditions	(Note 2)
Target period of service	Not applicable
Exercise period	July 6, 2010 to July 5, 2030

	2011 Stock compensation-type stock options Plan A	2011 Stock compensation-type stock options Plan B
Company	The Company	The Company
Positions and numbers of officers to receive stock options	The Company's directors 8 Statutory auditors 4	Executive officers and employees with similar positions 14
Number of stock options by share type (Note 1)	Common stock 165,000 shares	Common stock 100,000 shares
Grant date	July 4, 2011	July 4, 2011
Vesting conditions	(Note 2)	(Note 2)
Target period of service	Not applicable	Not applicable
Exercise period	July 5, 2011 to July 4, 2031	July 5, 2011 to July 4, 2031

	2012 Stock compensation-type stock options Plan A	2012 Stock compensation-type stock options Plan B
Company	The Company	The Company
Positions and numbers of officers to receive stock options	The Company's directors 9 Statutory auditors 4	Executive officers and employees with similar positions 19
Number of stock options by share type (Note 1)	Common stock 160,000 shares	Common stock 110,000 shares
Grant date	July 2, 2012	July 2, 2012
Vesting conditions	(Note 2)	(Note 2)
Target period of service	Not applicable	Not applicable
Exercise period	July 3, 2012 to July 2, 2032	July 3, 2012 to July 2, 2032

	2013 Stock compensation-type stock options Plan A	2013 Stock compensation-type stock options Plan B
Company	The Company	The Company
Positions and numbers of officers to receive stock options	The Company's directors 9 Statutory auditors 4	Executive officers and employees with similar positions 23
Number of stock options by share type (Note 1)	Common stock 190,000 shares	Common stock 120,000 shares
Grant date	July 8, 2013	July 8, 2013
Vesting conditions	(Note 2)	(Note 2)
Target period of service	Not applicable	Not applicable
Exercise period	July 9, 2013 to July 8, 2033	July 9, 2013 to July 8, 2033

	2014 Stock compensation-type stock options Plan A	2014 Stock compensation-type stock options Plan B
Company	The Company	The Company
Positions and numbers of officers to receive stock options	The Company's directors 9 Statutory auditors 5	Executive officers and employees with similar positions 19
Number of stock options by share type (Note 1)	Common stock 190,000 shares	Common stock 110,000 shares
Grant date	July 7, 2014	July 7, 2014
Vesting conditions	(Note 2)	(Note 2)
Target period of service	Not applicable	Not applicable
Exercise period	July 8, 2014 to July 7, 2034	July 8, 2014 to July 7, 2034

	2015 Stock compensation-type stock options Plan A	2015 Stock compensation-type stock options Plan B
Company	The Company	The Company
Positions and numbers of officers to receive stock options	The Company's directors 8 Statutory auditors 5	Executive officers and employees with similar positions 25
Number of stock options by share type (Note 1)	Common stock 131,000 shares	Common stock 122,000 shares
Grant date	July 6, 2015	July 6, 2015
Vesting conditions	(Note 2)	(Note 2)
Target period of service	Not applicable	Not applicable
Exercise period	July 7, 2015 to July 6, 2035	July 7, 2015 to July 6, 2035

	2016 Stock compensation-type stock options Plan A	2016 Stock compensation-type stock options Plan B
Company	The Company	The Company
Positions and numbers of officers to receive stock options	The Company's directors 8 Statutory auditors 5	Executive officers and employees with similar positions 24
Number of stock options by share type (Note 1)	Common stock 175,000 shares	Common stock 150,000 shares
Grant date	July 7, 2016	July 7, 2016
Vesting conditions	(Note 2)	(Note 2)
Target period of service	Not applicable	Not applicable
Exercise period	July 8, 2016 to July 7, 2036	July 8, 2016 to July 7, 2036

	2017 Stock compensation-type stock options Plan A	2017 Stock compensation-type stock options Plan B
Company	The Company	The Company
Positions and numbers of officers to receive stock options	The Company's directors 9 Statutory auditors 5	Executive officers and employees with similar positions 25
Number of stock options by share type (Note 1)	Common stock 107,000 shares	Common stock 86,000 shares
Grant date	July 6, 2017	July 6, 2017
Vesting conditions	(Note 2)	(Note 2)
Target period of service	Not applicable	Not applicable
Exercise period	July 7, 2017 to July 6, 2037	July 7, 2017 to July 6, 2037

	2018 Stock compensation-type stock options Plan A	2018 Stock compensation-type stock options Plan B
Company	The Company	The Company
Positions and numbers of officers to receive stock options	The Company's directors 5	Executive officers and employees with similar positions 25
Number of stock options by share type (Note 1)	Common stock 54,000 shares	Common stock 97,000 shares
Grant date	July 6, 2018	July 6, 2018
Vesting conditions	(Note 2)	(Note 2)
Target period of service	Not applicable	Not applicable
Exercise period	July 7, 2018 to July 6, 2038	July 7, 2018 to July 6, 2038

	2019 Stock compensation-type stock options Plan A	2019 Stock compensation-type stock options Plan B
Company	The Company	The Company
Positions and numbers of officers to receive stock options	The Company's directors 5	Executive officers and employees with similar positions 26
Number of stock options by share type (Note 1)	Common stock 56,000 shares	Common stock 90,000 shares
Grant date	July 5, 2019	July 5, 2019
Vesting conditions	(Note 2)	(Note 2)
Target period of service	Not applicable	Not applicable
Exercise period	July 6, 2019 to July 5, 2039	July 6, 2019 to July 5, 2039

	2020 Stock compensation-type stock options Plan A	2020 Stock compensation-type stock options Plan B
Company	The Company	The Company
Positions and numbers of officers to receive stock options	The Company's directors 5	Executive officers and employees with similar positions 24
Number of stock options by share type (Note 1)	Common stock 44,000 shares	Common stock 80,000 shares
Grant date	July 6, 2020	July 6, 2020
Vesting conditions	(Note 2)	(Note 2)
Target period of service	Not applicable	Not applicable
Exercise period	July 7, 2020 to July 6, 2040	July 7, 2020 to July 6, 2040

(Note) 1. The number of stock options is converted to the number of shares.

2. In principle, share acquisition rights can be exercised only when either the status of a director (excluding a director who is an audit and supervisory committee member), a director who is an audit and supervisory committee member, an executive officer or an employee equivalent to this of the Company has been lost. In this case, however, the holders of share acquisition rights can exercise their share acquisition rights only during the period until the day on which seven business days have elapsed from the day following the day on which the status has been lost.

If the retirement date of the officer, etc. has occurred by June 30 in the year following the grant date, the holders of share acquisition rights will continue to hold the number of share acquisition rights that is obtained by dividing the number obtained by multiplying the number of allotted share acquisition rights by the number of months of service as an officer, etc. from the month that includes the day of allotment to the month that includes the retirement date of the officer, etc. by 12, and the remaining share acquisition rights of the number of allotted share acquisition rights will be unable to be exercised.

(ii) Number and weighted average exercise price of stock options

Stock compensation-type stock options Plan A and Plan B

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)		Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance of unexercised stock options	516,000	1	456,000	1
Granted	--	--	--	--
Exercised	-60,000	1	-95,000	1
Renounced	--	--	-361,000	1
Ending balance of unexercised stock options	456,000	1	--	--
Ending balance of exercisable stock options	456,000	1	--	--

(Note) 1. The average share price when stock options of the submitting company were exercised during the period is ¥1,389 in the previous consolidated fiscal year and ¥1,540 in the consolidated fiscal year under review.

2. The exercise price of unexercised stock options of the submitting company at the end of the period is ¥1 in the previous consolidated fiscal year.

3. The weighted average remaining contractual life of unexercised stock options of the submitting company at the end of the period is 13 years in the previous consolidated fiscal year.

4. The decrease of 361,000 shares due to renunciation in the fiscal year under review is attributable to measures for transition to restricted shares from share acquisition rights granted as stock compensation-type stock options, implemented on July 12, 2024.

(2) Restricted stock compensation plan

Description of restricted stock compensation plan

The Company introduced the restricted stock compensation plan for the Company' s Directors (excluding Directors who are Audit & Supervisory Committee members and Outside Directors) and Executive Officers, etc. (hereinafter "the Eligible Directors, etc.") to promote greater sharing with the shareholders of the advantages and risks of stock price changes and to further raise motivation to contribute to raising the stock price and corporate value. Under the plan, Eligible Directors, etc. are granted monetary compensation claims as remuneration, and will receive allotment of restricted shares by paying in all such monetary compensation claims by way of in-kind contribution.

The Company shall conclude a restricted stock allotment agreement with the Eligible Directors, etc. and Eligible Directors, etc. who have been allotted restricted shares shall not engage in transfer, the establishment of a pledge, the establishment of security by way of assignment, transfer in the form of inter vivos gifts, disposition at will, or any other act of disposition to any third party (hereinafter referred to as the "Transfer Restrictions") with respect to the restricted shares allotted to such Eligible Directors during the period from the day on which the restricted shares are delivered until the day on which the Eligible Directors retire from all positions they hold as Directors, Executive Officers or employees equivalent thereto of the Company (hereinafter referred to as the "Transfer Restriction Period").Provided that Eligible Directors, etc. who have been allotted restricted shares have held positions as Directors, Executive Officers or employees equivalent thereto during the period from the start date of the Transfer Restriction Period until the day before the day of the first Annual Shareholders Meeting of the Company to be held after such start date, the Company may lift the Transfer Restrictions for all of the Allotted Shares on the day when the relevant Transfer Restriction Period expires. If Eligible Directors, etc. who have been allotted restricted shares retire from all the positions they hold as Directors, Executive Officers or employees equivalent thereto of the Company during the Transfer Restriction Period from the start date of the Transfer Restriction Period until the day before the first Annual Shareholders Meeting of the Company to be held after such start date, the Company may automatically acquire the Allotted Shares without compensation, unless such acquisition is denied for reasons that the Board of Directors acknowledges to be justifiable.

The restricted stock compensation plan is equity-settled stock compensation. The fair value of these shares is measured based on observable market prices. Details of restricted shares granted in the previous fiscal year and the fiscal year under review are as follows.

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Grant date	July 14, 2023	July 12, 2024
Number of shares granted (shares)	79,400	427,900
Fair value on the date of grant (yen)	1,395	1,569

(Note) The 427, 900 shares granted in the fiscal year under review includes 361,000 restricted shares granted on July 12, 2024 as measures for transition from stock compensation-type stock options.

(3) The share award scheme

Details of the share award scheme

Precision Tsugami (China) Corporation Limited, which is a consolidated subsidiary of the Company, introduced the share award scheme as an incentive for officers and executive officers, etc. of Precision Tsugami (China) Corporation Limited (and its subsidiaries) to promote greater sharing with the shareholders of the advantages and risks of stock price changes and to further raise motivation to contribute to raising the stock price and corporate value.

Under the share award scheme, a trust established with money contributed by Precision Tsugami (China) Corporation Limited acquires shares of Precision Tsugami (China) Corporation Limited, which will belong to grantees on condition that they remain in service until the vesting date.

The share award scheme is equity-settled stock compensation. The fair value of these shares is measured based on observable market prices. Details of shares granted under the share award scheme in the previous fiscal year and the fiscal year under review are as follows.

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Grant date	March 11, 2024	March 7, 2025
Number of shares granted (shares)	2,225,000	2,404,000
Fair value on the date of grant (HK$)	9.29	20.5

(4) Stock-based compensation expense

The amount of share-based payment expenses included in “cost of sales” and “selling, general and administrative expenses” in the consolidated statement of income is ¥116 million in the previous consolidated fiscal year and ¥582 million in the consolidated fiscal year under review.

33. Financial instruments

(1) Capital management

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

The major indicators used by the Group for its capital management are the percentage of equity attributable to owners of parent and the return on equity attributable to owners of parent.

The Group's ratio of equity attributable to owners of parent and ratio of profit to equity attributable to owners of parent are as follows.

	Previous consolidated fiscal year (As of March 31, 2024)	Consolidated fiscal year under review (As of March 31, 2025)
Percentage of equity attributable to owners of parent (%)	48.1	49.4
Return on equity attributable to owners of parent (%)	10.0	18.2

There are no significant capital regulations that the Group is subject to.

(2) Management of financial risks

The Group is exposed to financial risks (credit risk, liquidity risk, currency risk, interest rate risk, and market price volatility risk) in the process of conducting management activities. It manages risks based on specific policies to reduce these financial risks.

(3) Credit risk management

Credit risk is a risk that could cause a financial loss to the Group if the other party to a financial asset held by the Group defaults on the contractual debt.

The Group uses a system to manage due dates and the outstanding balance for each business partner and to regularly ascertain the credit standing of major business partners to detect the credit risk at an early stage and reduce it.

The Group does not have any excessively concentrated credit risk against a certain party or a group to which the party belongs.

The carrying amount of financial assets presented in the consolidated financial statements is the maximum exposure of the Group to the credit risk of the financial assets.

With regard to the exposure to these credit risks, the Group does not have any property that it holds as security or any other tool for credit enhancement.

The Group classifies its receivables into "trade receivables" and "receivables other than trade receivables" and determines the allowance for doubtful accounts for them as follows.

The Group classifies "trade receivables" into three categories, namely receivables from a "debtor who does not have any serious problems in its business conditions," receivables from a "debtor who has serious problems in the repayment of debt" and receivables from a "debtor who is experiencing business failure" according to the business conditions and financial position of the debtor on the closing date, and always recognizes the allowance for doubtful accounts in the same amount as the lifetime expected credit losses in each category.

A "debtor who does not have any serious problems in its business conditions" refers to a debtor who does not show any signs of problems in the repayment of debt and who does not have any problems with its debt-paying ability. For receivables from these debtors, the allowance for doubtful accounts is posted collectively by using a provision ratio that adds the future situation to the past credit loss ratio.

A "debtor who has serious problems in the repayment of debt" refers to a debtor who has yet to experience business failure but has or could have a serious problem in the repayment of debt. For receivables from these debtors, the allowance for doubtful accounts is posted by estimating the recoverable amount of the relevant assets individually.

A "debtor who is experiencing business failure" refers to a debtor for whom legal and formal business failure has arisen or who is in deep financial trouble and is deemed not to have any prospect of restoration. For receivables from these debtors, the allowance for doubtful accounts is posted for the entire amount of receivables, excluding assets that have been accepted as security or credit enhancement.

For "receivables other than trade receivables," either an amount equal to expected credit losses for 12 months if the credit risk has not increased significantly or an amount equal to expected credit losses for the entire period if the credit risk has increased significantly is recognized as an allowance for doubtful accounts by undertaking an assessment on the last day of each reporting period as to whether the credit risk has increased significantly from the time of initial recognition.

A case where the credit risk has increased significantly refers to a situation where a serious problem has arisen in terms of the recoverability of receivables on the closing date in comparison with the time of initial recognition. When the Group assesses whether or not the credit risk has increased significantly, it considers reasonable and supportable information that is available, such as the debtor's business performance in the past and its business improvement plans, in addition to information on payments past due.

For "receivables other than trade receivables," the allowance for doubtful accounts is recognized by using methods of estimating the credit losses collectively or estimating the credit losses individually according to the degree of credit risk of the debtor. However, if the debtor is in deep financial trouble or if a legal and formal fact of business failure has arisen, the allowance for doubtful accounts is recognized by using the method of estimating credit losses individually by regarding the receivables as credit-impaired financial assets.

For all receivables, if it is decided that it is impossible or extremely difficult to recover all or some of them, the receivables are deemed to have defaulted.

If it is decided that payments past due are not caused by a temporary demand for funds but are attributable to a serious financial difficulty of the debtor and that the recoverability of receivables is of particular concern, the Group assesses that credit impairment has arisen.

Information on allowance for doubtful accounts

The carrying amount of financial assets subject to the recognition of the allowance for doubtful accounts is as follows.

(Million yen)

Trade receivables	Debtors who do not have any serious problems in their business conditions	Debtors who have serious problems in the repayment of debt	Debtors who are experiencing business failure	Total
Figures at the end of the previous consolidated fiscal year (As of March 31, 2024)	27,441	42	--	27,483
Figures at the end of the consolidated fiscal year under review (As of March 31, 2025)	40,363	39	--	40,402

(Million yen)

Receivables other than trade receivables	Credit risk has not increased significantly	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	Total
Figures at the end of the previous consolidated fiscal year (As of March 31, 2024)	536	--	--	536
Figures at the end of the consolidated fiscal year under review (As of March 31, 2025)	460	--	--	460

Increases and decreases in the allowance for doubtful accounts for the financial assets above are as follows.

(Million yen)

	Trade receivables	Receivables other than trade receivables			Total
		Credit risk has not increased significantly	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
Balance on April 1, 2023	128	0	--	--	128
Amount of increase during the period	110	0	--	--	110
Amount of decrease during the period (utilization)	-18	--	--	--	-18
Amount of decrease during the period (reversal)	-110	-0	--	--	-110
Balance on March 31, 2024	110	0	--	--	110
Amount of increase during the period	223	0	--	--	223
Amount of decrease during the period (reversal)	-110	-0	--	--	-110
Balance on March 31, 2025	223	0	--	--	223

(4) Liquidity risk management

Liquidity risk is the risk that the Group may become unable to make a payment on its due date when the Group performs a repayment obligation for financial liabilities that become due.

The Group manages liquidity risk by continuously monitoring its cash flow plan and the result thereof by preparing appropriate funds for repayment and securing credit lines that are available as needed from financial institutions.

The balance of financial liabilities by due date is as follows.

Derivative financial liabilities are not applicable in the previous consolidated fiscal year (As of March 31, 2024) or in the consolidated fiscal year under review (As of March 31, 2025).

A breakdown of lease liabilities by due date is shown in Note 17. Leases.

Figures at the end of the previous consolidated fiscal year (As of March 31, 2024)

(Million yen)

	Carrying amount	Contractual cash flows	Within 1 year	More than 1 year
Non-derivative financial liabilities				
Short-term borrowings	16,816	16,816	16,816	--
Trade and other receivables	17,546	17,546	17,546	--
Total	34,363	34,363	34,363	--

Figures at the end of the consolidated fiscal year under review (As of March 31, 2025)

(Million yen)

	Carrying amount	Contractual cash flows	Within 1 year	More than 1 year
Non-derivative financial liabilities				
Short-term borrowings	11,524	11,524	11,524	--
Trade and other receivables	17,649	17,649	17,649	--
Total	29,174	29,174	29,174	--

(5) Currency risk management

The Group develops business internationally, and exchange rate fluctuations of the yuan could have an impact on its business performance as the weight of production and sales of Chinese subsidiaries increases, in particular.

In principle, the Group engages in exports to foreign countries in yen, and overseas subsidiaries conduct purchases and sales locally in local currency. In addition, trade payables in foreign currency are within the range of trade receivables in the same foreign currency, and the Group generally recognizes that they can cope with the currency risk. The Group will continue to address the currency risk by seeking to balance receivables and payables in foreign currencies and by considering hedging the risk using forward exchange contracts, depending on the situation.

Foreign exchange sensitivity analysis

The impact of cases where the yen appreciates 1% against the yuan on profit before tax in the consolidated statement of income in each reporting period is as follows.

In this analysis, however, it is assumed that other factors for changes (outstanding balance, interest rates, etc.) are constant.

(Million yen)

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Profit before tax	-140	-244

(6) Interest rate risk management

The Group is exposed to a range of interest volatility risks in its business activities, and fluctuations in interest rates will have a particularly large impact on borrowing costs.

To reduce the interest volatility risks, the Group works to properly manage the balance of borrowings and considers using an interest rate swap as needed.

Interest rate sensitivity analysis

The impact of cases where interest rates rise 1% on profit before tax in the consolidated statement of income in each reporting period is as follows.

(Million yen)

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Profit before tax	-178	-145

(7) Market price volatility risk management

The Group holds listed stocks for the purpose of cross shareholding, including the efficient implementation of business alliances. Because the market prices of listed stocks are decided based on market mechanisms, their value could be changed as a result of trends in the market economy. The Group regularly checks the market prices of listed stocks and the financial position of issuers and continuously reviews the shareholding situation, taking the relationship with business partners into account.

The impact of cases where the market prices of equity instruments held fall 1% on other comprehensive income (before tax effect) in the consolidated statement of comprehensive income in each reporting period is as follows.

(Million yen)

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Other comprehensive income (before tax effect)	-46	-43

(8) Hedging activities

Not applicable.

(9) Fair value of financial instruments

(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 inputs

(ii) Financial instruments measured at fair value

The method of determining the fair value is as follows.

(Trade receivables)

Certain trade receivables are classified as financial assets that are measured at fair value through other comprehensive income. Fair value is the present value of future cash flows discounted at an interest rate that takes into consideration time to maturity and credit risk.

(Stocks, investments in capital, etc.)

The fair value of listed stocks is determined by the market price on the closing date. The fair value of unlisted stocks and investments in capital, etc. is determined by an appropriate method that takes into comprehensive consideration quantitative information such as the net asset value and major assets held by the investee.

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

Figures at the end of the previous consolidated fiscal year (As of March 31, 2024)

(Million yen)

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through other comprehensive income				
Trade receivables	--	5,616	--	5,616
Stocks	4,608	--	2	4,611
Investments in capital, etc.	--	--	492	492
Total	4,608	5,616	495	10,721

Figures at the end of the consolidated fiscal year under review (As of March 31, 2025)

(Million yen)

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through other comprehensive income				
Trade receivables	--	11,592	--	11,592
Stocks	4,352	--	0	4,352
Investments in capital, etc.	--	--	506	506
Total	4,352	11,592	506	16,452

Valuation process

Financial instruments classified as Level 3 are mainly unlisted stocks and investments in capital, etc., and their fair value is determined by an appropriate method that takes into comprehensive consideration quantitative information such as the net asset value and major assets held by the investee.

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.

(Million yen)

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Beginning balance	422	495
Total gains and losses	53	-8
Other comprehensive income	53	-8
Purchase or acquisition	19	20
Sale	--	-0
Ending balance	495	506

(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 carrying amount is used as the fair value because the fair value of these financial instruments is almost equal to their carrying amount because they are settled within a short period of time.

(Other financial assets)

The carrying amount is used as the fair value because the fair value of time deposits and others included in other financial assets is almost equal to their carrying amount because they are settled within a short period of time.

(Borrowings)

The carrying amount is used as the fair value because the fair value of short-term borrowings is almost equal to their carrying amount because they are settled within a short period of time.

(10) Transfer of financial assets

The Group liquidates some trade receivables by discounting bills. However, of these liquidated receivables, there are those that will give rise to payment obligations to the Group retroactively if the debtor does not make payment, and the Group does not derecognize such liquidated receivables because they do not meet the requirements for the derecognition of financial assets.

The carrying amount of assets that were transferred in a way that does not meet the requirements for derecognition and related liabilities is as follows, and the transferred assets are posted in "trade and other receivables," while related liabilities are posted in "trade and other payables" and "borrowings" in the consolidated statement of financial position. Their fair value is reasonably approximate to their carrying amount.

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2024)	Consolidated fiscal year under review (As of March 31, 2025)
Carrying amount of transferred assets	8,187	4,910
Carrying amount of related liabilities	8,187	4,910
(Breakdown) Purchase of export bills	3,687	3,019
Discounted bills, etc.	4,499	1,890

34. Significant subsidiaries

(1) Composition of the group

The situation of major subsidiaries at the end of the consolidated fiscal year under review is as stated in "Section 1. Overview of the Company's Situation, 4. Situation of affiliates."

(2) Consolidated subsidiaries with significant non-controlling interests

The condensed consolidated financial information of consolidated subsidiaries for which the Company recognizes significant non-controlling interests is as follows. The condensed financial information shows amounts before eliminating intra-group transactions.

Precision Tsugami (China) Corporation Limited (this company and its subsidiaries)

(i) Percentage interest owned by non-controlling interests

	Previous consolidated fiscal year (As of March 31, 2024)	Consolidated fiscal year under review (As of March 31, 2025)
Percentage interest owned by non-controlling interests (%)	28.5	33.6

(ii) Condensed consolidated financial information

i) Condensed consolidated statement of financial position

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2024)	Consolidated fiscal year under review (As of March 31, 2025)
Current assets	61,749	74,020
Non-current assets	13,950	13,579
Current liabilities	16,801	20,053
Non-current liabilities	2,597	3,013
Equity	56,301	64,532
Accumulated amount of non-controlling interests	15,681	21,170

Major items of current assets are "cash and cash equivalents," "trade and other receivables" and "inventories," while the major item of non-current assets is "property, plant and equipment," and the major item of current liabilities is "trade and other payables."

ii) Condensed Consolidated Statements of Income and Comprehensive Income

(Million yen)

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Revenue	62,861	89,961
Profit	9,671	16,516
Other comprehensive income	--	—
Comprehensive income	9,671	16,516
Profit allocated to non-controlling interests	2,807	5,298
Dividends paid to non-controlling interests	1,684	2,135

iii) Condensed Consolidated Statements of Cash Flows

(Million yen)

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Cash flows from operating activities	10,192	7,449
Cash flows from investing activities	-3,118	-5,937
Cash flows from financing activities	-6,278	-7,590
Net increase (decrease) in cash and cash equivalents	794	-6,078

(3)Changes in parent company's ownership interests in subsidiaries not resulting in a loss of control

Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)

Precision Tsugami (China) Corporation Limited, which is a consolidated subsidiary of the Company, acquired its own shares as treasury shares. As a result, the Group's ownership interest in Precision Tsugami (China) Corporation Limited increased from 70.9% to 71.5%.

An outline of transactions with non-controlling interests associated with this transaction is described below.

(Million yen)

	Amount
Consideration paid	580
Amount of decrease in non-controlling interests	-538
Amount of increase in other components of equity	63
Amount of decrease in capital surplus	-105

Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)

Precision Tsugami (China) Corporation Limited, which is a consolidated subsidiary of the Company, acquired its own shares as treasury shares. The Company also sold some of its shares in Precision Tsugami (China) Corporation Limited. As a result, the Group's ownership interest in Precision Tsugami (China) Corporation Limited decrease from 71.5% to 66.4%.

An outline of transactions with non-controlling interests associated with this transaction is described below.

(Million yen)

	Amount
Net consideration	-2,150
Amount of increase in non-controlling interests	2,958
Amount of decrease in other components of equity	-752
Amount of decrease in capital surplus	-55

35. Related party

(1) Transaction with the Company's directors and major shareholders

While the subsidiaries of the Group are the related parties of the Company, they are not disclosed because transactions with the subsidiaries are eliminated in the consolidated financial statements. There are no significant transactions between the Company and its consolidated subsidiaries and other related parties.

(2) Compensation for major executives

(Million yen)

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Short-term compensation	152	164
Share-based payment	30	292
Total	182	456

Compensation for major executives is compensation for Directors of the Company.

36. Commitment

The commitment concerning expenditure after the closing date is as follows.

(Million yen)

	Figures at the end of the previous consolidated fiscal year (As of March 31, 2024)	Figures at the end of the consolidated fiscal year under review (As of March 31, 2025)
Purchase of property, plant and equipment	1,423	748
Purchase of other assets	119	97
Total	1,542	845

37. Contingent liabilities

Not applicable.

38. Subsequent events

Not applicable.

(2) Other

Semi-annual information for the consolidated fiscal year under review

(Accumulated total)	First six months of consolidation fiscal year under review	Consolidated fiscal year under review
Revenue (million yen)	49,795	107,411
Profit before tax (million yen)	9,856	23,709
Profit attributable to owners of parent (million yen)	4,813	10,901
Basic earnings per share (yen)	101.96	231.55

2. Non-Consolidated Financial Statements, etc.

(1) Non-consolidated financial statements

(i) Non-consolidated balance sheet

(Million yen)

	Previous fiscal year (As of March 31, 2024)	Fiscal year under review (As of March 31, 2025)
Assets		
Current assets		
Cash and deposits	4,315	3,311
Trade notes receivable	36	16
Electronically recorded monetary claims	27	111
Accounts receivable	Note 1 5,204	Note 1 5,231
Merchandise and finished goods	6,547	5,572
Work in process	1,504	1,285
Raw materials and supplies	3,900	3,545
Short-term loans receivable from subsidiaries and associates	140	692
Consumption taxes receivable	980	952
Other	Note 1 770	Note 1 635
Allowance for doubtful accounts	-150	-110
Total current assets	23,277	21,244
Non-current assets		
Property, plant and equipment		
Buildings	1,645	1,440
Structures	46	34
Machinery and equipment	156	166
Vehicles	6	5
Tools, furniture and fixtures	65	54
Land	246	246
Leased assets	11	17
Total property, plant and equipment	2,178	1,965
Intangible assets		
Telephone subscription right	7	7
Software	259	42
Lease assets	4	3
Other	0	0
Total intangible assets	272	54
Investments and other assets		
Investment securities	4,608	4,352
Shares of subsidiaries and associates	3,173	2,913
Investments in capital of subsidiaries and associates	859	859
Long-term loans receivable from subsidiaries and associates	4,146	4,757
Prepaid pension cost	101	120
Other	195	199
Total investments and other assets	13,084	13,203
Total non-current assets	15,536	15,222
Total assets	38,813	36,466

(Million yen)

		Previous fiscal year (As of March 31, 2024)		Fiscal year under review (As of March 31, 2025)
Liabilities				
Current liabilities				
Trade notes payable		208		119
Electronically recorded obligations - operating		2,461		1,912
Trade accounts payable	Note 1	2,661	Note 1	1,435
Short-term loans payable		11,300		6,800
Accounts payable - other	Note 1	217	Note 1	411
Accrued expenses payable		292		258
Income taxes payable, etc.		51		422
Provision for product warranties		225		214
Provision for bonuses		346		347
Other		144		260
Total current liabilities		17,906		12,183
Non-current liabilities				
Deferred tax liabilities		184		49
Provision for retirement benefits		923		932
Other		19		22
Total non-current liabilities		1,127		1,005
Total liabilities		19,034		13,188
Net assets				
Shareholders' equity				
Share capital		12,345		12,345
Retained earnings				
Legal retained earnings		1,095		1,338
Other retained earnings				
Retained earnings brought forward		6,716		8,297
Total retained earnings		7,812		9,636
Treasury shares		-3,007		-856
Total shareholders' equity		17,150		21,124
Valuation and translation adjustments				
Valuation difference on available-for-sale securities		2,352		2,154
Total Valuation and translation adjustments		2,352		2,154
Share acquisition rights		277		--
Total net assets		19,779		23,278
Total liabilities and net assets		38,813		36,466

(ii) Non-consolidated statements of income

(Million yen)

		Previous fiscal year (From April 1, 2023 to March 31, 2024)		Fiscal year under review (From April 1, 2024 to March 31, 2025)
Net sales	Note 1	28,647	Note 1	27,215
Cost of sales	Note 1	24,388	Note 1	21,563
Gross profit		4,258		5,651
Selling, general and administrative expenses	Note 1,2	4,976	Note 1,2	5,729
Operating loss		-718		-77
Non-operating income				
Interest income		83		96
Dividend income		4,237		4,235
Reversal of allowance for doubtful accounts		--		37
Insurance claim income		32		41
Foreign exchange gain		247		--
Other		53		37
Total non-operating income	Note 1	4,654	Note 1	4,448
Non-operating expenses				
Interest expenses		168		143
Foreign exchange losses		--		332
Loss on sales of notes payable		71		51
Provision of allowance for doubtful accounts		48		--
Other		37		33
Total non-operating expenses		326		560
Ordinary income		3,609		3,810
Extraordinary income				
Gain on sales of non-current assets		1		--
Gain on sale of investment securities		--		31
Gain on sale of shares of subsidiaries		--		3,351
Gain on reversal of share acquisition rights		--		224
Total extraordinary income		1		3,607
Extraordinary losses				
Loss on retirement of non-current assets		0		1
Total extraordinary losses		0		1
Profit before taxes		3,610		7,416
Corporate, inhabitant and enterprise taxes		338		857
Deferred taxes		-93		-86
Total corporate and other taxes		245		771
Net income		3,364		6,645

(iii) Non-consolidated statements of changes in net assets
Previous consolidated fiscal year (from April 1, 2023 to March 31, 2024)

(Million yen)

	Shareholders' equity					
	Share capital	Retained earnings			Treasury shares	Total shareholders' equity
		Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at the beginning of current period	12,345	864	5,919	6,784	-2,246	16,883
Change during the fiscal year						
Cash dividends paid		231	-2,541	-2,310		-2,310
Net income			3,364	3,364		3,364
Purchase of treasury shares					-934	-934
Disposal of treasury shares			-26	-26	172	146
Changes in items other than shareholders' equity during the fiscal year (net)						
Total change during the fiscal year	--	231	797	1,028	-761	267
Balance at the end of current period	12,345	1,095	6,716	7,812	-3,007	17,150

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at the beginning of current period	2,001	2,001	313	19,198
Change during the fiscal year				
Cash dividends paid				-2,310
Net income				3,364
Purchase of treasury shares				-934
Disposal of treasury shares				146
Changes in items other than shareholders' equity during the fiscal year (net)	350	350	-35	314
Total change during the fiscal year	350	350	-35	581
Balance at the end of current period	2,352	2,352	277	19,779

Consolidated fiscal year under review (from April 1, 2024 to March 31, 2025)

(Million yen)

	Shareholders' equity					
	Share capital	Capital surplus		Retained earnings		
		Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings
Balance at the beginning of current period	12,345	--	--	1,095	6,716	7,812
Change during the fiscal year						
Cash dividends paid				242	-2,671	-2,428
Net income					6,645	6,645
Purchase of treasury shares						
Disposal of treasury shares		64	64			
Cancellation of treasury shares		-64	-64		-2,393	-2,393
Changes in items other than shareholders' equity during the fiscal year (net)						
Total change during the fiscal year	--	--	--	242	1,580	1,823
Balance at the end of current period	12,345	--	--	1,338	8,297	9,636

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at the beginning of current period	-3,007	17,150	2,352	2,352	277	19,779
Change during the fiscal year						
Cash dividends paid		-2,428				-2,428
Net income		6,645				6,645
Purchase of treasury shares	-966	-966				-966
Disposal of treasury shares	659	723				723
Cancellation of treasury shares	2,458	--				--
Changes in items other than shareholders' equity during the fiscal year (net)			-198	-198	-277	-475
Total change during the fiscal year	2,150	3,974	-198	-198	-277	3,498
Balance at the end of current period	-856	21,124	2,154	2,154	--	23,278

Notes

(Significant accounting policies)

1. Valuation standards for securities
   (1) Shares in subsidiaries
   Cost accounting method using the moving average method
   (2) Other securities
   Securities other than shares, etc. without market prices
   Stated at fair value (Unrealized gains and losses are reported as a separate component of net assets, and cost of sales is computed by the moving-average method.)
   Shares, etc. without market prices
   Cost accounting method using the moving average method

2. Valuation standard and 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.)

3. Depreciation method for Non-current assets
   (1) Property, plant and equipment (excluding leased assets)
   The straight-line method is mainly adopted.
   The significant service lives are summarized as follows:

Buildings:	15-38 years
Machinery and equipment:	9 years
Tools, furniture and fixtures:	5 years

   (2) Intangible assets (excluding leased assets)
   Intangible assets are amortized using the straight-line method.
   However, software for in-house use is amortized on a straight-line basis over the expected usable period, up to five years.
   (3) Leased assets
   Depreciation for leased assets is computed using the straight-line method over the lease terms as service life, assuming no residual value.
   (4) Long-term prepaid expenses
   This is computed using the straight-line method.

4. Accounting standards for translating assets or liabilities in foreign currencies into yen
   Monetary assets and liabilities denominated in foreign currencies are translated into yen at spot exchange rates at the closing date.

5. Accounting standards for allowances
   (1) 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 collectability of certain doubtful accounts.
   (2) Allowance for employees' bonuses
   To provide for the payment of employees' bonuses, the Company provides accrued bonuses for employees based on the projected amount for the fiscal year under review.
   (3) Allowance for retirement benefits
   To prepare for the payment of employee retirement benefits, the Company provides accrued retirement benefits based on projected benefits obligations and the fair value of pension assets at end of the fiscal year under review. Any actuarial difference is expensed equally from the fiscal year following its accrual over an average remaining service period (five years) of employees at the time of the accrual using the straight-line method.
   (4) 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.

6. Recognition of revenue and expenses
   In the sale of machine tools (automatic lathes, grinding machines, machining centers, rolling machines and specialized machines) and related parts, the time when the customer is deemed to have obtained control over a product, etc. in light of the terms of the contract is the time when the performance obligation of the contract has been satisfied, and revenue is recognized when the product, etc. has arrived at the customer, at the time of the acceptance inspection and based on trade conditions. For services related to machine tools, the time when the provision of services has been completed is the time when the performance obligation has been satisfied, and revenue is

recognized at the time. In chargeable subcontracting, the forfeiture of members, etc. supplied on a chargeable basis is recognized. Revenue related to the transaction is not recognized.

7. Other important matters for the preparation of financial statements

(1) Accounting policy for retirement benefits

Unrecognized actuarial gain or loss and unsettled difference at change of accounting principle in relation to retirement benefits are accounted for by a different method than the method used in the consolidated financial statements.

(Significant accounting estimates)

1. Valuation of inventories

(1) Amounts recorded in the financial statements

(Million yen)

	Previous fiscal year	Fiscal year under review
Merchandise and finished goods	6,547	5,572
Work in process	1,504	1,285
Raw materials and supplies	3,900	3,545
Write-down of inventories	609	1,500
Reversal of write-down of inventories	717	609

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

(2) Information to facilitate understanding of accounting estimates

Inventories are reported at the lower of acquisition cost and net realizable value. For inventories deviating from the operating cycle process, to reflect the actual decrease in profitability, the Group adopts the method of writing down the book value systematically when a certain turnover period is exceeded.

For inventory in the operating cycle process, the Company estimates net realizable value based on key assumptions of management concerning 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

(1) Amounts recorded in the financial statements

(Million yen)

	Previous fiscal year	Fiscal year under review
Net deferred tax assets	--	--

The amount before offset with deferred tax liabilities is ¥684 million and ¥770 million in the previous fiscal year and the fiscal year under review respectively.

(2) Information to facilitate understanding of accounting estimates

Notes are omitted due to the inclusion of the same information in the Notes to Consolidated Financial Statements, 4. Significant accounting estimates and decisions with estimates, (2) Recoverability of deferred tax assets.

Changes in Accounting Policy

(Application of Accounting Standard for Current Income Taxes, etc.)

The Company has applied the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022) and other related accounting standards from the beginning of the fiscal year under review. Regarding the revision to the accounting classification for income taxes, the Company adheres to a transitional provision included in paragraph 20-3 of the Accounting Standard Revised in 2022.

The change has no impact on the financial statements.

(Non-consolidated balance sheets)

*1. Notes relating to affiliates

The following shows major transactions with affiliates that are included in accounts other than those posted as independent items.

(Million yen)

	Previous fiscal year (As of March 31, 2024)	Fiscal year under review (As of March 31, 2025)
Short-term monetary receivables	2,583	2,735
Short-term monetary payables	1,696	841

2. Amount of discount for bills receivable

(Million yen)

	Previous fiscal year (As of March 31, 2024)	Fiscal year under review (As of March 31, 2025)
Amount of discount for bills receivable	155	21
Amount of discount for export bills receivable	3,687	3,019
Amount of discount on electronically recorded monetary clai	613	664

3. The Company provides loan guarantees of the followion affiliate’s borrowings from financial institutions.

(Million yen)

	Previous fiscal year (As of March 31, 2024)	Fiscal year under review (As of March 31, 2025)
TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED	1,060	1,019

(Non-consolidated statements of income)

*1. Net sales, amount of purchases and other in relation to transactions with affiliates

(Million yen)

	Previous fiscal year (from April 1, 2023 to March 31, 2024)	Fiscal year under review (from April 1, 2024 to March 31, 2025)
Net sales	6,243	7,373
Amount of purchases	9,083	9,529
Selling, general and administrative expenses	80	90
Amount of transactions other than business transactions	4,228	4,208

*2. Selling expenses accounted for approximately 24% of total expenses in the previous fiscal year and approximately 22% in the fiscal year under review. General and administrative expenses accounted for approximately 76% of total expenses in the previous fiscal year and approximately 78% in the fiscal year under review.

The major components of selling, general and administrative expenses and their amounts are as follows:

(Million yen)

	Previous fiscal year (from April 1, 2023 to March 31, 2024)	Fiscal year under review (from April 1, 2024 to March 31, 2025)
Salaries and allowances	1,004	963
Provision for bonuses	88	80
Retirement benefit expenses	43	30
Stock-based compensation expense	110	671
Research and development expenses	1,544	1,599
Depreciation	6	4
Provision for product warranties	224	221

(Securities)

Shares of subsidiaries and Shares of associates

Previous fiscal year (As of March 31, 2024)

(Million yen)

Classification	Balance sheet amount	Fair value	Difference
Shares in subsidiaries	3,121	46,919	43,798

(Note) Balance sheet amount of shares, etc. whose fair values are very difficult to estimate not included in the above

Classification	Balance sheet amount
Shares in subsidiaries	52

Fiscal year under review (As of March 31, 2025)

(Million yen)

Classification	Balance sheet amount	Fair value	Difference
Shares in subsidiaries	2,861	112,515	109,654

(Note) Balance sheet amount of shares, etc. whose fair values are very difficult to estimate not included in the above

Classification	Balance sheet amount
Shares in subsidiaries	52

(Deferred Tax Accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

(Million yen)

	Previous fiscal year (As of March 31, 2024)	Fiscal year under review (As of March 31, 2025)
Deferred tax assets		
Allowance for doubtful accounts	51	41
Provision for bonuses	105	105
Provision for retirement benefits	250	254
Provision for product warranties	68	65
Loss on devaluation of investment securities	121	122
Loss on devaluation of shares of subsidiaries and associates	4	4
Loss on devaluation of inventories	188	462
Non-deductible depreciation expenses	--	36
Impairment loss	39	40
Accrued enterprise taxes	11	82
Stock-based compensation expense	168	104
Non-qualified contribution in-kind	65	--
Tax losses carried forward	27	--
Foreign tax credit carried forward	1,427	1,120
Other	135	218
Deferred tax assets subtotal	2,665	2,659
Valuation reserve	-1,980	-1,889
Deferred tax assets total	684	770
Deferred tax liabilities		
Valuation difference on available-for-sale securities	-868	-820
Deferred tax liabilities total	-868	-820
Net deferred tax assets (liabilities)	-184	-49

2. Breakdown of difference between the legally effective tax rate and the actual effective tax rate after applying tax effect accounting by major cause

	Previous fiscal year (As of March 31, 2024)	Fiscal year under review (As of March 31, 2025)
Legally effective tax rate	30.5%	30.5%
(Adjustments)		
Residence tax on a per capita basis	0.4	0.2
Experiment and research expenses	--	-1.9
Deemed foreign tax credit	--	-4.9
Items permanently excluded from nontaxable expenses, including entertainment costs	2.8	4.1
Items permanently excluded from gross revenue including Dividend income	-33.3	-16.1
Increase (decrease) in valuation reserve	8.4	-1.5
Other	-1.9	0.2
Actual effective tax rate after applying tax effect accounting	6.8	10.4

3. Modification to the amount of deferred tax assets and deferred tax liabilities due to changes in corporate taxation rates

The Act Amending the Income Tax Act (Act No. 13 of 2025) was passed by the Diet on March 31, 2025, and the Special Defense Corporation Tax will be levied starting from the fiscal year beginning April 1, 2026.

Because of this change, the Company has changed the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities resulting from temporary differences between accounting and tax values that will become deductible from the fiscal year beginning April 1, 2026. The tax rate has changed from 30.5% to 31.4%.

As a result, the amount of deferred tax liabilities in the fiscal year under review (amount obtained by deducting deferred tax assets) increased by ¥16 million, income taxes-deferred decreased by ¥7 million, and valuation difference on available-for-sale securities decreased by ¥23 million.

(Recognition of revenue)

Basic information for understanding revenue from contracts with customers is the same as the information in “25. Revenue (2) Information on the satisfaction of performance obligations” in the Notes to Consolidated Financial Statements and is therefore omitted.

(Important subsequent events)

Not applicable.

(iv) Supplementary schedule

Schedule of Property, plant and equipment and other assets

(Million yen)

Asset Type	Assets at beginning of the fiscal year under review	Increase in the fiscal year under review	Decrease in the fiscal year under review	Depreciation or Amortization in the fiscal year under review	Assets at end of the fiscal year under review	Accumulated depreciation or amortization at end of the fiscal year under review
Buildings	1,645	1	--	206	1,440	3,004
Structures	46	0	--	11	34	372
Machinery and equipment	156	75	13	52	166	2,194
Vehicles	6	--	--	1	5	28
Tools, furniture and fixtures	65	13	0	25	54	373
Land	246	--	--	--	246	--
Leased assets	11	10	--	4	17	5
Total Property, plant and equipment assets	2,178	101	13	302	1,965	5,979
Telephone subscription right	7	--	--	--	7	--
Software	259	12	--	228	42	--
Leased assets	4	--	--	1	3	--
Water utility rights	0	--	--	0	0	--
Total Intangible assets	272	12	--	230	54	--

(Note) The following is major items that were added in the fiscal year under review:

Machinery and equipment	Nagaoka factory	Test cutting machines	¥61 million
Machinery and equipment	Nagaoka factory	Replacement of crane accessories	¥13 million
Tools, furniture and fixtures	Nagaoka factory	Network management equipment	¥8 million
Leased assets	Nagaoka factory	Server equipment	¥10 million
Software	Nagaoka factory	Drawings management system	¥11 million

Schedule of allowances

(Million yen)

Classification	Assets at beginning of the fiscal year under review	Increase in fiscal year under review	Decrease in fiscal year under review	Assets at end of fiscal year under review
Allowance for doubtful accounts	170	--	37	133
Provision for product warranties	225	221	232	214
Provision for bonuses	346	347	346	347

(2) Details of major items in assets and liabilities

Information is omitted as consolidated financial statements were prepared.

(3) Other

Not applicable.

Section 6. Outline of Stock-Related Administration of Submitting Company

Fiscal year	From April 1 to March 31
Annual shareholders meeting	In June
Record date	March 31
Record dates for dividends	September 30 March 31
Number of shares per unit	100 shares
Fractional share repurchase	
Handling place	(Special purpose account) Securities Transfer Department, Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo
Administrator of shareholders' list	(Special purpose account) Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo
Contact place	---------------------------------------
Repurchase fee	Amount specified separately that is equivalent to brokerage commissions for stock trading
Publication of announcements	Notices will be posted in electric format. However, notices will be published in the *Kanpou* (Government Newsletter) when it is impossible to make electric notification for unavoidable reasons.
Benefits to shareholders	None

(Note) Under the Articles of Incorporation, holders of shares less than one unit do not have any rights other than the rights stipulated in each item of Paragraph 2 of Article 189 of the Companies Act, the right to demand specified in Article 166, Paragraph 1 of the Companies Act, and the right to receive allotments of shares for subscription and invitation to subscription in accordance with the number of shares owned by each shareholder.

Section 7. Reference Information on Submitting Company

1. Information on the parent company of the submitting company

The Company does not have any parent company stipulated in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other reference information

The Company has submitted the following documents from the beginning of the fiscal year under review to the date of submission of the annual securities report:

(1) Annual securities report, and its attached documents and confirmation documents
The 121st fiscal year (from April 1, 2023 to March 31, 2024) Submitted to the Director-General of the Kanto Local Finance Bureau on June 19, 2024

(2) Internal control report and its attached documents
Submitted to the Director-General of the Kanto Local Finance Bureau on June 19, 2024

(3) Semi-annual securities report and confirmation documents
For the first half of the 122nd term (April 1, 2024 to September 30, 2024) Submitted to the Director-General of Kanto Local Finance Bureau on November 13, 2024.

(4) Extraordinary report
Submitted to the Director-General of the Kanto Local Finance Bureau on June 19, 2024
An extraordinary report under Article 19, Paragraph 2, Item 2-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs., etc. (Disposal of Treasury Shares as Restricted Stock Compensation)

Submitted to the Director-General of the Kanto Local Finance Bureau on June 24, 2024
An extraordinary report under Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs., etc. (Results of exercise of voting rights at the annual shareholders meeting)

Submitted to the Director-General of the Kanto Local Finance Bureau on July 3, 2024
An extraordinary report under Article 19, Paragraph 2, Item 12 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs., etc. (Occurrence of an event that has a significant impact on financial condition, operating results and cash flows)

(5) Report on state of purchase of Treasury shares
Reporting period (from June 1, 2024 to June 30, 2024) Submitted to the Director-General of the Kanto Local Finance Bureau on July 12, 2024
Reporting period (from July 1, 2024 to July 31, 2024) Submitted to the Director-General of the Kanto Local Finance Bureau on August 14, 2024
Reporting period (from August 1, 2024 to August 31, 2024) Submitted to the Director-General of the Kanto Local Finance Bureau on September 13, 2024
Reporting period (from September 1, 2024 to September 30, 2024) Submitted to the Director-General of the Kanto Local Finance Bureau on October 11, 2024
Reporting period (from October 1, 2024 to October 31, 2024) Submitted to the Director-General of the Kanto Local Finance Bureau on November 14, 2024
Reporting period (from November 1, 2024 to November 30, 2024) Submitted to the Director-General of the Kanto Local Finance Bureau on December 13, 2024
Reporting period (from December 1, 2024 to December 31, 2024) Submitted to the Director-General of the Kanto Local Finance Bureau on January 14, 2025
Reporting period (from January 1, 2025 to January 31, 2025) Submitted to the Director-General of the Kanto Local Finance Bureau on February 14, 2025
Reporting period (from February 1, 2025 to February 29, 2025) Submitted to the Director-General of the Kanto Local Finance Bureau on March 14, 2025
Reporting period (from March 1, 2025 to March 31, 2025) Submitted to the Director-General of the Kanto Local Finance Bureau on April 14, 2025
Reporting period (from April 1, 2025 to April 30, 2025) Submitted to the Director-General of the Kanto Local Finance Bureau on May 14, 2025

Reporting period (from May 1, 2025 to May 31, 2025) Submitted to the Director-General of the Kanto Local Finance Bureau on June 13, 2025

Chapter 2. Information on the Guarantee Company of the Submitting Company

Not applicable.