Fuji Electric

Innovating Energy Technology

Fuji Electric Report Financials

2023

Contents

Consolidated Financial Highlights

Years ended March 31	2019	2020	2021	2022*8	2023*8	2023*8
	Millions of yen					Thousands of U.S. dollars*1
Operating Results						
Net sales	¥ 914,915	¥ 900,604	¥ 875,927	¥ 910,226	¥1,009,447	$7,589,829
Japan	682,503	679,719	654,020	655,821	717,390	5,393,910
Overseas	232,412	220,885	221,907	254,405	292,057	2,195,918
Operating profit	59,972	42,515	48,595	74,835	88,882	668,287
Profit Attributable to Owners of Parent	40,267	28,793	41,926	58,660	61,348	461,265
R&D and Capital Investment						
R&D expenditures	¥ 33,669	¥ 34,457	¥ 33,562	¥ 33,756	¥ 36,216	$ 272,304
Plant and equipment investment*2	43,338	48,208	35,890	59,320	84,147	632,690
Depreciation and amortization*3	30,906	32,319	36,194	39,969	45,938	345,401
Cash Flows						
Cash flows from operating activities	¥ 54,949	¥ 46,087	¥ 26,931	¥ 76,809	¥ 116,163	$ 873,412
Cash flows from investing activities	(21,448)	(27,621)	23,477	(22,350)	(49,498)	(372,171)
Free cash flow	33,501	18,466	50,408	54,458	66,665	501,241
Cash flows from financing activities	(38,172)	16,918	(39,518)	(42,894)	(77,192)	(580,401)
Financial Position						
Total assets	¥ 952,659	¥ 996,827	¥1,051,952	¥1,117,112	¥1,181,552	$8,883,850
Total net assets	392,061	406,002	461,254	523,729	572,068	4,301,267
Equity	352,922	365,620	416,997	472,900	517,092	3,887,907
Net interest-bearing debt	124,850	153,617	140,872	117,041	99,107	745,171
Interest-bearing debt	153,985	217,364	216,205	208,391	183,273	1,377,994
Financial Indicators						
Ratio of operating profit to net sales (%)	6.6	4.7	5.5	8.2	8.8	—
Ratio of overseas sales to net sales (%)	25.4	24.5	25.3	27.9	28.9	—
ROE (Return on equity) (%)	11.8	8.0	10.7	13.2	12.4	—
ROA (Return on assets) (%)	4.3	3.0	4.1	5.4	5.3	—
Equity ratio (%)	37.0	36.7	39.6	42.3	43.8	—
Net debt-equity ratio (times)*4	0.4	0.4	0.3	0.2	0.2	—
Debt-equity ratio (times)*5	0.4	0.6	0.5	0.4	0.4	—
Per Share Data *6			Yen			U.S. dollars*1
Profit	¥ 281.89	¥ 201.57	¥ 293.52	¥ 410.68	¥ 429.50	$ 3.229
Net assets	2,470.65	2,559.60	2,919.34	3,310.80	3,620.23	27.220
Cash dividends	80.00	80.00	85.00	100.00	115.00	0.865
Dividend payout ratio (%)	28.4	39.70	29.00	24.30	26.80	—
Others						
Employees	27,416	27,960	27,593	26,757	27,123	—
Japan	17,647	17,681	17,647	17,493	17,392	—
Overseas	9,769	10,279	9,946	9,264	9,731	—
Total shareholder return (%)	89.0	72.1	134.1	179.7	156.4	—
(Comparative indicator: TOPIX including dividends)	(95.0)	(85.9)	(122.1)	(124.6)	(131.8)	—
Highest stock price (Yen)*7	4,760 (942)	3,950	4,860	6,500	6,390	—
Lowest stock price (Yen)*7	2,982 (697)	1,960	2,197	4,370	4,870	—

*1 The U.S. dollar amounts represent the arithmetic results of translating yen into dollars at ¥133 = U.S. $1, the approximate exchange rate at March 31, 2023.
*2 Plant and equipment investment is the total of investment in tangible fixed assets, including acquisition amounts for lease contracts.
*3 Depreciation and amortization expense is the total of the depreciation of tangible fixed assets and amortization of intangible assets.
*4 Net debt-equity ratio is the ratio of net interest-bearing debt (interest-bearing debt + lease obligations – cash and cash equivalents) to equity.
*5 Debt-equity ratio is the ratio of interest-bearing debt to equity.
*6 Effective October 1, 2018, the Company conducted an 1-for-5 common stock consolidation. Amounts for profit per share and net assets per share have been calculated assuming that the stock consolidation took place on April 1, 2018. The amount of dividend ¥48 per share for the year ended March 31, 2019 is total of the interim dividend of ¥8 per share and the year-end dividend of ¥40 per share. Since the Company conducted an 1-for-5 common stock consolidation effective October 1, 2018, the interim dividend of ¥8 does not reflect stock consolidation effect and the annual dividend of ¥40 reflects stock consolidation effect. If the stock consolidation effect is also considered to the interim dividend per share, the interim dividend of ¥8 per share without the effect is equivalent to ¥40 per share with the stock consolidation effect. Accordingly, the annual dividend for fiscal 2018 amounted to ¥80 per share, including adjusted interim dividend of ¥40 per share and year-end dividend ¥40 per share.
*7 The highest and lowest stock prices are on the Tokyo Stock Exchange (First Section). The Company conducted an 1-for-5 common stock consolidation effective October 1, 2018. The stock price in fiscal 2018 is the highest and lowest stock price after the stock consolidation and the highest and lowest stock prices before the stock consolidation are in parentheses.
*8 From the beginning of the fiscal year ending March 31, 2022, the company applied the "Accounting Standard for Revenue Recognition" (Accounting Standard Board of Japan ("ASBJ") statement No. 29 issued on March 31, 2020),etc. The figures for the current fiscal year in the "Consolidated Financial Highlights" reflect the application of the accounting standards.

Management's Discussion and Analysis

Overview

In fiscal 2022, which we identified as an important year for achieving the Medium-Term Management Plan "Reiwa Prosperity 2023" (net sales of ¥1 trillion and an operating margin of 8.0% or higher in fiscal 2023), Fuji Electric pursued the following three strategies: promote growth strategies centered on the power electronics systems and power semiconductors; further improve profitability by augmenting our global manufacturing capabilities; and continuously reinforce our operating foundation focused on ESG (environment, human resources, and governance).

In fiscal 2022, the market environment surrounding the Company was characterized by continued strong capital investment in manufacturing, data centers, and other facilities due to the continued increase in demand for electrified vehicles (xEV), energy saving, and digital infrastructure amidst global carbon neutrality initiatives and the acceleration of digitalization. In China, on the other hand, capital investment remained sluggish due to the impact of COVID-19 and other factors. In addition, the outlook for the global supply chain continued to be uncertain due to factors such as soaring energy and raw material prices, material shortages, and rapid exchange rate fluctuations.

Financial Performance

Net Sales

Net sales in fiscal 2022 increased by 10.9%, to ¥1,009,447 million.

In all of the segments, Power Electronics Energy, Power Electronics Industry, Semiconductors, Power Generation segments, and Food and Beverage Distribution segments, net sales increased. Domestic sales increased by 9.4%, to ¥717,390 million. Overseas sales increased by 14.8%, to ¥292,057 million.

The ratio of overseas sales increased by 1.0 percentage points, to 28.9%.

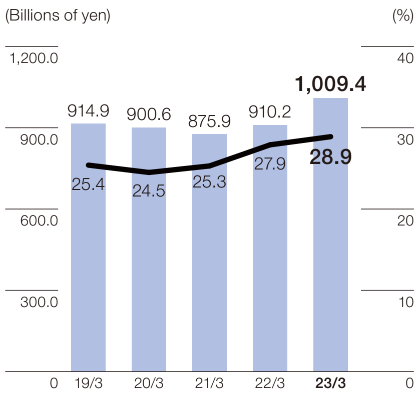
Cost of Sales, Selling, General and Administrative Expenses and Operating Profit

Cost of sales increased by 11.4 percentage points, to ¥732,529 million. The ratio of cost of sales to net sales increased by 0.3 percentage points, to 72.6%.

Selling, general and administrative expenses increased by 5.9%, to ¥188,036 million. The ratio of selling, general and administrative expenses to net sales decreased by 0.9 percentage point, to 18.6%.

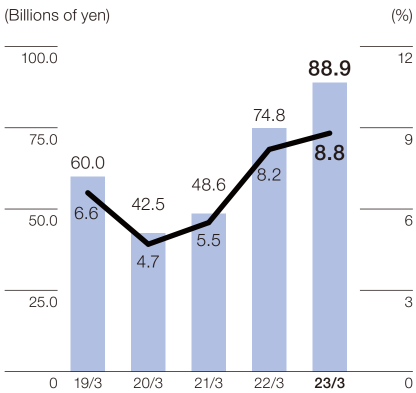
Operating profit increased by ¥14,047 million, to ¥88,882 million, primarily due to higher sales and production volumes, increase in product sales price, strengthening cost reduction and impact from foreign exchange rate fluctuations, while being affected by soaring material prices and power cost. The operating margin increased by 0.6 percentage points, to 8.8%.

Net Sales / Ratio of Overseas Sales to Net Sales



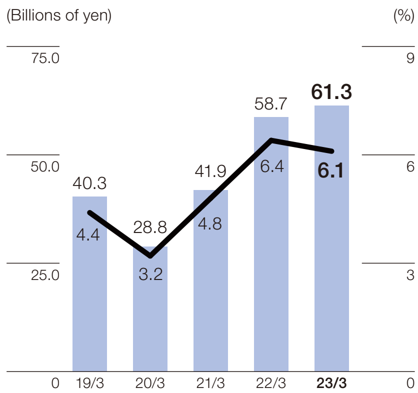
Net Sales (left)
Ratio of Overseas Sales to Net Sales (right)

Operating Profit / Ratio of Operating Profit to Net Sales



Operating Profit (left)
Ratio of Operating Profit to Net Sales (right)

Profit Attributable to Owners of Parent / Ratio of Profit Attributable to Owners of Parent to Net Sales



Profit Attributable to Owners of Parent (left)
Ratio of Profit Attributable to Owners of Parent to Net Sales (right)

Non-Operating Income (Expenses) and Ordinary Profit

Non-operating expenses (net) was ¥1,070 million, a ¥5,532 million increase from ¥4,462 million of non-operating income in the previous fiscal year. This increase was primarily due to a ¥1,148 million foreign exchange loss, which ¥1,288 million foreign exchange gain turned into, and an increase in business conversion expenses by ¥1,599 million. As a result, ordinary profit increased by ¥8,514 million, to ¥87,811 million.

Extraordinary Income (Loss),Profit before Income Taxes and Non-Controlling Interests

Extraordinary income was ¥11,153 million, included gain on sales of noncurrent assets and gain on sales of investment securities. This represented a ¥616 million increase due to an increase in gain on sales of noncurrent assets.

Extraordinary loss was ¥3,218 million, included loss on disposal of noncurrent assets, loss on devaluation of investment securities, loss on sales of investment securities, and provision for loss on liquidation of subsidiaries and associates. This represented a ¥1,871 million increase due to an increase in loss on devaluation of investment securities and provision for loss on liquidation of subsidiaries and associates.

Profit

Profit before income taxes increased by ¥7,259 million, to ¥95,746 million. After deducting ¥27,112 million of income taxes (the net of income taxes-current and income taxes-deferred) and ¥7,286 million of profit attributable to non-controlling interests, profit attributable to owners of parent increased by ¥2,688 million, to ¥61,348 million.

Results by Business Segment

Power Electronics Energy

Net sales: ¥264,078 million (an increase of 14.3%)
Operating profit: ¥26,884 million (an increase of ¥5,667 million)

Net sales and operating profit increased primarily due to higher demand for the facility / power source system business and the ED&C components business.

- In the energy management business, net sales and operating profit decreased primarily due to large-scale orders for industrial substation in the previous fiscal year.
- In the facility / power source system business, net sales and operating profit increased due to higher demand for data centers in domestic and oversea and semiconductor manufacturers.
- In the ED&C components business, net sales and operating profit increased due to demand from domestic machine set manufacturers and semiconductor manufacturers.

Orders received in fiscal 2022 (Power Electronics Energy segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥156.8 billion.

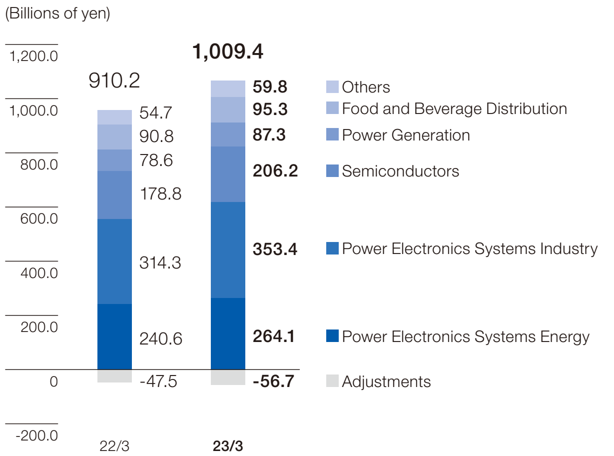
Power Electronics Industry

Net sales: ¥353,449 million (an increase of 9.0%)
Operating profit: ¥24,882 million (an increase of ¥1,059 million)

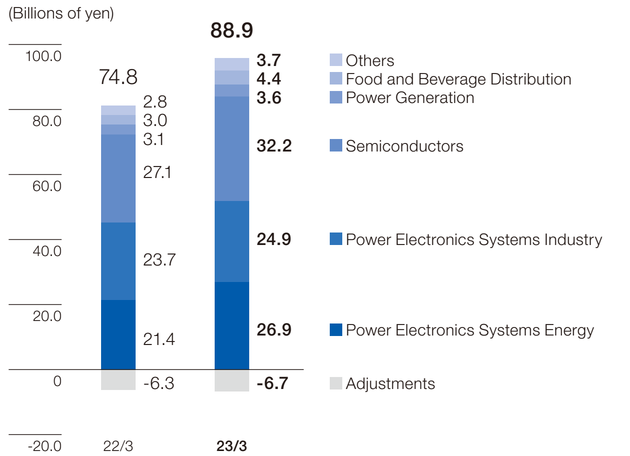
Net sales increased primarily due to higher demand in the automation business and the IT solutions business. Operating profit increased primarily due to higher demand for IT solution business, while soaring material prices and difficulty in procuring materials.

- In the factory automation business net sales and operating profit increased, while effect of the COVID-19 in China, primarily due to higher demand in other area and impact from foreign exchange rate fluctuations.

Net Sales by Segment



Operating Profit (Loss) by Segment



- In the social solutions business, net sales and operating profit decreased primarily due to lower demand for vessel and railcar.
- In the equipment construction business, net sales and operating profit increased primarily due to higher demand for electricity equipment constructions.
- In the IT solutions business, net sales and operating profit increased due to higher demand for the academic sector and the public sector.

Orders received in fiscal 2022 (Power Electronics Industry segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥186.2 billion.

Semiconductors

Net sales: ¥206,228 million (an increase of 15.3%)
Operating profit: ¥32,186 million (an increase of ¥5,050 million)

- In the semiconductors business, net sales increased primarily due to higher demand for power semiconductors for electric vehicles (xEV) and industrial fields and impact from foreign exchange rate fluctuations, while withdrawing from the magnetic disks business. Operating profit increased due to maintaining high operations, while increasing the costs related to the strengthen in production capacity for power semiconductor and being affected by soaring material prices and power cost.

Orders received in fiscal 2022 (Semiconductors segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥174.1 billion.

Power Generation

Net sales: ¥87,336 million (an increase of 11.2%)
Operating profit: ¥3,550 million (an increase of ¥426 million)

- In the power generation plant business, net sales and operating profit increased primarily due to large-scale orders for renewable energy and the favorable sales mix.

Orders received in fiscal 2022 (Power Generation segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥73 billion.

Food and Beverage Distribution

Net sales: ¥95,257 million (an increase of 4.9%)
Operating profit: ¥4,350 million (an increase of ¥1,343 million)

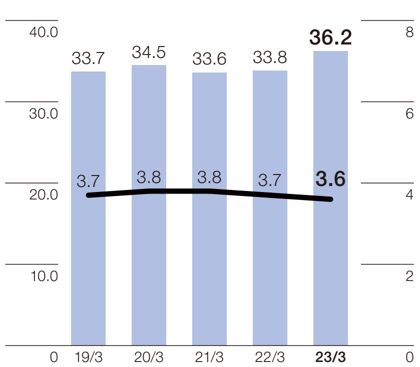
- In the vending machine business, net sales and operating profit increased primarily due to higher demand in domestic market and cost reduction, while there were impact from provision of allowance for doubtful accounts for Chinese subsidiaries.
- In the store distribution business, net sales decreased due to large-scale orders for currency handing equipment in the previous fiscal year. However, operating profit increased primarily due to cost reduction.

Orders received in fiscal 2022 (Food and Beverage Distribution segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥89.7 billion.

Others

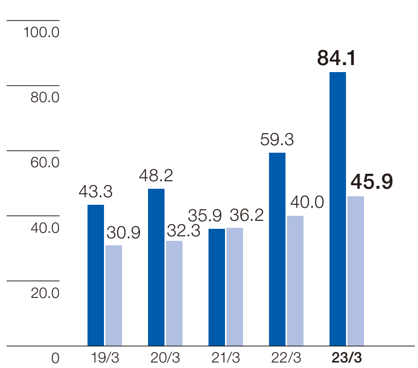
Net sales: ¥59,791 million (an increase of 9.3%)
Operating profit: ¥3,752 million (an increase of ¥913 million)

R&D Expenditures / Ratio of R&D Expenditures to Net Sales



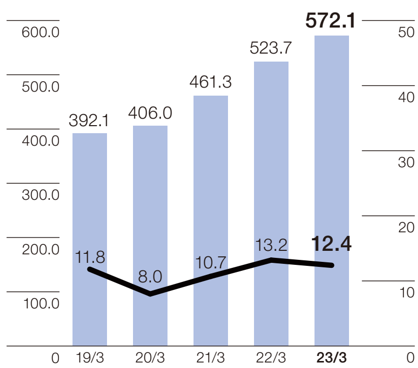
R&D Expenditures (left)
Ratio of R&D Expenditures to Net Sales (right)

Plant and Equipment Investment / Depreciation and Amortization



Plant and Equipment Investment
Depreciation and Amortization

Total Net Assets / ROE



Total Net Assets (left)
ROE (right)

R&D Investment and Plant and Equipment Investment

R&D

Fuji Electric is engaged in many advanced systems such as creations of energy, stable supplies, automation, and electrification of mobility by utilizing core technologies such as power semiconductors, power electronics, measuring and control, and cooling.

The Company's R&D expenditures in fiscal 2022 totaled ¥36,216 million.

As of March 31, 2023, the number of our industrial property rights registered in Japan and overseas was 13,178.

Plant and Equipment Investment

In fiscal 2022, we made capital investments totaling ¥84,147 million, including leases, to increase the production capacity of semiconductors and to increase revenues in power electronics systems. Major investments were as follows.

In the semiconductors business, in response to the growing demand for electrified vehicles and renewable energy, we made a major investment in Fuji Electric (Malaysia) Sdn. Bhd. to increase production capacity for power semiconductor chips, as well as investments at sites in Japan and overseas to increase IGBT module production capacity.

In the power electronics systems business, with the aim of expanding into the global market, we installed new production facilities for platform-designed* inverters at the Suzuka Factory and Fuji Electric India Private Ltd. Furthermore, Fuji Electric India Private Ltd. is establishing a production system for uninterruptible power supplies (UPS) for data centers and power conditioners for solar power generation systems that meet the needs of local customers in an effort to improve product competitiveness and expand earnings.

As an environmental investment to reduce greenhouse gas emissions, we added a cogeneration system to our Yamanashi Factory. We also developed production equipment to reduce insulation gas, which has a high global warming potential, introduced abatement devices, and adopted energy-saving equipment. We are promoting efforts to achieve the Environmental Vision 2050 by upgrading facilities.

*Platform design: A design that standardizes major components for the purpose of shortening the development period and reducing procurement and production costs.

Financial Position

Total Assets

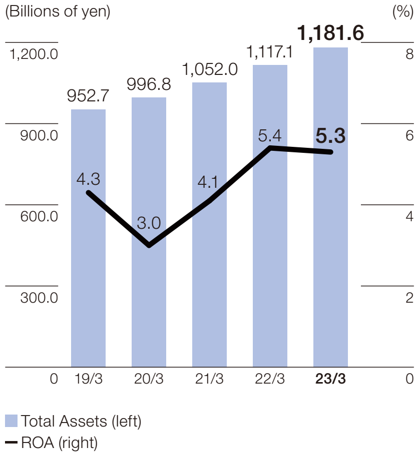
As of March 31, 2023, total assets was ¥1,181,552 million, an increase of ¥64,440 million.

Current Assets and Current Liabilities

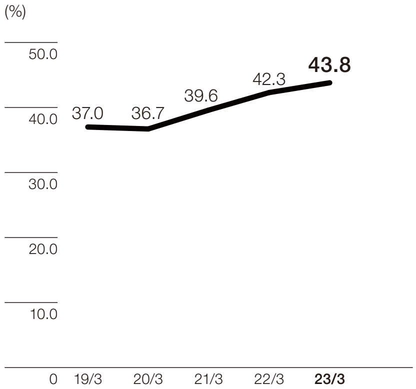
Total current assets was ¥713,553 million, an increase of ¥31,572 million. This increase was primarily due to an increase of ¥18,731 million in accounts receivable-trade, ¥11,935 million in contract assets, ¥28,396 million in inventories.

Total current liabilities was ¥446,826 million, an increase of ¥59,857 million. This increase was primarily due to an increase of ¥29,844 million in trade payables, ¥15,000 million in current portion of long-term borrowings and ¥10,006 million in contract liabilities.

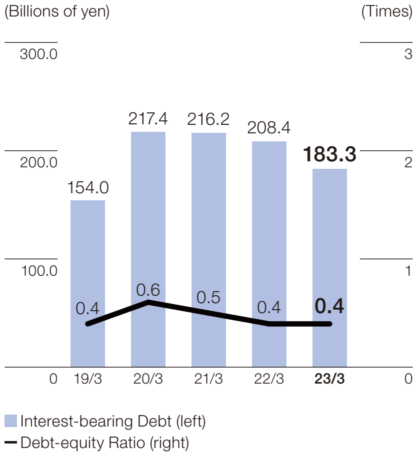
Total Assets / ROA



Equity Ratio



Interest-bearing Debt / Debt-equity Ratio



Noncurrent Assets

Total noncurrent assets was ¥467,999 million, an increase of ¥32,868 million. Net property, plant and equipment was ¥283,912 million, an increase of ¥50,237 million. Total investments and other assets was ¥184,087 million, a decrease of ¥17,369 million. This decrease was primarily due to a decrease of ¥17,856 million in investment securities mainly due to sales and decrease in valuation difference on available-for-sale securities.

Long-term Liabilities

Total long-term liabilities was ¥162,658 million, a decrease of ¥43,756 million. This decrease was primarily due to a decrease of ¥52,676 million in long-term debt.

Net Assets

As of March 31, 2023, net assets was ¥572,068 million, an increase of ¥48,339 million. This increase was primarily due to an increase of ¥45,637 million in retained earnings. As a result, the equity ratio was 43.8%, an increase of 1.5 percentage points.

Debt

As of March 31, 2023, interest-bearing debt was ¥183,273 million, a decrease of ¥25,118 million. The ratio of interest-bearing debt to total assets was 15.5%, a decrease of 3.2 percentage-points.

Cash Flow

Consolidated free cash flow (net cash provided by (used in) operating activities + net cash provided by (used in) investing activities) was a positive ¥66,665 million, a ¥12,207 million increase from the previous fiscal year's positive free cash flow of ¥54,458 million.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥116,163 million, compared with ¥76,809 million in the previous fiscal year. Major factors of cash decrease included an increase in trade receivables, contract assets and inventories. Major factors of the cash increase included profit before income taxes and an increase in trade payables. Cash flows from operating activities increased by ¥39,354 million.

Cash Flows from Investing Activities

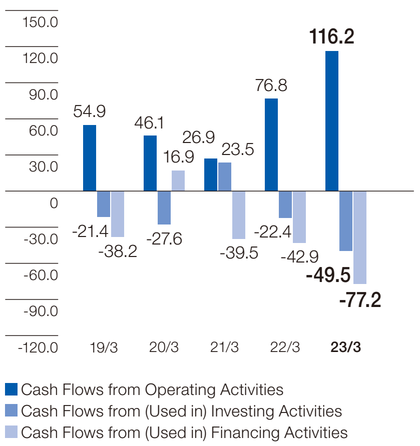
Net cash used in investing activities was ¥49,498 million, compared with net cash used by investing activities of ¥22,350 million in the previous fiscal year. This was primarily due to purchases of property, plant and equipment offset by sales of investment securities. Net cash used in investing activities increased by¥27,148 million.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥77,192 million, compared with net cash used in financing activities of ¥42,894 million in the previous fiscal year. This was primarily due to repayments of long-term loans payable and repayments of lease obligations. Net cash used in financing activities increased by ¥34,298 million.

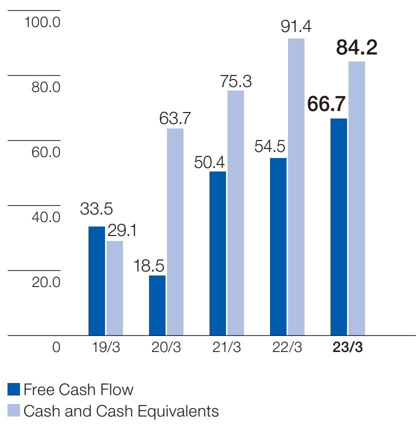
Cash Flows

(Billions of yen)



Free Cash Flow / Cash and Cash Equivalents

(Billions of yen)



Risk Factors

Fuji Electric manages business and other risks in a coordinated, systematic manner and takes appropriate measures to minimize the impact of such risks. The following factors were judged to have a potential future effect on Fuji Electric's business performance and financial position. Any forward-looking statements in the following are based on the judgment of management as of the date of submitting the securities report (June 27, 2023).

(1) Management Strategies, Business Strategies, and Operating Environment

Fuji Electric works to swiftly concentrate management resources on businesses earmarked for growth while making capital and R&D investments aimed at expanding and developing its businesses. With respect to semiconductor-related capital investments, which require large amounts of money, we make decisions based on negotiations with customers regarding physical quantities and pricing. Regarding R&D investments, we emphasize consistency with our business strategies and contribution to our businesses. Based on our roadmap, we pursue R&D on fundamental and advanced technologies that support Fuji Electric's future. Here, the management engages in regular deliberations about key development themes and constantly reviews the roadmap according to market changes. However, the semiconductor field is characterized by short product cycles, major fluctuations in product supply/demand levels, and intense competition. In some cases, therefore, we may be unable to recover our investment, which may affect its business performance and financial position.

Fuji Electric is contributing to realize a sustainable society through our energy and environment related businesses, considering protection of the global environment to be an important management priority. Also, we promote our Environmental Vision 2050, which aims to realize a low-carbon society, recycling-oriented society, and a society in harmony with nature, across the supply chain. Further, we announced its support for the recommendations of the TCFD, Task Force on Climate-related Financial Disclosures, and conduct climate change risk analysis from a long-term perspective. However, stricter enforcement of the Paris Agreement and other environmental regulations, as well as assessments by ESG evaluation institutions may lead to stronger criticism of part of Fuji Electric's operations (coal-fired power generation business), which may affect its business performance and financial position.

Fuji Electric has business bases around the world and provides products and services to markets and customers in multiple regions. The spread of infectious diseases in many countries has led to restrictions on economic activities.These have had various effects on Fuji Electric's business activities, including restrictions on sales activities, factory operation suspensions, and limitations on construction site visits.

If these restrictions are tightened, it could increase the impact on Fuji Electric's business activities, which may affect its business performance and financial position.

(2) Corporate Governance

Fuji Electric is working to strengthen its corporate governance by improving management transparency and auditing functions during normal times. However, an unprecedented event may lead to deficiencies in our internal control and audit functions, resulting in corporate governance breakdown and business disruption, etc., which may affect our business performance and financial position.

(3) Business Reorganizations, Alliances, and Withdrawals

Fuji Electric actively engages in M&As, joint ventures, business alliances, and the like with third parties in order to strengthen its competitiveness in each business field. As part of these activities, we share our corporate philosophy, management policy, code of conduct, business plans, business strategies, and so on to facilitate integration of our business strategies, technologies, products, and human resources. Through management meetings and other forums, we strive to maintain close communication with partners and build good relationships with them. Due to differences in systems and cultures, however, we may be unable to achieve the desired outcomes, which may affect our business performance and financial position.

(4) Orders, Marketing, and Sales Promotion

Fuji Electric is developing operations actively in overseas markets, focusing particularly on expanding sales in China and other Asian markets. We have sales offices in various markets to better understand customer trends and centrally manage the information we collects for analysis and consideration and otherwise strive not to miss business opportunities. We also work to reduce costs and expenses in order to minimize the impact of domestic and overseas trends on our business performance. However, any number of events may affect our business performance and financial position. These include deteriorating market conditions in each country —including private capital investments and public expenditures— as well as sudden changes in supply and demand of products, intensifying competition, and the resultant significant falls in prices.

Fuji Electric receives orders for large-scale plant projects in the power electronics field and the power generation field, etc. In order to secure appropriate profits in each project, we work to improve the accuracy of our quotations at the time of order receipt and strengthen project management afterwards. After receipt of orders, however, any number of events may affect our business performance and financial position. These include unanticipated specification changes, process delays, and profitability declines due to natural disasters and the like.

(5) Development and Design Engineering

Fuji Electric has established an R&D system to accelerate research and development and constantly monitors market, customer needs and the latest technological trends. At the same time, we conduct R&D aimed at creating strong components and systems, focused on power electronics and power semiconductor technologies, and R&D to develop solutions that generate customer value through combinations of elemental technologies.

Due to rapid technological advances, however, we may lose our advantage over other companies, and product development may not proceed as planned, making it impossible to launch new product at the right time. Any of these events may affect our business performance and financial position.

(6) Procurement

Fuji Electric deploys various means, including product swaps, to reduce the risk of rising raw material prices. However, in addition to increasing raw material and components prices against the background of a weak yen, such changes as the drastically increasing demand in emerging nations may result in tightened supply and demand as regards materials and raw materials and significant increases in their prices. Any of these events may affect our business performance and financial position.

(7) Production, Manufacturing, Shipping, Logistics, Installation, Delivery, and Service

Fuji Electric always keeps track of the latest physical quantity flows by sharing information between its sales and business departments at management meetings and other forums. We have also built an optimal production management system that can respond to changes in physical quantity flows by such as improving productivity and promoting local production for local consumption. However, an unprecedented event could result in increased/decreased demand and other changes in physical quantity flows, leading to delayed responses and inventory shortages/surpluses, which may affect our business performance and financial position.

Through reforms of its supply chain, Fuji Electric works to promote “completely localized” manufacturing through local production for local consumption while also emphasizing global procurement. However, an unprecedented event could result in restrictions on human and commodity movements and disruptions to our distribution network. This could prevent our supply chain from functioning and cause delays in deliveries, which may affect our business performance and financial position.

(8) Quality Assurance

Fuji Electric has established a quality control system for the products it manufactures and sells and strives to ensure high quality standards. Although we have made the necessary insurance arrangements, an unprecedented event could cause quality-related problems in our products to arise and spread, which may affect our business performance and financial position.

(9) Human Resources and Labor

The business activities of Fuji Electric depend heavily on its human resources. To attract and develop excellent human resources in various fields—such as technology, production, sales, and business management—we focus on cultivating professional human resources who will help strengthen our global competitiveness. We also actively conduct employee education and training and are expanding mid-career recruitment and other measures to attract exceptional human resources. However, failure to attract and develop such important human resources may have an impact on our business performance and financial position.

(10) Finance and Accounting

Seeking to minimize fund-raising costs, Fuji Electric constantly examines the optimal mix of corporate bonds, commercial paper, and short-term and long-term borrowings, in order to ensure flexible and stable financing arrangements. However, an unexpected increase in interest rates could raise the interest rate burden on our interest-bearing debt, which may have an impact on our business performance and financial position.

Fuji Electric works to strengthen credit management, including by monitoring long-overdue receivables and the financial status of business partners, in order to enhance its collection of trade receivables. However, restrictions on economic activities and economic downturn could cause business partners’ cash flows to deteriorate and prevent us from recovering debts, which may have an impact on our business performance and financial position.

(11) Legal and Ethical

Fuji Electric engages in business in various fields and regions, and as such is subject to the laws and regulations of each country. The Fuji Electric Compliance Promotion Committee, chaired by our representative director, spearheads efforts to ensure rigorous compliance with laws and regulations. We also have a compliance program that clearly identifies roles and responsibilities covering each aspect of legal regulations—namely, internal rules, monitoring, auditing, and education—and our compliance structure also includes a whistleblowing system. However, any occurrence of legal violations and the like may have an impact on our business performance and financial position.

In preparation for lawsuits and other legal disputes, Fuji Electric has formed a task force aimed at building a system to ensure that necessary procedures (fact investigation, corrective action, recurrence prevention, internal write-down, and disclosure) and are conducted promptly. However, we may be ordered to pay unexpectedly large amounts of damages, which, depending on the nature of the decision, may have an impact on our business performance and financial position.

Fuji Electric strives to effectively protect intellectual property rights and develop products and technologies that respect the rights of other companies. Due to the speed of technological innovation and the global expansion of our business activities, however, intellectual property disputes could arise, which may have an impact on our business performance and financial position.

(12) Political and Socioeconomic Trends

Fuji Electric engages in currency exchange contracts, based on certain criteria, to minimize the impact of foreign exchange fluctuations. However, any changes in exchange rates, primarily between the yen and the U.S. dollar, may have an impact on our business performance and financial position.

Fuji Electric develops its business in many overseas markets, mainly in China and other Asian markets, and always closely monitors the latest information on geopolitical risks. We are also diversifying our production and sales bases in preparation for unexpected risks.

However, any of the following events may have an impact on our business performance and financial position:

- Unexpected enactment of laws/regulations and changes in tax systems with adverse effects
- Disadvantageous political situations
- Social turmoil due to social upheaval, terrorism, war, and the like

(13) Trends of Shareholder and Other Investors

Fuji Electric attaches great importance to disclosure of financial information, active disclosure of non-financial information, and communication with shareholders and institutional investors. We also strive to foster understanding of our management through sincere and accurate disclosure of information according to our Disclosure Policy. However, the intentions of stockholders and other investors may differ from those of the Company's management, which could result in a vote against the election of directors. Also, a shareholder proposal against management could cause disruption of our operations. These and other events may have an impact on our business performance and financial position.

(14) Natural Disasters and Accidents

Fuji Electric has business bases all over the world and is committed to fulfilling its responsibilities to customers and society by continuously supplying products and services in the event of disaster or accident. To this end, we established a dedicated crisis management team to spearhead fire and disaster prevention efforts, formulation of a business continuity plan (BCP), and adoption of necessary insurance arrangements in order to "strengthen our business continuity capability." However, any number of events may have an impact on our business performance and financial position. These include large-scale disasters or accidents at/near our business sites, which could cause damage of production equipment, interruption of operations, and delays in product shipments.

(15) External Attacks

To address increasingly diversified and sophisticated cyber-security threats, Fuji Electric established a countermeasure system and a security response organization (CSIRT/SOC) to monitor and suppress any attacks. We are also continuously strengthening our response capabilities —in such areas as defense, detection system reinforcement, and cyber training—to prepare for the emergence of new threats. However, any number of events may have an impact on our business performance and financial position. These include system malfunction and information leakage due to external attacks (such as cyber-terrorism), resulting in loss of social trust.

Consolidated Balance Sheets

As of March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Assets			
Current Assets:			
Cash and cash equivalents (Note 6)	¥ 84,165	¥ 91,350	$ 632,823
Short-term investments (Notes 5, 6 and 7)	534	1,615	4,021
Notes receivable-trade (Note 6)	76,013	75,521	571,529
Accounts receivable-trade (Note 6)	236,462	217,731	1,777,912
Contract assets	76,023	64,088	571,606
Allowance for doubtful accounts	(7,573)	(5,121)	(56,940)
Inventories (Note 4)	198,691	170,295	1,493,920
Other current assets	49,238	66,502	370,196
Total Current Assets	713,553	681,981	5,365,067
Property, Plant and Equipment (Note 5)**:**			
Land	35,604	35,695	267,703
Buildings and structures	284,883	275,247	2,141,982
Machinery and equipment	218,668	201,219	1,644,123
Lease assets (Note 19)	112,542	95,027	846,182
Construction in progress	40,853	8,635	307,153
Others	4,038	2,432	30,365
	696,588	618,255	5,237,508
Less accumulated depreciation	(412,676)	(384,580)	(3,102,826)
Net Property, Plant and Equipment	283,912	233,675	2,134,682
Investments and Other Assets:			
Investment securities (Notes 5, 6 and 7):			
Unconsolidated subsidiaries and affiliates	20,669	22,554	155,411
Other	87,790	103,761	660,078
Long-term loans receivable	811	817	6,104
Net defined benefit asset (Note 2 and 11)	19,918	22,516	149,763
Deferred tax assets (Note 16)	16,636	13,286	125,085
Other investments and other assets (Note 19)	38,751	38,990	291,334
Allowance for doubtful accounts	(488)	(468)	(3,674)
Total Investments and Other Assets	184,087	201,456	1,384,101
Total Assets	¥1,181,552	¥1,117,112	$8,883,850

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Liabilities and Net Assets			
Current Liabilities:			
Short-term debt (Notes 5, 6 and 9)	¥ 9,099	¥ 14,691	$ 68,415
Current portion of long-term debt (Notes 5, 6 and 9)	52,776	30,293	396,813
Trade payables (Notes 5 and 6)	201,593	171,749	1,515,742
Lease obligations (Notes 6 and 10)	23,261	19,584	174,900
Contract liabilities	49,449	39,443	371,797
Income taxes payable (Note 16)	18,710	14,879	140,679
Provision for product warranties (Note 2)	3,775	7,280	28,390
Other current liabilities (Note 24)	88,163	89,050	662,861
Total Current Liabilities	446,826	386,969	3,359,597
Long-term Liabilities:			
Long-term debt (Notes 5, 6, and 9)	48,600	101,276	365,414
Lease obligations (Notes 6 and 10)	46,895	40,978	352,597
Net defined benefit liability (Notes 2 and 11)	60,345	57,590	453,727
Provision for directors' retirement benefits	65	94	489
Deferred tax liabilities (Note 16)	1,085	1,580	8,159
Other long-term liabilities (Note 24)	5,668	4,896	42,600
Total Long-term Liabilities	162,658	206,414	1,222,986
Total Liabilities	609,484	593,383	4,582,583
Contingent Liabilities (Note 19)**:**			
Net Assets (Note 25)			
Shareholders' Equity:			
Capital stock (Note 12):			
Authorized - 320,000,000 shares			
Issued- 149,296,991 shares as of March 31, 2023	47,586	—	357,790
149,296,991 shares as of March 31, 2022	—	47,586	—
Capital surplus	45,953	45,955	345,518
Retained earnings	364,922	319,285	2,743,775
Treasury stock at cost (Note 12):			
6,462,999 shares as of March 31, 2023	(7,370)	—	(55,417)
6,461,058 shares as of March 31, 2022	—	(7,359)	—
Total Shareholders' Equity	451,091	405,467	3,391,666
Accumulated Other Comprehensive Income (Loss):			
Valuation difference on available-for-sale securities	45,550	51,649	342,482
Deferred gains or losses on hedges (Notes 6 and 8)	241	507	1,818
Foreign currency translation adjustments	22,223	14,170	167,083
Remeasurements of defined benefit plans	(2,013)	1,107	(15,142)
Total Accumulated Other Comprehensive Income	66,001	67,433	496,241
Non-controlling interests	54,976	50,829	413,360
Total Net Assets	572,068	523,729	4,301,267
Total Liabilities and Net Assets	¥1,181,552	¥1,117,112	$8,883,850

Consolidated Statements of Income

Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Net Sales	¥1,009,447	¥910,226	$7,589,829
Cost of Sales (Note 13)	732,529	657,790	5,507,735
Gross Profit	276,918	252,436	2,082,094
Selling, General and Administrative Expenses (Notes 13 and 14)	188,036	177,601	1,413,807
Operating Profit	88,882	74,835	668,287
Non-Operating Income (Expenses):			
Interest and dividend income	3,742	2,885	28,138
Interest expense	(1,993)	(1,744)	(14,991)
Provision of allowance for doubtful accounts for subsidiaries and affiliates	(145)	(285)	(1,090)
Foreign exchange losses (gains)	(1,148)	1,288	(8,638)
Equity in earnings of affiliates	878	1,647	6,603
Other, net	(2,405)	671	(18,070)
	(1,071)	4,462	(8,049)
Ordinary Profit	87,811	79,297	660,238
Extraordinary Income, Net (Note 15)	7,935	9,190	59,659
Profit Before Income Taxes	95,746	88,487	719,897
Income Taxes (Note 16)	27,112	23,931	203,851
Profit	68,634	64,556	516,046
Profit Attributable To Non-controlling Interests	7,286	5,896	54,781
Profit Attributable To Owners of Parent (Note 25)	¥ 61,348	¥ 58,660	$ 461,265

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Profit	**¥68,634**	¥64,556	**$516,046**
Other Comprehensive Income (Loss) (Note 17)			
Valuation difference on available-for-sale securities	**(6,202)**	(4,222)	**(46,636)**
Deferred gains or losses on hedges	**(265)**	185	**(1,997)**
Foreign currency translation adjustments	**8,175**	13,983	**61,478**
Remeasurements of defined benefit plans	**(3,279)**	(37)	**(24,658)**
Share of other comprehensive income of associates accounted for using equity method	**54**	20	**410**
Total Other Comprehensive Income(Loss)	**(1,517)**	9,929	**(11,403)**
Comprehensive Income	**¥67,117**	¥74,485	**$504,643**
Comprehensive Income Attributable to:			
Owners of parent	**¥59,915**	¥67,118	**$450,489**
Non-controlling interests	**7,202**	7,367	**54,155**

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2023 and 2022

	Thousands	Millions of yen										
	Number of shares of capital stock	Capital stock	Capital surplus	Retained earnings	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Treasury stock	Total	Non-controlling interests	Total net assets
Balance at March 31, 2021	149,296	¥47,586	¥46,003	¥271,772	¥55,761	¥322	¥1,542	¥ 1,351	¥(7,340)	¥416,997	¥44,257	¥461,254
Cumulative effect of changes in accounting policies	—	—	—	1,708	—	—	—	—	—	1,708	—	1,708
Restated balance	—	47,586	46,003	273,480	55,761	322	1,542	1,351	(7,340)	418,705	44,257	462,962
Profit attributable to owners of parent	—	—	—	58,660	—	—	—	—	—	58,660	—	58,660
Change of scope of consolidation	—	—	—	0	—	—	—	—	—	0	—	0
Cash dividends	—	—	—	(12,855)	—	—	—	—	—	(12,855)	—	(12,855)
Purchase of treasury stock	—	—	—	—	—	—	—	—	(19)	(19)	—	(19)
Sales of treasury stock	—	—	0	—	—	—	—	—	0	0	—	0
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	(48)	—	—	—	—	—	—	(48)	—	(48)
Net changes of items other than shareholders' equity	—	—		—	(4,112)	185	12,628	(244)	—	8,457	6,572	15,029
Balance at March 31, 2022	149,296	¥47,586	¥45,955	¥319,285	¥51,649	¥507	¥14,170	¥ 1,107	¥(7,359)	¥472,900	¥50,829	¥523,729
Cumulative effect of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—
Restated balance	—	47,586	45,955	319,285	51,649	507	14,170	1,107	(7,359)	472,900	50,829	523,729
Profit attributable to owners of parent	—	—	—	61,348	—	—	—	—	—	61,348	—	61,348
Change of scope of consolidation	—	—	—	—	—	—	—	—	—	—	—	—
Cash dividends	—	—	—	(15,711)	—	—	—	—	—	(15,711)	—	(15,711)
Purchase of treasury stock	—	—	—	—	—	—	—	—	(11)	(11)	—	(11)
Sales of treasury stock	—	—	0	—	—	—	—	—	0	0	—	0
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	(2)	—	—	—	—	—	—	(2)	—	(2)
Net changes of items other than shareholders' equity	—	—	—	—	(6,099)	(266)	8,053	(3,120)	—	(1,432)	4,147	2,715
Balance at March 31, 2023	**149,296**	**¥47,586**	**¥45,953**	**¥364,922**	**¥45,550**	**¥241**	**¥22,223**	**¥(2,013)**	**¥(7,370)**	**¥517,092**	**¥54,976**	**¥572,068**
		Thousands of U.S. dollars (Note 3)										
Balance at March 31, 2022	149,296	$357,790	$345,527	$2,400,644	$388,343	$3,815	$106,534	$ 8,325	$(55,335)	$3,555,643	$382,175	$3,937,818
Cumulative effect of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—
Restated balance	—	357,790	345,527	2,400,644	388,343	3,815	106,534	8,325	(55,335)	3,555,643	382,175	3,937,818
Profit attributable to owners of parent	—	—	—	461,265	—	—	—	—	—	461,265	—	461,265
Change of scope of consolidation	—	—	—	—	—	—	—	—	—	—	—	—
Cash dividends	—	—	—	(118,134)	—	—	—	—	—	(118,134)	—	(118,134)
Purchase of treasury stock	—	—	—	—	—	—	—	—	(82)	(82)	—	(82)
Sales of treasury stock	—	—	0	—	—	—	—	—	—	0	—	0
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	(9)	—	—	—	—	—	—	(9)	—	(9)
Net changes of items other than shareholders' equity	—	—	—	—	(45,861)	(1,997)	60,549	(23,467)	—	(10,776)	31,185	20,409
Balance at March 31, 2023	**149,296**	**$357,790**	**$345,518**	**$2,743,775**	**$342,482**	**$1,818**	**$167,083**	**$(15,142)**	**$(55,417)**	**$3,887,907**	**$413,360**	**$4,301,267**

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Cash Flows from Operating Activities:			
Profit before income taxes	¥ 95,746	¥ 88,487	$ 719,897
Depreciation and amortization	45,938	39,969	345,401
Increase in allowance for doubtful accounts	2,347	1,006	17,654
Decrease in provision for product warranties	(3,506)	(8,711)	(26,361)
Interest and dividend income	(3,742)	(2,885)	(28,138)
Interest expense	1,993	1,744	14,991
Foreign exchange losses	(474)	(226)	(3,570)
Gain on sales of noncurrent assets	(939)	(179)	(7,061)
Gain on sales of investment securities	(9,917)	(10,359)	(74,564)
Loss on disposal of noncurrent assets	569	632	4,281
Loss on devaluation of investment securities	1,236	239	9,294
Factory integration expenses	—	335	—
Loss on withdrawal from business	—	141	—
Provision for loss on liquidation of subsidiaries and associates	1,115	—	8,391
Changes in operating assets and liabilities:			
Trade receivables and contract assets	(28,444)	(749)	(213,868)
Inventories	(25,709)	(5,707)	(193,305)
Trade payables	28,711	(2,623)	215,872
Contract liabilities	9,748	9,339	73,296
Other, net	22,934	(9,624)	172,434
Cash generated from operations	137,606	100,829	1,034,644
Interest and dividends received	3,679	2,847	27,664
Interest expenses paid	(1,996)	(1,738)	(15,015)
Income taxes paid	(23,126)	(25,129)	(173,881)
Net cash provided by operating activities	116,163	76,809	873,412
Cash Flows from Investing Activities:			
Purchase of property, plant and equipment	(61,080)	(33,047)	(459,251)
Proceeds from sales of property, plant and equipment	2,698	3,762	20,286
Purchase of investment securities	(212)	(1,909)	(1,600)
Proceeds from sales of investment securities	17,842	17,408	134,157
Payments of loans receivable	(14,123)	(11,146)	(106,194)
Collection of loans receivable	11,306	7,324	85,009
Other, net	(5,929)	(4,742)	(44,578)
Net cash used in investing activities	(49,498)	(22,350)	(372,171)
Cash Flows from Financing Activities:			
Net decrease in short-term loans payable	(6,002)	(3,592)	(45,134)
Repayment of long-term loans payable	(30,330)	(4,405)	(228,049)
Repayments of lease obligations	(23,580)	(20,551)	(177,298)
Proceeds from sales of treasury stock	0	0	0
Purchase of treasury stock	(10)	(19)	(82)
Cash dividends paid	(15,711)	(12,855)	(118,135)
Cash dividends paid to non-controlling interests	(3,508)	(1,308)	(26,382)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2)	(163)	(21)
Proceeds from share issuance to non-controlling shareholders	—	0	—
Proceeds from sale and leaseback transactions	1,955	0	14,700
Other, net	(4)	(1)	0
Net cash used in financing activities	(77,192)	(42,894)	(580,401)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	3,210	4,453	24,136
Net Increase(Decrease) in Cash and Cash Equivalents	(7,317)	16,018	(55,024)
Cash and Cash Equivalents at Beginning of Year	91,350	75,332	686,848
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	132	—	999
Cash and Cash Equivalents at End of Year	¥ 84,165	¥ 91,350	$ 632,823

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Notes to the Consolidated Financial Statements

Note 1. Basis of Preparing Consolidated Financial Statements

The accompanying consolidated financial statements of Fuji Electric Co., Ltd. (the "Company") and consolidated subsidiaries (together, the "Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

In preparing these statements, certain reclassifications and rearrangements have been made to the consolidated financial statements prepared domestically in Japan in order to present these statements in a form that is more familiar to readers outside Japan.

In addition, the notes to the consolidated financial statements include additional information which is not required under accounting principles generally accepted in Japan.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

Note 2. Summary of Significant Accounting Policies

a. Principles of Consolidation

The consolidated financial statements for the year ended March 31, 2023 include the accounts of the Company and its 70 significant subsidiaries and its 4 subsidiaries and affiliates are accounted for by the equity method (71 and 4 in 2022).

Under the control or influence concept, the accompanying consolidated financial statements include the accounts of the Company and, with minor exceptions, those of its subsidiaries, whether directly or indirectly controlled, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Companies are eliminated. The Company does not consolidate nor apply the equity method to subsidiaries or affiliates whose gross assets, net sales, profit (loss) and retained earnings are not significant to the consolidated financial statements.

Investments in unconsolidated subsidiaries and affiliates are stated at cost.

The balance sheet date of certain consolidated subsidiaries is December 31 or January 31. In principle, the financial statements of such subsidiaries were tentatively prepared in accordance with the fiscal year of the Company, and those were consolidated.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

Goodwill resulting from the difference between the cost and the underlying net assets at the respective dates of acquisition are being amortized over a period of 5 or 10 years.

b. Cash Equivalents

For the purpose of the consolidated statements of cash flows, the Companies consider all short-term, highly liquid instruments with a maturity of three months or less to be cash equivalents.

c. Inventories

Raw materials are mainly stated at cost, determined by the most recent purchase price method. Finished goods and work in process are mainly stated at actual cost determined by accumulated production cost for contract items or average cost for regular production items, except that finished goods of certain consolidated subsidiaries are priced by the most recent purchase price method. In accordance with accounting practices generally accepted in the heavy electric industry, inventories include items with a manufacturing period exceeding one year.

Inventories with lower profitability were written down and the losses on valuation were included in cost of sales.

d. Securities

Other securities

Securities with quoted market price are stated at fair value. Unrealized gains and losses, net of taxes, are reported in a separate component of net assets.

Securities with no quoted market price are stated at cost determined by the moving-average method.

e. Derivatives and Hedging Activities

The Companies enter into derivative financial instruments ("derivatives"), including foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

In addition, the Companies enter into commodity swap agreements to hedge the risk of fluctuation of commodity prices for raw materials.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:

a) Except as described in the following paragraphs b) and c), all derivatives are recognized as either assets or liabilities and measured at fair value, and forward contracts applied for forecasted transactions are measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed if the forward contracts qualify for hedge accounting.

b) Trade receivables and trade payables denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are accounted for allocation treatment ("Furiate shori") where these receivables and payables are translated at the contracted rate if the forward contracts qualify for hedge accounting.

f. Depreciation

1) Tangible fixed assets (excluding leased assets)

Depreciation is computed by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to the buildings of the Company and its domestic consolidated subsidiaries acquired after April 1, 1998 and the facilities attached to buildings and the other non-building structures acquired after April 1, 2016. The range of useful lives is from 15 to 50 years for buildings and from 5 to 12 years for machinery and equipment.

2) Leased assets

Depreciation is computed by the straight-line method over the lease period assuming no residual value. Finance leases other than those that were deemed to transfer the ownership of the leased assets to the lessees and contracted before April 1, 2008, are accounted for by the method that is applicable to ordinary operating leases.

g. Allowance for Doubtful Accounts

The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

h. Provision for Directors' Retirement Benefits

For certain consolidated subsidiaries, provision for directors' retirement benefits were provided mainly at an amount to be required at the year-end according to internal regulations.

i. Provision for product warranties

To prepare for potential warranty costs, provision for product warranties is recorded based on the past occurrence of the defects and expected specific events.

j. Retirement Benefits

(1) The retirement benefit obligation for employees is attributed to each period by the benefit formula method over the estimated years of service of the eligible employees.

(2) Prior service costs are amortized by the straight-line method within the average remaining years of service of the employee participants. The actuarial gains and losses are amortized by the straight-line method within the average remaining years of service of the employee participants from the next period in which they arise, respectively.

k. Research and Development Costs

Research and development costs are charged to income as incurred.

l. Recognition for Revenue and Costs

In accordance with the following five-step approach, the Companies recognize a transfer of a promised good or service to a customer as revenue in an amount which reflects the consideration expected to be entitled in exchange for the good or service.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price

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

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

The Companies are engaged in a wide range of business activities, such as product development, production, sales, and services. The details of the main performance obligations related to revenues from the contracts with the customers in the main business and the normal time points to satisfy the performance obligations(normal time points to recognize revenues) are as follows.

(1) Sales of standard products

For the performance obligation, control of goods is transferred to a customer at a point in time.

For domestic sales, the Companies recognize revenue upon shipment because the period from shipment to transfer of control of goods to customer is the normal period. (Application of shipping standards) For domestic sales which do not apply shipping standards, the Companies recognize revenue upon delivery of goods to a customer.

For export transactions, the Companies recognize revenue upon delivery of goods to customer specified in trade terms.

(2) Sales of job-order production goods, contract works and rendering of services

For the performance obligation, the Companies apply the method that revenue is recognized over time by measuring progress toward complete satisfaction of performance obligations (the cost-based input method is used in measuring the progress). The progress toward complete satisfaction of performance obligations is determined based on the ratio of costs incurred to the end of the fiscal year to the estimate of the total cost of the contract. In the case that progress cannot be reasonably estimated, the Companies recognize revenue under the cost recovery method only to the extent of the costs incurred that are expected to be recovered. For maintenance contracts, etc., in which services are rendered to customers evenly over the contract period, the Companies recognize revenue on a straight-line basis over the contract period. When an invoiced amount (right to invoice) directly corresponds to the consideration amount for the satisfied performance obligation, the Companies recognize revenue by the amount in which the invoice is entitled. Regarding estimates of progress toward complete satisfaction of performance obligations, the Companies apply a method that appropriately reflects the transfer of control and consistently apply it to similar performance obligations. In addition, the progress toward complete satisfaction of performance obligations is appropriately reviewed at the end of the fiscal year.

m. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The Company filed a consolidated tax return, which allows companies to file tax payments on the combined basis of profits or losses of the parent company and its wholly owned domestic subsidiaries. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

n. Foreign Currency Transactions

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

o. Foreign Currency Financial Statements

Assets, liabilities, and revenue and expense accounts of the foreign consolidated subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate.

Differences arising from such translation are included in foreign currency translation adjustments and non-controlling interests in consolidated subsidiaries as a separate component of net assets.

p. Amounts Per Share

Basic profit per share is computed based on the profit attributable to common shareholders of the parent and the weighted average number of shares of common stock outstanding during the year, and diluted profit per share is computed based on the profit attributable to owners of parent's common stock and weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of warrants and stock subscription rights.

Net assets per share are computed based on the net assets excluding share subscription rights and non-controlling interests and the number of shares of common stock outstanding at the year end.

q. Other Significant Accounting Policies for Preparation of Consolidated Financial Statements

The Company and some domestic consolidated subsidiaries applied the Group Tax Sharing System from the beginning of the current fiscal year.

r. Accounting Standard for Disclosure of Accounting Estimates

1. Revenues recognized over time by measuring progress toward complete satisfaction of performance obligations

(1) Amounts recorded for the year ended March 31, 2023

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Sales	¥107,118	¥94,957	$805,398
Ending balance of contract assets (construction contract receivable for the previous fiscal year)	56,693	46,349	426,270

Note: The above amounts represent unfinished, undelivered, or imcomplete contracts of job-order production goods, contract works and rendering of services, which recognize revenues over time by measuring progress toward complete satisfaction of performance obligations, as of the end of the current fiscal year. (Contracts which have satisfied the all performance obligations are not included. In addition, contracts in which revenues are recognized under the cost recovery method, which recognizes revenue only to the extent of the costs incurred expected to be recovered in the case that progress cannot be reasonably estimated, are not included.)

(2) Supplemental information for understanding the consolidated financial statements

a. Calculation method

For construction contracts, the Companies apply the method that revenue is recognized over time by measuring progress toward complete satisfaction of performance obligations (the cost-based input method is used in measuring the progress). The progress toward complete satisfaction of performance obligations is determined based on the ratio of costs incurred to the end of the fiscal year to the estimation of the total cost of the contract.

b. Key assumption

The estimates of total costs are calculated by aggregating objective prices such as third party quotations and internally approved standard unit prices. However, the estimates of total costs are the key assumption because the Companies also rely on their specialized knowledge of and experience in construction contract.

c. Effect on the subsequent fiscal year

Since construction contracts are, in general, long-term contracts, construction contracts may potentially be modified and there may be fluctuations in material, labor, and other such costs while construction contracts are still in progress. Corresponding to changes in the estimates of total costs, progress rates change and the amount of revenue to be recognized in the subsequent fiscal year may be affected.

2. Calculation of defined benefit obligation

(1) Amounts recorded for the year ended March 31, 2023

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Net defined benefit asset	¥19,918	¥22,516	$149,762
Net defined benefit liability	60,345	57,590	453,727
Remeasurements of defined benefit plans	(2,013)	1,107	(15,142)

(2) Supplemental information for understanding the consolidated financial statements

a. Calculation method

The Companies primarily apply defined benefit plans. Defined benefit obligation for defined benefit plans is estimated by payment calculation standard, based on discount rates and actuarial assumptions, such as mortality rates, retirement rates, salary inflation etc.

b. Key assumption

Discount rates are calculated by the yield curve equivalent approach primarily based on high quality corporate bonds.

c. Effect on the subsequent fiscal year

In the case that it is necessary to review discount rates, which are used to calculate defined benefit obligation, net defined benefit asset, net defined benefit liability, and remeasurements of defined benefit plans for the subsequent fiscal year may be affected.

s. Change in accounting policy

Application of "Accounting Standard for Fair Value Measurement"

From the beginning of the current fiscal year, the Companies applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ statement No. 31 issued on June 17, 2021). In accordance with the transitional treatment stipulated in paragraph 27-2 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement," the new accounting policy "Implementation Guidance on Accounting Standard for Fair Value Measurement" will be applied in the future. The application does not affect the consolidated financial statements.

t. Unapplied accounting standards

- **"Accounting Standard for Income Taxes - Current" (ASBJ Statement No. 27, October 28, 2022, Accounting Standards Board of Japan)**
- **"Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022)**
- **"Implementation Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022, ASBJ)**

(1) Overview

Transferring the practical guidelines on tax effect accounting at the JICPA to the ASBJ has been completed, after the release of ASBJ Statement No. 28 "Partial Amendments to Accounting Standard for Tax Effect Accounting" etc. in February 2018. In the course of deliberations, two issues would be considered again after the release of ASBJ Statement No.28. The result of consideration as follows.

- Classification of tax expenses (taxation on other comprehensive income)
- Tax effect on the sale of shares of subsidiaries or affiliates when the group corporation taxation is applied.

(2) Schedule date of adoption

The accounting standard will be applied from the beginning of the fiscal year ending March 31, 2025.

(3) Impact of adoption of accounting standard and implementation guidance

The effect of the application of the "Accounting Standard for Income Taxes-Current" and other related accounting standards on the consolidated financial statements is currently under evaluation.

Note 3. U.S. Dollar Amounts

The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetic results of translating yen into U.S. dollars at ¥133=U.S.$1, the approximate exchange rate as of March 31, 2023. The U.S. dollar amounts are presented solely for the convenience of the readers outside Japan.

Note 4. Inventories

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Merchandise and finished goods	¥ 64,500	¥ 55,051	$ 484,967
Work in process	54,642	51,827	410,847
Raw materials	79,549	63,417	598,106
Inventories	¥198,691	¥170,295	$1,493,920

Losses on valuation of inventories with lower profitability were ¥2,109 million ($15,861 thousand) and ¥71 million for the years ended March 31, 2023 and 2022, respectively. These were included in cost of sales.

Note 5. Pledged Assets and Financial Assets Accepted as Collateral

The amounts of assets pledged as collateral for trade payables, short-term debt and long-term debt as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Investment securities	¥ 17	¥ 17	$ 133
Property, plant and equipment	424	443	3,189
Total	¥ 441	¥ 460	$3,322

Collateralized liabilities as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Trade payables	¥ 78	¥ 78	$ 589
Short-term debt	291	153	2,189
Total	¥ 369	¥ 231	$2,778

Note 6. Financial Instruments

1. Status of financial instruments

(1) Policy regarding financial instruments

The Companies limit the scope of their cash and fund management activities to short-term deposits. When raising funds, the Companies have a policy of relying principally on bank borrowings, bonds payable and commercial paper. The Companies mainly raise the operating funds through short-term loans payable and commercial paper, and the funds relating to capital investments through long-term loans payable and bonds payable. The Companies make use of derivatives to reduce risk, as explained below, and have a policy of not engaging in derivative transactions for speculative purposes.

(2) Details of financial instruments and associated risk

In the course of its business activities, trade receivables are exposed to customer credit risk.

In addition, trade receivables denominated in foreign currencies arising from international business are exposed to exchange risk. The Companies hedge the exchange risk, by using foreign exchange forward contracts within the range prescribed relating to the net amount of the trade receivables denominated in foreign currencies, offset by the amount of the trade payables denominated in the same currencies.

Short-term investments and investment securities are comprised primarily of stocks of companies with which the Companies have business relation and are exposed to market price risk.

Trade payables are mostly payable within one year. Some trade payables are denominated in foreign currencies and exposed to exchange risk. The Companies hedge the exchange risk of the trade payables denominated in foreign currencies in principle, except for the amount within that of trade receivables denominated in the same currencies, by using foreign exchange forward contracts.

Short-term loans payable and commercial paper are primarily raised for the purpose of maintaining operating funds. Bonds payable, long-term loans payable and lease obligations on finance lease transactions are primarily raised for the purpose of preparing capital investment. The maturities of these bonds payable, long-term loans payable and lease obligations on finance lease transactions are up to 15 years at the longest after the balance sheet date. Some are exposed to interest rate fluctuation and exchange risk.

Regarding derivatives, the Companies employ foreign exchange forward contracts to reduce the risk of foreign currency exchange movements that arise from the previously mentioned receivables and payables denominated in foreign currencies. In addition, the Companies use commodity swap transactions to reduce the risk of fluctuation of commodity prices for raw materials. As hedging instruments under hedge accounting, the Companies enter into these derivative transactions in accordance with Companies' policies to reduce the corresponding risk to each hedged item. The Companies compare the market change of hedged items and hedging instruments or the cash flow changes. Assessment of effectiveness for hedging activities depends on the ratio of the amount of change.

(3) Systems for management of financial instruments risk

a) Credit risk management (the risk that transaction partners may default on their obligations to the Companies)

The credit risk in relation to trade receivables from customers, pursuant to criteria for managing credit exposure, is managed by controlling due dates and balances of each customer. In addition, the Companies manage to identify doubtful receivables earlier and mitigate their risk caused by aggravation of the financing position, etc.

Because the counterparties to derivative transactions are limited to authentic financial institutions, the Companies do not anticipate any losses arising from credit risk.

b) Market risk management (the risks arising from fluctuations in exchange rates, interest rates and other indicators)

The Companies, in principle, employ foreign exchange forward contracts to reduce the risk of foreign currency exchange movements that arise from the previously mentioned receivables and payables denominated in foreign currencies. In addition, the Companies use commodity swap transactions to reduce the risk of fluctuation of commodity prices for raw materials.

Regarding investment securities, the Companies periodically review the market value of such financial instruments and the financial position of the issuer (the company having business transactions with the Companies). In addition, other than debt securities to be held until maturity, the Companies review the status of these investments on a continuing basis.

Derivative transactions have been entered into in accordance with the Companies' policies. The execution of derivatives, which is based on the application of each section, is mainly controlled by the Finance Department of each company, or by the Material Section regarding commodity swap transactions. In addition, the Finance Department periodically reports to the management and each section, and strictly performs risk management relating to derivative transactions.

c) Liquidity risk management (the risk that the Companies may not be able to meet its payment obligations on the scheduled date)

The Companies reduce the liquidity risk by having each company review and revise cash management plans monthly or timely.

(4) Supplementary explanation of the estimated fair value of financial instruments and related matters

Since variable factors are taken into account in computing the fair value of financial instruments, the price is may fluctuate depending on different assumptions adopted. In addition, the contract (notional) amount of derivatives in "Note 8. Derivatives" is not an indicator of the actual market risk involved in derivative transactions.

2. Estimated fair value and other matters related to financial instruments

Carrying amounts on the consolidated balance sheets as of March 31, 2023 and 2022, estimated fair value and the variance between them are shown in the following table.

	Millions of yen		
	2023		
	Carrying amounts	Fair value	Variance
Accounts receivable-trade	¥236,462	¥236,308	¥ (154)
Investment securities	93,158	100,430	7,272
Bonds	(35,000)	(34,832)	(168)
Long-term debt	(28,600)	(28,566)	(34)
Lease obligations	(70,157)	(70,517)	360
Derivatives			
Derivative transactions to which hedge accounting is not applied	(239)	(239)	—
Derivative transactions to which hedge accounting is applied	348	348	—

Note: The following securities with no quoted market price are not included in the "Investment securities."

	Millions of yen
	2023
	Carrying amounts
Unlisted stocks (including stocks of unconsolidated subsidiaries and affiliates)	¥15,301

	Millions of yen		
	2022		
	Carrying amounts	Fair value	Variance
Accounts receivable-trade	¥217,731	¥217,702	¥ (29)
Investment securities	110,217	121,365	11,148
Bonds	(35,000)	(34,851)	(149)
Long-term debt	(66,276)	(66,264)	(12)
Lease obligations	(60,562)	(60,908)	346
Derivatives			
Derivative transactions to which hedge accounting is not applied	(150)	(150)	—
Derivative transactions to which hedge accounting is applied	731	731	—

Note: The following securities with no quoted market price are not included in the "Investment securities."

	Millions of yen
	2022
	Carrying amounts
Unlisted stocks (including stocks of unconsolidated subsidiaries and affiliates)	¥16,098

	Thousands of U.S. dollars (Note 3)		
	2023		
	Carrying amounts	Fair value	Variance
Accounts receivable-trade	$1,777,912	$1,776,756	$ (1,156)
Investment securities	700,443	755,113	54,670
Bonds	(263,157)	(261,898)	1,259
Long-term debt	(215,037)	(214,789)	248
Lease obligations	(527,497)	(530,207)	(2,710)
Derivatives			
Derivative transactions to which hedge accounting is not applied	(1,801)	(1,801)	—
Derivative transactions to which hedge accounting is applied	2,619	2,619	—

Note: The following securities with no quoted market price are not included in the "Investment securities."

	Thousands of U.S. dollars (Note 3)
	2023
	Carrying amounts
Unlisted stocks (including stocks of unconsolidated subsidiaries and affiliates)	$115,045

(*1) Figures shown in parentheses are liability items.
(*2) The value of assets and liabilities arising from derivatives is shown at net value, and a net liability position is shown in parentheses.
(*3) Since Cash and cash equivalents, Notes receivable-trade, Trade payables, and Short-term debt are settled in a short period of time, estimated fair values are virtually the same as the carrying amounts.

Note 1: Redemption schedule for monetary assets and securities with maturity dates as of March 31, 2023 and 2022:

	Millions of yen			
	2023			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	¥ 84,165	¥ —	¥ —	¥ —
Notes receivable-trade	76,013	—	—	—
Accounts receivable-trade	231,349	2,622	2,491	—
Total	¥391,527	¥ 2,622	¥ 2,491	¥ —

	Millions of yen			
	2022			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	¥ 91,350	¥ —	¥ —	¥ —
Notes receivable-trade	75,521	—	—	—
Accounts receivable-trade	215,671	1,579	482	—
Total	¥382,542	¥ 1,579	¥ 482	¥ —

	Thousands of U.S. dollars (Note 3)			
	2023			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	$ 632,823	$ —	$ —	$ —
Notes receivable-trade	571,529	—	—	—
Accounts receivable-trade	1,739,464	19,716	18,733	—
Total	$ 2,943,816	$ 19,716	$ 18,733	$ —

Note 2: Repayment schedule for long-term debt and lease obligations:
Please refer to “Note 9. Short-term Debt and Long-term Debt” and “Note 10. Lease Obligations.”

3. Fair value of financial instruments by levels

Financial instruments measured at fair value are classified into the following three levels based on the observability and significance of inputs used to measure such financial instruments.

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

Level 2: Fair value, other than Level 1, that is determined by directly or indirectly using the observable price

Level 3: Fair value determined by using valuation techniques that incorporate unobservable inputs

When several inputs are used for a fair value measurement, the level is determined based on the input that is significant with the lowest level in the fair value measurement.

(1) Financial instruments measured at fair value on the consolidated balance sheets

	Millions of yen			
	2023			
	Fair value			
Class of financial instrument	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Equity securities	¥83,754	¥ —	¥ —	¥83,754
Total financial assets at fair value	¥83,754	¥ —	¥ —	¥83,754
Derivatives				
Currency derivatives	¥ —	¥ 108	¥ —	¥ 108
Total derivatives at fair value	¥ —	¥ 108	¥ —	¥ 108

	Millions of yen			
	2022			
	Fair value			
Class of financial instrument	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Equity securities	¥99,698	¥ —	¥ —	¥99,698
Total financial assets at fair value	¥99,698	¥ —	¥ —	¥99,698
Derivatives				
Currency derivatives	¥ —	¥ 581	¥ —	¥ 581
Total derivatives at fair value	¥ —	¥ 581	¥ —	¥ 581

Class of financial instrument	Thousands of U.S. dollars (Note 3) 2023 Fair value Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Equity securities	$629,733	$ —	$ —	$629,733
Total financial assets at fair value	$629,733	$ —	$ —	$629,733
Derivatives				
Currency derivatives	$ —	$ 819	$ —	$ 819
Total derivatives at fair value	$ —	$ 819	$ —	$ 819

Note: The value of assets and liabilities arising from derivatives is shown at net value, and a net liability position is shown in parentheses.

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

Class of financial instrument	Millions of yen 2023 Fair value Level 1	Level 2	Level 3	Total
Accounts receivable-trade	¥ —	¥236,308	¥ —	¥236,308
Investment securities				
Unconsolidated subsidiaries and affiliates				
Shares of Affiliates	16,675	—	—	16,675
Total financial assets at fair value	¥16,675	¥236,308	¥ —	¥252,984
Bonds	¥ —	¥ 34,832	¥ —	¥ 34,832
Long-term debt	—	28,566	—	28,566
Lease obligations	—	70,519	—	70,519
Total financial liabilities at fair value	¥ —	¥133,917	¥ —	¥133,917

Class of financial instrument	Millions of yen 2022 Fair value Level 1	Level 2	Level 3	Total
Accounts receivable-trade	¥ —	¥217,702	¥ —	¥217,702
Investment securities				
Unconsolidated subsidiaries and affiliates				
Shares of Affiliates	21,666	—	—	21,666
Total financial assets at fair value	¥21,666	¥217,702	¥ —	¥239,368
Bonds	¥ —	¥ 34,851	¥ —	¥ 34,851
Long-term debt	—	66,264	—	66,264
Lease obligations	—	60,909	—	60,909
Total financial liabilities at fair value	¥ —	¥162,024	¥ —	¥162,024

Class of financial instrument	Thousands of U.S. dollars (Note 3) 2023 Fair value Level 1	Level 2	Level 3	Total
Accounts receivable-trade	$ —	$1,776,756	$ —	$1,776,756
Investment securities				
Unconsolidated subsidiaries and affiliates				
Shares of Affiliates	125,380	—	—	125,381
Total financial assets at fair value	$125,380	$1,776,756	$ —	$1,902,137
Bonds	$ —	$ 261,898	$ —	$ 261,898
Long-term debt	—	214,789	—	214,789
Lease obligations	—	530,207	—	530,207
Total financial liabilities at fair value	$ —	$1,006,895	$ —	$1,006,895

Notes: Measurement method and description of inputs for fair value for financial instruments

(1) Investment securities
The fair value of listed stocks is based on the quoted price. Since listed stocks are traded in active markets, the fair value is classified as Level 1.

(2) Derivatives
The fair values of foreign currency forward contracts and commodity swap contracts are based on the the prices provided by financial institutions and the fair value is classified as Level 2. In addition, since foreign currency forward contracts under the allocation method are treated together with accounts receivable-trade, contract assets and accounts payable-trade the fair value of such contracts is included in the fair value of the accounts.

(3) Accounts receivable-trade
The fair values of accounts receivable-trade, classified by each maturity, is based on the present value discounted by the interest rate that takes into account the maturity and the credit risk. The fair value is classified as Level 2.

(4) Bonds
The fair value of listed stocks is based on the quoted price provided by the Japan Securities Dealers Association. Since the quoted price is not in active markets, the fair value is classified as Level 2.

(5) Long-term debt (except bonds) and (6) Lease obligations
Fair values of long-term debt and lease obligations are based on the present value of the total principal and interest discounted by the interest rate that takes into account the maturity and the credit risk. The fair value is classified as Level 2.

Note 7. Securities

1. Other securities as of March 31, 2023 and 2022 were as follows:

	Millions of yen			
	2023			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	¥18,002	¥83,754	¥65,761	¥ (9)
Debt securities	—	—	—	—
Others	—	—	—	—
Total	¥18,002	¥83,754	¥65,761	¥ (9)

Note: Securities with no quoted market price is not included in the preceding tables:
Unlisted stocks (Values in the consolidated balance sheets as of March 31, 2023 was ¥4,035 million.)

	Millions of yen			
	2022			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	¥24,726	¥ 99,698	¥75,961	¥ (989)
Debt securities	—	—	—	—
Others	—	—	—	—
Total	¥24,726	¥ 99,698	¥75,961	¥ (989)

Note: Securities with no quoted market price is not included in the preceding tables:
Unlisted stocks (Values in the consolidated balance sheets as of March 31, 2022 was ¥4,062 million.)

	Thousands of U.S. dollars (Note 3)			
	2023			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	$135,356	$629,733	$494,444	$ (67)
Debt securities	—	—	—	—
Others	—	—	—	—
Total	$135,356	$629,733	$494,444	$ (67)

Note: Securities with no quoted market price is not included in the preceding tables:
Unlisted stocks (Values in the consolidated balance sheets as of March 31, 2023 was $30,344 thousand.)

2. Sales of other securities for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Proceeds from sales	¥15,053	¥16,388	$113,185
Gain on sales	9,064	9,627	68,153
Loss on sales	(298)	(21)	(2,245)

3. Impairment of other securities for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Impairment losses	¥1,236	¥ 239	$9,294

Note 8. Derivatives

1. Derivative transactions to which hedge accounting is not applied

	Millions of yen			
	2023			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. dollar	¥ 688	¥ —	¥ (8)	¥ (8)
Euro	2,329	—	(39)	(39)
Won	155	—	1	1
Baht	1,488	—	(16)	(16)
Payables:				
U.S. dollar	341	—	(0)	(0)
Yuan Renminbi	4,988	—	(177)	(177)
Yen	49	—	(0)	(0)
Total	¥10,038	¥ —	¥(239)	¥(239)

	Millions of yen			
	2022			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. dollar	¥ 678	¥ —	¥ (35)	¥ (35)
Euro	1,787	—	(77)	(77)
Won	286	—	(12)	(12)
Payables:				
U.S. dollar	259	—	6	6
Yen	1,956	—	(34)	(34)
Australia Dollar	27	—	2	2
Total	¥4,993	¥ —	¥(150)	¥(150)

	Thousands of U.S. dollars (Note 3)			
	2023			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. dollar	$ 5,179	$ —	$ (60)	$ (60)
Euro	17,518	—	(300)	(300)
Won	1,171	—	10	10
Baht	11,194	—	(125)	(125)
Payables:				
U.S. dollar	2,567	—	(4)	(4)
Yuan Renminbi	37,480	—	(1,320)	(1,320)
Yen	370	—	(2)	(2)
Total	$75,479	$ —	$(1,801)	$(1,801)

2. Derivative transactions to which hedge accounting is applied

Currency-related contracts

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen 2023 Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable-trade			
	U.S. Dollar		¥ 3,522	¥ 257	¥ (52)
	Euro		3,889	—	(46)
	Payables:	Accounts payable-trade			
	U.S. Dollar		550	—	0
	Euro		2,726	987	451
	Baht		612	—	(10)
	Singapore Dollar		176	—	5
	Yuan Renminbi		7	—	0
Allocation method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable-trade			
	U.S. Dollar		¥ 680	¥ —	
	Baht		797	—	
	Yuan Renminbi		180	—	
	Payables:	Accounts payable-trade			
	U.S. Dollar		227	—	
	Yen		4,142	—	
	Total		¥17,508	¥1,244	¥ 348

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen 2022 Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable-trade			
	U.S. Dollar		¥ 993	¥ —	¥ (4)
	Euro		2,910	—	(10)
	Payables:	Accounts payable-trade			
	U.S. Dollar		2,323	—	183
	Euro		4,127	2,353	560
	Australia Dollar		0	—	0
	Baht		23	—	2
Allocation method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable-trade			
	U.S. Dollar		¥ 189	¥ —	
	Euro		70	—	
	Yuan Renminbi		213	—	
	Baht		515	—	(Note2)
	Singapore Dollar		85	—	
	Payables:	Accounts payable-trade			
	U.S. Dollar		621	—	
	Euro		0	—	
	Yen		85	—	
	Total		¥12,154	¥2,353	¥ 731

Hedge accounting method	Type of derivative	Principal items hedged	Thousands of U.S. dollars (Note 3) 2023 Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable-trade			
	U.S. Dollar		$ 26,457	$1,936	$ (391)
	Euro		29,244	—	(349)
	Payables:	Accounts payable-trade			
	U.S. Dollar		4,138	—	2
	Euro		20,499	7,423	3,395
	Baht		4,604	—	(79)
	Singapore Dollar		1,324	—	41
	Yuan Renminbi		58	—	0
Allocation method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable-trade			
	U.S. Dollar		$ 5,112	$ —	
	Baht		5,997	—	
	Yuan Renminbi		1,356	—	
	Payables:	Accounts payable-trade			
	U.S. Dollar		1,710	—	
	Yen		31,144	—	
	Total		$131,643	$9,359	$2,619

Note 9. Short-term Debt and Long-term Debt

Short-term debt as of March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Loans, principally from banks	¥9,099	¥14,691	$68,415
Short-term debt	¥9,099	¥14,691	$68,415

Note: The weighted average interest rates on short-term debt as of March 31, 2023 and 2022 were 4.09% and 1.92%, respectively.

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Loans, principally from banks and insurance companies	¥ 66,376	¥ 96,569	$499,068
Bonds issued by the Company:			
0.28% Yen unsecured straight bonds due August 31, 2023	15,000	15,000	112,781
0.40% Yen unsecured straight bonds due May 21, 2027	10,000	10,000	75,187
0.40% Yen unsecured straight bonds due May 25, 2028	10,000	10,000	75,187
	101,376	131,569	762,226
Less: Portion due within one year	37,776	30,293	284,031
Long-term debt	¥ 63,600	¥101,276	$478,195

Note: The weighted average interest rates on loans, principally from banks and insurance companies, as of March 31, 2023 and 2022 were 0.26% and 0.26%, respectively.

As of March 31, 2023, the aggregate annual maturities of long-term debt were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 3)
2025	¥28,500	$214,288
2026	100	751
2027	—	—
2028	10,000	75,187
2029 thereafter	10,000	75,187
Total	¥48,600	$365,413

Note 10. Lease Obligations

Lease obligations as of March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Short-term	¥23,261	¥19,584	$174,900
Long-term	46,895	40,978	352,597
Total	¥70,156	¥60,562	$527,497

Note: The weighted average interest rates on lease obligations as of March 31, 2023 and 2022 were 2.23% and 2.01%, respectively.

As of March 31, 2023, the aggregate annual maturities of lease obligations were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 3)
2025	¥16,630	$125,039
2026	12,578	94,577
2027	9,473	71,227
2028	5,573	41,903
2029 thereafter	2,641	19,850
Total	¥46,895	$352,596

Note 11. Retirement Benefits

1. Outline of retirement benefits for employees

The Company and most of its consolidated subsidiaries have either funded or unfunded defined benefit plans and defined contribution pension plans.

Defined benefit corporate pension plans are all funded and cover substantially all employees who are entitled to lump-sum or annuity payments determined by reference to their basic rates of pay and length of service. In addition, retirement benefit trust has been established in certain pension plans.

Lump-sum payment plans are either unfunded or funded as a result of establishing retirement benefit trust. They cover substantially all employees who are entitled to lump-sum payments determined by reference to either points obtained with interest credits or their basic rates of pay and length of service.

Certain domestic consolidated subsidiaries adopted a simplified method in the calculation of net defined benefit liability and retirement benefit expense. Certain domestic consolidated subsidiaries have multi-employer corporate pension plans accounted for by the same methods used for defined contribution pension plans because they cannot reasonably calculate their portion of pension assets corresponding to their contributions.

2. Information on defined benefit pension plans

(1) The changes in the retirement benefit obligation except for plans accounted for by a simplified method during the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Retirement benefit obligation at the beginning of the year	¥169,152	¥173,241	$1,271,822
Service cost	3,015	3,374	22,673
Interest cost	2,263	2,331	17,020
Actuarial loss	277	295	2,083
Retirement benefits paid	(11,547)	(11,826)	(86,821)
Prior service cost	(37)	1,709	(282)
Others	38	28	283
Retirement benefit obligation at the end of the year	¥163,161	¥169,152	$1,226,778

(2) The changes in plan assets at fair value except for plans accounted for by a simplified method during the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Plan assets at fair value at the beginning of the year	¥136,420	¥143,162	$1,025,720
Expected return on plan assets	1,561	2,074	11,741
Actuarial gain	(2,880)	1,241	(21,660)
Contributions by the Companies	734	627	5,522
Retirement benefits paid	(10,554)	(10,689)	(79,357)
Others	8	5	61
Plan assets at fair value at the end of the year	¥125,289	¥136,420	$ 942,027

(3) The changes in defined benefit liability and asset calculated by a simplified method during the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Retirement benefit obligation at the beginning of the year	¥2,447	¥2,211	$18,404
Defined benefit asset at the beginning of the year	(104)	(10)	(787)
Retirement benefit expenses	333	324	2,510
Retirement benefits paid	(126)	(229)	(953)
Contributions	(18)	(36)	(141)
Others	23	83	181
Defined benefit liability at the end of the year	¥2,564	¥2,447	$19,284
Defined benefit asset at the end of the year	¥ (9)	¥ (104)	$ (70)

(4) The reconciliation of retirement benefit obligation and plan assets at fair value with net defined benefit liability and net defined benefit asset recognized in consolidated balance sheet were outlined as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Funded retirement benefit obligation	¥158,124	¥164,259	$1,188,904
Plan assets at fair value	(127,105)	(138,328)	(955,674)
	31,019	25,931	233,230
Unfunded retirement benefit obligation	9,408	9,143	70,734
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ 40,427	¥ 35,074	$ 303,964
Net defined benefit liability	60,345	57,590	$ 453,727
Net defined benefit asset	(19,918)	(22,516)	$ (149,763)
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ 40,427	¥ 35,074	$ 303,964

Note : Pension plans accounted for by a simplified method are included.

(5) The components of retirement benefit expenses for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Service cost	¥3,015	¥3,374	$22,673
Interest cost	2,263	2,331	17,020
Expected return on plan assets	(1,561)	(2,074)	(11,741)
Amortization of actuarial loss	(877)	1,475	(6,597)
Amortization of prior service cost	(769)	(774)	(5,788)
Retirement benefit expenses calculated by simplified method	333	324	2,510
Others	109	325	822
Retirement benefit expenses	¥2,513	¥4,981	$18,899

(6) The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Prior service cost	¥ 732	¥ 2,484	$ 5,505
Actuarial gain and loss	4,044	(2,404)	30,410
Total	¥4,776	¥ 80	$35,915

(7) The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Unrecognized prior service cost	¥ (2,538)	¥ (3,270)	$ (19,088)
Unrecognized actuarial gain and loss	4,614	571	34,703
Total	¥ 2,076	¥ (2,699)	$ 15,615

(8) The breakdown of plan assets by major category as of March 31, 2023 and 2022 were as follows:

	2023	2022
Debt securities	33%	36%
Deposit	20	21
Equity securities	18	19
General accounts at life insurance companies	29	23
Others	0	1
Total	100%	100%

Note: Retirement benefit trust established for the corporate pension plans is included and equivalent to 9% of total amount of plan assets as of March 31, 2023 and 9% of total amount of plan assets as of March 31, 2022.

The long-term expected rates of return on plan assets has been determined as a result of consideration of both the portfolio allocation at present and in the future, and long-term rates of return from multiple plan assets at present and in the future.

(9) The assumptions used in accounting for the defined benefit plans as of March 31, 2023 and 2022 were as follows:

	2023	2022
Discount rates	**0.27% – 1.40%**	0.27% – 1.40%
Long-term expected rates of return on plan assets	**mainly 1.5%**	mainly 2.0%
Expected rates of salary increase	**0.0% – 5.1%**	0.0% – 5.1%

3. Information on defined contribution pension plans

Contributions of defined contribution pension plans for the years ended March 31, 2023 and 2022 were ¥4,702 million ($35,360 thousand) and ¥4,786 million, respectively.

4. Information on multi-employer pension plans

Contributions to multi-employer welfare pension plans accounted for by the same methods used for defined contributions plans for the years ended March 31, 2023 and 2022 were ¥14 million ($109 thousand) and ¥14 million, respectively.

Note 12. Shareholders' Equity

1.Shares issued and outstanding / Treasury stock

The Companies Act of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

Movements in shares outstanding and treasury stock during the years ended March 31, 2023 and 2022 were as follows:

	Thousands of shares			
	March 31, 2022	Increase in the year	Decrease in the year	March 31, 2023
Shares outstanding:				
Common stock	**149,296**	**—**	**—**	**149,296**
Total	**149,296**	**—**	**—**	**149,296**
Treasury stock:				
Common stock	**6,461**	**1**	**0**	**6,462**
Total	**6,461**	**1**	**0**	**6,462**

	Thousands of shares			
	March 31, 2021	Increase in the year	Decrease in the year	March 31, 2022
Shares outstanding:				
Common stock	149,296	—	—	149,296
Total	149,296	—	—	149,296
Treasury stock:				
Common stock	6,457	3	0	6,461
Total	6,457	3	0	6,461

The increases of treasury stock were due to purchase of shares of less than one voting unit and the decreases of treasury stock were due to sales of shares at the request of shareholders who own less than one voting unit for the years ended March 31, 2023 and 2022.

2. Dividends

(1) Dividends paid

For the year ended March 31, 2023

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars (Note 3))	Dividends per share (yen)	Dividends per share (U.S. dollars (Note 3))	Cut-off date	Effective date
Meeting of the Board of Directors on May 26, 2022	Common stock	**¥7,855**	**$59,067**	**¥55.0**	**$0.41**	March 31, 2022	June 8, 2022
Meeting of the Board of Directors on October 27, 2022	Common stock	**7,855**	**59,067**	**55.0**	**0.41**	September 30, 2022	December 5, 2022

For the year ended March 31, 2022

Resolution	Type of shares	Total dividends (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Meeting of the Board of Directors on May 27, 2021	Common stock	¥6,427	¥45.0	March 31, 2021	June 9, 2021
Meeting of the Board of Directors on October 28, 2021	Common stock	6,427	45.0	September 30, 2021	December 2, 2021

(2) Dividends with the cut-off date in the year ended March 31, 2022 and effective date in the year ending March 31, 2023

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars (Note 3))	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. dollars (Note 3))	Cut-off date	Effective date
Meeting of the Board of Directors on May 25, 2023	Common stock	**¥8,570**	**$64,436**	Retained Earnings	**¥60.0**	**$0.45**	March 31, 2023	June 7, 2023

Dividends with the cut-off date in the year ended March 31, 2021 and effective date in the year ended March 31, 2022

Resolution	Type of shares	Total dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
Meeting of the Board of Directors on May 27, 2021	Common stock	¥6,427	Retained Earnings	¥45.0	March 31, 2021	June 9, 2021

Note 13. Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	**2023**
Research and development costs	**¥36,216**	¥33,756	**$272,303**

Note 14. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	**2023**
Salaries and wages	**¥86,542**	¥83,890	**$650,698**
Retirement benefit expenses	**3,552**	4,512	**26,708**
Research and development costs	**31,081**	29,416	**233,695**

Note 15. Extraordinary Income, Net

Extraordinary income, net, for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	**2023**
Extraordinary income			
Gain on sales of noncurrent assets	**¥ 939**	¥ 179	**$ 7,060**
Gain on sales of investment securities	**10,214**	10,358	**76,808**
Extraordinary loss			
Loss on disposal of noncurrent assets	**(569)**	(632)	**(4,281)**
Loss on devaluation of investment securities	**(1,236)**	(239)	**(9,293)**
Loss on sales of investment securities	**(298)**	—	**(2,245)**
Provision for loss on liquidation of subsidiaries and associates	**(1,115)**	—	**(8,390)**
Factory integration expenses	**—**	(335)	**—**
Loss on withdrawal from business	**—**	(141)	**—**
Extraordinary income (loss), net	**¥ 7,935**	¥9,190	**$59,659**

Note 16. Income Taxes

1. The components of income taxes for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Current	¥26,318	¥21,846	$197,876
Deferred	794	2,085	5,975
Income taxes	¥27,112	¥23,931	$203,851

The Company and its domestic consolidated subsidiaries are subject to corporate income tax, prefectural and municipal inhabitants' taxes and enterprise tax, based on income.

2. The significant components of deferred tax assets and liabilities as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Deferred tax assets			
Net defined benefit liability	¥20,189	¥20,003	$151,799
Inventories	8,808	8,272	66,227
Accrued employees' bonuses	7,943	7,583	59,728
Investment securities	6,989	6,735	52,555
Tangible fixed assets	1,981	2,147	14,895
Other	9,842	8,857	73,989
Gross deferred tax assets	55,752	53,597	419,193
Less: Valuation allowance	(10,189)	(9,107)	(76,612)
Total deferred tax assets	45,563	44,490	342,581
Deferred tax liabilities			
Unrealized gain on other securities	(20,510)	(23,444)	(154,215)
Investment securities	(1,124)	(1,342)	(8,457)
Other	(8,378)	(7,998)	(62,983)
Gross deferred tax liabilities	(30,012)	(32,784)	(225,655)
Net deferred tax assets (liabilities)	¥15,551	¥11,706	$116,926

3. The reconciliation between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2023 and 2022 were as follows:

	2023	2022
Statutory income tax rate	30.6%	30.6%
Tax credits	(3.7)	(3.2)
Tax rate difference of overseas consolidated subsidiaries	(3.0)	(3.1)
Permanent difference resulting from non-taxable income, including dividends received	(0.3)	(0.3)
Permanent difference resulting from expenses not deductible for income tax purposes	1.7	1.2
Valuation allowance	0.9	—
Other	2.1	1.8
Effective income tax rate	28.3%	27.0%

4. The accounting for income tax, local corporate income tax and its tax effect accounting

The Company and some domestic consolidated subsidiaries applied the Group Tax Sharing System from the beginning of the current fiscal year. Also, the Company and some domestic consolidated subsidiaries account and disclose income tax, local corporate income tax and its tax effect in accordance with the "Accounting and Disclosure Under the Group Tax Sharing System" (Practical Solution No.42 issued on August 12, 2021).

Note 17. Consolidated Statements of Comprehensive Income

Amounts reclassified to profit (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥ (1,070)	¥ 3,627	$ (8,048)
Reclassification adjustments	(8,128)	(9,504)	(61,116)
Before tax effect	(9,198)	(5,877)	(69,164)
Tax effect	2,996	1,655	22,528
Valuation difference on available-for-sale securities	(6,202)	(4,222)	(46,636)
Deferred gains or losses on hedges:			
Amount arising during the year	(382)	266	(2,879)
Before tax effect	(382)	266	(2,879)
Tax effect	117	(81)	882
Deferred gains or losses on hedges	(265)	185	(1,997)
Foreign currency translation adjustments:			
Amount arising during the year	8,175	13,959	61,470
Reclassification adjustments	24	—	177
Before tax effect	8,199	13,959	61,648
Tax effect	(24)	24	(170)
Foreign currency translation adjustments	8,175	13,983	61,478
Remeasurements of defined benefit plans:			
Amount arising during the year	(3,130)	(781)	(23,541)
Reclassification adjustments	(1,646)	701	(12,374)
Before tax effect	(4,776)	(80)	(35,915)
Tax effect	1,497	43	11,257
Remeasurements of defined benefit plans	(3,279)	(37)	(24,658)
Share of other comprehensive income of associates accounted for using equity method:			
Amount arising during the year	(18)	(56)	(136)
Reclassification adjustments	72	76	546
Share of other comprehensive income of associates accounted for using equity method	54	20	410
Total other comprehensive income	¥ (1,517)	¥ 9,929	$ (11,403)

Note 18. Contingent Liabilities

Contingent liabilities as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Guarantees	¥4,067	¥4,733	$30,586

Note 19. Leases

1. Finance lease transactions

(1) Leased assets

Leased assets primarily consist of machinery and equipment and software.

(2) Depreciation method for leased assets

Depreciation method for leased assets is as stated in "f. Depreciation, 2) Leased assets" in "Note 2. Summary of Significant Accounting Policies."

2. Operating lease transactions

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Due within one year	¥2,376	¥2,350	$17,867
Due after one year	4,570	6,275	34,363
Total	¥6,946	¥8,625	$52,230

Note 20. Revenue Recognition

1. Disaggregation of revenue

Disaggregation of revenue by geographical region for the year ended March 31, 2023 and 2022 were as follows:

	Millions of yen								
Year ended March 31, 2023	Power Electronics Energy	Power Electronics Industry	Semiconductors	Power Generation	Food and Beverage Distribution	Others	Subtotal	Adjustments	Total
Japan	¥181,920	¥278,337	¥101,704	¥64,851	¥91,095	¥54,335	¥ 772,242	¥(54,852)	¥ 717,390
Asia and other areas	61,939	36,269	26,228	18,404	1,395	1,891	146,126	(884)	145,242
China	12,921	19,684	51,891	231	2,021	3,509	90,257	(905)	89,352
Europe	1,334	9,105	22,271	408	—	2	33,120	(1)	33,119
America	5,964	10,054	4,134	3,442	746	54	24,394	(50)	24,344
Revenue from contracts with customers	¥264,078	¥353,449	¥206,228	¥87,336	¥95,257	¥59,791	¥1,066,139	¥(56,692)	¥1,009,447

	Millions of yen								
Year ended March 31, 2022	Power Electronics Energy	Power Electronics Industry	Semiconductors	Power Generation	Food and Beverage Distribution	Others	Subtotal	Adjustments	Total
Japan	¥164,304	¥255,720	¥ 81,596	¥64,531	¥85,647	¥49,918	¥701,716	¥(45,895)	¥655,821
Asia and other areas	46,971	29,711	26,321	11,535	1,344	1,717	117,599	(749)	116,850
China	15,649	24,621	54,564	232	3,523	3,052	101,641	(1,106)	100,535
Europe	436	7,091	12,324	118	—	2	19,971	0	19,971
America	3,611	7,006	4,002	2,147	269	22	17,057	(8)	17,049
Revenue from contracts with customers	¥230,971	¥324,149	¥178,807	¥78,563	¥90,783	¥54,711	¥957,984	¥(47,758)	¥910,226

	Thousands of U.S. dollars (Note 3)								
Year ended March 31, 2023	Power Electronics Energy	Power Electronics Industry	Semiconductors	Power Generation	Food and Beverage Distribution	Others	Subtotal	Adjustments	Total
Japan	$1,367,820	$2,092,761	$ 764,694	$487,602	$684,930	$408,530	$5,806,337	$(412,427)	$5,393,910
Asia and other areas	465,696	272,692	197,197	138,374	10,478	14,246	1,098,683	(6,652)	1,092,031
China	97,156	148,001	390,164	1,737	15,200	26,370	678,628	(6,805)	671,823
Europe	10,032	68,462	167,455	3,072	—	2	249,023	(1)	249,022
America	44,847	75,595	31,083	25,880	5,615	398	183,418	(376)	183,042
Revenue from contracts with customers	$1,985,551	$2,657,511	$1,550,593	$656,665	$716,223	$449,546	$8,016,089	$(426,261)	$7,589,828

Notes: Others segment consisted of business segments not attributable to reporting segments and included financial services, real estate operations, insurance agency services, travel agency services, printing and information services, etc.

2. Foundational information to understand revenue

The Companies account for revenue in accordance with I. Recognition for Revenue and Costs in “Note 2. Summary of Significant Accounting Policies.” The Companies’ methods for recognition of revenue for goods and services in each segment are as follows:

The Companies are engaged in a wide range of business activities, such as product development, production, sales, and services.

The Companies combine two or more contracts entered into at or near the same time with the same customer and account for the contracts as a single contract if one or more of the following criteria are met:

a) The contracts are negotiated as a package with a single commercial objective.
b) The amount of consideration to be paid in one contract depends on the price or performance of the other contract.
c) The goods or services promised in the contracts are a single performance obligation.

When a contract is modified in the scope or price (or both) of a contract that is approved by the parties to the contract, the Companies assess whether the contract modification is a separate contract or as if it were a part of the existing contract.

When a contract includes two or more goods or services, the Companies identify whether or not the performance obligation is distinct and determine accounting units.

If the Companies act as an agent to arrange for goods or services to be provided by the other party, the Companies recognize revenue in the net amount of consideration that the entity retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party.

The Companies assess the transaction price in an amount of consideration to which the Companies expect to be entitled in exchange for transferring the goods or services. If an amount of consideration varies, the Companies estimate the amount as a variable consideration and include it in the transaction price. The Companies include in the transaction price some or all of an amount of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Companies deduct rebates to be paid to a customer from revenue.

The Companies allocate the transaction price to each performance obligation on a relative stand-alone selling price basis. If a stand-alone selling price is not directly observable, the Companies estimate the stand-alone selling price by forecasting its expected costs of satisfying a performance obligation and then adding an appropriate margin for that good or service.

The Companies recognize revenue when (or as) the performance obligation is satisfied by transferring a promised good or service to a customer. The Companies determine at contract inception whether the Companies satisfy the performance obligation over time or satisfy the performance obligation at a point in time. The Companies satisfy a performance obligation and recognize revenue over time, if one of the following criteria are met.

a) The customer simultaneously receives and consumes the benefits provided by the Companies’ performance as the Companies perform.
b) The Companies’ performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
c) The Companies’ performance does not create an asset with an alternative use to the Companies and the Companies have an enforceable right to payment for performance completed to date.

If the above criteria are not met, the Companies recognize revenue at a point in time when the goods of services are transferred to a customer and the performance obligation is satisfied.

(1) Sales of standard goods

The Companies are engaged in sales goods and construction contracts such as power distribution and control equipment in Power Electronics Energy segment, inverters, FA components, measuring instruments and sensors in Power Electronics Industry segment, power semiconductors for industrial and vehicles in Semiconductors segment and beverage vending machines, vending machines for food and other goods, store equipment and currency handling equipment in Food and Beverage Distribution segment.

For these transactions, control of goods is transferred to a customers at a point in time.

For domestic sales, the Companies recognize revenue upon shipment because the period between shipment and transfer of control of goods to customer is a normal period. (Application of shipping standards)

For domestic sales for which shipping standards are not applied, the Companies recognize revenue upon delivery of goods to a customer.

For export transactions, the Companies recognize revenue upon delivery of goods to a customer specified in the trade terms.

(2) Sales of job-order production goods and contract works

The Companies are engaged in sales for goods and construction contracts such as substations, energy management systems, uninterruptible power systems(UPSs) and switchboards In the Power Electronics Energy segment, FA systems, drive control systems, measuring and control systems, transport systems, ship and harbor systems, radiation monitoring systems, electricity construction, air conditioning equipment construction, and ICT equipment and software In Power Electronics Industry segment and geothermal power generation, hydroelectric power generation, solar power generation, wind power generation, fuel cells, thermal power generation and nuclear power generation equipments in Power Generation segment.

For these transactions, the Companies apply the method that revenue is recognized over time by measuring progress toward complete satisfaction of performance obligations because its performance obligations are satisfied over time (the cost-based input method is used in measuring the progress).

(3) Rendering of services

The companies are engaged in services such as maintenance, inspection, repair, remodeling, and operation maintenance and management, related to (1) and (2).

For these transactions, the Companies apply the method that revenue is recognized over time based on the estimate of progress toward complete satisfaction of performance obligations because its performance obligations are satisfied over time (the cost-based input method is used in measuring the progress).

For maintenance contracts, etc., in which services are rendered to customers evenly over the contract period, the Companies recognize revenue on a straight-line basis over the contract period.

There is no significant financing component because the Companies expect, at contract inception, that the period between when the Companies transfer promised goods or services to a customer and when the customer pays for that goods or services will be one year or less.

3. Information to understand the amount of revenue for the current and subsequent fiscal year

(1) Contract assets and contract liabilities

Contract assets are the Companies' right to consideration in exchange for goods or services that the Companies have transferred to customers. Contract assets are transferred to accounts receivable-trade when the right to consideration become unconditional.

Contract liabilities are the Companies' obligation to transfer goods or services to customers for which the Companies have received consideration or the amount is due from the customers.

Notes for the ending balance of the notes receivable-trade, accounts receivable-trade and contract assets are omitted because these balances are separately presented in the consolidated balance sheet.

Revenue recognized in current fiscal year that was included in the contract liability balance for the years ended March 31, 2023 and 2022 were ¥29,024 million ($218,227 thousand) and ¥20,377 million, respectively.

In addition, revenue recognized in the current fiscal year from performance obligations satisfied(or partially satisfied) in the previous periods is immaterial.

(2) Transaction price allocated to the remaining performance obligations

The aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) for the years ended March 31, 2023 and 2022 were ¥424,692 million ($3,193,179 thousand) and ¥324,578 million, respectively. Of this amount, Power Electronics Energy, Power Electronics Industry and Power Generation have contracts that recognize revenue over time.

The unsatisfied performance obligations by segments are expected to be satisfied approximately within the following periods.

Power Electronics Energy:	within 2 years (within 3 years in previous fiscal year)
Power Electronics Industry:	within 3 years (within 4 years in previous fiscal year)
Power Generation:	within 5 years (within 6 years in previous fiscal year)

Regarding to the note for the "(2) Transaction price allocated to the remaining performance obligations," the Companies applied the practical expedient and did not include contracts that have an original expected duration of one year or less. In addition, the above amounts do not include the material estimates of variable consideration.

Note 21. Segment Information

1. Segment information

(1) Outline of reporting segments

The Companies' reporting segments are components for which separate financial information is available and whose operating results are reviewed regularly by the Board of Directors of the Company in order to make decisions about resource allocation and to assess performance. The Company has business headquarters by products and services at its head office. The business headquarters prepare comprehensively global strategies related to their products and services and control their business activities.

Accordingly, the Companies have the following five reporting segments, principally based on the business headquarters, that take into account the similarity of category and nature of products and services: Power Electronics Energy, Power Electronics Industry, Semiconductors, Power Generation, and Food and Beverage Distribution. These segments except for Semiconductors and Power Generation consist of 2 or more business segments.

Also, business segments have been changed in Power Electronics Energy and Power Electronics Industry due to the organaizational change.

The segments information of previous fiscal year has been reported on the basis of the reporting segment that this change has been reflected.

Main products and services of each reporting segment consist of the following:

Reporting segments	Main products and services
Power Electronics Energy	Substations, energy management systems, uninterruptible power systems(UPSs), switchboards, power distribution and control equipment
Power Electronics Industry	Inverters, FA components, measuring instruments, sensors, FA systems, drive control systems, measuring and control systems, transport systems, ship and harbor systems, radiation monitoring systems, electricity construction, air conditioning equipment construction, ICT equipment and software
Semiconductors	Power semiconductors for industrial and vehicles
Power Generation	Geothermal power generation, hydroelectric power generation, solar power generation, wind power generation, fuel cells, thermal power generation, nuclear power-related equipment
Food and Beverage Distribution	Beverage vending machines, vending machines for food and other goods, store equipment, currency handling equipment

(2) Calculation method of net sales, profit or loss, assets, liabilities and other items on each reporting segment

The accounting policies applied by each reporting segment are consistent with those described in "Note 2. Summary of Significant Accounting Policies." Segment profit or loss presented in segment information is based on operating profit in the consolidated statements of income. Intersegment sales and transfer are determined by market value.

(3) Information on net sales, profit or loss, assets, liabilities and other items by each reporting segment

Reporting segment information for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen								
Year ended March 31, 2023	Power Electronics Energy	Power Electronics Industry	Semiconductors	Power Generation	Food and Beverage Distribution	Others	Total	Adjustments	Consolidated
Sales, profits or losses and assets by reporting segments									
Net sales									
Sales to third parties	¥258,936	¥333,704	¥201,581	¥87,169	¥94,274	¥33,783	¥1,009,447	¥ —	¥1,009,447
Inter-segment sales and transfers	5,142	19,745	4,647	167	983	26,008	56,692	(56,692)	—
Total sales	264,078	353,449	206,228	87,336	95,257	59,791	1,066,139	(56,692)	1,009,447
Segment profits (losses)	¥ 26,884	¥ 24,882	¥ 32,186	¥ 3,550	¥ 4,350	¥ 3,752	¥ 95,604	¥ (6,722)	¥ 88,882
Segment assets	¥241,043	¥322,828	¥314,704	¥79,430	¥73,470	¥35,954	¥1,067,429	¥114,123	¥1,181,552
Other items									
Depreciation and amortization	¥ 5,746	¥ 7,536	¥ 27,146	¥ 1,299	¥ 2,131	¥ 893	¥ 44,751	¥ 1,187	¥ 45,938
Investments for companies applied equity method	¥ 10,821	¥ 1,812	¥ —	¥ —	¥ —	¥ —	¥ 12,633	¥ —	¥ 12,633
Capital expenditures	¥ 7,983	¥ 9,706	¥ 72,657	¥ 1,230	¥ 2,191	¥ 571	¥ 94,338	¥ 2,021	¥ 96,359

	Millions of yen								
Year ended March 31, 2022	Power Electronics Energy	Power Electronics Industry	Semiconductors	Power Generation	Food and Beverage Distribution	Others	Total	Adjustments	Consolidated
Sales, profits or losses and assets by reporting segments									
Net sales									
Sales to third parties	¥227,415	¥308,625	¥174,249	¥78,487	¥90,191	¥31,259	¥910,226	¥ —	¥ 910,226
Inter-segment sales and transfers	3,556	15,524	4,558	76	592	23,452	47,758	(47,758)	—
Total sales	230,971	324,149	178,807	78,563	90,783	54,711	957,984	(47,758)	910,226
Segment profits (losses)	¥ 21,217	¥ 23,823	¥ 27,136	¥ 3,124	¥ 3,007	¥ 2,839	¥ 81,146	¥ (6,311)	¥ 74,835
Segment assets	¥212,671	¥310,254	¥267,172	¥79,490	¥75,047	¥35,034	¥979,668	¥137,444	¥1,117,112
Other items									
Depreciation and amortization	¥ 5,668	¥ 7,647	¥ 20,827	¥ 1,291	¥ 2,537	¥ 904	¥ 38,874	¥ 1,095	¥ 39,969
Investments for companies applied equity method	¥ 12,043	¥ 1,851	¥ —	¥ —	¥ —	¥ —	¥ 13,894	¥ —	¥ 13,894
Capital expenditures	¥ 5,518	¥ 10,486	¥ 39,543	¥ 1,047	¥ 1,149	¥ 624	¥ 58,367	¥ 1,680	¥ 60,047

Year ended March 31, 2023	Power Electronics Energy	Power Electronics Industry	Semiconductors	Power Generation	Food and Beverage Distribution	Others	Total	Adjustments	Consolidated
	Thousands of U.S. dollars (Note 3)								
Sales, profits or losses and assets by reporting segments									
Net sales									
Sales to third parties	$1,946,890	$2,509,059	$1,515,647	$655,407	$708,833	$253,993	$7,589,829	$ —	$7,589,829
Inter-segment sales and transfers	38,662	148,452	34,946	1,258	7,391	195,552	426,261	(426,261)	—
Total sales	1,985,552	2,657,511	1,550,593	656,665	716,224	449,545	8,016,090	(426,261)	7,589,829
Segment profits (losses)	$ 202,137	$ 187,089	$ 242,006	$ 26,697	$ 32,708	$ 28,194	$ 718,831	$ (50,544)	$ 668,287
Segment assets	$1,812,356	$2,427,279	$2,366,196	$597,219	$552,412	$270,327	$8,025,789	$ 858,061	$8,883,850
Other items									
Depreciation and amortization	$ 43,204	$ 56,664	$ 204,105	$ 9,772	$ 16,029	$ 6,720	$ 336,494	$ 8,907	$ 345,401
Investments for companies applied equity method	$ 81,362	$ 13,629	$ —	$ —	$ —	$ —	$ 94,991	$ —	$ 94,991
Capital expenditures	$ 60,029	$ 72,979	$ 546,296	$ 9,250	$ 16,475	$ 4,282	$ 709,311	$ 15,197	$ 724,508

Notes: 1. Others segment consisted of business segments not attributable to reporting segments and included financial services, real estate operations, insurance agency services, travel agency services, printing and information services, etc.

2. The adjustments for segment information above were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Corporate expense*	¥ (6,730)	¥ (6,270)	$ (50,607)
Elimination of intersegment sales	8	(41)	63
Total	¥ (6,722)	¥ (6,311)	$ (50,544)

* Corporate expense mainly consisted of administration cost of the Company.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Corporate assets*	¥ 299,458	¥ 288,299	$ 2,251,564
Elimination of intersegment transactions	(185,337)	(150,855)	(1,393,504)
Total	¥ 114,121	¥ 137,444	$ 858,060

* Corporate assets mainly consisted of invested cash surpluses (cash and cash equivalents), long-term invested assets (investment securities), assets relating to administration department and assets of a financing subsidiary company.

3. Segment profits (losses) were reconciled to operating profit (loss) in the consolidated statements of income.

2. Related Information

Related information for the years ended March 31, 2023 and 2022 were as follows:

Geographic information

(a) Sales

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Japan	¥ 717,390	¥655,821	$5,393,910
Asia (except for China), Others	145,242	116,850	1,092,031
China	89,352	100,535	671,823
Europe	33,119	19,971	249,022
America	24,344	17,049	183,042
Consolidated	¥1,009,447	¥910,226	$7,589,828

Note: Net sales information above is based on customer location.

(b) Tangible fixed assets

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Japan	¥217,360	¥191,526	$1,634,292
Asia (except for China), Others	47,985	24,085	360,778
China	16,798	16,779	126,303
Europe	606	612	4,559
America	1,163	673	8,749
Consolidated	¥283,912	¥233,675	$2,134,681

3. Information on impairment loss of fixed assets by each reporting segment

None

4. Information on amortization of goodwill and unamortized balance by each reporting segment

Information on amortization of goodwill and unamortized balance by each reporting segment for the year ended March 31, 2023 and 2022 were as follows:

	Millions of yen						
Year ended March 31, 2023	Power Electronics Energy	Power Electronics Industry	Semiconductors	Power Generation	Food and Beverage Distribution	Others	Consolidated
Amortization	¥ —	¥ 823	¥ 12	¥ —	¥ —	¥ —	¥ 835
Balance as of March 31	¥ —	¥5,152	¥ 28	¥ —	¥ —	¥ —	¥5,180

	Millions of yen						
Year ended March 31, 2022	Power Electronics Energy	Power Electronics Industry	Semiconductors	Power Generation	Food and Beverage Distribution	Others	Consolidated
Amortization	¥ —	¥ 817	¥ 11	¥ —	¥ —	¥ —	¥ 828
Balance as of March 31	¥ —	¥5,934	¥ 38	¥ —	¥ —	¥ —	¥5,972

	Thousands of U.S. dollars (Note 3)						
Year ended March 31, 2023	Power Electronics Energy	Power Electronics Industry	Semiconductors	Power Generation	Food and Beverage Distribution	Others	Consolidated
Amortization	$ —	$ 6,189	$ 89	$ —	$ —	$ —	$ 6,278
Balance as of March 31	$ —	$38,737	$ 216	$ —	$ —	$ —	$38,953

5. Information on gain on negative goodwill by each reporting segment

None

Note 22. Information on Transactions with Related Parties

For the year ended March 31, 2023

None

Note 23. Business Combinations

For the year ended March 31, 2023

This disclosure is omitted due to the immateriality.

Note 24. Asset Retirement Obligations

Asset retirement obligations recorded on the consolidated balance sheets

1. Outline of asset retirement obligations

The Companies record asset retirement obligations related to the expenses for removing asbestos from company-owned buildings upon their dismantlement and the obligations to restore head offices, sales offices and other premises to their original condition upon termination of their lease contracts.

Regarding some of the obligations to restore head offices, sales offices and other premises to their original condition, the Companies estimate nonrecoverable amounts of deposits for those premises and record the portion attributable to the current fiscal year as expenses, instead of recording asset retirement obligations.

2. Calculation method of asset retirement obligations

In calculating the amounts of asset retirement obligations, the Companies estimate a period of use between 9 and 49 years and use a discount rate equivalent to the interest rate of government bonds corresponding to the use period (0.03% to 2.3%).

3. Changes in the total amounts of asset retirement obligations

Changes in the total amounts of asset retirement obligations for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2022	2023
Balance at the beginning of the year	¥2,523	¥1,900	$18,973
Increase due to acquisition of tangible fixed assets	3	—	26
Change in estimate	—	642	—
Adjustment due to passage of time	6	6	50
Decrease due to fulfillment of obligations	(9)	(25)	(76)
Balance at the end of the year	¥2,523	¥2,523	$18,973

Note 25. Amounts Per Share

Information on amounts per share for the years ended March 31, 2023 and 2022 was as follows:

	Yen		U.S. dollars (Note 3)
	2023	2022	2023
Net assets per share	¥3,620.23	¥3,310.80	$27.220
Profit per share	429.50	410.68	3.229

Note: Diluted profit per share in 2023 and 2022 is not disclosed because there is no potential common stock that has a dilutive effect.

Independent Auditor's Report

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Independent Auditor's Report

The Board of Directors
Fuji Electric Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Fuji Electric Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2023, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

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Revenue recognized over time by measuring progress toward complete satisfaction of performance obligations	
Description of Key Audit Matter	**Auditor's Response**
As described in Note 2. r. "Accounting Standard for Disclosure of Accounting Estimates" (1. Revenues recognized over time by measuring progress toward complete satisfaction of performance obligations), mainly in the Power Electronics segments and the Power Generation segment, the Fuji Electric Group("the group") applies the method of measuring the progress towards complete satisfaction of performance obligations and recognizes revenue over time (the cost-based input method is used in measuring the progress) for the sales of job-order production goods, contract works and rendering of services through construction contracts ("construction contracts"). The group recognizes revenue over time by measuring the progress toward complete satisfaction of performance obligations from unfinished, undelivered, or incomplete construction contracts, and the amount as of the end of this fiscal year was 107,118 million yen, accounting for 10% of total sales of 1,009,447 million yen recorded for this fiscal year. Progress toward complete satisfaction of performance obligations is determined based on the ratio of costs incurred to the end of the fiscal year to the estimation of the total cost of the contract. Each construction contract has different fundamental specifications and work details because they are determined in accordance with each customer's instructions. Accordingly, the estimation of the total cost involves certain assumptions and judgements that are based on expertise knowledge of and experience related to the project and are subject to uncertainty. Further, given that construction contracts are generally long-term in nature, it is necessary	We mainly performed the following audit procedures to evaluate the validity of the estimation of the total cost in cases where the progress toward complete satisfaction of performance obligations is measured and revenue is recognized over time. (1) Evaluation of internal controls We evaluated the design and operating effectiveness of the following internal controls relating to estimates of the total cost. ・Controls to ensure reliability by requiring that a breakdown of the execution budget (a budget prepared and approved for managing project costs) on which estimates of the total cost are based is prepared by responsible personnel with expertise knowledge and approved by managers ・System to confirm that each of the elements of the total cost are accumulated and calculated in detail based on objective prices such as third party quotations and internally approved standard unit prices ・System for revising estimates of the total cost in a timely manner incorporating factors such as project progress and the amounts of costs actually incurred, or changes in specifications instructed by customers ・System for the effective and timely monitoring of the estimation of the total cost under the cost management department, which is responsible for the reliability of estimation of the total cost (2) Evaluation of the validity of estimation of the total cost We identified projects involving a quantitatively or qualitatively high degree of uncertainty over the estimation of the total cost in light of factors such as contract amount, details and progress of project, and

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to review the total cost because contracts may need to be revised due to the fluctuations in material, labor, and other costs while construction is still in progress. However, making timely and appropriate revisions of the total cost also involve certain assumptions and judgements that are based on expertise knowledge of and experience related to the project, and are subject to uncertainty. Therefore, we consider the estimation of the total cost made in measuring the progress toward complete satisfaction of performance obligations to be of particular significance in this fiscal year and, accordingly, we have determined that this is a key audit matter.	performed the following procedures. ・We reconciled the estimation of the total cost to breakdowns of the execution budget on which calculations of such estimates are based, and evaluated whether cost details are consistent with construction contracts and calculated by accumulating each of the total cost elements, and whether breakdowns of the execution budget contain any adjustment items with abnormal amounts included in response to future uncertainty. ・Changes in the total cost from the end of the previous fiscal year were above a certain threshold, we evaluated whether the details of such changes are consistent with the current status of the project by making inquiries of project managers and reconciling changes to work schedules and quotations from suppliers. ・We made inquiries of project managers about changes in contracts, project progress, and judgements of whether revisions need to be made to the total cost, and evaluated the reasonableness of their responses with reference to work schedules and amounts of costs incurred. ・We conducted inspections of construction sites and evaluated whether the project progress is consistent with estimation of the total cost and progress toward complete satisfaction of performance obligations. ・We evaluated the process for estimating total cost by comparing estimation of the total cost as of the end of the previous fiscal year with the re-estimated amounts or outcomes of such estimations.

Other Information

The other information comprises the information included in Fuji Electric Report Financials that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's reporting process of the other information.

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

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

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

We have nothing to report in this regard.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

September 25, 2023

狩野 茂行
Shigeyuki Kano
Designated Engagement Partner
Certified Public Accountant

伊藤 正広
Masahiro Ito
Designated Engagement Partner
Certified Public Accountant

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