Torishima Pump Mfg. Co., Ltd.

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Torishima Pump Mfg. Co., Ltd.:

Opinion

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

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

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Revenue recognized over certain period time of construction contracts in the Middle East region whose performance obligation is satisfied over the certain period	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As stated in Note 3 (Significant Accounting Estimates), the Group recognizes revenue from construction contracts over time based on the estimated progress toward complete satisfaction of its performance obligations. Sales of ¥18,473 million ($139,873 thousand) in the consolidated statement of income for the year ended March 31, 2023 were recognized over time based on the progress toward completion of the construction, of which ¥1,983 million ($14,798 thousand) was related to sales to the Middle East region. The Group operates the business in manufacturing, sales and installation of pumps and other products as well as maintenance services. Construction projects may not proceed as planned based on the volatility of political and economic circumstances and different business practices in the Middle East region. The progress toward complete satisfaction of performance obligations in the construction contracts in the Middle East region are estimated using an input method, which measures a ratio of the costs incurred to date against the total expected costs in order to satisfy the performance obligations. The estimated total costs for large construction projects involve management's estimates and may increase uncertainties especially when such projects do not progress as planned. As the estimated total contract costs in relation to the construction contracts in the Middle East region involve uncertainties and require significant management's judgment, we determined it to be as a key audit matter.	Our audit procedures related to the estimated total contract costs related to sales from construction contracts in the Middle East region included the following, among others: - We tested the design and operating effectiveness of controls over management's estimate of the total contract costs and revisions to such estimate. - We inspected contracts and related memorandums with customers and evaluated whether the scope and period of the projects are consistent with such contractual documentations. - We evaluated the reasonableness of the estimated total contract costs by reconciling them to the contracts with vendors and internal supporting documentations of the cost estimates. - We evaluated the accuracy of estimation of total contract costs by comparing the original estimates of contract costs to the latest estimates and investigating any differences. - We evaluated management's decision on whether it is necessary to revise the estimates of total contract costs by inquiring of the management, inspecting relevant supporting documents, such as working budgets and progress and monthly reports, and analyzing the trends in the actual costs incurred. - We evaluated the reasonableness of the estimated total contract costs by comparing them to the actual costs incurred by cost component and inspecting supporting documents, such as invoices and inspection acceptances.

Other Information

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

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

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

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

Deloitte Touche Tohmatsu LLC

August 8, 2023

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2023

ASSETS	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars (Note 1) 2023
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	¥ 11,730	¥ 13,496	$ 87,537
Short-term investments (Note 5)	148	31	1,104
Receivables:			
Trade and contract asset (Note 13)	31,654	25,692	236,223
Unconsolidated subsidiaries and associated companies	351	81	2,619
Other	483	253	3,604
Allowance for doubtful accounts	(730)	(1,333)	(5,447)
Inventories (Note 6)	14,305	11,158	106,753
Advance payments	2,067	1,169	15,425
Other current assets	1,309	860	9,768
Total current assets	61,321	51,411	457,619
PROPERTY, PLANT AND EQUIPMENT (Note 20):			
Land (Note 8)	2,394	2,393	17,865
Buildings and structures (Note 8)	14,305	14,351	108,544
Machinery and equipment	17,182	16,823	128,223
Construction in progress	276	89	2,059
Lease assets	2,047	2,080	15,276
Total	36,446	35,737	271,985
Accumulated depreciation	(21,815)	(20,148)	(162,798)
Net property, plant and equipment	14,631	15,589	109,186
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 15)	9,624	8,862	71,820
Investments in and advances to unconsolidated subsidiaries and associated companies	1,961	1,646	14,634
Software	297	278	2,216
Asset for retirement benefits (Note 9)	1,410	1,361	10,522
Deferred tax assets (Note 12)	108	118	805
Other assets	718	747	5,358
Total investments and other assets	14,122	13,014	105,388
TOTAL	¥ 90,075	¥ 80,015	$ 672,201

LIABILITIES AND EQUITY	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars (Note 1) 2023
CURRENT LIABILITIES:			
Short-term borrowings (Note 8)	¥ 2,233	¥ 2,291	$ 16,664
Current portion of long-term debt (Notes 8 and 15)	1,776	2,600	13,253
Payables:			
Trade	12,526	10,609	93,477
Unconsolidated subsidiaries and associated companies	170	20	1,268
Other	1,443	1,343	10,768
Contract liabilities (Note 13)	6,129	2,908	45,738
Income taxes payable	655	569	4,888
Allowance for product warranties	691	923	5,156
Allowance for losses on construction contracts	650	546	4,850
Accrued bonuses	989	986	7,380
Accrued expenses	918	757	6,850
Other current liabilities	1,061	1,019	7,917
Total current liabilities	29,246	24,577	218,253
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 15)	12,600	11,817	94,029
Liability for retirement benefits (Note 9)	300	271	2,238
Deferred tax liabilities (Note 12)	1,536	1,283	11,462
Other long-term liabilities	869	793	6,485
Total long-term liabilities	15,306	14,165	114,223
COMMITMENTS AND CONTINGENT LIABILITIES (Note 16)			
EQUITY (Notes 10, 11, and 19):			
Common stock, authorized, 60,000 thousand shares; issued 29,112 thousand shares in 2023 and 29,112 thousand shares in 2022	1,592	1,592	11,880
Capital surplus	6,703	7,118	50,022
Stock acquisition rights	77	77	574
Retained earnings	33,871	30,725	252,768
Treasury stock—at cost 2,660 thousand shares in 2023 and 2,724 thousand shares in 2022	(2,000)	(2,008)	(14,925)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	2,857	2,342	21,320
Deferred gain (loss) on derivatives under hedge accounting	(536)	(525)	(4,000)
Foreign currency translation adjustments	2,027	929	15,126
Defined retirement benefit plans	591	722	4,410
Total	45,183	40,975	337,186
Noncontrolling interests	339	296	2,529
Total equity	45,523	41,272	339,723
TOTAL	¥90,075	¥80,015	$ 672,201

See notes to consolidated financial statements.

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
NET SALES (Notes 13 and 20)	¥64,659	¥52,240	$482,529
COST OF SALES (Note 14)	46,334	37,147	345,776
Gross profit	18,325	15,092	136,753
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 14)	12,397	10,646	92,514
Operating income	5,927	4,445	44,231
OTHER INCOME (EXPENSES):			
Interest and dividend income	278	242	2,074
Interest expense	(106)	(106)	(791)
Gain on sales of investment securities	11	60	82
Gain (loss) on foreign exchange—net	(758)	193	(5,656)
Rent income	117	119	873
Equity in earnings of associated companies	145	181	1,082
Loss on disposal of property, plant and equipment	(3)	(203)	(22)
Insurance income	2	8	14
Grant income	-	38	-
Impairment loss (Note 7)	(39)	-	(291)
Other—net	49	89	365
Other income (expenses)—net	(303)	622	(2,261)
INCOME BEFORE INCOME TAXES	5,623	5,068	41,962
INCOME TAXES (Note 12):			
Current	1,146	1,070	8,552
Deferred	17	319	126
Total income taxes	1,164	1,390	8,686
NET INCOME	4,459	3,677	33,276
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(55)	(51)	(410)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 4,404	¥ 3,626	$ 32,865
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.w and 18):			
Basic net income	¥166.50	¥137.87	$1.24
Diluted net income	166.05	137.49	1.23
Cash dividends applicable to the year	52.00	42.00	0.38

See notes to consolidated financial statements.

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
NET INCOME	¥4,459	¥3,677	$33,276
OTHER COMPREHENSIVE INCOME (LOSS) (Note 17):			
Unrealized gain on available-for-sale securities	513	65	3,828
Deferred loss on derivatives under hedge accounting	(11)	(381)	(82)
Foreign currency translation adjustments	1,111	912	8,291
Defined retirement benefit plans	(131)	(35)	(977)
Share of other comprehensive income in associates	5	1	37
Total other comprehensive income	1,487	561	11,097
COMPREHENSIVE INCOME	¥5,947	¥4,239	$44,380
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥5,873	¥4,164	$43,828
Noncontrolling interests	73	74	544

See notes to consolidated financial statements.

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries

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

	Thousands		Millions of Yen												
								Accumulated Other Comprehensive Income						
	Issued Number of Shares of Common Stock	Number of Shares of Treasury Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Non controlling Interests	Total Equity
BALANCE, MARCH 31, 2021	29,512	(3,333)	¥1,592	¥7,388	¥112	¥27,780	¥(2,464)	¥2,277	¥(143)	¥ 39	¥ 758	¥37,341	¥267	¥37,609
Cumulative effects of changes in accounting policies						67						67		67
Net income attributable to owners of the parent						3,626						3,626		3,626
Cash dividends, ¥42.00 per share						(748)						(748)		(748)
Purchase of treasury stock		(0)					(0)					(0)		(0)
Disposal of treasury stock		209		17			169					187		187
Cancellation of treasury stock	(400)	400		(286)			286					-		-
Changes of scope of consolidation				(1)								(1)		(1)
Net change in the year					(35)			65	(381)	890	(35)	502	28	531
BALANCE, MARCH 31, 2022	29,112	(2,724)	1,592	7,118	77	30,725	(2,008)	2,342	(525)	929	722	40,975	296	41,272
Net income attributable to owners of the parent						4,404						4,404		4,404
Cash dividends, ¥52.00 per share						(1,285)						(1,285)		(1,285)
Purchase of treasury stock		(66)					(100)					(100)		(100)
Disposal of treasury stock		131		19			108					128		128
Cancellation of treasury stock												-		-
Changes of scope of consolidation				(434)		26						(408)		(408)
Net change in the year								514	(11)	1,097	(131)	1,468	43	1,512
BALANCE, MARCH 31, 2023	29,112	(2,660)	¥1,592	¥6,703	¥ 77	¥33,871	¥(2,000)	¥2,857	¥(536)	¥2,027	¥ 591	¥45,183	¥339	¥45,523

	Thousands of U.S. Dollars (Note 1)												
						Accumulated Other Comprehensive Income							
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Non controlling Interests	Total Equity
BALANCE, MARCH 31, 2022	$11,880	$53,119	$574	$229,291	$(14,985)	$17,477	$(3,917)	$ 6,932	$5,388	$305,783	$2,208	$308,000
Net income attributable to owners of the parent				32,865						32,865		32,865
Cash dividends, $0.38 per share				(9,589)						(9,589)		(9,589)
Purchase of treasury stock					(746)					(746)		(746)
Disposal of treasury stock		141			805					955		955
Cancellation of treasury stock										-		-
Changes of scope of consolidation		(3,238)		194						(3,044)		(3,238)
Net change in the year						3,835	(82)	8,186	(977)	10,955	320	11,283
BALANCE, MARCH 31, 2023	$11,880	$50,022	$574	$252,768	$(14,925)	$21,320	$(4,000)	$15,126	$4,410	$337,186	$2,529	$339,723

See notes to consolidated financial statements.

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
OPERATING ACTIVITIES:			
Income before income taxes	¥ 5,623	¥ 5,068	$ 41,962
Adjustments for:			
Income taxes—paid	(1,060)	(1,612)	(7,910)
Income taxes—refunded	49	-	365
Depreciation and amortization	2,286	1,696	17,059
Loss on valuation of investment securities	19	11	141
Loss on disposal of property, plant and equipment	3	131	22
Equity in losses of associated companies	(145)	(181)	(1,082)
Changes in assets and liabilities:			
(Increase) decrease in accounts receivables	(5,584)	1,115	(41,671)
(Increase) decrease in inventories	(2,858)	(958)	(21,328)
(Increase) decrease in advance payments	(868)	(196)	(6,477)
Increase (decrease) in accounts payable	1,741	(1,306)	12,992
Increase (decrease) in contract liabilities	3,180	(138)	23,731
Increase in allowance for doubtful accounts	(576)	(68)	(4,298)
Increase (decrease) in allowance for bonus reserve	2	62	14
Increase (decrease) in allowance for product warranties	(232)	101	(1,731)
Increase (decrease) in allowance for losses on construction contracts	104	(368)	776
Increase (decrease) in liability for retirement benefits	(229)	(198)	(1,708)
Other—net	(207)	(29)	(1,544)
Total adjustments	(4,377)	(1,937)	(32,664)
Net cash flows from operating activities	1,246	3,130	9,298
INVESTING ACTIVITIES:			
Increase in saving of time deposits	(225)	(32)	(1,679)
Proceeds from withdrawal of time deposits	53	42	395
Purchases of property, plant and equipment	(839)	(3,322)	(6,261)
Proceeds from sales of property, plant and equipment	3	101	22
Purchases of intangibles	(120)	(131)	(895)
Purchases of investment securities	(81)	(1,151)	(604)
Proceeds from sales of investment securities	50	132	373
Payments for retirement of property, plant and equipment	-	(171)	-
Collection of loans receivable	-	56	-
Payments of loans receivable	(49)	-	(365)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(130)	(415)	(970)
Other	61	42	455
Net cash flows from investing activities	(1,277)	(4,849)	(9,529)
FORWARD	¥ (30)	¥ (1,719)	$ (223)

(Continued)

Torishima Pump Mfg. Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
FORWARD	¥ (30)	¥ (1,719)	$ (223)
FINANCING ACTIVITIES:			
Change in short-term borrowings—net	1,171	(9)	8,738
Proceeds from long-term debt	2,500	1,500	18,656
Repayments of long-term debt	(4,040)	(2,963)	(30,149)
Dividends paid	(1,285)	(746)	(9,589)
Disposal of treasury stock	113	122	843
Other	(649)	(27)	(4,843)
Net cash flows from financing activities	(2,190)	(2,125)	(16,343)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	454	595	3,388
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,766)	(3,249)	(13,179)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,496	16,746	100,716
CASH AND CASH EQUIVALENTS, END OF YEAR	¥11,730	¥13,496	$ 87,537

See notes to consolidated financial statements.

(Concluded)

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥134 to $1, the approximate rate of exchange at March 31, 2023. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Japanese yen amounts less than one million yen are rounded down to the nearest million yen, except for per share information. U.S. dollar amounts less than one thousand U.S. dollars are also rounded down to the nearest thousand dollars, except for per share information. Consequently, the totals shown in the consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation – The consolidated financial statements as of March 31, 2023 include the accounts of the Company and its 22 (23 in 2022) significant subsidiaries.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in four associated companies are accounted for by the equity method.

The excess of the cost of an acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is amortized over a period of less than 20 years.

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

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

c. ***Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method –*** ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," requires adjustments to be made to conform associates accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associates financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

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

e. ***Cash Equivalents –*** Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits that mature within three months of the date of acquisition.

f. ***Inventories –*** Inventories are stated at the lower of cost, determined by the specific identification method for work in process, and by the moving-average method for other inventories, or net selling value.

g. ***Marketable and Investment Securities –*** Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

Available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

h. ***Allowance for Doubtful Accounts –*** The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in receivables outstanding.

i. ***Property, Plant and Equipment –*** Property, plant and equipment are stated at cost.

Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings acquired on or after April 1, 1998, building improvements and structures acquired on or after April 1, 2016, and lease assets based on the estimated useful lives of the assets.

The estimated useful lives of the assets are primarily as follows:

Buildings and structures	10 to 50 years
Machinery and equipment	2 to 20 years
Software	5 to 7 years
Lease assets	Terms of the respective lease

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

k. ***Retirement and Pension Plans –*** The Company has contributory funded defined benefit pension plans and unfunded retirement benefit plans for employees. Certain consolidated subsidiaries only have unfunded retirement benefit plans.

Under the accounting standard for employees' retirement benefits, the liability for employees' retirement benefits is determined based on projected benefit obligations and plan assets at the balance sheet date.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 10 years, no longer than the expected average remaining service period of the employees.

l. ***Allowance for Product Warranties –*** The Group provides an allowance for foreseeable losses arising from product warranties.

m. ***Allowance for Losses on Construction Contracts –*** The Group provides an allowance for foreseeable losses arising from certain construction contracts.

n. ***Asset Retirement Obligations –*** An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period in which the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

o. ***Stock Options –*** Compensation expense for employee stock options which were granted on and after May 1, 2006 are recognized based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services in accordance with ASBJ Statement No. 8, "Accounting Standard for Share-based Payment." Stock options granted to nonemployees are accounted for based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised.

p. ***Employee Stockownership Plan –*** In accordance with PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts," upon transfer of treasury stock to the employee stockownership trust (the "Trust") by the entity, any difference between the book value and fair value of the treasury stock is recorded in capital surplus. At year-end, the Company records (1) the Company stock held by the Trust as treasury stock in equity, (2) all other assets and liabilities of the Trust on a line-by-line basis, and (3) a liability/asset for the net of (i) any gain or loss on delivery of the stock by the Trust to the employee shareholding association, (ii) dividends received from the entity for the stock held by the Trust, and (iii) any expenses relating to the Trust.

q. ***Revenue Recognition –***

Revenue from contracts with customers

The Group recognizes revenue from contracts with customers based on the following five steps:

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 entity satisfies a performance obligation

The Group has determined that control over the products is transferred to customers, and that the Group satisfies a performance obligation when the products are delivered to customers, considering indicators of the transfer of control, such as the transfer of significant risks and rewards of physical possession and ownership of products. Accordingly, revenue from sales of products is recognized at the point in time when the Group delivered products to customers. The Group has construction contracts with customers. The Group considers that its satisfaction of performance obligations under the contracts does not create an asset with an alternative use to the Group, the Group has an enforceable right to payment for performance completed to date, and it transfers the control over the assets to customers over time.

Accordingly, the Group recognizes revenue from construction contracts over time based on the estimated progress toward complete satisfaction of its performance obligations. Since the Group considers that it is possible to develop reasonable estimates of the total contract cost and to reasonably estimate the extent of progress towards complete satisfaction of performance obligations under the contracts, the Group uses the input method to measure the extent of progress towards completion based on the costs incurred relative to the total expected costs by contract.

r. ***Research and Development Costs –*** Research and development costs are charged to income as incurred.

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

t. ***Foreign Currency Transactions –*** All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

u. ***Foreign Currency Financial Statements –*** The balance sheet accounts and revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

v. ***Derivatives and Hedging Activities –***

Derivatives under contract

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

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

a) All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income and

b) For derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign exchange forward contracts employed to hedge foreign exchange exposures for export sales are measured at fair value and unrealized gains/losses are recognized in income.

Foreign exchange forward contracts applied for forecasted or committed transactions are also measured at fair value but unrealized gains/losses are deferred until the underlying transactions are completed.

Certain foreign exchange contracts are subject to appropriation if the forward contracts qualify for hedge accounting.

Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense.

Hedging instruments and hedged items

a. Hedging instruments **–** Foreign exchange forward contracts
   Hedged items **–** Receivables and their forecasted transactions denominated in foreign currencies

b. Hedging instruments **–** Interest rate swaps
   Hedged items **–** Long-term debt

Derivative use policy

The Group manages its derivative financial instruments based on internal rules that define authority and limits.

The Group uses derivatives only for the purpose of hedging market risks associated with assets and liabilities. The Group do not hold or issue derivatives for trading or speculative purposes.

Assessing the effectiveness of hedging

Hedge effectiveness is assessed by comparing the accumulated cash flows between the hedging instruments and hedged items. However, with regard to interest rate swaps that meet specific matching criteria, the assessments are omitted.

Risk associated with derivatives

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

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

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock.

Cash dividends per share presented in the accompanying consolidated statement of operations are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

x. ***New Accounting Pronouncements –***

Practical Solution on the Accounting for and Disclosure of the issuance and holding of Electronically Recorded Transferable Rights That Must Be Indicated on Securities, etc. (ASBJ Practical Issues Task Force No. 43, August 26, 2022)

The Financial Instruments and Exchange Law was amended by the "Law for Partial Amendment of the Law Concerning the Financial Settlement in Response to the Diversification of Financial Transactions Accompanying the Development of Information and Communication Technology" (Law No. 28 of 2019) enacted in May 2019, and so-called investment-type ICO (Initial Coin Offering, a generic term for the act by which companies, etc. raise funds from investors by issuing tokens (electronic records and symbols)) has been subject to the Financial Instruments and Exchange Law. The Act amended the Financial Instruments and Exchange Act and made so-called investment ICOs (Initial Coin Offering, a generic term for the act of raising funds from investors by issuing tokens (electronic records and symbols)) subject to regulation under the Financial Instruments and Exchange Act, and in light of the various provisions that have been established, the accounting treatment for the issuance and holding of electronically recorded transferable securities representation rights, etc. in the Cabinet Office Order on Financial Instruments Business, etc. has been clarified in the Accounting Standards Board of Japan (the "ASBJ"). The Accounting Standards Board of Japan (ASBJ) issued this statement to clarify the accounting treatment of the issuance and holding of electronically recorded transferable securities representation rights, etc. in the Cabinet Office Ordinance on Financial Instruments Business, etc.

The standard will be applied from the beginning of the financial year ending March 31, 2024.

The impact of the application of the Accounting Standard for Fair Value Calculation on the consolidated financial statements is currently being assessed.

Accounting Standard for Corporate, Inhabitant and Enterprise Taxes (ASBJ Statement No. 27, October 28, 2022)

Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022)

Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022)

In February 2018, ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc. ("ASBJ Statement No. 28, etc."), which completed the transfer of practical guidelines on tax effect accounting at the JICPA to the ASBJ. In the course of deliberation, the following two issues, which were to be reviewed again after the release of ASBJ Statement No. 28, etc., were discussed and published.

- Tax expenses are recognized as a component of other comprehensive income (taxation on other comprehensive income)

- Tax effect on the sale of shares of subsidiaries and other securities (shares of subsidiaries or affiliates) when group corporation taxation is applied

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

The impact of the application of the Accounting Standard for Fair Value Calculation on the consolidated financial statements is currently being assessed.

y. Additional Information –

Accounting method for ESOP trust – The Company has started to transfer treasury shares to the employee stock ownership plan (ESOP) by using a trust in November 10, 2016. The purpose is to improve benefits for employees.

(a) Summary **–** To further improve benefits for employees, who play a critical role in our growth, the Board of Directors approved a resolution on November 11, 2016 to establish ESOP trust to serve as an employee incentive plan. The goals of this plan are to make employees more aware of results of operations and shareholder value as well as to achieve medium- to long-term growth in corporate value. A trust has been established that will provide benefits to employees belonging to the employee stock ownership plan who fulfill certain requirements.

(b) Stock remaining in the trust **–** For the accounting treatment of the ESOP trust, the Company quickly began applying the "Practical Solution for Transactions for Transfers of Company Stock to Employees, etc. Using a trust (Practical Issues Task Force No. 30, March 26, 2015)." As a result, the Company and the ESOP trust are treated for accounting purposes as a single unit by using the gross price method. Based on this method, the book value (excluding incidental expenses) of the Company stock held by the ESOP trust is included as "treasury shares" in net assets in the consolidated balance sheets. As of March 31, 2023 and 2022, the ESOP trust held 273,100 shares and 368,700 shares of the Company stock with a book value of ¥237 million ($1,768 thousand) and ¥321 million, respectively.

3. SIGNIFICANT ACCOUNTING ESTIMATES

Revenue of construction contracts for performance obligations satisfied for certain over time

(1) Amount recorded in the consolidated financial statements for the current consolidated fiscal year

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Sales based on construction progress standards	¥18,473	¥15,842	$ 137,858

(2) Information on the significant accounting estimate

Since the performance obligation is satisfied over certain period of time, revenue is recognized over the construction period based on the extent of progress towards complete satisfaction of performance obligations estimated by the Group. The Group uses the input method based on the costs incurred relative to the total expected costs to measure the extent of progress towards complete satisfaction of performance obligations.

The total construction cost is calculated based on the execution budget for each contract. It reflects changes in work content due to changes in the situation after the start of construction, but if the estimated total construction cost increases or decreases due to unexpected costs due to accidents or disasters during construction, the Group's business performance may fluctuate.

Especially for large-scale projects in the Middle East, it may take a long time to manufacture, construct, and complete. Uncertainties due to changes in political and economic social conditions and differences in business practices in the region may have a significant impact on the amount recognized in the consolidated financial statements for the next consolidated fiscal year.

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Sales based on construction progress standards	¥1,983	¥1,002	$14,798

4. ACCOUNTING CHANGE

Fair Value Measurement – On June 17, 2021, the ASBJ issued Implementation Guidance on Accounting Standard for Fair Value Measurement (the "new Accounting Standards"). The Group has decided to apply the new Accounting Standard beginning with this fiscal year, and to implement the new accounting policy stipulated in the new Accounting Standards in the future, in accordance with the transitional methods stipulated in Article 27-2 of the new Accounting Standards. The change has no effect on consolidated financial statements for this fiscal year.

5. MARKETABLE AND INVESTMENT SECURITIES AND SHORT-TERM INVESTMENTS

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Current:			
Time deposits that mature over three months from the date of acquisition	¥ 148	¥ 31	$ 1,104
Total	¥ 148	¥ 31	$ 1,104
Non-current:			
Marketable equity securities	¥7,453	¥6,672	$55,619
Nonmarketable equity securities	2,172	2,190	16,208
Total	¥9,625	¥8,863	$71,828

The costs and aggregate fair values of marketable and investment securities at March 31, 2023 and 2022, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2023				
Securities classified as:				
Available-for-sale:				
Equity securities	¥3,344	¥4,147	¥(38)	¥7,453
March 31, 2022				
Securities classified as:				
Available-for-sale:				
Equity securities	¥3,304	¥3,455	¥(86)	¥6,672

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2023				
Securities classified as:				
Available-for-sale:				
Equity securities	$ 24,955	$ 30,947	$ (283)	$ 55,619

Information on available-for-sale securities sold during the years ended March 31, 2023 and 2022, is as follows:

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
March 31, 2023			
Available-for-sale:			
Equity securities	¥38	¥11	¥ -

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
March 31, 2022			
Available-for-sale:			
Equity securities	¥145	¥60	¥ -

	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
March 31, 2023			
Available-for-sale:			
Equity securities	$283	$82	$ -

Impairment losses on available-for-sale equity securities for the years ended March 31, 2023 and 2022 were ¥19 million ($141 thousand) and ¥11 million, respectively.

6. INVENTORIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Merchandise and finished goods	¥ 304	¥ 281	$ 2,268
Work in process	11,490	8,845	85,746
Raw materials and supplies	2,511	2,032	18,738
Total	¥ 14,305	¥ 11,158	$ 106,753

7. LONG-LIVED ASSETS

In principle, the Group carries out grouping of the business assets owned by subsidiaries based on the subsidiaries. The Group reviewed their long-lived assets for impairment as of March 31, 2023 and 2022. As a result, impairment loss was recognized for the year ended March 31, 2023 on the business asset owned by subsidiary. The business asset was reduced to the recoverable amount. The amount of this reduction was recorded under other expenses of ¥39 million ($291 thousand) for the year ended March 31, 2023. The recoverable amount of this asset group is measured based on net realized sales value.

Use	Classification	Location
Production facility	Machinery and equipment	Saudi Arabia

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings generally included overdrafts, which bore interest at the weighted-average interest rates of 0.90% and 1.04% at March 31, 2023 and 2022, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unsecured loans from banks and other financial institutions, use yen cash due through 2025, interest 0.25% - 1.30% (2023) and 0.25% - 1.30% (2022)	¥13,320	¥14,333	$ 99,402
Obligations under finance leases	955	1,113	7,126
Bonds payable	100	100	746
Total	14,376	15,547	107,283
Less current portion	(1,776)	(3,739)	(13,253)
Long-term debt, less current portion	¥12,600	¥11,807	$ 94,029

At March 31, 2023, property, plant and equipment with a total carrying value of ¥256 million ($1,910 thousand) were pledged as collateral for short-term debt of ¥0 million ($0 thousand).

Annual maturities of long-term debt, excluding finance leases, at March 31, 2023, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2024	¥1,546	$11,537
2025	3,051	22,768
2026	953	7,111
2027	521	3,888
2028	6,941	51,798
2029 and thereafter	307	2,291

Annual maturities of bonds payable at March 31, 2023 were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2024	¥ -	$ -
2025	-	-
2026	100	746
2027	-	-

Annual maturities of lease obligations at March 31, 2023 were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2024	¥229	$1,708
2025	267	1,992
2026	105	783
2027	75	559
2028	56	417
2029 and thereafter	220	1,641

Long-term loans from banks include syndicated loan agreements amounting to ¥2,500 million ($18,656 thousand) at March 31, 2023. In the event that any of the following covenants are violated, the Company may lose the benefit of the term for all the liabilities under these agreements.

These agreements include the following financial restriction provisions:

(1) The amount of equity in the consolidated balance sheet at the end of the fiscal year should be more than 75% of the amount as of the previous year or as of just before the end of the year that the syndicated loan agreements were entered into.

(2) Ordinary income in the consolidated statement of income should not be negative for two consecutive years. Ordinary income means income before income taxes less extraordinary items. The amount of ordinary income in the consolidated statement of income for the year ended March 31, 2023 is ¥5,693 million ($42,485 thousand).

9. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees. Under most circumstances, employees terminating their employment are entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service, and conditions under which the termination occurs. If the termination is involuntary, caused by retirement at the mandatory retirement age, or caused by death, the employee is entitled to greater payments than in the case of voluntary termination.

The Company has contributory funded defined benefit pension plans. Certain consolidated subsidiaries have unfunded retirement benefit plans.

The liability for retirement benefits for subsidiaries' directors was ¥7 million ($52 thousand) and ¥6 million at March 31, 2023 and 2022, respectively.

The liability for employees' retirement benefits at March 31, 2023 and 2022, consisted of the following:

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥4,822	¥4,466	$35,985
Current service cost	418	403	3,119
Interest cost	51	45	380
Actuarial losses (gains)	(49)	53	(365)
Benefits paid	(231)	(193)	(1,723)
Change of scope of consolidation	-	46	-
Balance at end of year	¥5,010	¥4,822	$37,388

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥5,918	¥5,484	$44,164
Expected return on plan assets	111	102	828
Actuarial (gains) losses	(72)	158	(537)
Contributions from the employer	311	305	2,320
Benefits paid	(140)	(132)	(1,044)
Balance at end of year	¥6,127	¥5,918	$45,723

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Funded defined benefit obligation	¥ 4,716	¥ 4,557	$ 35,194
Plan assets	(6,127)	(5,918)	(45,723)
Total	(1,410)	(1,361)	(10,522)
Unfunded defined benefit obligation	293	264	2,186
Net liability (asset) for defined benefit obligation	¥(1,117)	¥(1,096)	$ (8,335)

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Liability for retirement benefits	¥ 293	¥ 264	$ 2,186
Asset for retirement benefits	(1,410)	(1,361)	(10,522)
Net liability (asset) for defined benefit obligation	¥(1,117)	¥(1,096)	$ (8,335)

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Service cost	¥ 418	¥ 403	$3,119
Interest cost	51	45	380
Expected return on plan assets	(111)	(102)	(828)
Recognized actuarial (gains)	72	(157)	537
Net periodic benefit costs	¥ 431	¥ 190	$3,216

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Actuarial gains (losses)	¥(190)	¥(52)	$(1,417)
Total	¥(190)	¥(52)	$(1,417)

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrecognized actuarial gains	¥848	¥1,039	$6,328
Total	¥848	¥1,039	$6,328

(7) Plan assets

a. Components of plan assets

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

	2023	2022
Debt investments – domestic	32.7%	27.2%
Debt investments – international	6.4	11.1
Equity investments – domestic	25.6	27.3
Equity investments – international	26.2	24.9
Others	9.1	9.5
Total	100.0%	100.0%

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

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

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

	2023	2022
Discount rate	1.0 %	1.0 %
Expected rate of return on plan assets	2.0 %	2.0 %
Recognition period of actuarial gain/loss	10 years	10 years

10. EQUITY

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

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

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

b. Increases/decreases and transfer of common stock, reserve, and surplus

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

c. Treasury stock and treasury stock acquisition rights

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

11. STOCK OPTIONS

The stock options outstanding as of March 31, 2023, are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2008 Stock Option	5 directors 4 Audit & Supervisory Board members	11,700 shares	2008.9.19	¥1	From September 20, 2008 to September 19, 2038
2009 Stock Option	5 directors 5 Audit & Supervisory Board members	19,400 shares	2009.7.17	¥1	From July 18, 2009 to July 17, 2039
2010 Stock Option	6 directors 5 Audit & Supervisory Board members	20,700 shares	2010.7.20	¥1	From July 21, 2010 to July 20, 2040
2011 Stock Option	6 directors 5 Audit & Supervisory Board members	24,700 shares	2011.7.19	¥1	From July 20, 2011 to July 19, 2041
2012 Stock Option	6 directors 4 Audit & Supervisory Board members	34,700 shares	2012.7.19	¥1	From July 20, 2012 to July 19, 2042
2013 Stock Option	5 directors 4 Audit & Supervisory Board members	31,900 shares	2013.7.18	¥1	From July 19, 2013 to July 18, 2043
2014 Stock Option	4 directors 5 Audit & Supervisory Board members	21,300 shares	2014.7.18	¥1	From July 19, 2014 to July 18, 2044
2015 Stock Option	8 directors	22,400 shares	2015.7.21	¥1	From July 22, 2015 to July 21, 2045
2016 Stock Option	8 directors	19,400 shares	2016.7.20	¥1	From July 21, 2016 to July 20, 2046
2017 Stock Option	9 directors	22,100 shares	2017.7.21	¥1	From July 22, 2017 to July 21, 2047

Stock option activity is as follows:

	2008 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option
For the year ended March 31, 2022					
Non-vested					
March 31, 2021 Outstanding					
Granted					
Vested					
March 31, 2022 Outstanding					
Vested					
March 31, 2021 Outstanding	3,100	5,100	6,900	8,800	13,500
Vested					
Exercised			(2,000)	(2,600)	(4,400)
Canceled					
March 31, 2022 Outstanding	3,100	5,100	4,900	6,200	9,100
For the year ended March 31, 2023					
Non-vested					
March 31, 2022 Outstanding					
Granted					
Vested					
March 31, 2023 Outstanding					
Vested					
March 31, 2022 Outstanding	3,100	5,100	4,900	6,200	9,100
Vested					
Exercised					
Canceled					
March 31, 2023 Outstanding	3,100	5,100	4,900	6,200	9,100
Exercise price	¥1	¥1	¥1	¥1	¥1
Average stock price at exercise					
Fair value price at grant date	¥2,013	¥1,257	¥1,308	¥1,213	¥728

	2013 Stock Option	2014 Stock Option	2015 Stock Option	2016 Stock Option	2017 Stock Option
For the year ended March 31, 2022					
Non-vested					
March 31, 2021 Outstanding					
Granted					
Vested					
March 31, 2022 Outstanding					
Vested					
March 31, 2021 Outstanding	13,800	10,900	14,700	14,100	17,300
Vested					
Exercised	(4,700)	(3,900)	(6,100)	(5,600)	(6,100)
March 31, 2022 Outstanding	9,100	7,000	8,600	8,500	11,200
For the year ended March 31, 2023					
Non-vested					
March 31, 2022 Outstanding					
Granted					
Vested					
March 31, 2023 Outstanding					
Vested					
March 31, 2022 Outstanding	9,100	7,000	8,600	8,500	11,200
Vested					
Exercised					
March 31, 2023 Outstanding	9,100	7,000	8,600	8,500	11,200
Exercise price	¥1	¥1	¥1	¥1	¥1
Average stock price at exercise					
Fair value price at grant date	¥872	¥901	¥904	¥1,106	¥1,116

Estimation of the number of stock options vested.

The number of options that have been actually forfeited is reflected because it is difficult to reasonably estimate the number of options that will expire in the future.

12. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% for the years ended March 31, 2023 and 2022.

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Deferred tax assets:			
Loss on revaluation of available-for-sale securities	¥ 143	¥ 161	$ 1,067
Tax loss carryforwards	804	769	6,000
Allowance for doubtful accounts	472	613	3,522
Accrued bonuses	304	304	2,268
Allowance for product warranties	212	283	1,582
Allowance for losses on construction contracts	198	167	1,477
Deferred gains or losses on hedges	236	231	1,761
Liability for employees' retirement benefits	86	77	641
Other	438	452	3,268
Total of deferred tax assets	¥ 2,897	¥ 3,060	$ 21,619
Valuation allowance related to tax loss carryforward	(804)	(769)	(6,000)
Valuation allowance related to total deductible temporary difference, etc.	(1,327)	(1,519)	(9,902)
Total of valuation allowance	¥(2,132)	¥(2,288)	$(15,910)
Total	¥ 765	¥ 771	$ 5,708
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥(1,253)	¥(1,027)	$ (9,350)
Fixed asset compression reserve	(174)	(175)	(1,298)
Assets related to retirement benefits	(323)	(308)	(2,410)
Fixed asset retirement obligations	(27)	(118)	(201)
Other	(412)	(307)	(3,074)
Total	¥(2,192)	¥(1,936)	$(16,358)
Net deferred tax liabilities	¥(1,427)	¥(1,165)	$(10,649)

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2023 and 2022, were as follows:

	Millions of Yen						
March 31, 2023	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Tax loss carryforwards (see Note 1)	¥ 6	¥ 5	¥ 1	¥ 1	¥ 7	¥ 781	¥ 804
Valuation allowance	(6)	(5)	(1)	(1)	(7)	(781)	(804)

	Millions of Yen						
March 31, 2022	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Tax loss carryforwards (see Note 1)	¥ 0	¥ 7	¥ 8	¥ 1	¥ 3	¥ 747	¥ 769
Valuation allowance	(0)	(7)	(8)	(1)	(3)	(747)	(769)

March 31, 2023	Thousands of U.S. Dollars 1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Tax loss carryforwards (see Note 1)	$ 44	$ 37	$ 7	$ 7	$ 52	$ 5,828	$ 6,000
Valuation allowance	(44)	(37)	(7)	(7)	(52)	(5,828)	(6,000)

Note 1: Figures for tax loss carryforward were the amounts multiplied by effective statutory tax rate.

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

	2023	2022
Normal effective statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	0.3	1.4
Dividend income not taxable for income tax purposes	(0.3)	(0.3)
Tax credit mainly for research and development costs	(0.4)	(0.3)
Tax credits for business promotion	-	(0.7)
Tax credits for promotion of salary increases	(1.1)	-
Inhabitant taxes	0.5	0.6
Equity method	(0.8)	(1.1)
Valuation allowance	(3.4)	(1.7)
Reconcillation of consolidation process	(4.6)	(1.7)
Other – net	(0.1)	0.6
Actual effective tax rate	20.7%	27.4%

13. REVENUE

Disaggregation of Revenue

Revenues from contracts with customers on a disaggregated basis for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Yen 2023 Reportable Segment Japan	Asia	Middle East	Other	Total
High tech	¥ 3,114	¥ 6,178	¥ 5,119	¥10,189	¥24,602
Project	17,610	2,217	1,983	-	21,812
Service	6,022	3,047	4,327	3,774	17,172
Environment and new energy	1,072	-	-	-	1,072
Total	¥27,821	¥11,442	¥11,430	¥13,964	¥64,659

	Millions of Yen				
	2022				
	Reportable Segment				
	Japan	Asia	Middle East	Other	Total
High tech	¥ 4,135	¥4,639	¥ 6,287	¥2,556	¥17,618
Project	18,002	1,132	1,002	-	20,137
Service	5,395	2,558	3,300	2,258	13,542
Environment and new energy	942	-	-	-	942
Total	¥28,475	¥8,329	¥10,621	¥4,815	¥52,240

	Thousands of U.S. Dollars				
	2023				
	Reportable Segment				
	Japan	Asia	Middle East	Other	Total
High tech	$ 23,238	$46,104	$38,201	$ 76,037	$183,597
Project	131,417	16,544	14,798	-	162,776
Service	44,940	22,738	32,291	28,164	128,149
Environment and new energy	8,000	-	-	-	8,000
Total	$207,619	$85,388	$85,298	$104,208	$482,529

The Group engages in various fields of business and industries by products and services which are categorized mainly into the High tech business and Project business and Service Environment and new energy business. Performance obligations for each business are as follows:

(1) High tech

In the high tech business, the Group manufactures and sell pumps, peripheral equipment, and parts in Japan and overseas. With respect to the manufacture and sale of such products, except for special order products which are not listed in the catalog, sales are recognized as the transfer of legal ownership of the products to the customer at the time of shipment in Japan, based on the judgment that the impact of the number of days required for delivery in Japan is negligible, and at the time of fulfillment of the incoterms listed in the contract in overseas. The Group does not adjust the promised amount of consideration for the effects of a significant financing component as a practical expedient since the customers pay for those products within one year.

(2) Project

In the project business, the Group carries out works such as installations of pumps in Japan and overseas. For construction contracts, revenue is recognized over a construction period since a performance obligation is satisfied in accordance with the progress of construction. The Group uses the input method which is based on the costs incurred relative to the total expected costs of individual contracts, as the method to measure the extent of progress towards completion. However, if the contract amount is small or the period until the recognition of sales is short, the impact on sales is judged to be small and sales are recognized at the time of delivery. The Group does not adjust the promised amount of consideration for the effects of a significant financing component as a practical expedient since the customers pay for those products within one year.

(3) Services

In the service business, the Group maintains pumps in Japan and overseas. In the maintenance of such pumps, performance obligations are satisfied when the maintenance work is completed, and sales are recognized when the maintenance work is completed. The Group does not adjust the promised amount of consideration for the effects of a significant financing component as a practical expedient since the customers pay for those products within one year.

(4) Environment and New Energy

In the environmental and new energy business, the Group manufactures and sells environment-related products in Japan and overseas. The Group also sells electricity in Japan from wind power generation facilities owned by the Group. With respect to the manufacture and sale of such environment-related products, sales are recognized as the transfer of legal ownership of the products to the customers at the time of shipment in Japan, based on the judgment that the impact on the number of days required for delivery in Japan is negligible, and at the time when the incoterms described in the contract are satisfied in overseas. Sales of electricity generated by wind power generation facilities are recognized based on the amount of electricity sold each month. The Group does not adjust the promised amount of consideration for the effects of a significant financing component as a practical expedient since the customers pay for those products within one year.

Contract Balances

Receivables from contract with customers, contract assets and contract liabilities at the beginning and end of the year are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Receivables from contracts with customers:			
Balance at beginning of year	¥ 20,085	¥ 19,656	$ 149,888
Balance at end of year	27,421	20,085	204,634
Contract assets:			
Balance at beginning of year	4,213	5,281	31,440
Balance at end of year	3,298	4,213	24,611
Contract liabilities:			
Balance at beginning of year	2,908	2,858	21,701
Balance at end of year	6,129	2,908	45,738

Receivables and contractual assets arising from contracts with customers are included in "Notes and accounts receivable, trade and contract assets" in the consolidated balance sheets. Contract liabilities are consideration received by the Group from customers before the sale of goods to customers and the completion of contracts, and are outstanding at the end of the period. Contract liabilities of ¥2,908 million at the beginning of the current fiscal year are recognized as income for the current fiscal year.

Transaction Price Allocated to Remaining Performance Obligation

The aggregate amount of the transaction price allocated to the performance obligations that were unsatisfied (or partially unsatisfied) were ¥62,313 million for the year ended March 31, 2023.

These performance obligations are related to construction contracts in the Project business and are deemed to be recognized as revenue within approximately five years, in accordance with the progress of construction. As a practical expedient, the above amount does not include a transaction price allocated to the performance obligation of a contract where that performance obligation has an original expected duration of one year or less. There was no significant consideration from contracts with customers which was not included in the transaction price.

14. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥341 million ($2,544 thousand) and ¥357 million for the years ended March 31, 2023 and 2022, respectively.

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly long-term debt including bank loans, based on its capital financing plan. Cash surpluses, if any, are invested in low risk financial assets. Short-term bank loans are used to fund the Group's ongoing operations. Derivatives are not used for speculative purposes, but to manage exposure to financial risks as described in (2) below.

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

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts.

Investment securities, mainly equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are mostly less than five months. Although payables in foreign currencies are exposed to the market risk of fluctuations in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currency as noted above.

Most maturities of bank loans are less than four years after the balance sheet date. Although a part of such bank loans are exposed to the market risks from changes in variable interest rates, those risks are mitigated by using derivatives of interest rate swaps.

Derivatives mainly include foreign currency forward contracts and interest rate swaps that are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, and from changes in interest rates of bank loans. Please see Note 16 for more details about derivatives.

(3) Risk Management for Financial Instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage.

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

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts.

Interest rate swaps are used to manage exposure to market risks from changes in interest rates of loan payables.

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

The basic principles of derivative transactions are approved by management at meetings held on a regular basis based on internal guidelines that prescribe the authority and the limits for each transaction by the corporate treasury department. Reconciliations of the transactions and balances with customers are performed and the transaction data is reported to the chief financial officer and management on a regular basis.

Liquidity risk management

The Group manages its liquidity risk by holding an adequate volume of liquid assets and through adequate financial planning by the corporate accounting department.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are as follows: Investments in equity instruments that do not have a quoted market price in an active market are not included in the following table. The fair values of cash and cash equivalents, receivables-trade, payables-trade and short-term borrowings are not disclosed because their maturities are short and the carrying values approximate fair value. Also, please see Note 16 for details of the fair values of derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2023	Carrying Amount	Fair Value	Unrealized Gain/Loss
Investment securities	¥ 7,453	¥ 7,453	___
Total	¥ 7,453	¥ 7,453	___
Long-term debt	¥11,774	¥11,822	¥48
Total	¥11,774	¥11,822	¥48
Derivatives	¥ (963)	¥ (963)	___

	Millions of Yen		
March 31, 2022	Carrying Amount	Fair Value	Unrealized Gain/Loss
Investment securities	¥ 6,672	¥ 6,672	___
Total	¥ 6,672	¥ 6,672	___
Long-term debt	¥15,456	¥15,498	¥42
Total	¥15,456	¥15,498	¥42
Derivatives	¥ (975)	¥ (975)	___

Current portion of long-term debt is included in long-term debt.

March 31, 2023	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Investment securities	$ 55,619	$ 55,619	
Total	$ 55,619	$ 55,619	
Long-term debt	$ 87,865	$ 88,223	$ 358
Total	$ 87,865	$ 88,223	$ 358
Derivatives	$ (7,186)	$ (7,186)	

(5) Carrying Amount of Investments in Equity Instruments That Do Not Have a Quoted Market Price in an Active Market

	Millions of Yen 2023	Millions of Yen 2022	Thousands of U.S. Dollars 2023
Unlisted equity instruments	¥4,133	¥3,837	$30,843

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

March 31, 2023	Millions of Yen Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years
Cash and cash equivalents	¥ 11,879		
Receivables	32,006		
Total	¥ 39,302		

March 31, 2022	Millions of Yen Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years
Cash and cash equivalents	¥ 13,496		
Receivables	25,692		
Total	¥ 39,189		

March 31, 2023	Thousands of U.S. Dollars Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years
Cash and cash equivalents	$ 88,649		
Receivables	238,850		
Total	$ 327,500		

Please see Note 8 for annual maturities of long-term debt.

(7) Financial Instruments Categorized by Fair Value Hierarchy

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

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

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

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

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

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

	Millions of Yen			
At March 31, 2023	Level 1	Level 2	Level 3	Total
Investment securities:				
Available-for-sale securities:				
Equity securities	¥7,453	¥ -	¥ -	¥7,453
Total assets	¥7,453	¥ -	¥ -	¥7,453
Derivative transactions:				
Currency related	¥ -	¥(963)	¥ -	¥ (963)
Total liabilities	¥ -	¥(963)	¥ -	¥ (963)

	Millions of Yen			
At March 31, 2022	Level 1	Level 2	Level 3	Total
Investment securities:				
Available-for-sale securities:				
Equity securities	¥6,672	¥ -	¥ -	¥6,672
Total assets	¥6,672	¥ -	¥ -	¥6,672
Derivative transactions:				
Currency related	¥ -	¥(975)	¥ -	¥ (975)
Total liabilities	¥ -	¥(975)	¥ -	¥ (975)

	Thousands of U.S. Dollars			
At March 31, 2023	Level 1	Level 2	Level 3	Total
Investment securities:				
Available-for-sale securities:				
Equity securities	$55,619	$ -	$ -	$55,619
Total assets	$55,619	$ -	$ -	$55,619
Derivative transactions:				
Currency related	$ -	$(7,186)	$ -	$ (7,186)
Total liabilities	$ -	$(7,186)	$ -	$ (7,186)

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

At March 31, 2023	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Long-term debt	¥ -	¥ 11,822	¥ -	¥ 11,822
Total liabilities	¥ -	¥ 11,822	¥ -	¥ 11,822

At March 31, 2022	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Long-term debt	¥ -	¥ 15,498	¥ -	¥ 15,498
Total liabilities	¥ -	¥ 15,498	¥ -	¥ 15,498

At March 31, 2023	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Long-term debt	$ -	$ 88,223	$ -	$ 88,223
Total liabilities	$ -	$ 88,223	$ -	$ 88,223

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

Investment Securities

The fair values of listed equity securities are measured at the quoted market prices. Since listed equity securities are traded in active markets, the fair values of listed equity securities are categorized as Level 1.

Derivatives

The fair values of interest rate swaps and foreign currency forward contracts are measured by using discounted present value techniques considering observable inputs such as interest rates and foreign currency exchange rate, and are classified as Level 2.

The fair value of interest rate swaps in Note 16 is included in that of hedged items (i.e. long-term debt).

Long-Term Debt

The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate, and are classified as Level 2.

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense.

As a result, the fair values of such interest rate swaps are included in those of hedged items in Note 16.

16. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

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

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

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

Derivative Transactions to Which Hedge Accounting is not Applied

	Millions of Yen			
At March 31, 2023	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying EUR	¥3		¥13	¥13

	Millions of Yen			
At March 31, 2022	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying JPY	¥411		¥(18)	¥(18)

	Thousands of U.S. Dollars			
At March 31, 2023	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Buying EUR	$22		$97	$97

Derivative Transactions to Which Hedge Accounting is Applied

At March 31, 2023	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
	Millions of Yen			
Foreign currency forward contracts:				
Selling U.S.$	Receivables	¥7,081		¥(215)
Selling EUR	Receivables	9,680		(724)
Hedges for which the "exceptional" method is applied				
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	¥5,082	¥4,720	

At March 31, 2022	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
	Millions of Yen			
Foreign currency forward contracts:				
Selling U.S.$	Receivables	¥4,846		¥(615)
Selling EUR	Receivables	5,775		(341)
Hedges for which the "exceptional" method is applied				
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	¥5,444	¥5,082	

At March 31, 2023	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
	Thousands of U.S. Dollars			
Foreign currency forward contracts:				
Selling U.S.$	Receivables	$52,843		$(1,873)
Selling EUR	Receivables	72,238		(5,402)
Hedges for which the "exceptional" method is applied				
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	$37,925	$35,223	

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differentials paid or received under the swap agreements are recognized and included in interest expense. In addition, the fair value of such interest rate swaps in Note 16 is included in that of hedged items (i.e. long-term debt).

17. OTHER COMPREHENSIVE INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥ 751	¥ 123	$ 5,604
Reclassification adjustments to profit or loss	(11)	(31)	(82)
Amount before income tax effect	740	92	5,522
Income tax effect	(227)	(27)	(1,694)
Total	¥ 513	¥ 65	$ 3,828
Deferred gain (loss) on derivatives under hedge accounting:			
Gains (losses) arising during the year	¥ (16)	¥(549)	$ (119)
Amount before income tax effect	(16)	(549)	(119)
Income tax effect	4	168	29
Total	¥ (11)	¥(381)	$ (82)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥1,111	¥ 912	$ 8,291
Total	¥1,111	¥ 912	$ 8,291
Defined retirement benefit plans:			
Gains (losses) arising during the year	¥ (26)	¥ 101	$ (194)
Reclassification adjustments to profit or loss	(164)	(153)	(1,223)
Amount before income tax effect	(190)	(52)	(1,417)
Income tax effect	58	16	432
Total	¥ (131)	¥ (35)	$ (977)
Share of other comprehensive loss in associates –			
Gains (losses) arising during the year	¥ 5	¥ 1	$ 37
Total	¥ 5	¥ 1	$ 37
Total other comprehensive income (loss)	¥1,487	¥ 561	$11,097

18. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2023 and 2022, is as follows:

	Millions of Yen	Thousands of Shares	Yen	Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
For the year ended March 31, 2023:				
Basic EPS				
Net income available to common shareholders	¥4,404	26,451	¥166.50	$1.24
Effect of dilutive securities				
Stock acquisition rights		72		
Diluted EPS				
Net income for computation	¥4,404	26,523	¥166.05	$1.23
For the year ended March 31, 2022:				
Basic EPS				
Net income available to common shareholders	¥3,626	26,302	¥137.87	
Effect of dilutive securities				
Stock acquisition rights		72		
Diluted EPS				
Net income for computation	¥3,626	26,374	¥137.49	

Average number of common shares during the period is after deductions of 1) the number of shares of treasury stock and 2) the number of shares held by the ESOP Trust (320 thousand shares of March 31, 2023).

19. SUBSEQUENT EVENTS

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2023, was approved at the Board of Directors meeting held on May 11, 2023:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30 ($0.22) per share	¥801	$5,977

20. SEGMENT INFORMATION

Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and for which such information is evaluated regularly by the chief operating decision - maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Information about products and services

   For the fiscal years ended March 31, 2023 and 2022, the total sales, operating income, and total assets of the Pump reporting segment exceeded 90% of the totals of the Group, thus the Group has omitted the disclosure of information about products and services.

2. Information about geographical areas

   (1) Sales

Millions of Yen				
2023				
Japan	Asia	Middle East	Other	Total
¥27,821	¥11,442	¥10,621	¥13,964	¥64,659

*Other includes sales to Egypt ¥8,973 million.

Millions of Yen				
2022				
Japan	Asia	Middle East	Other	Total
¥28,475	¥8,329	¥10,621	¥4,815	¥52,240

Thousands of U.S. Dollars				
2023				
Japan	Asia	Middle East	Other	Total
$207,619	$85,388	$85,298	$104,208	$482,529

*Other includes sales to Egypt $66,962 thousand.

Note: Sales are classified by country or region based on the location of customers.

   (2) Property, plant and equipment

Millions of Yen				
2023				
Japan	Asia	Middle East	Other	Total
¥11,775	¥1,246	¥814	¥795	¥14,631

Millions of Yen				
2022				
Japan	Asia	Middle East	Other	Total
¥12,765	¥1,367	¥672	¥783	¥15,589

Thousands of U.S. Dollars				
2023				
Japan	Asia	Middle East	Other	Total
$87,873	$9,298	$6,074	$5,932	$109,186

3. Information about major customers

	2023	
	Millions of Yen Sales	Related Segment Name
Egyptian government	¥7,474	Pump Business

	2023	
	Thousands of U.S. Dollars Sales	Related Segment Name
Egyptian government	$55,776	Pump Business

4. Information about goodwill

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
	Pumps	Pumps	Pumps
Amortization of goodwill	¥109	¥ 20	$ 813
Goodwill	238	464	1,776

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