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May 27, 2026

To our shareholders:

Non-recorded Items Concerning the Notice of the 129th Ordinary General Meeting of Shareholders

Basic Policy on Internal Controls and Its Operational Status

Notes to Consolidated Financial Statements

Notes to Non-Consolidated Financial Statements

SINTOKOGIO, LTD.

In accordance with the provisions of laws and regulations and Article 16 of the Company's Articles of Incorporation, the above items are excluded from the paper-based documents delivered to shareholders who have made a request for delivery of such documents.

Note that, for this general meeting of shareholders, paper-based documents stating items subject to measures for electronic provision, excluding the above items, will be delivered to all shareholders regardless of whether they have made a request for delivery of such documents.

Basic Policy on Internal Controls and Its Operational Status

The Company has established systems to ensure that Directors' execution of duties conforms to laws and regulations and the Articles of Incorporation, as well as other systems (internal control systems) necessary to ensure proper operations as summarized below. The following is a summary of the Basic Policy Concerning Internal Control Systems and Its Operational Status for the corporate group, comprised of the Company and its subsidiaries (hereinafter referred to as "the Group") as of May 21, 2026. (The Company's Basic Policy Concerning Internal Control Systems was adopted by resolution at the Board of Directors meeting held on May 11, 2006, and the most recent partial revision was made on May 26, 2025.)

1. Systems for ensuring the compliance of job execution of Directors and employees with laws and regulations, and the Articles of Incorporation
 - (1) SINTO Corporate Ethics Action Guidelines which prescribe actions and a frame of mind the Company's officers and employees need for observing laws, ordinances and the Articles of Incorporation and maintaining a high sense of ethics, and a manual for specific actions based on the Guidelines shall be formulated, and made known to all parties.
 - (2) The Nomination and Compensation Committee consisting of Independent External Officers only (in which Independent External Directors are members and Independent External Auditors are attendees) shall be established on the basis of the Board of Directors Regulations. The Committee shall deliberate and resolve matters concerning basic policies on the nomination of and remuneration for Directors and Auditors, etc., nomination, evaluation and remuneration, and submit its resolutions to the Board of Directors.
 - (3) The Sustainability Committee shall be established to plan and promote activities focused on sustainability. At the same time, the Ethics/Compliance Committee shall be set up to strengthen initiatives related to compliance.
 - (4) The Audit Group shall be established to periodically audit the status of internal control within the Company.
 - (5) The SINTO Speak-up System shall be prepared to enable the Company's officers and employees to make a whistle-blowing report to the Company's Auditors and its legal division, or external lawyers directly.
 - (6) Resolute responses shall be in the ordinary times given to antisocial forces and organizations that threaten social order and safety in close cooperation with external specialist bodies such as lawyers. Unreasonable demands shall be confronted firmly by means of organized responses.
 - (7) Education systems by position rank such as new employees, mid-career employees and newly-appointed managers, etc. and education systems by job category such as sales and management shall be promoted to facilitate the acquisition of required knowledge and improve a sense of ethics.

(Operation status)

- The Company asked its Director in charge of business execution to confirm the compliance of execution of duties in the fiscal year under review with laws, ordinances and the Articles of Incorporation, and received from the said Director the written confirmation of the compliance.
- Training by position rank concerning the SINTO Corporate Ethics Action Guidelines was provided.
- The Nomination and Compensation Committee in which five (5) External Directors who are Independent Officers are members and three (3) External Auditors are attendees held three (3) annual meetings, deliberated and passed a resolution on the nomination of Directors and remuneration for them, etc., and submitted its resolutions to the Board of Directors.
- The Sustainability Committee held three (3) annual meetings.
- An audit by Auditors, audit by the Accounting Auditor, and internal audit were conducted. Information was reciprocally and closely exchanged, and proposals for improvement were made as needed.
- Contact points for whistle-blowing are set up at Full Time Auditors, and inside and outside of the Company, and made internally known to respond to the declaration of facts. The prohibition of disadvantageous treatment is clearly stated when making their establishment internally known.

- The Ethics/Compliance Committee held one (1) annual meeting, and reported the status of its activities to the Board of Directors.
 - The Company has established our sustainability policy and ethics/compliance policy in the “SINTO Business Partner Guidelines,” and promotes them together with suppliers.
 - The Company’s Corporate Principles outline the actions and values that employees should adopt. To clearly explain and concretize what the Corporate Principles mean and how they translate into specific actions, we created and distributed a booklet of “Corporate Principles (Guidelines for Action).”
2. Systems concerning the storage and management of information related to execution of duties by Directors
- (1) Materials related to the agendas for the Company’s Board of Directors meetings and items submitted thereto, and the minutes of the said meetings shall be prepared on the basis of legal provisions, and stored and managed in accordance with the term of storage.
 - (2) Important documents related to business execution shall be stored and managed in accordance with the term of storage, in addition to written applications for approval that serve as information concerning the execution of the Company’s businesses, materials attached thereto, the minutes of the meetings of meeting bodies and committees, etc. participated in by the Company’s Representative Director, written contracts evidencing the Company’s rights and obligations, accounting documents, and account books, etc.
 - (3) Storage, management and access to information stated above shall be prescribed in the Document Management Regulations. The approval of the Board of Directors and understanding of the Board of Auditors shall be obtained when revising the Document Management Regulations.

(Operation status)

- Information is created, stored and managed according to the above policy.
- Directors, Auditors and the Audit Group read the minutes of Board of Directors meetings and the records of written approval applications, etc., or obtained their copies in the fiscal year under review as needed in order to fulfill their responsibilities.

3. Regulations and other systems concerning the management of the risk of loss

- (1) Regarding major risks involved in the Company’s business administration, systems needed for the management of individual risks shall be prepared by clarifying responsible divisions and officers in charge by risk category.
- (2) Risks shall be grasped and analyzed, and countermeasures shall be planned, implemented, assessed, and followed up by visualizing whole major risks concerning the Company not limited to individually managed risks in a risk map and prioritizing those risks through the establishment of the Risk Management Committee aimed at managing them comprehensively.
- (3) The Risk Management Regulations that serve as the basis for risk management and related individual regulations shall be established.
- (4) Action guidelines and manuals shall be prepared by risk category, and training and education shall be provided to facilitate their understanding.
- (5) Business continuity plans (BCPs) shall be formulated to prepare for disasters, etc., and training shall be provided for preventing and reducing disaster damages. In addition, risk distribution measures, including the storage of components and consumables, shall be taken as needed.

(Operation status)

- The Risk Management Committee had six (6) annual meetings. The Committee decided on Directors in charge of and divisions responsible for respective major risks surrounding the Company, in addition to reviewing a visualized risk map. Directors in charge decided on a basic approach and specific methods for dealing with the risks based on their discussions.

- The status of activities by the Risk Management Committee was reported to the Board of Directors.
- BCPs for restoring production, etc. are formulated at the Headquarters and respective bases to prepare for disasters, etc. Periodic training (on initial responses and restoration responses) is provided every year to continue the improvement of BCPs.

4. Systems for ensuring efficient execution of duties by Directors

(1) Systems for managing business plans

- (i) The Medium-Term Business Plan and business plans for respective fiscal years shall be formulated with clarified basic management policies, such as the management philosophy and the mission as their basis. Management targets including those for business results and business strategies decided in those plans shall be incorporated into plans and targets for respective divisions and managers in business execution lines for the sake of their achievement. Businesses shall be operated through the chain of those targets.
- (ii) Whether or not results for management targets are advancing as planned shall be verified at the Executive Meeting every month. In addition, required measures shall be discussed and decided by the Board of Directors based on quarterly, semiannual and annual business reports.

(2) Systems for managing business execution

- (i) Criteria for important business execution matters that should be submitted to and decided by the Board of Directors shall be clarified in accordance with the Board of Directors Regulations.
- (ii) The Board of Directors shall be made to specialize in decision-making and supervisory functions by expanding the Executive Officer System. At the same time, business execution shall be made more efficient and speeded up, and where responsibility for the execution lies shall be clarified by transferring authority over the execution of regular businesses to Executive Officers.
- (iii) Authority over and responsibility for daily business execution shall be appropriately transferred to reporting lines in order, and responsible persons at respective levels shall make decisions timely and appropriately under the authority and responsibility of Executive Officers in accordance with the Administrative Authority Regulations and the Division of Duties Regulations.

(Operation status)

- The Representative Director, President decides on the Medium-Term Business Plan, business plans for respective fiscal years, and required measures based on discussions with respective divisions. The President receives reports on progress, and reports progress to the Board of Directors. Managing Executive Officers, Executive Officers, etc. execute duties assigned to each of them in accordance with relevant regulations.
- At the Board of Directors meeting, the execution status of strategic projects and the progress of revenue improvement plans were monitored. Members, including External Directors, actively provided recommendations based on their respective knowledge and experience to maximize corporate value, while also engaging in repeated discussions for further improvements.

In addition, the progress on nurturing the next generation of talent, respecting diversity, and expanding human capital was monitored by the Nomination and Compensation Committee as well as the Board of Directors, where active discussions were held.

5. Systems for ensuring the appropriateness of businesses at the Group

(1) Systems concerning reports to the Company of matters related to execution of duties by the Group's officers and employees

- The Company shall require periodic reports to the Company of important information, such as the business results and financial conditions of Group companies, under the Affiliated Company Management Regulations established by itself. In addition, the Company shall require deliberation and approval by its Board of Directors regarding important matters that fall under its Board of Directors Regulations.

- (2) Regulations and other systems concerning the management of the risk of loss by Group companies
 - The Company shall establish the Risk Management Regulations that prescribe risk management for the Group as a whole, determines responsible divisions by risk category under the said Regulations, and comprehensively manages risks for the entire Group.
- (3) Systems for ensuring efficient job execution at Group companies
 - (i) The Company shall formulate the Group Medium-Term Business Plan that covers a period of three (3) fiscal years, set priority management targets for the entire Group for each fiscal year based on discussions, review progress periodically, and implement countermeasures confirmed reciprocally.
 - (ii) The Company shall set criteria concerning the division of duties, authority, decision-making and other matters related to organization in the Group, and instruct Group companies to build systems based on the criteria.
- (4) Systems for ensuring the compliance of job execution at Group companies with laws, ordinances and the Articles of Incorporation
 - (i) The Company shall establish the SINTO Corporate Ethics Action Guidelines and make the Guidelines known to all the Group's officers and employees.
 - (ii) The Company shall establish Sinto Beliefs applied to all the Group's officers and employees including those at overseas Group companies, and make the Corporate Ethics Action Guidelines, safety policies, environmental policies and quality policies known to all parties.
 - (iii) The Company shall position appropriate numbers of Auditors at Group companies in Japan according to their respective sizes.
 - (iv) The Company shall seek to raise the compliance awareness of officers and employees at Group companies in Japan. At the same time, the Company shall aim to make compliance matters known to all parties by organizing periodic meetings participated in by the presidents of Group companies.
 - (v) The Company's Audit Group shall periodically conduct internal audits of Group companies based on the Internal Audit Regulations and the Affiliated Company Management Regulations.
 - (vi) The Company shall prepare the SINTO Speak-up System enabling officers and employees at Group companies in Japan to make a whistle-blowing report to the Company's Auditors, its legal division, or external lawyers directly, and prohibit dismissal and other disadvantageous treatment for the reason of making the reports.
 - (vii) The Company shall work to prepare relevant regulations in accordance with internal control assessment criteria concerning generally accepted financial reports in order to ensure the reliability of the Group's financial reports. At the same time, the Company shall prepare systems for making appropriate reports, and build structures for periodically and continuously assessing preparation and operation status for the systems.

(Operation status)

- At the Board of Directors meeting, the execution status of investment projects in overseas groups was monitored. Members, including External Directors, actively provided recommendations based on their respective knowledge and experience to maximize corporate value, and engaged in repeated discussions.
- The Company revised a set of Sinto Beliefs, which lays out our management philosophy and basic policies, and redistributed it to all the Group's officers and employees, including those at overseas Group companies.
- The Company received reports on important information, such as business results for Group companies, in accordance with relevant regulations, and submitted those reports to its Board of Directors for deliberation and approval as needed.
- The Company received reports on a map of risks at Group companies in Japan, and worked to grasp risks for the Group as a whole.
- The Company converted audit items at Group companies in Japan into a checklist, and received reports on audit results from Auditors at the said companies.

- The Company received business reports and reports on the state of risks, such as information on complaints and accidents, from top managers at Group companies in Japan every month. At the same time, the Company received reports on the results of Board of Directors meetings held every month. The Company held a meeting participated in by the top managers of Group companies once every quarter, and worked to make compliance matters known to all parties. At the same time, the Company received reports on the progress of business plans for each fiscal year at respective companies. In addition, Group companies in Japan held their respective Annual Shareholders Meetings in May, and reported their results to the Company's top manager.
 - The Company received reports on the state of audits by Auditors at respective Group companies in Japan from their top managers. At the same time, the Company received audit results to the effect that no material fact of the violation of laws, ordinances or the Articles of Incorporation existed.
 - The Company received from the top managers of Group companies in Japan a written pledge to the effect that all reportable matters have been properly reported in accordance with the Company's rules and that there are no reportable matters that have not been reported due to an inability to report them.
 - The Company is continuing to maintain and step up the management of risks at overseas Group companies from a local perspective, through holding companies in the United States and Europe.
 - The Company received business reports and reports on the state of risks, such as information on complaints and accidents, from top managers at overseas Group companies every month. At the same time, the Company received reports on the results of Board of Directors meetings held periodically.
 - The Company worked to make Group management policies known to overseas Group companies by holding the SINTO INTERNATIONAL CONFERENCE participated in by its top manager and his counterparts at the overseas Group companies in July. Through the conference, the Company confirmed the risk management status at the Group companies. The Company also received reports on the progress of business plans for the fiscal year. Furthermore, the Company held a report meeting for overseas Group companies at the end of the year where the progress of business plans, etc. were reported to its top manager. Overseas Group companies also held their respective Annual Shareholders Meetings, and reported their results to the Company's top manager.
 - The Company received from the top managers of overseas Group companies a written pledge to the effect that all reportable matters have been properly reported and that there are no reportable matters that have not been reported due to an inability to report them.
 - The Company converted legal compliance items at overseas Group companies into a checklist, and received reports on results at the said companies.
 - The Company's Auditors, Accounting Auditor and Audit Group conducted audits of Group companies in Japan in concert with one another. For overseas Group companies, the Accounting Auditor conducted audits, and the results were reported to the Company's Auditors and the Audit Group.
 - The Company is responding to the declaration of facts by setting up contact points for whistle-blowing at Full Time Auditors, and inside and outside of the Company, and by making them known to Group companies in Japan. The Company is clearly stating the prohibition of disadvantageous treatment when making their establishment known to Group companies in Japan, too.
 - In addition to the above, the Company appropriately operated the systems in accordance with the systems stated above.
6. Matters concerning employees who should assist Auditors in their duties and the independence of the said employees
- (1) Individuals appropriate as employees to assist the Company's Auditors in the execution of their duties shall be posted in cases where the Auditors requested them.
 - (2) Regarding execution of duties by employees who should assist the Company's Auditors in the execution of their duties, a system for keeping the said employees independent from the Company's Board of Directors shall be secured.

(Operation status)

- Upon request from the Company's Auditors, the members of the Company's management division in charge provide assistance as needed.

7. Systems concerning reports to Auditors

- (1) The Company's important documents, such as the records of its Auditors' attendance at important internal meetings, written approval applications, the minutes of important meetings and important reports, shall be provided to the Auditors. At the same time, systems enabling their reading as needed shall be secured.
- (2) The officers and employees of the Company and Group companies shall promptly and appropriately report matters concerning business execution when reports on them are requested by the Company's Auditors.
- (3) The officers and employees of the Company and Group companies shall directly submit reports to the Company's Auditors when facts that may cause remarkable damages to the Company or its subsidiaries, such as the violations of laws and ordinances, etc., are discovered.
- (4) The Company's Audit Group shall periodically submit reports to the Company's Auditors, and report the status of internal audit, etc. at the Company and the Group.
- (5) The Company's division in charge of the whistle-blowing system shall periodically report to the Company's Auditors the status of such reports by the officers and employees of the Company and Group companies.
- (6) The Company shall prohibit the disadvantageous treatment of officers and employees who made reports to its Auditors for making such reports, and make this rule known to all the Group's officers and employees.
- (7) The Company shall prescribe in the SINTO Speak-up System and the detailed regulations for its operation established based on the Risk Management Regulations that the Group's officers and employees may report directly to the Company's Auditors. At the same time, the Company shall clearly state the prohibition of dismissal and other disadvantageous treatment due to such reporting itself.

(Operation status)

- The Company's division in charge of the whistle-blowing system reported to Auditors the details of whistleblowing by the officers and employees of the Company and Group companies, and the state of responses.
- The Company published in its monthly internal newsletter that officers and employees of the Company and its Group companies may report directly to the Company's Auditors.
- In addition to the above, the Company appropriately operated the systems in accordance with the systems stated above.

8. Systems for ensuring effective audits by Auditors

- (1) Opportunities for on-demand or periodic interviews, or opinion exchanges with the Company's Auditors, Representative Director and Accounting Auditor shall be secured.
- (2) The effectiveness of information gathering shall be guaranteed by securing opportunities for the Company's Auditors to directly interview individuals in charge of business promotion, such as the chiefs of business offices under the scope of audit, and general managers and section chiefs at those offices.
- (3) In the event that an Auditor of the Company requests the Company for advance payment of expenses, etc. under Article 388 of the Companies Act in connection with the execution of his/her duties, the Company shall, after deliberation by the department in charge, promptly dispose of such expenses or liabilities, unless such expenses or liabilities are deemed not necessary for the execution of such Auditor's duties.
- (4) The Company shall allocate a certain amount every year to pay for expenses incurred in the execution of duties by its Auditors, etc.

(Operation status)

- The Accounting Auditor submitted a periodic report on the results of audits for the fiscal year to Auditors based on laws and ordinances. Auditors also interviewed the Accounting Auditor concerning the state of audits as needed.
- There was no budget shortfall in conducting audits in accordance with the audit plan for the fiscal year under review.

Basis of Preparation of Consolidated Financial Statements

1. Scope of consolidation

(1) Status of consolidated subsidiaries

Number of consolidated subsidiaries: 76

Names of major consolidated subsidiaries

MEIKIKOU Corporation, Heinrich Wagner Sinto Maschinenfabrik GmbH, Roberts Sinto Corporation, Qingdao Sinto Machinery Co., Ltd., Sinto Brasil Produtos Limitada, 3DCeram-Sinto, Inc., Omega Sinto Foundry Machinery Limited and Elastikos (France) S.A.S.

A total of two companies were included in the scope of consolidation, since Winoa Arabia Inc. and one other company were established during the fiscal year under review.

National Metal Abrasives, Inc. and FROHN North America, Inc. were excluded from the scope of consolidation due to the liquidation of the companies.

(2) Status of unconsolidated subsidiaries

Number of unconsolidated subsidiaries: 8

Names of major unconsolidated subsidiaries

PT. Sinto Indonesia

Reason for exclusion from the scope of consolidation

The eight unconsolidated subsidiaries are excluded from the scope of consolidation, because they are all small in scale, and any total amount in terms of their total assets, net sales and profit or loss (amount corresponding to the Company's ownership interest) as well as retained earnings (amount corresponding to the Company's ownership interest) and others do not significantly affect the consolidated financial statements.

2. Application of equity method

(1) Status of unconsolidated subsidiaries accounted for using equity method:

Number of unconsolidated subsidiaries accounted for using equity method 7

Names of major companies, etc.

PT. Sinto Indonesia

Number of associates accounted for using equity method: 6

Names of major companies, etc.

Laempe Mossner Sinto GmbH

(2) Status of unconsolidated subsidiaries not accounted for using equity method

Number of unconsolidated subsidiaries not accounted for using equity method 1

Names of major companies, etc.

Cathay Asia Pacific Co., Ltd.

Reason for not accounted for using equity method

One unconsolidated subsidiary is excluded from the scope of application of the equity method, because it has little influence on profit or loss (amount corresponding to the Company's ownership interest), retained earnings (amount corresponding to the Company's ownership interest) and others, and has no significance.

3. Fiscal year of consolidated subsidiaries

The balance sheet date of fifty-nine (59) overseas consolidated subsidiaries was December 31, 2025. The date differs from the consolidated balance sheet date. However, consolidated accounting is performed on the basis of financial statements for the fiscal year of the said consolidated subsidiaries because the difference between the said date and the consolidated balance sheet date is less than three (3) months. However, adjustments required for consolidation are made for significant transactions that arose in the period from the said date to the consolidated balance sheet date.

4. Accounting policies

(1) Valuation basis and methods for significant assets

(i) Securities

Available-for-sale securities

Securities other than those with no market price, etc.

Stated at fair value (valuation differences are booked directly in a separate component of net assets, and cost of securities sold is mainly determined by the moving average method).

Securities with no market price, etc.

Stated at cost mainly determined by the moving average method.

(ii) Inventories

Stated at cost (balance sheet value is determined by the method of writing down the carrying amount based on profitability decline).

Finished goods and work in process

Stated at cost determined by the specific identification method for goods produced on order, and stated at cost determined mainly by the moving average method for abrasives, etc.

Raw materials and supplies

Stated at cost determined by the progressive average inventory method for raw materials and supplies concerning the manufacture of goods produced on order, etc., and stated at cost mainly determined by the moving average method for raw materials concerning the manufacture of abrasives, etc.

(2) Accounting methods for depreciation of significant depreciable assets

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

Depreciated mainly using the declining balance method. However, domestic companies use the straight-line method for buildings (excluding facilities attached to buildings) that were acquired on or after April 1, 1998, and facilities attached to buildings and structures that were acquired on or after April 1, 2016.

Major useful lives are as follows:

Buildings and structures	7 to 50 years
Machinery, equipment and vehicles	4 to 12 years
Other	2 to 15 years

(ii) Intangible assets (excluding leased assets)

The straight-line method is used.

(iii) Leased assets

The straight-line method is applied assuming the lease period as the useful life without residual value.

(3) Accounting policy for significant provisions

(i) Allowance for doubtful accounts

To prepare for credit losses on receivables such as accounts receivable - trade and loans, an estimated uncollectable amount is provided at the amount estimated by either using the historical rate of credit loss for general receivables, or based on individual consideration of collectability for receivables such as highly doubtful receivables and distressed receivables.

(ii) Provision for bonuses

To prepare for payment of bonuses for employees, the estimated amount of bonuses to be paid during the fiscal year under review is provided.

(iii) Provision for bonuses for directors (and other officers)

To prepare for payment of bonuses for directors (and other officers), the estimated amount of bonuses to be paid during the fiscal year under review is provided.

(iv) Provision for product warranties

To prepare for complaint processing expenses that may accrue during a fixed period after the delivery and acceptance inspection of plants and large machines supplied on order, etc., the amount of the said expenses estimated to accrue for net sales for the fiscal year under review is recorded on the basis of the ratio of the said expenses to net sales in the past.

(v) Provision for loss on orders received

To prepare for a future loss on order contracts, an estimated amount of loss on order contracts at the end of the fiscal year under review is provided.

(vi) Provision for retirement benefits for directors (and other officers)

To prepare for the payment of retirement benefits to officers, an amount required for their payment at the end of the fiscal year under review is provided at some of the consolidated subsidiaries based on internal rules for the provision of retirement benefits for officers.

(4) Accounting policy for significant revenue and expenses

The Group manufactures and sells facilities and equipment (including those for remodeling and installation and maintenance) for surface treatment, foundry, environment, material handling and special equipment businesses, etc., and components and consumables related to the said facilities and equipment. Major obligations in these businesses are product delivery and service provision in the case of facilities and equipment, etc. under contracts with customers, and product delivery in the case of components and consumables.

Revenue from facilities, equipment, components and consumables is recognized, assuming the point where products under contracts with customers are delivered and the point where services under the said contracts are provided as the point where control is transferred.

Revenue from large plants and special machines among facilities and equipment is recognized over a fixed period by estimating the rate of progress as an obligation fulfilled over the fixed period because the high degree of manufacturing to customer specifications makes their diversion to other contracts difficult.

Revenue is recognized at the point where installation, etc. is completed as an obligation fulfilled at a given point in cases where installation, etc. is not an obligation fulfilled over a fixed period.

(5) Accounting methods for retirement benefits

(i) Method of attributing expected retirement benefits to periods

In the calculation of retirement benefit obligations, expected retirement benefits are attributed to the period up to the end of the fiscal year under review on a benefit formula basis.

(ii) Method of expensing actuarial gains and losses

Actuarial gains and losses are expensed using an amount obtained by proportionally dividing such gains and losses by a fixed number of years (ten (10) years) within the average remaining service period of employees at the point of their accrual in the straight-line method from the fiscal year after the year of their accrual.

(iii) Adoption of the simplified method at small enterprises, etc.

Some of the consolidated subsidiaries use the simplified method for the calculation of retirement benefit liabilities and retirement benefit expenses.

(6) Accounting policy for translation of significant foreign currency assets or liabilities into Japanese yen

Monetary receivables and payables in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing as of the consolidated balance sheet date, and translation differences are accounted for as profit or loss. Assets, liabilities, revenue and expenses for overseas consolidated subsidiaries, etc. are translated into Japanese yen at the spot exchange rates prevailing as of the balance sheet dates of respective subsidiaries. Translation differences are recorded by including them in foreign currency translation adjustment and non-controlling interests under net assets.

(7) Method of significant hedge accounting

Deferred hedge accounting, a basic accounting method, is used. Appropriation is adopted for monetary receivables and payables in foreign currencies with forward exchange contracts fulfilling hedge accounting requirements, etc.

(8) Accounting method and period for amortization of goodwill

Goodwill is amortized in five (5) to ten (10) years in the straight-line method.

5. Items related to revenue recognition

(1) Breakdown of revenue

Fiscal year under review (April 1, 2025 to March 31, 2026)

Breakdown of revenue information categorized by individual goods and services

(Millions of yen)

	Reportable Segments						Other (Note 1)	Total
	Surface Treatment Business	Foundry Business	Environ- ment Business	Material Handling Business	Special Equipment Business	Total		
Machines	16,595	34,008	9,257	7,988	6,151	74,000	-	74,000
Parts	10,661	14,771	3,750	91	446	29,721	-	29,721
Consumables	69,234	2,227	188	-	526	72,176	-	72,176
Other	-	-	-	-	-	-	279	279
Revenue from contracts with customers	96,491	51,007	13,196	8,080	7,123	175,898	279	176,178
Other revenue	-	-	-	-	-	-	-	-
Net sales to external customers	96,491	51,007	13,196	8,080	7,123	175,898	279	176,178

Note: 1. The “Other” category is a business segment not included in the reportable segments and includes machine design and the health and welfare business, etc.

Breakdown of revenue information presented by the period in which the revenue was recognized

(Millions of yen)

	Reportable Segments						Other (Note 1)	Total
	Surface Treatment Business	Foundry Business	Environ- ment Business	Material Handling Business	Special Equipment Business	Total		
Goods transferred at a point in time	89,504	23,241	8,403	7,182	5,239	133,571	279	133,851
Goods transferred over a set period	6,987	27,765	4,792	897	1,884	42,327	-	42,327
Revenue from contracts with customers	96,491	51,007	13,196	8,080	7,123	175,898	279	176,178
Other revenue	-	-	-	-	-	-	-	-
Net sales to external customers	96,491	51,007	13,196	8,080	7,123	175,898	279	176,178

Note: 1. The “Other” category is a business segment not included in the reportable segments and includes machine design and the health and welfare business, etc.

(2) Basic information to understand revenue

The Group is engaged in the manufacturing and sales of equipment and devices as well as the manufacturing and sales of parts and consumables related to equipment and devices. For sales of equipment and devices, regarding the provision of products and services in each business that do not require installation and on-site adjustments, because performance obligations are fulfilled with the delivery of products and the provision of services, revenue is recognized at the point at which the performance obligation in question is fulfilled. Regarding the provision of products and services that require installation and on-site adjustments, the delivery of products and the installation and on-site adjustment of the products in question are recognized as a single performance obligation, and revenue is recognized at the point at which the installation of the products and on-site adjustments are completed.

For contract work of equipment and devices, regarding performance obligations that are fulfilled over a set period, the progress ratio of the fulfillment of performance obligations is estimated, and revenue is recognized over a set period based on the level of progress completion. In cases where performance

obligations are not fulfilled over a set period, revenue is recognized at the point that installation is complete as performance obligations fulfilled at a point in time.

For transaction considerations, the Group mainly requests advances from customers for the period from when the order is received until the performance obligations are fulfilled, or payment following the fulfillment of performance obligations. As payments following the fulfillment of performance obligations mostly come within one year of the point that performance obligations are fulfilled, they do not include important financial elements.

Regarding parts and consumables related to equipment and devices, revenue is recognized at the point that performance obligations are fulfilled based on the contract between the Group and the customer.

(3) Information to understand the amount of revenue in the fiscal year under review and the next fiscal year onward

Contract liabilities included advances, etc. received prior to the fulfillment of performance obligations at the time of order, etc. based on the contract with the customer. Contract liabilities are drawn down with the recognition of revenue.

Of the amount of revenue recognized in the fiscal year under review, the amount included in the contract liability balance at the start of the year was ¥11,300 million.

Changes in contract liabilities result from increases in revenue from advances received and from revenue recognition.

The total amount of the value of transactions allocated to the residual performance obligations at the end of the fiscal year under review was ¥34,939 million. For these residual performance obligations, the Group expects to recognize revenue over a period of one to four years with the fulfillment of the performance obligations.

6. Matters concerning accounting estimates

Revenue recognized over a set period

For contract work of equipment and devices, regarding performance obligations that are fulfilled over a set period, the progress ratio of the fulfillment of performance obligations is estimated, and revenue is recognized over a set period based on the level of progress completion.

In the fiscal year under review, net sales recognized as revenue over a set period were ¥42,327 million.

Net sales related to performance obligations fulfilled over a set period are calculated based on the total amount of revenue and the progress ratio. The progress ratio is calculated based on the ratio of the actual manufacturing costs accrued through the end of the fiscal year under review against the estimated manufacturing costs.

Estimated manufacturing costs take into consideration factors, such as project specifications, the state of costs accrued in similar projects in the past, and the degree of difficulty involved in the projects. Changes from estimated manufacturing costs may arise due to fluctuations in raw material prices, facts that became known after the start of design, etc. The difference may significantly affect net sales in consolidated financial statements in the next fiscal year in cases where manufacturing costs that actually accrued differ from estimated manufacturing costs.

Valuation of non-listed shares

Non-listed shares were valued at ¥5,694 million at the end of the fiscal year under review.

The acquisition cost of securities with no market price, etc. (such as non-listed shares) is recorded based on the real value of the net asset value of the equity in the investee at the time of acquisition, reflecting factors such as

the excess earning capacity and management rights. However, if the real value of such security declines significantly due to a deterioration in financial position or impairment of excess earning capacity, etc., an impairment loss will be recognized. For investment securities for which no impairment loss has been recognized, the Company has determined that the excess earning capacity, etc. of the investee has not been impaired and the real value of the security has not declined significantly, based on the assumption that the investee's business plan is reasonable. This assumption is made considering changes in the market environment of the investee, discrepancies between the investee's budget and actual results, changes in business performance, progress of business plans, the most recent financing conditions, and other factors.

The business plan of the investee is subject to uncertainties, and a significant decline in the real value of the investment security would require an impairment of such security, which could have a material impact on the consolidated financial statements for the next fiscal year.

Provision for loss on orders received

To prepare for future losses associated with contracts received, projected losses associated with contracts received at the end of the fiscal year under review are recorded as order loss reserves. The balance of order loss reserves at the end of the fiscal year under review was ¥362 million.

Of the projects for which the estimated manufacturing costs exceed the monetary value of orders, order loss reserves are calculated based on the amount of losses expected to be accrued from the next fiscal year onward. Estimated manufacturing costs take into consideration factors, such as project specifications, the state of costs accrued in similar projects in the past, and the degree of difficulty involved in the projects. Changes from estimated manufacturing costs may arise due to fluctuations in raw material prices, facts that became known after the start of design, etc. The difference may significantly affect provision for loss on orders received in consolidated financial statements in the next fiscal year in cases where manufacturing costs that actually accrued differ from estimated manufacturing costs.

Valuation of non-current assets

(1) Amount recorded on the consolidated financial statements for the fiscal year under review

- Property, plant and equipment ¥56,629 million
- Intangible assets ¥3,683 million
- Impairment losses ¥20,910 million

(2) Information regarding the nature of significant accounting estimates related to the identified items

In applying impairment accounting, the Group generally groups assets by business segment for the Company. However, assets at a single location where multiple businesses are operated and that cannot be attributed to a specific business are grouped as shared assets of the relevant businesses; assets of the head office, sales offices, and company housing are grouped as company-wide shared assets; assets leased to third parties are grouped as assets for lease; and assets that are currently idle and are not expected to be used for business purposes in the future are grouped as idle assets.

With regard to subsidiaries, while assets at manufacturing sites are generally grouped by business segment, assets at sales sites and sales companies are grouped as shared assets of the entire consolidated group.

For assets or asset groups for which there are indications of impairment, if the total undiscounted future cash flows expected to be generated from said assets or asset groups are less than their carrying amounts, the carrying amounts are reduced to their recoverable value, and the resulting decrease in carrying amount is recognized as impairment losses.

For further details, see notes to Consolidated Statement of Income.

7. Additional information

(BIP Trust for Remuneration for Officers)

The Company engages in transactions with Directors (excluding External Directors) by which the Company's shares are issued to the Directors through a trust.

(1) Overview of transactions

The Company introduced the BIP Trust for Remuneration for Officers, a stock compensation plan linked to corporate value that covers three (3) fiscal years until the fiscal year that ended March 31, 2018 as a highly transparent and objective remuneration system for officers, based on a resolution at the 118th Ordinary General Meeting of Shareholders held on June 24, 2015 with the raising of officers' eagerness to contribute to corporate value enhancement in the medium term as an objective. The issuance of shares, etc. did not take place in three (3) fiscal years until March 31, 2018, three (3) continuing fiscal years until March 31, 2021, and additional three (3) fiscal years until March 31, 2024 because targets were not achieved. The continuation of the plan was resolved at Board of Directors meetings held on May 22, 2018, May 24, 2021 and May 21, 2024.

The plan after its continuation for the second time is a program under which the Company's shares, etc. are issued as remuneration for officers according to corporate value enhancement in a fixed period after the end of three (3) fiscal years from the fiscal year ended March 31, 2025 to the fiscal year ending March 31, 2027 (hereinafter the "period covered") (*) with the period covered as the scope of issuance. The Company's shares, etc. to be issued are determined according to positions, and the degree of capital efficiency improvement and the level of performance target achievement, etc. during the period covered. The issuance of the Company's shares, etc. is performed as remuneration for officers during a fixed period after the end of the period covered only in cases where capital efficiency reached a fixed degree of improvement, etc. during the said period.

The Trust Period, which had been set from December 3, 2015 to September 30, 2024, was also extended to September 30, 2027.

(*) The subsequent three (3) fiscal years will become the period covered in cases where the Trust Period is extended by changing the trust contract and making additions to the Trust upon the expiration of the Trust Period after the continuation of the plan.

(2) The Company's shares left in the Trust

The Company's shares left in the Trust are recorded as treasury shares under net assets using the carrying amount in the Trust (excluding the amount of ancillary expenses). The carrying amount and the number of the said treasury shares in the fiscal year under review are ¥179 million and 165,200 shares, respectively.

Consolidated balance sheet

1. Pledged assets and secured liabilities

(1) Collateralized assets

Buildings and structures	¥222 million
Land	¥1,190 million
Total	<u>¥1,413 million</u>

(2) Corresponding liabilities

Short-term borrowings	¥669 million
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2. Syndicated term loan agreement

Long-term borrowings of ¥7,125 million (including the current portion of long-term borrowings) are subject to financial covenants as follows:

- (1) Must maintain the total amount of the net assets section in the consolidated balance sheet as of the last day of each fiscal year beginning with the fiscal year ended March 31, 2025, at or above the higher of the amount equivalent to 75% of the total amount of the net assets section in the consolidated balance sheet as of the last day of the fiscal year ended March 31, 2023, or the amount equivalent to 75% of the total amount of the net assets section in the consolidated balance sheet as of the last day of the immediately preceding fiscal year.
- (2) May not record ordinary losses in the consolidated statement of income at the end of the fiscal year for two consecutive fiscal years.

In addition, this agreement is subject to a negative pledge.

As of the end of the fiscal year under review, the Company is not in violation of any financial covenants or negative pledge.

3. Monetary loan agreement

Long-term borrowings of ¥375 million (including the current portion of long-term borrowings) are subject to financial covenants as follows:

- (1) Must maintain the total amount of the net assets section in the consolidated balance sheet as of the last day of each fiscal year beginning with the fiscal year ended March 31, 2025, at or above the higher of the amount equivalent to 75% of the total amount of the net assets section in the consolidated balance sheet as of the last day of the fiscal year ended March 31, 2023, or the amount equivalent to 75% of the total amount of the net assets section in the consolidated balance sheet as of the last day of the immediately preceding fiscal year.
- (2) May not record ordinary losses in the consolidated statement of income at the end of the fiscal year for two consecutive fiscal years.

As of the end of the fiscal year under review, the Company is not in violation of any financial covenants.

4. Accumulated depreciation of property, plant and equipment ¥83,728 million

5. Discounts on export bills ¥102 million

Consolidated Statement of Income

1. Impairment losses

The non-financial assets for which impairment losses were recognized during the fiscal year under review are as follows.

(1) Breakdown of recognized impairment losses by asset type

Impairment losses of ¥20,910 million were recorded during the fiscal year under review. The breakdown of assets for which impairment losses were recognized is as follows.

(Millions of yen)			
Application	Company name	Country name	Amount
Goodwill, etc.	Elastikos (France) S.A.S.	French Republic	19,908
Production facilities for surface treatment applications, etc.	Winoa USA Inc.	United States of America	902
Production facilities for casting applications	Roberts Sinto de México	United Mexican States	99
Total			20,910

(2) Breakdown of assets for which impairment losses were recognized

(Millions of yen)

Type	Amount
Buildings and structures	218
Machinery, equipment and vehicles	782
Goodwill	11,130
Other intangible assets	8,777
Total	20,910

In applying impairment accounting, the Group generally groups assets by business segment for the Company. However, assets at a single location where multiple businesses are operated and that cannot be attributed to a specific business are grouped as shared assets of the relevant businesses; assets of the head office, sales offices, and company housing are grouped as company-wide shared assets; assets leased to third parties are grouped as assets for lease; and assets that are currently idle and are not expected to be used for business purposes in the future are grouped as idle assets.

With regard to subsidiaries, while assets at manufacturing sites are generally grouped by business segment, assets at sales sites and sales companies are grouped as shared assets of the entire consolidated group. Elastikos (France) S.A.S., the main company accounting for impairment losses, is no longer expected to generate the excess earning capacity that was initially projected due to the downturn in the European economy and intensified competition. Therefore, the carrying amount has been reduced to the recoverable value and impairment losses have been recorded.

The recoverable value is measured in terms of value in use, and is calculated by applying a discount rate of 11.03% to future cash flows.

2. Gain on sale of investment securities

A gain on sale of investment securities of ¥4,427 million was recorded from the sale of cross-shareholdings.

3. Loss on liquidation of business

A loss on liquidation of business of ¥394 million was recorded due to losses resulting from the closure of a subsidiary's surface treatment plant.

Consolidated Statement of Changes in Equity

1. Class and total number of issued shares as of the end of the fiscal year under review

Common shares 54,580,928 shares

2. Class and number of treasury shares as of the end of the fiscal year under review

Common shares 2,064,486 shares

Note: The number of treasury shares as of the last day of the fiscal year under review includes 165,200 shares of the Company held by the Trust.

Financial Instruments

1. Status of financial instruments

The Group limits fund management to short-term deposits and investment products with low principal risks, etc. The Group raises funds by means of bank borrowings.

The Group is working to lower customers' credit risks concerning notes and accounts receivable - trade based on credit management criteria. The Group manages due dates and balances customer by customer.

Furthermore, the division in charge of accounting and finance is executing and managing forward exchange contract transactions for foreign currency trade receivables based on requests by the division in charge of overseas sales in order to avoid foreign exchange fluctuation risks.

Investment securities are primarily shares related to businesses. The fair values of listed shares with market price fluctuation risks are grasped quarterly.

In principle, notes and accounts payable - trade are due within one (1) year. The division in charge of accounting and finance is executing and managing forward exchange contract transactions for foreign currency trade payables based on requests by the division in charge of overseas procurement in order to avoid foreign exchange fluctuation risks.

Short-term borrowings are mainly used as operating funds. Long-term borrowings are primarily used as capital investment and acquisition funds.

2. Fair values of financial instruments

Carrying amounts in the consolidated balance sheet as of March 31, 2026, fair values and the differences between them were as follows. Furthermore, as non-listed shares (¥5,694 million in the consolidated balance sheet) and investments in investment limited partnerships (¥101 million in the consolidated balance sheet) have no market price, they are not included in investment securities. Furthermore, because cash and deposits, notes and accounts payable – trade, short-term borrowings, and unpaid corporate taxes are cleared in a short period and their fair value is nearly the same as their book value, notes have been abbreviated. In addition, long-term income taxes payable were incurred during the fiscal year under review. However, since the amounts recorded on the consolidated balance sheet are immaterial, they have been abbreviated here.

(Millions of yen)

	Carrying amount (*1)	Fair value (*1)	Difference
(1) Notes and accounts receivable - trade	34,934		
Allowance for doubtful accounts (*2)	(127)		
	34,806	34,806	–
(2) Securities	300	300	–
(3) Investment securities	29,187	29,187	–
(4) Long-term borrowings	[44,010]	[41,898]	(2,111)
(5) Lease liabilities	[2,330]	[2,321]	(8)

(*1) The figures in brackets indicate those posted in liabilities.

(*2) Allowance for doubtful accounts, separately recorded under notes and accounts receivable - trade, is deducted.

Note: Explanation of valuation techniques and inputs used to calculate fair value

The fair value of financial products is categorized into the below three levels based on the observable inputs used in calculating the fair value and importance.

Level 1 fair value: fair value calculated from the (unadjusted) market value in a market in which the same assets or liabilities are actively traded

Level 2 fair value: fair value calculated using directly or indirectly observable inputs aside from the Level 1 inputs

Level 3 fair value: fair value calculated where important inputs cannot be observed

Where multiple inputs with a significant effect are used in calculating fair value, fair value is categorized in the lowest level in the order of priorities in calculating fair value among the levels into which those inputs are categorized.

(1) Notes and accounts receivable - trade

The carrying amount of notes and accounts receivable - trade is used as the fair value of such notes and accounts settled in short periods because their fair value is assumed to equal their carrying amount.

(2) Securities

The fair value of securities is determined based on the price provided by financial institutions, and classified into Level 1 or Level 2 fair value.

(3) Investment securities

The fair value of investment securities is primarily determined on the basis of their prices at exchanges and prices provided by financial institutions, etc., and classified into Level 1 or Level 2 fair value.

(4) Long-term borrowings

Their fair value is determined by discounting total principal and interest by an interest rate assumed in the case of similar new borrowing, and classified into Level 2 fair value. The amount of long-term borrowings includes their current portion (whose amount stated in the consolidated balance sheet is ¥3,234 million), which is included in short-term borrowings stated under current liabilities in the consolidated balance sheet.

(5) Lease liabilities

The fair value of lease liabilities is determined by discounting total principal and interest by an interest rate assumed in the case of similar lease contract conclusion, and classified into Level 2 fair value. The amount stated above is the sum of lease liabilities stated under current liabilities in the consolidated balance sheet and lease liabilities stated under non-current liabilities in the said balance sheet.

Per share information

Net assets per share	¥2,115.08
Basic loss per share	¥309.80

Note: In calculating net assets per share and basic loss per share, the Company's shares held by the BIP Trust for Remuneration for Officers are included in treasury shares deducted in the calculation of the number of common shares at the end of the period and the average number of shares during the period.

Significant subsequent events

(Significant capital investments)

1. Background and purpose of capital investment

At the meeting of its Board of Directors held on May 13, 2026, the Company decided to construct new plants within the premises of Toyokawa Works (Toyokawa City, Aichi) in order to establish mass production systems for heat dissipation metal components and ceramic components centered on 3D printing technology.

The new plants will introduce a technology platform that utilizes 3D screen printing technology and will engage in mass production of metal and ceramic components through additive manufacturing. The technology, characterized by its ability to handle various materials and high-precision fabrication, enables stable production of metal and ceramic components with high heat dissipation performance, which was difficult with conventional methods.

With the establishment of the new plants, the Company will realize a mass production system for next-generation heat dissipation components, strengthen its competitiveness in growing markets such as AI data centers, and achieve a stable supply of high value-added products.

2. Overview of capital investment

- (i) Facility overview: Plants for heat dissipation metal components and ceramic components
- (ii) Total investment amount: approximately ¥10.0 billion
- (iii) Start of operations: August 2028 (scheduled)

3. Significant impact of this facility on business and production activities

The impact of this capital investment on the consolidated financial results for the fiscal year ending March 31, 2027, is immaterial.

[Notes to Non-consolidated Financial Statements]

Significant Accounting Policies

1. Valuation basis and methods for assets

(1) Valuation basis and methods for securities

Shares of subsidiaries and associates

Stated at cost determined by the moving average method.

Available-for-sale securities

Securities other than those with no market price, etc.

Stated at fair value (valuation differences are booked directly in a separate component of net assets, and cost of securities sold is determined by the moving average method).

Securities with no market price, etc.

Stated at cost determined by the moving average method.

(2) Valuation basis and methods for inventories

Stated at cost (balance sheet value is determined by the method of writing down the carrying amount based on profitability decline).

Finished goods and work in process

Stated at cost determined by the specific identification method for goods produced on order, and stated at cost determined by the moving average method for abrasives, etc.

Raw materials and supplies

Stated at cost determined by the progressive average inventory method for raw materials and supplies concerning the manufacture of goods produced on order, etc. and stated at cost determined by the moving average method for raw materials concerning the manufacture of abrasives, etc.

2. Accounting method for depreciation of non-current assets

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

The declining balance method is used. However, the straight-line method is used for buildings (excluding facilities attached to buildings) that were acquired on or after April 1, 1998, and facilities attached to buildings and structures that were acquired on or after April 1, 2016.

Major useful lives are as follows:

Buildings	15 to 50 years
Structures	7 to 40 years
Machinery and equipment	5 to 12 years
Vehicles	4 to 7 years
Tools, furniture and fixtures	2 to 15 years

(2) Intangible assets (excluding leased assets)

The straight-line method is used.

(3) Leased assets

The straight-line method is applied assuming the lease period as the useful life without residual value.

3. Accounting policy for provisions

(1) Allowance for doubtful accounts

To prepare for credit losses on receivables such as accounts receivable - trade and loans, an estimated uncollectable amount is provided at the amount estimated by either using the historical rate of credit loss for general receivables, or based on individual consideration of collectability for receivables such as highly doubtful receivables and distressed receivables.

(2) Provision for bonuses

To prepare for payment of bonuses for employees, the estimated amount of bonuses to be paid during the fiscal year under review is provided.

(3) Provision for bonuses for directors (and other officers)

To prepare for payment of bonuses for directors (and other officers), the estimated amount of bonuses to be paid during the fiscal year under review is provided.

(4) Provision for product warranties

To prepare for complaint processing expenses that may accrue during a fixed period after the delivery and acceptance inspection of plants and large machines supplied on order, etc., the amount of the said expenses estimated to accrue for net sales for the fiscal year under review is recorded on the basis of the ratio of the said expenses to net sales in the past.

(5) Provision for loss on orders received

To prepare for a future loss on order contracts, an estimated amount of loss on order contracts at the end of the fiscal year under review is provided.

(6) Provision for loss on guarantees

To provide for losses related to guarantees of obligations to affiliated companies, an estimated amount of losses is recorded, taking into consideration the financial conditions, etc. of the companies involved.

(7) Provision for retirement benefits

To prepare for payment of retirement benefits for employees, projected retirement benefit obligations and plan assets at the end of the fiscal year under review are recorded based on deemed either accrued or realized amount at the end of the fiscal year under review.

Actuarial gains and losses are expensed using an amount obtained by proportionally dividing the said gains and losses by a fixed number of years (ten (10) years) within the average remaining service period of employees at the point of their accrual in the straight-line method from the fiscal year after the year of their accrual. However, if the plan assets to be recognized in the fiscal year under review exceed the amount of retirement benefit obligations after deducting actuarial gains and losses, etc., the excess is recorded as prepaid pension costs under investments and other assets.

4. Accounting policy for revenue and expenses

The Company is engaged in the manufacturing and sales of equipment and devices (including renovations, installation, and maintenance, etc.) in its surface treatment business, foundry business, environment business, and special equipment business, as well as in the manufacturing and sales of parts and consumables related to these equipment and devices. Major obligations in these businesses are product delivery and service provision in the case of facilities and equipment, etc. under contracts with customers, and product delivery in the case of components and consumables.

Regarding equipment and devices, etc., parts, and consumables that do not require installation and on-site adjustments, revenue is recognized as transfer of control at the point at which the products contracted with the customer are delivered and services are provided. Furthermore, for the provision of products and services

requiring installation and on-site adjustments, the product delivery, installation, and adjustments are recognized as a single performance obligation and revenue is recognized at the point at which final performance obligations for the on-site adjustments are completed.

For equipment and devices, the fabrication requirements based on customer specifications for large-scale plants and special machinery are extremely high and transferring them for use in other contracts is difficult.

Therefore, the Company estimates the level of progress for performance obligations fulfilled over a set period and recognizes revenue over that set period. Where accrued costs for which the level of progress could not be reasonably estimated are expected to be recovered, the upper limit of revenue will be within the scope of the accrued costs. In cases where performance obligations are not fulfilled over a set period, revenue is recognized at the point that installation, etc. is complete as performance obligations fulfilled at a point in time.

For transaction considerations, the Group mainly requests advances from customers for the period from when the order is received until the performance obligations are fulfilled, or payment following the fulfillment of performance obligations. As payments following the fulfillment of performance obligations mostly come within one year of the point that performance obligations are fulfilled, they do not include important financial elements.

5. Other significant matters forming the basis of preparation of non-consolidated financial statements

(1) Accounting policy for translation of foreign currency assets and liabilities into Japanese yen

Monetary receivables and payables in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing as of the end of the fiscal year, and exchange differences are accounted for as profit or loss.

(2) Method of hedge accounting

Deferred hedge accounting, a basic accounting method, is used. Appropriation is adopted for monetary receivables and payables in foreign currencies with forward exchange contracts fulfilling hedge accounting requirements, etc.

6. Items related to revenue recognition

Because the same contents are provided in the notes to consolidated financial statements “5. Items related to revenue recognition,” they have been abbreviated here.

7. Matters concerning accounting estimates

Revenue recognized over a set period

For contract work of equipment and devices, regarding performance obligations that are fulfilled over a set period, the progress ratio of the fulfillment of performance obligations is estimated, and revenue is recognized over a set period based on the level of progress completion.

In the fiscal year under review, net sales recognized as revenue over a set period totaled ¥23,891 million.

Net sales related to performance obligations that are fulfilled over a set period are calculated based on the total amount of revenue and progress ratio, and the progress ratio is calculated based on the ratio of the real manufacturing costs accrued through the end of the fiscal year under review against the estimated manufacturing costs.

Estimated manufacturing costs take into consideration factors, such as project specifications, the state of costs accrued in similar projects in the past, and the degree of difficulty involved in the projects. Changes from estimated manufacturing costs may arise due to facts that became known after the start of design, etc. The difference may significantly affect net sales in non-consolidated financial statements in the next fiscal year in cases where manufacturing costs that actually accrued differ from estimated manufacturing costs.

Valuation of non-listed shares

Non-listed shares were valued at ¥926 million at the end of the fiscal year under review.

The acquisition cost of securities with no market price, etc. (such as non-listed shares) is recorded based on the real value of the net asset value of the equity in the investee at the time of acquisition, reflecting factors such as the excess earning capacity and management rights. However, if the real value of such security declines significantly due to a deterioration in financial position or impairment of excess earning capacity, etc., an impairment loss will be recognized. For investment securities for which no impairment loss has been recognized, the Company has determined that the excess earning capacity, etc. of the investee has not been impaired and the real value of the security has not declined significantly, based on the assumption that the investee's business plan is reasonable. This assumption is made considering changes in the market environment of the investee, discrepancies between the investee's budget and actual results, changes in business performance, progress of business plans, the most recent financing conditions, and other factors.

The business plan of the investee is subject to uncertainties, and a significant decline in the real value of the investment security would require an impairment of such security, which could have a material impact on the non-consolidated financial statements for the next fiscal year.

Provision for loss on orders received

To prepare for future losses associated with contracts received, projected losses associated with contracts received at the end of the fiscal year under review are recorded as order loss reserves. The balance of order loss reserves at the end of the fiscal year under review was ¥63 million.

Of the projects for which the estimated manufacturing costs exceed the monetary value of orders, order loss reserves are calculated based on the amount of losses expected to be accrued from the next fiscal year onward.

Estimated manufacturing costs take into consideration factors, such as project specifications, the state of costs accrued in similar projects in the past, and the degree of difficulty involved in the projects. Changes from estimated manufacturing costs may arise due to facts that became known after the start of design, etc. The difference may significantly affect provision for loss on orders received in non-consolidated financial statements in the next fiscal year in cases where manufacturing costs that actually accrued differ from estimated manufacturing costs.

Non-consolidated Balance Sheet

1. Syndicated term loan agreement

Long-term borrowings of ¥7,125 million (including the current portion of long-term borrowings) are subject to financial covenants as follows:

- (1) Must maintain the total amount of the net assets section in the consolidated balance sheet as of the last day of each fiscal year beginning with the fiscal year ended March 31, 2025, at or above the higher of the amount equivalent to 75% of the total amount of the net assets section in the consolidated balance sheet as of the last day of the fiscal year ended March 31, 2023, or the amount equivalent to 75% of the total amount of the net assets section in the consolidated balance sheet as of the last day of the immediately preceding fiscal year.
- (2) May not record ordinary losses in the consolidated statement of income at the end of the fiscal year for two consecutive fiscal years.

In addition, this agreement is subject to a negative pledge.

As of the end of the fiscal year under review, the Company is not in violation of any financial covenants or negative pledge.

2. Monetary loan agreement

Long-term borrowings of ¥375 million (including the current portion of long-term borrowings) are subject to financial covenants as follows:

- (1) Must maintain the total amount of the net assets section in the consolidated balance sheet as of the last day of each fiscal year beginning with the fiscal year ended March 31, 2025, at or above the higher of the amount equivalent to 75% of the total amount of the net assets section in the consolidated balance sheet as of the last day of the fiscal year ended March 31, 2023, or the amount equivalent to 75% of the total amount of the net assets section in the consolidated balance sheet as of the last day of the immediately preceding fiscal year.
- (2) May not record ordinary losses in the consolidated statement of income at the end of the fiscal year for two consecutive fiscal years.

As of the end of the fiscal year under review, the Company is not in violation of any financial covenants.

3. Accumulated depreciation of property, plant and equipment ¥29,705 million

4. Contingent liabilities

Guarantees, etc. are provided for other companies' debts to financial institutions, etc.

Elastikos (France) S.A.S.	¥17,790 million
3DCeram-Sinto, Inc.	¥304 million
Heinrich Wagner Sinto Maschinenfabrik GmbH	¥281 million
FROHN GmbH	¥186 million
Qingdao Sinto Machinery Co., Ltd.	¥80 million
Sinto Bharat Manufacturing Private Limited	¥16 million
Total	<u>¥18,659 million</u>

5. Monetary receivables from and payables to affiliated companies

Short-term monetary receivables	¥2,185 million
Long-term monetary receivables	¥1,087 million
Short-term monetary payables	¥728 million

6. Monetary payables to Directors ¥26 million

Non-consolidated Statement of Income

1. Volume of transactions with affiliated companies

Volume of sales transactions

Net sales ¥5,664 million

Purchase of goods ¥7,644 million

Volume of non-sales transactions ¥748 million

2. Loss on valuation of shares of subsidiaries and associates

This is mainly a valuation loss on the shares of Elastikos (France) S.A.S. Because Elastikos (France) S.A.S. is no longer expected to generate the excess earning capacity that was initially projected due to the downturn in the European economy and intensified competition, after evaluating the Elastikos shares held by the Company and determining the decline in real value, the Company has recorded a loss on valuation of shares of subsidiaries and associates of ¥31,971 million.

Non-consolidated Statement of Changes in Equity

Class and number of treasury shares as of the end of the fiscal year under review

Common shares 2,064,486 shares

Note: The number of treasury shares at the end of the fiscal year under review includes 165,200 shares of the Company held by the Trust.

Tax effect accounting

Major components of deferred tax assets and liabilities

Deferred tax assets	
Accrued expenses	¥100 million
Allowance for doubtful accounts	¥309 million
Provision for bonuses	¥454 million
Provision for loss on guarantees	¥538 million
Investment securities	¥701 million
Shares of subsidiaries and associates	¥11,389 million
Property, plant and equipment	¥113 million
Other	¥534 million
Subtotal	¥14,142 million
Valuation allowance	¥(13,291) million
Total deferred tax assets	¥851 million
Deferred tax liabilities	
Reserve for tax purpose reduction entry of non-current assets	¥(92) million
Valuation difference on available-for-sale securities	¥(5,844) million
Prepaid pension costs	¥(715) million
Other	¥(0) million
Total deferred tax liabilities	¥(6,652) million
Net deferred tax liabilities	¥(5,801) million

Transactions with the related party

Subsidiaries and associates

(Millions of yen)

Type	Name of the company, etc.	Percentage of voting rights, etc. held (held by others) (%)	Relationship with the related party	Details of transaction	Transaction amount	Account	Ending balance
Subsidiary	FROHN GmbH	(Owned) 100% indirectly	Debt guarantee	Debt guarantee	1,679	–	–
				Provision for loss on guarantees carry over	173	Provision for loss on guarantees	1,493
Subsidiary	Elastikos (France) S.A.S.	100%	Debt guarantee	Debt guarantee	17,790	–	–
Subsidiary	Sinto Europe GmbH	100%	Capital increase	Capital increase	1,284	–	–

Note: Business terms and policies for their decision, etc.

The Company has a guarantee of obligation for the debt of FROHN GmbH for the borrowings of that company from Sinto Europe GmbH, and does not receive any guarantee fee.

The Company guarantees the debt of Elastikos (France) S.A.S. for its borrowings from banks and its revolving credit facility agreement as a working capital loan, and does not receive any guarantee fee.

The capital increase for Sinto Europe GmbH is for the purpose of acquiring the contract manufacturing business of Bosch Business Innovations GmbH.

Per share information

Net assets per share	¥1,098.83
Basic loss per share	¥503.26

Note: In calculating net assets per share and basic loss per share, the Company's shares held by the BIP Trust for Remuneration for Officers are included in treasury shares deducted in the calculation of the number of common shares at the end of the period and the average number of shares during the period.

Significant subsequent events

(Significant capital investments)

Because the same contents are provided in the notes to consolidated financial statements "Significant subsequent events," they have been abbreviated here.