Futaba

Futaba Corporation

FINANCIAL STATEMENTS 2023

Year Ended 31st March, 2023

Highlights of the Year Year Ended 31st March, 2023

	Millions of Japanese Yen	
	2023	**2022**
Net Sales	60,326	53,451
Net Income (Loss) Attributable to Owners of the Parent	(3,500)	(2,669)
Net Income (Loss) per Share (Yen)	(82.51)	(62.92)
Cash Dividends	890	1,188

Corporate Data As of 31st March, 2023

Corporate Name	FUTABA CORPORATION	
Founded	1948	
Principal Office	629 Oshiba, Mobara, Chiba Prefecture 297-8588, Japan	
Common Stock	Authorized	196,099,900 shares
	Issued	42,426,739 shares
Capitalized	¥22,559 million	
Shareholders	14,043	
Employees	3,823	

Futaba Corporation and Consolidated Subsidiaries

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

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Futaba Corporation:

Opinion

We have audited the consolidated financial statements of Futaba Corporation and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2023, and the consolidated statement of operations, 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.

<table>
<tr><th colspan="2">Revenue recognition of Futaba Corporation</th></tr>
<tr><th>Key audit matter description</th><th>Audit responses</th></tr>
<tr><td>Futaba Corporation (the "Company") and its consolidated subsidiaries manufacture and sell electronic device products and production equipment. Net sales were ¥60,326 million in the consolidated statement of operations for the year ended March 31, 2023, of which the Company recorded the largest part of the net sales, and therefore, the net sales of the Company were material.

Since the Company manufactures and sells standard products as well as customer specific products in response to individual requests from customers, the number of products handled by the Company is diverse. Furthermore, the total of net sales consists of various types of products with small individual sales price since the selling price is often relatively small. In addition, a large amount of sales data is processed daily due high volume of transactions.

The process of sales transaction is highly automated and dependent on the core operating system, and the system is designed and built to connect each transaction and master data registered in various subsystems in the operating process. Specifically, although customer orders are mainly processed via the electronic data interchange and the shipping process is handled based on shipping documents generated from the system, some orders are input and processed manually. The sales amount is automatically calculated based on a standard unit price list that is manually entered, and product quantities ordered that are also preliminarily entered upon receiving a customer order and determined manually at the time of shipment. Finally, sales data that is automatically calculated in the core operating system is interfaced to the accounting system. As a result, sales transactions are automatically recorded.</td>
<td>In order to address the key audit matter, we performed the following procedures, among others:

(1) Evaluation and testing internal controls

• In addition to understanding the Company's process flows related to product sales, we evaluated the design and operating effectiveness of controls over entering sales related data, such as customer order, contract terms and master unit price of products in the core system.

• With assistance of our IT specialists, we obtained an understanding of the data process flow from the inception of sales transactions to recording in the accounting system, data processing and automated internal controls in IT systems, and we also evaluated the design and operating effectiveness of IT automated controls over the automatically calculation of sales amount based on shipping volume and applicable sales unit price, and the interface between the core operating system and accounting system.

• We tested the design and operating effectiveness of general IT controls such as user access controls, system program change management controls and system operation controls of core systems related to product sales.

(2) Substantive procedures to address the matter

• We obtained an understanding of business unit performance and performed an analysis of relevant indicators, such as gross margin ratio to identify unusual trends and items. In addition, we analyzed the trends of daily recorded sales data. As a result of those analysis, we inquired of management for sales transactions that presented unusual trends or movements deviated from our understanding of the Company business and the industry trends and performed detail substantive testing with supporting documents deemed necessary.</td></tr>
</table>

We identified the occurrence, accuracy and cut-off of sales as a key audit matter because of the following reasons. The Company's product sales transactions are low in amount and high in volume. The operation flow, from processing customer orders to determining sales amount, is mainly performed within the core system, which also includes manual processing as a part of the flow. Therefore, as the frequency of entering data and the number of transactions increases, a lack of updating master data information and input error of basic transaction data and quantity to the system may be more likely to result in those sales being recorded based on inappropriate information.	• We sent and obtained written confirmation letters for a sample of account receivables. Where there were differences identified, we performed further investigation and tested those differences. • For sales transaction selected by statistical sampling, we tested the occurrence, accuracy and cut-off of sales by performing detail substantive testing with supporting documents.

Other Information

Management is responsible for the other information. 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 other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management 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 7, 2023

Futaba Corporation and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2023

ASSETS	Millions of Japanese Yen 2023	Millions of Japanese Yen 2022	Thousands of U.S. Dollars (Note 1) 2023
CURRENT ASSETS:			
Cash and cash equivalents (Note 17)	¥ 15,524	¥ 20,582	$ 116,258
Marketable securities (Notes 5 and 17)	301	600	2,254
Short-term investments (Notes 6 and 17)	8,544	13,045	63,988
Receivables (Notes 14 and 17):			
Trade notes	1,617	1,986	12,106
Trade accounts	13,578	12,566	101,686
Other	280	281	2,096
Allowance for doubtful receivables	(786)	(710)	(5,890)
Electronically recorded monetary claims (Notes 14 and 17)	1,506	914	11,281
Inventories (Note 7)	20,426	17,497	152,972
Prepaid expenses and other current assets	1,129	1,403	8,453
Total current assets	62,119	68,164	465,204
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 10)	9,903	9,751	74,160
Buildings and structures (Notes 8 and 10)	36,739	35,671	275,139
Machinery and equipment (Note 8)	56,051	55,561	419,766
Lease assets (Notes 3, 8 and 16)	8	5	61
Construction in progress (Note 8)	166	416	1,245
Other	352	316	2,638
Total	103,219	101,720	773,009
Accumulated depreciation	(84,884)	(83,852)	(635,692)
Net property, plant and equipment	18,335	17,868	137,317
INVESTMENTS AND OTHER ASSETS:			
Investments in unconsolidated subsidiaries	20	20	150
Investment securities (Notes 5, 10 and 17)	9,752	7,882	73,033
Goodwill	13	45	98
Intangibles	663	644	4,962
Asset for retirement benefits (Note 11)	4,845	4,760	36,282
Deferred tax assets (Note 13)	358	443	2,684
Other investments (Note 10)	2,013	609	15,074
Total investments and other assets	17,664	14,403	132,283
TOTAL	¥ 98,118	¥ 100,435	$ 734,804

(Continued)

Futaba Corporation and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2023

LIABILITIES AND EQUITY	Millions of Japanese Yen 2023	Millions of Japanese Yen 2022	Thousands of U.S. Dollars (Note 1) 2023
CURRENT LIABILITIES:			
Current portion of long-term debt (Note 10)	¥ 171	¥ 191	$ 1,278
Payables (Notes 10 and 17):			
Trade notes	132	92	987
Trade accounts	3,386	3,611	25,361
Unconsolidated subsidiaries	16	18	123
Other	731	759	5,474
Short-term bank loans (Notes 9 and 17)	329	386	2,460
Electronically recorded obligations (Note 17)	509	1,055	3,810
Accrued expenses	3,129	3,102	23,431
Income taxes payable	129	368	970
Other current liabilities (Notes 10 and 14)	568	609	4,252
Total current liabilities	9,100	10,191	68,146
LONG-TERM LIABILITIES:			
Long-term debt (Notes 10 and 17)	472	396	3,535
Liability for retirement benefits (Note 11)	378	525	2,831
Retirement allowances for directors	57	65	430
Deferred tax liabilities (Note 13)	2,710	2,283	20,298
Other	190	187	1,423
Total long-term liabilities	3,807	3,456	28,517
CONTINGENT LIABILITIES (Note 19)			
EQUITY (Note 12):			
Common stock—authorized, 196,099,900 shares; issued, 42,426,739 shares in 2023 and 42,426,739 shares in 2022	22,559	22,559	168,940
Capital surplus	21,556	21,556	161,425
Retained earnings	24,165	28,555	180,980
Treasury stock—at cost, 9,900 shares in 2023 and 9,444 shares in 2022	(17)	(16)	(124)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	2,509	1,211	18,788
Foreign currency translation adjustments	1,939	242	14,518
Remeasurements of defined benefit plans	1,076	1,504	8,060
Total	73,787	75,611	552,587
Noncontrolling interests	11,424	11,177	85,554
Total equity	85,211	86,788	638,141
TOTAL	¥98,118	¥100,435	$734,804

See notes to consolidated financial statements.

(Concluded)

Futaba Corporation and Consolidated Subsidiaries

Consolidated Statement of Operations
Year Ended March 31, 2023

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
NET SALES (Notes 14 and 20)	¥60,326	¥53,451	$ 451,780
COST OF SALES	51,713	44,503	387,281
Gross profit	8,613	8,948	64,499
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 15)	11,000	10,812	82,375
Operating loss	(2,387)	(1,864)	(17,876)
OTHER INCOME (EXPENSES):			
Interest and dividend income	602	395	4,506
Subsidy income	13	98	97
Foreign exchange income—net	584	530	4,371
Gain on sales of property, plant and equipment	70	565	527
Loss on sales of property, plant and equipment	(1)	(1)	(4)
Loss on disposals of property, plant and equipment	(3)	(2)	(20)
Loss on valuation of investment securities		(13)	
Impairment loss (Note 8)	(1,463)	(1,400)	(10,959)
Gain on sales of investment securities	7	127	55
Extra retirement benefits (Note 11)	(51)	(25)	(382)
Other—net	105	211	787
Other income (expenses)—net	(137)	485	(1,022)
LOSS BEFORE INCOME TAXES	(2,524)	(1,379)	(18,899)
INCOME TAXES (Note 13):			
Current	377	649	2,826
Deferred	402	339	3,012
Total income taxes	780	988	5,838
NET LOSS	(3,303)	(2,367)	(24,737)
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	197	302	1,472
NET LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ (3,500)	¥ (2,669)	$ (26,209)

	Japanese Yen		U.S. Dollars
AMOUNTS PER SHARE (Note 2.r):			
Net loss	¥(82.51)	¥(62.92)	$(0.62)
Cash dividends applicable to the year	14.00	28.00	0.10

See notes to consolidated financial statements.

Futaba Corporation and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2023

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
NET LOSS	¥(3,303)	¥(2,367)	$ (24,737)
OTHER COMPREHENSIVE INCOME (Note 20):			
Unrealized gain (loss) on available-for-sale securities	1,295	(286)	9,699
Foreign currency translation adjustments	1,953	3,394	14,623
Remeasurements of defined benefit plans	(418)	(78)	(3,130)
Total other comprehensive income	2,830	3,030	21,192
COMPREHENSIVE INCOME (LOSS)	¥ (473)	¥ 663	$ (3,545)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Owners of the parent	¥(933)	¥ (80)	$(6,987)
Noncontrolling interests	460	743	3,442

See notes to consolidated financial statements.

Futaba Corporation and Consolidated Subsidiaries

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

	Thousands	Millions of Japanese Yen				
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Subtotal
BALANCE, APRIL 1, 2021	42,418	¥22,559	¥21,559	¥32,412	¥(16)	¥76,514
Net loss attributable to owners of the parent				(2,669)		(2,669)
Cash dividends				(1,188)		(1,188)
Purchase of treasury stock	(1)				(0)	(0)
Change in ownership interest of the parent due to transactions with noncontrolling interests			(3)			(3)
Net change in the year						
BALANCE, MARCH 31, 2022	42,417	22,559	21,556	28,555	(16)	72,654
Net loss attributable to owners of the parent				(3,500)		(3,500)
Cash dividends				(890)		(890)
Purchase of treasury stock	(0)				(1)	(1)
Change in ownership interest of the parent due to transactions with noncontrolling interests						
Net change in the year						
BALANCE, MARCH 31, 2023	42,417	¥22,559	¥21,556	¥24,165	¥(17)	¥68,263

(Continued)

Futaba Corporation and Consolidated Subsidiaries

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

	Millions of Japanese Yen					
	Accumulated Other Comprehensive Income (Loss)					
	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2021	¥1,480	¥(2,743)	¥1,631	¥76,882	¥10,618	¥87,500
Net loss attributable to owners of the parent				(2,669)		(2,669)
Cash dividends				(1,188)		(1,188)
Purchase of treasury stock				(0)		(0)
Change in ownership interest of the parent due to transactions with noncontrolling interests				(3)		(3)
Net change in the year	(269)	2,985	(127)	2,589	559	3,148
BALANCE, MARCH 31, 2022	1,211	242	1,504	75,611	11,177	86,788
Net loss attributable to owners of the parent				(3,500)		(3,500)
Cash dividends				(890)		(890)
Purchase of treasury stock				(1)		(1)
Change in ownership interest of the parent due to transactions with noncontrolling interests						
Net change in the year	1,298	1,697	(428)	2,567	247	2,814
BALANCE, MARCH 31, 2023	¥2,509	¥ 1,939	¥1,076	¥73,787	¥11,424	¥85,211

(Continued)

Futaba Corporation and Consolidated Subsidiaries

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

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Subtotal
BALANCE, MARCH 31, 2022	$ 168,940	$ 161,425	$ 213,860	$ (122)	$ 544,103
Net loss attributable to owners of the parent			(26,209)		(26,209)
Cash dividends			(6,671)		(6,671)
Purchase of treasury stock				(2)	(2)
Change in ownership interest of the parent due to transactions with noncontrolling interests					
Net change in the year					
BALANCE, MARCH 31, 2023	$ 168,940	$ 161,425	$ 180,980	$ (124)	$ 511,221

	Thousands of U.S. Dollars (Note 1)					
	Accumulated Other Comprehensive Income (Loss)					
	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2022	$ 9,070	$ 1,810	$ 11,265	$ 566,248	$ 83,706	$ 649,954
Net loss attributable to owners of the parent				(26,209)		(26,209)
Cash dividends				(6,671)		(6,671)
Purchase of treasury stock				(2)		(2)
Change in ownership interest of the parent due to transactions with noncontrolling interests						
Net change in the year	9,718	12,708	(3,205)	19,221	1,848	21,069
BALANCE, MARCH 31, 2023	$ 18,788	$ 14,518	$ 8,060	$ 552,587	$ 85,554	$ 638,141

See notes to consolidated financial statements.

(Concluded)

Futaba Corporation and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2023

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
OPERATING ACTIVITIES:			
Loss before income taxes	¥(2,524)	¥(1,379)	$(18,899)
Adjustments for:			
Income taxes—paid	(620)	(745)	(4,647)
Income taxes—refund	7	62	49
Depreciation and amortization	1,237	1,166	9,262
Amortization of goodwill	32	37	241
Impairment loss	1,463	1,400	10,959
Increase in provision for doubtful receivables	216		1,620
Decrease remeasurements of defined benefit plans	(865)	(179)	(6,477)
Increase in asset for retirement benefits	(66)	(1,057)	(495)
Decrease in liability for retirement benefits	(161)	(253)	(1,208)
Increase (decrease) in accrued bonuses	(75)	34	(558)
Foreign exchange gain	(355)	(115)	(2,657)
Gain on sales and disposal of property, plant and equipment	(67)	(561)	(503)
Gain on sales and valuation of investment securities	(7)	(114)	(55)
(Increase) decrease in trade receivables	(823)	367	(6,166)
Increase in inventories	(2,422)	(4,750)	(18,135)
Increase (decrease) in trade payables	(1,184)	164	(8,868)
Other—net	384	(148)	2,879
Total adjustments	(3,306)	(4,692)	(24,759)
Net cash used in operating activities	(5,830)	(6,071)	(43,658)
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	95	804	711
Purchases of property, plant and equipment	(2,438)	(3,218)	(18,257)
Purchases of intangible assets	(79)	(44)	(591)
Purchases of investment securities	(345)	(200)	(2,585)
Proceeds from sales and redemption of investment securities	617	1,367	4,619
Decrease in short-term investments and marketable securities—net	4,646	3,264	34,795
Payments for long-term deposits	(1,364)		(10,216)
Other—net	(76)	(626)	(566)
Net cash provided by investing activities	1,056	1,347	7,910
FORWARD	¥(4,774)	¥(4,724)	$(35,748)

(Continued)

Futaba Corporation and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2023

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
FORWARD	¥ (4,774)	¥ (4,724)	$ (35,748)
FINANCING ACTIVITIES:			
Increase in short-term loans payable	913	989	6,836
Repayments of short-term bank loans	(1,031)	(1,050)	(7,725)
Repayments of long-term debt	(233)	(186)	(1,745)
Repurchases of treasury stock	(1)		(2)
Dividends paid	(893)	(1,189)	(6,690)
Dividends paid to noncontrolling shareholders	(213)	(184)	(1,595)
Net cash used in financing activities	(1,458)	(1,620)	(10,921)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	1,174	1,259	8,789
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,058)	(5,085)	(37,880)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	20,582	25,667	154,138
CASH AND CASH EQUIVALENTS, END OF YEAR	¥15,524	¥20,582	$ 116,258

See notes to consolidated financial statements.

(Concluded)

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements 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 ("IFRS").

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 which 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 Futaba Corporation (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 ¥133.53 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.

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 25 (25 in 2022) significant subsidiaries (together, the "Group").

Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in unconsolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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 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 IFRS or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) 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; (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; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. ***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. 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 in its subsidiary. 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.

d. ***Cash and Cash Equivalents***—Cash and cash equivalents include cash on hand, highly liquid bank accounts and investments, generally with original maturities of three months or less, which are readily convertible into known amounts of cash and are exposed to insignificant risk of changes in value.

e. ***Inventories***—Finished goods and work in process are stated at the lower of cost determined by the average cost method or net selling value, and raw materials and supplies are stated at the lower of cost determined by the moving-average cost method or net selling value for the Company and its consolidated domestic subsidiaries. Inventories are stated at the lower of cost determined by the moving-average cost method or market value for its consolidated foreign subsidiaries.

f. ***Marketable and Investment Securities***—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: available-for-sale securities, which are not classified as trading securities or held-to-maturity debt 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.

g. ***Property, Plant and Equipment***—Property, plant and equipment are stated at cost.

Depreciation of buildings of the Company and its consolidated subsidiaries is computed by the straight-line method.

Depreciation of other property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed principally by the declining-balance method, while the straight-line method or the declining-balance method is applied to other property, plant and equipment of consolidated foreign subsidiaries.

The range of useful lives is principally from 3 to 47 years for buildings and structures and 4 to 12 years for machinery and equipment.

h. ***Goodwill***—Goodwill is amortized using the straight-line method over a period of five to eight years.

i. ***Long-Lived Assets***—The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate 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.

j. ***Retirement and Pension Plans***—The Company and certain consolidated subsidiaries have funded defined benefit pension plans, unfunded retirement benefit pension plans, and defined contribution pension plans covering substantially all of their employees.

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 and past service costs 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.

Retirement allowances for directors are recorded as a liability at the amount that would be required if all directors retired at each balance sheet date.

k. ***Accounting Policy for Significant Revenue and Expenses***—In recognizing revenue, the Group identifies performance obligations based on contracts with customers for product sales and service operations in the electronic devices and machinery and tooling which are the Group's main businesses. The Group normally recognizes revenue when it determines that it has satisfied its performance obligations at the following points in time.

The Group operates electronic devices business and machinery and tooling business. For sales of these products, revenue is recognized at the time of shipment, as the period from the time of shipment to the time when control of these products are transferred to the customer is usually a normal period of time for domestic transactions, and recognized primarily on the bill of lading basis, as control over the assets is transferred to the customer in accordance with the incoterms and other conditions for export transactions.

Revenue is measured at consideration promised in the contract with customer, less discounts, rebates, returns and other items. In addition, the consideration is normally collected approximately within a year from satisfying the performance obligation and it does not contain a significant financing component.

l. ***Research and Development Costs***—Research and development costs are charged to income as incurred.

m. ***Leases***—Finance lease transactions are capitalized to recognize lease assets and lease obligations in the consolidated balance sheet.

n. ***Income Taxes***—The provision for income taxes is computed based on the pretax income included in the consolidated statement of operations. 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.

o. ***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 operations to the extent that they are not hedged by forward exchange contracts.

p. ***Foreign Currency Financial Statements***—The balance sheet 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" and "Noncontrolling interests" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate for the period.

q. ***Derivatives and Hedging Activities***—The Group uses derivative financial instruments, such as foreign exchange forward contracts, to manage foreign currency exchange 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, with gains or losses recognized in the consolidated statement of operations 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 currency forward contracts employed to hedge foreign currency exposures for export sales and import purchases are measured at fair value and the unrealized gains/losses are recognized in income. Deposits, trade receivables and payable denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rates if the forward contracts qualify for hedge accounting.

r. ***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.

The weighted-average number of shares used in the computation was 42,417,070 shares for 2023 and 42,417,531 shares for 2022.

Diluted net income per share is not disclosed as there were no securities with a dilutive effect.

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

3. CHANGES IN ACCOUNTING POLICIES

Application of Accounting Standards Codification (ASC) 842

The subsidiary located in the United States has applied "ASC 842" from the beginning of the fiscal year ended March 31, 2023. As a result, in principle, the lessee of a lease will record all leases as assets and liabilities on its balance sheet. In applying this standard, the cumulative effect of adopting this standard, which is permitted as a transitional measure, is recognized at the effective date. There is no significant impact on the Group's financial statements.

4. ADDITIONAL INFORMATION

Accounting Estimates for the Impact of the Spread of COVID-19

The Group has made accounting estimates based on the assumption that the impact of COVID-19 situation for the Group was almost settled. However, if the Group's assumption differs from actual results, it may have an impact on the financial position and operating results of the Group in the following consolidated fiscal year and beyond. There is no significant impact on accounting estimates due to this effect.

5. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2023 and 2022, consisted of the following:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2023	2022	2023
Current—Government and corporate bonds	¥ 301	¥ 600	$ 2,254
Total	¥ 301	¥ 600	$ 2,254
Non-current:			
Marketable equity securities	¥8,579	¥6,733	$64,245
Government and corporate bonds	801	1,104	6,001
Trust fund investments and other	372	45	2,787
Total	¥9,752	¥7,882	$73,033

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

	Millions of Japanese Yen			
March 31, 2023	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as—				
Available-for-sale:				
Equity securities	¥4,760	¥3,644		¥8,405
Debt securities	1,102	3	¥ 3	1,102
March 31, 2022				
Securities classified as—				
Available-for-sale:				
Equity securities	¥4,760	¥1,813	¥14	¥6,559
Debt securities	1,703	3	1	1,705

	Thousands of U.S. Dollars			
March 31, 2023	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as—				
Available-for-sale:				
Equity securities	$35,651	$27,292		$62,943
Debt securities	8,251	22	$ 18	8,255

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

	Millions of Japanese Yen		
March 31, 2023	Proceeds	Realized Gains	Realized Losses
Available-for-sale—Equity securities	¥ 12	¥ 7	
Total	¥ 12	¥ 7	
March 31, 2022			
Available-for-sale—Equity securities	¥770	¥127	
Total	¥770	¥127	

	Thousands of U.S. Dollars		
March 31, 2023	Proceeds	Realized Gains	Realized Losses
Available-for-sale—Equity securities	$88	$55	
Total	$88	$55	

The impairment losses on available-for-sale equity securities for the year ended March 31, 2022, was ¥13 million.

6. SHORT-TERM INVESTMENTS

Short-term investments at March 31, 2023 and 2022, consisted of time deposits of ¥8,544 million ($63,988 thousand) and ¥13,045 million, respectively.

7. INVENTORIES

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2023	2022	2023
Finished goods	¥ 5,725	¥ 4,214	$ 42,873
Work in process	3,268	3,262	24,473
Raw materials and supplies	11,433	10,021	85,626
Total	¥20,426	¥17,497	$ 152,972

8. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2023 and 2022. As a result, the Group recognized an impairment loss of ¥1,463 million ($10,959 thousand) and ¥1,400 million for the years ended March 31, 2023 and 2022, respectively, as further described below:

For 2023

Description	Classification	Location	Millions of Japanese Yen	Thousands of U.S. Dollars
Facilities for machinery and tooling	Construction in progress, machinery, etc.	Chosei County, etc., Japan	¥ 616	$ 4,617
Facilities for machinery and tooling	Machinery, buildings, etc.	Shenzhen City, China	269	2,013
Head office, etc.	Construction in progress, buildings, etc.	Chosei County, etc., Japan	231	1,728
Facilities for electronic devices	Other investments, Machinery, etc.	Huntsville, etc., USA	123	922
Facilities for machinery and tooling	Buildings, machinery, etc.	Incheon Metropolitan City, South Korea	67	504
Facilities for electronic devices	Other investments, equipment	Hong Kong	30	228
Facilities for electronic devices	Machinery, other investments, etc.	Kaohsiung City, Taiwan	30	222
Facilities for machinery and tooling	Construction in progress, buildings, etc.	Tokyo, Japan	29	216
Facilities for electronic devices	Construction in progress, machinery, etc.	Chosei County, Japan	23	171
Facilities for electronic devices	Machinery	Laguna, Philippines	22	167
Facilities for machinery and tooling	Other investments	Hwaseong Gyeonggi-do, South Korea	16	117
Facilities for electronic devices	Other investments, equipment	Willich, Germany	4	27
Facilities for machinery and tooling	Machinery, equipment	Iwate City, Japan	2	16
Facilities for electronic devices	Equipment	Shanghai City, China	1	8
Facilities for electronic devices	Buildings	Ibaraki City, Japan	0	3
Total			¥1,463	$10,959

Considering the current business environment, the business forecast, and the recoverability of the relevant assets, the Group wrote down the carrying value of the facilities for head office, machinery and tooling, and electronic devices to their recoverable amounts.

The recoverable amounts of those facilities were measured at their net sale value or value in use. The net sale value was calculated by using the estimated disposal value. The value in use was determined to be zero because no future cash flow is expected.

A breakdown of impairment loss for the fiscal year ended March 31, 2023, is as follows:

Classification	Millions of Japanese Yen	Thousands of U.S. Dollars
Machinery and equipment	¥ 553	$ 4,135
Construction in progress	475	3,561
Buildings and structures	150	1,122
Other tangible fixed assets	143	1,074
Furniture and fixtures	72	542
Software	70	525
Total	¥1,463	$10,959

For 2022

Description	Classification	Location	Millions of Japanese Yen	Thousands of U.S. Dollars
Facilities for machinery and tooling	Construction in progress, buildings, etc.	Chosei County, etc., Japan	¥ 534	$ 4,364
Facilities for electronic devices	Construction in progress, machinery, etc.	Chosei County, Japan	263	2,147
Head office, etc.	Construction in progress, buildings, etc.	Chosei County, etc., Japan	171	1,400
Facilities for electronic devices	Machinery, construction in progress, etc.	Kaohsiung City, Taiwan	133	1,083
Facilities for electronic devices	Machinery, other investments, etc.	Huntsville, USA	81	662
Facilities for machinery and tooling	Machinery, other investments, etc.	Hwaseong City, South Korea	75	610
Facilities for machinery and tooling	Construction in progress, other investments, etc.	Tokyo, Japan	50	410
Facilities for electronic devices	Other investments, etc.	Hong Kong	34	277
Facilities for electronic devices	Construction in progress	Laguna, Philippines	29	241
Facilities for electronic devices	Other investments	Shanghai City, China	23	186
Facilities for machinery and tooling	Machinery, equipment, etc.	Kunshan City, China	4	35
Facilities for machinery and tooling	Other investments	Iwate City, Japan	2	13
Facilities for electronic devices	Buildings	Ibaraki City, Japan	1	12
Total			¥1,400	$11,440

Considering the current business environment, the business forecast, and the recoverability of the relevant assets, the Group wrote down the carrying value of the facilities for head office, machinery and tooling, and electronic devices to their recoverable amounts.

The recoverable amounts of those facilities were measured at their net sale value or value in use. The net sale value was calculated by using the estimated disposal value. The value in use was determined to be zero because no future cash flow is expected.

A breakdown of impairment loss for the fiscal year ended March 31, 2022, is as follows:

Classification	Millions of Japanese Yen
Construction in progress	¥ 693
Machinery and equipment	291
Buildings and structures	156
Software	130
Others	130
Total	¥1,400

9. SHORT-TERM BANK LOANS

The annual interest rates applicable to the short-term bank loans ranged from 2.02% to 2.40% at March 31, 2023 and 2022, respectively.

10. LONG-TERM DEBT AND ASSETS PLEDGED AS COLLATERAL

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2023	2022	2023
Long-term loans		¥ 51	
Long-term lease obligation	¥643	536	$4,813
Less current portion	(171)	(191)	(1,278)
Long-term debt, less current portion	¥472	¥396	$3,535

Annual maturities of long-term debt as of March 31, 2023, for the next five years and thereafter were as follows:

Year Ending March 31	Millions of Japanese Yen	Thousands of U.S. Dollars
2024	¥171	$1,278
2025	92	689
2026	88	656
2027	53	397
2028	76	569
2029 and thereafter	163	1,224
Total	¥643	$4,813

The carrying amounts of assets pledged as collateral for trade accounts payable of ¥168 million ($1,258 thousand) and nontrade payables of ¥69 million ($514 thousand) at March 31, 2023, were as follows:

	Millions of Japanese Yen	Thousands of U.S. Dollars
Land	¥1,056	$ 7,907
Buildings and structures—net	682	5,107
Investment securities	303	2,270
Other investments	20	149
Total	¥2,061	$ 15,433

11. RETIREMENT AND PENSION PLANS

Under the employees retirement benefit plans of the Company covering substantially all of the employees of the Company and its domestic subsidiaries, employees terminating their employment are entitled, under most circumstances, to either lump-sum payments or annuity payments, determined based on the current basic rate of pay, length of service, conditions under which the termination occurs and certain other factors. Those employees terminating their employment after 20 or more years of service with the Company are entitled to either lump-sum payments or annuity payments, at their option, and employees with more than 2 years but less than 20 years of service are entitled only to receive lump-sum payments upon retirement.

Certain consolidated foreign subsidiaries also have funded or unfunded retirement benefit plans covering substantially all of their employees. With minor exceptions, employees are entitled to receive lump-sum payments upon termination of employment based on the conditions of termination.

The Company and certain consolidated subsidiaries adopted a defined contribution pension plan as part of their employees' retirement benefit plan. Certain domestic subsidiaries use the Smaller Enterprise Retirement Allowance Mutual Aid Plan or Specific Retirement Allowance Mutual Aid Plan as their defined contribution pension plan.

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥28,431	¥29,776	$ 212,916
Current service cost	324	321	2,429
Interest cost	245	223	1,832
Actuarial losses (gains)	115	(242)	864
Amortization of prior service cost	68		512
Benefits paid	(2,104)	(1,864)	(15,757)
Others	100	217	749
Balance at end of year	¥27,179	¥28,431	$ 203,545

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2023	2022	2023
Balance at beginning of year	¥32,665	¥32,755	$ 244,628
Expected return on plan assets	833	809	6,237
Actuarial gains (losses)	(145)	272	(1,085)
Contributions from the employer	245	487	1,831
Benefits paid	(2,052)	(1,850)	(15,370)
Others	100	192	755
Balance at end of year	¥31,646	¥32,665	$ 236,996

(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, is as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2023	2022	2023
Funded defined benefit obligation	¥26,811	¥28,083	$ 200,784
Plan assets	(31,646)	(32,665)	(236,996)
Total	(4,835)	(4,582)	(36,212)
Unfunded defined benefit obligation	368	347	2,761
Net liability arising from defined benefit obligation	¥ (4,467)	¥ (4,235)	$ (33,451)

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2023	2022	2023
Liability for retirement benefits	¥ 378	¥ 525	$ 2,831
Asset for retirement benefits	(4,845)	(4,760)	(36,282)
Net liability arising from defined benefit obligation	¥(4,467)	¥(4,235)	$(33,451)

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2023	2022	2023
Service cost	¥ 324	¥ 321	$ 2,429
Interest cost	245	223	1,832
Expected return on plan assets	(833)	(809)	(6,237)
Amortization of prior service cost	(500)	(759)	(3,748)
Recognized actuarial losses (gains)	(12)	102	(88)
Others	5	5	40
Net periodic benefit costs	¥(771)	¥(917)	$(5,772)

In addition to the net periodic benefit cost stated above, extra retirement benefits of ¥109 million ($818 thousand) and ¥78 million were recorded as operating expenses for the years ended March 31, 2023 and 2022, respectively. Also, extra retirement benefits of ¥51 million ($382 thousand) and ¥25 million were recorded as other expenses for the years ended March 31, 2023 and 2022, respectively.

(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 Japanese Yen		Thousands of U.S. Dollars
	2023	2022	2023
Prior service cost	¥ (569)	¥ (759)	$ (4,264)
Actuarial losses (gains)	(290)	613	(2,168)
Total	¥ (859)	¥ (146)	$ (6,432)

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrecognized prior service cost		¥ 570	
Unrecognized actuarial losses	¥1,408	1,650	$ 10,547
Total	¥1,408	¥2,220	$ 10,547

(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	23%	26%
Equity investments	16	18
General accounts	40	38
Others	21	18
Total	100%	100%

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 which 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	Mainly 0.6%	Mainly 0.6%
Expected rate of return on plan assets	Mainly 2.5%	Mainly 2.5%

12. 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. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, 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 Board of Directors of companies with an audit and supervisory committee (as implemented under the Companies Act effective May 1, 2015) may also declare dividends at any time because such companies, by nature, meet the criteria under the Companies Act. However, the Company does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

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 within equity 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 which 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.

13. 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% for each of the years ended March 31, 2023 and 2022.

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2023	2022	2023
Deferred tax assets:			
Inventories	¥ 596	¥ 580	$ 4,463
Accrued bonuses to employees	222	231	1,661
Depreciation	291	307	2,179
Liability for retirement benefits	425	439	3,182
Allowance for doubtful accounts	408	384	3,056
Loss on impairment of long-lived assets	6,280	6,370	47,030
Unrealized gain on available-for-sale securities			
Tax loss carryforwards	11,634	10,670	87,128
Other	321	323	2,403
Total deferred tax assets	20,177	19,304	151,102
Net of deferred tax liabilities in the same tax jurisdiction	(217)	(211)	(1,628)
Valuation allowance related to tax loss carryforwards	(11,633)	(10,665)	(87,114)
Valuation allowance related to total deductible temporary difference, etc.	(7,969)	(7,985)	(59,676)
Valuation allowance	(19,602)	(18,650)	(146,790)
Deferred tax assets—net	358	443	2,684
Deferred tax liabilities:			
Undistributed earnings of subsidiaries	22	55	164
Reserve for advanced depreciation of non-current assets	275	275	2,056
Asset for retirement benefits	1,304	1,348	9,765
Unrealized gain on available-for-sale securities	1,055	503	7,900
Other	271	313	2,041
Total deferred tax liabilities	2,927	2,494	21,926
Net of deferred tax assets in the same tax jurisdiction	(217)	(211)	(1,628)
Deferred tax liabilities—net	2,710	2,283	20,298
Net deferred tax liabilities	¥ 2,352	¥ 1,840	$ 17,614

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 %	30 %
Expenses not deductible for tax purposes	(2)	(5)
Unrecognized tax effects on unrealized gains	(1)	2
Valuation allowance for deferred tax assets	(30)	1
Expiration of loss carryforwards	(20)	(90)
Controlled foreign company taxation	(4)	
Foreign tax credit	(3)	(2)
Different tax rates between the current term and the next term later	(2)	
Goodwill impairment loss	(0)	(1)
Other—net	1	(7)
Actual effective tax rate	(31)%	(72)%

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 Japanese Yen						
March 31, 2023	Within 1 Year	Over 1 Year to 2 Years	Over 2 Years to 3 Years	Over 3 Years to 4 Years	Over 4 Years to 5 Years	Over 5 Years	Total
Tax loss carryforward	¥491	¥1,127	¥ 821	¥946	¥269	¥7,980	¥11,634
Valuation allowance	(491)	(1,127)	(821)	(946)	(269)	(7,978)	(11,632)
Deferred tax assets						2	2
March 31, 2022							
Tax loss carryforward	¥504	¥ 485	¥1,153	¥822	¥941	¥6,765	¥10,670
Valuation allowance	(504)	(485)	(1,153)	(822)	(941)	(6,761)	(10,666)
Deferred tax assets						4	4

	Thousands of U.S. Dollars						
March 31, 2023	Within 1 Year	Over 1 Year to 2 Years	Over 2 Years to 3 Years	Over 3 Years to 4 Years	Over 4 Years to 5 Years	Over 5 Years	Total
Tax loss carryforward	$3,679	$8,439	$6,154	$7,083	$2,013	$59,760	$87,128
Valuation allowance	(3,679)	(8,439)	(6,154)	(7,083)	(2,013)	(59,746)	(87,114)
Deferred tax assets						14	14

The amounts deducted from deferred tax assets (valuation allowance) have the significant changes. The main reason is increase in tax loss carryforward.

14. REVENUE

(1) *Disaggregation of Revenue*

Information that classifies revenues from contracts with customers is shown in Note 22, "Segment Information."

(2) *Basic Information to Understand Revenues from Contracts with Customers*

Information that provides a basis for understanding revenues from contracts with customers is shown in Note 2.k, "Accounting policy for significant revenue and expenses."

(3) *Contract Balances*

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2023	2022	2023
Receivables from contracts with customers:			
Balance at beginning of year	¥15,466	¥14,902	$ 115,825
Balance at end of year	16,701	15,466	125,073
Contract liabilities:			
Balance at beginning of year	153	152	1,142
Balance at end of year	141	153	1,058

Receivables from contracts with customers are included in "Trade notes," "Trade accounts" and "Electronically recorded monetary claims," while contract liabilities are included in "Other current liabilities" in the consolidated financial statements.

The amount of revenue recognized in the previous fiscal year that was included in contract liabilities at the beginning of the period was ¥152 million. The amount of revenue recognized in the current fiscal year that was included in contract liabilities at the beginning of the period was ¥153 million ($1,142 thousand).

(**4**) ***Transaction Prices Allocated to Remaining Performance Obligations***

The Group has no material transaction whose remaining performance obligation exceeds one year. Within the consideration for the contracts with the customers, there is no material amount not included in the transaction prices.

15. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,599 million ($11,972 thousand) and ¥1,894 million for the years ended March 31, 2023 and 2022, respectively.

16. LEASES

Finance Leases

As Lessee

The Group leases certain computer equipment, machinery and other assets. Total lease payments under finance leases for the years ended March 31, 2023 and 2022, were ¥112 million ($835 thousand) and ¥105 million, respectively.

Operating Leases

The obligations under noncancelable operating leases for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2023	2022	2023
Due within one year		¥ 43	
Due after one year		95	
Total		¥138	

17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(**1**) ***Group Policy for Financial Instruments***

The Group uses financial instruments, mainly safe and reliable short-term cash deposits and marketable and investment securities which are believed to be beneficial for the business and fund management. In accordance with the Group's financing policy, the Group principally uses internal funds. Derivatives are used, not 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 foreign currency forward contracts. Marketable and investment securities, composed mainly of bonds and stocks of companies with which the Group has business relationships, are exposed to the risk of market price fluctuations.

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

Derivatives mainly include foreign currency forward contracts, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables. Please see Note 18 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 or service debt according to the contractual terms. The Group manages its credit risk from receivables based on 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. With respect to debt securities, the Group manages its exposure to credit risk by limiting its funding to high credit rated bonds in accordance with its internal guidelines. With reference to derivatives, it is reasonable to assume that there is a little credit risk to be recognized as the Group only deals with high credit rating financial institutions. Please see Note 18 for details about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2023.

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 partially by foreign currency forward contracts.

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

The basic principles of derivative transactions are approved by management meetings based on the internal guidelines which prescribe the authority and the limits for each transaction by the corporate treasury department. Reconciliation of the derivative transactions are made by the corporate accounting department, and the transactions data is reported to the management meeting on a monthly basis. We manage the risk so that it does not exceed a certain range by reporting.

(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, short-term investments, receivables, electronically recorded monetary claims, payables, electronically recorded obligations and short-term bank loans are not disclosed because their maturities are short and the carrying values approximate fair value.

(*a*) *Fair value of financial instruments*

March 31, 2023	Millions of Japanese Yen Carrying Amount	Fair Value	Unrealized Gain/Loss
Marketable and investment securities	¥9,507	¥9,507	
March 31, 2022			
Marketable and investment securities	¥8,264	¥8,264	

March 31, 2023	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Marketable and investment securities	$71,198	$71,198	

Marketable and Investment Securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for marketable and investment securities by classification is included in Note 5.

(*b*) *Carrying amount of financial instruments whose fair value cannot be reliably determined*

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2023	2022	2023
Investments in equity instruments that do not have a quoted market price in an active market	¥194	¥194	$1,453
Investments in limited partnership	372	45	2,787

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

March 31, 2023	Millions of Japanese Yen Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥15,524			
Receivables	15,475			
Electronically recorded monetary claims	1,506			
Marketable and investment securities:				
Government bonds		¥300		
Corporate bonds	300	500		
Other			¥327	¥45
Total	¥32,805	¥800	¥327	¥45

March 31, 2022	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
	Millions of Japanese Yen			
Cash and cash equivalents	¥20,582			
Receivables	14,833			
Electronically recorded monetary claims	914			
Marketable and investment securities:				
Government bonds		¥ 300		
Corporate bonds	600	800		
Other				¥45
Total	¥36,929	¥1,100		¥45

March 31, 2023	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
	Thousands of U.S. Dollars			
Cash and cash equivalents	$ 116,258			
Receivables	115,888			
Electronically recorded monetary claims	11,281			
Marketable and investment securities:				
Government bonds		$2,247		
Corporate bonds	2,247	3,744		
Other			$2,450	$337
Total	$ 245,674	$5,991	$2,450	$337

Please see Note 10 for annual maturities of long-term debt and Note 16 for the obligations under noncancelable operating leases.

(**6**) ***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 Japanese Yen			
March 31, 2023	Level 1	Level 2	Level 3	Total
Securities:				
Stocks	¥8,405			¥8,405
Government and municipal bonds	303			303
Corporate bonds		¥799		799
Total assets	¥8,708	¥799		¥9,507

	Thousands of U.S. Dollars			
March 31, 2023	Level 1	Level 2	Level 3	Total
Securities:				
Stocks	$62,943			$62,943
Government and municipal bonds	2,270			2,270
Corporate bonds		$5,985		5,985
Total assets	$65,213	$5,985		$71,198

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

There are no material financial instruments for the year ended March 31, 2023.

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

Marketable and Investment Securities

Listed stocks, government bonds and corporate bonds are valued using market prices. Since listed stocks and government bonds are traded in active markets, their fair value is classified as Level 1 fair value. On the contrary, corporate bonds held by the Group are classified as Level 2 fair value because they are not frequently traded in the market and are not considered market prices in an active market.

18. 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 principally uses foreign currency forward contracts within the limits of the amounts of deposits, trade receivables and trade payables denominated in foreign currencies. The Group does not use any derivative contracts with terms longer than one year. Further, the Group does not hold or issue derivatives for trading purposes.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations in market conditions, including interest or foreign exchange rates. Credit risk is the risk of loss resulting from a counterparty's failure to perform according to the terms and conditions of the contract. Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate losses arising from credit risk.

The basic policies for the use of derivatives are approved by the Board of Directors. Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount. The execution and control of the derivatives are managed by the finance department. The performances and positions of the derivative transactions are monitored by the accounting department and reported to the Board of Directors so that those risk positions can be appropriately controlled.

Derivative Transactions to Which Hedge Accounting Is Not Applied

There is no balance of derivatives for the years ended March 31, 2023 and 2022, respectively.

Derivative Transactions to Which Hedge Accounting Is Applied

There is no balance of derivatives for the years ended March 31, 2023 and 2022, respectively.

19. CONTINGENT LIABILITIES

There is no balance of contingencies at March 31, 2023. Contingent liabilities at March 31, 2022, were ¥17 million.

20. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2023 and 2022, were as follows:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥1,839	¥ (309)	$ 13,769
Reclassification adjustments to profit or loss	7	(105)	55
Amount before income tax effect	1,846	(414)	13,824
Income tax effect	(551)	128	(4,125)
Total	¥1,295	¥ (286)	$ 9,699
Foreign currency translation adjustments:			
Adjustments arising during the year	¥1,953	¥3,394	$ 14,623
Amount before income tax effect	1,953	3,394	14,623
Total	¥1,953	¥3,394	$ 14,623
Remeasurements of defined benefit plans:			
Adjustments arising during the year	¥ (337)	¥ 497	$ (2,524)
Reclassification adjustments to profit or loss	(513)	(658)	(3,845)
Amount before income tax effect	(850)	(161)	(6,369)
Income tax effect	432	83	3,239
Total	¥ (418)	¥ (78)	$ (3,130)
Total other comprehensive income	¥2,830	¥3,030	$ 21,192

21. SUBSEQUENT EVENTS

a. *Appropriations of Retained Earnings*

The following appropriation of retained earnings at March 31, 2023, was approved at the Company's shareholders' meeting held on June 29, 2023:

	Millions of Japanese Yen	Thousands of U.S. Dollars
Cash dividends, ¥7 ($0.052) per share	¥296	$ 2,224

b. Dissolution of Consolidated Subsidiaries

Futaba Corporation of The Philippines

It was approved to dissolve a consolidated subsidiary, Futaba Corporation of The Philippines ("FCP"), at the Board of Directors' meeting held on May 12, 2023.

(1) *Purpose of the dissolution*

FCP has manufactured and sold Vacuum Fluorescent Display ("VFD") products since its establishment in February 1995. However, the Company has determined that it will be difficult to continue its business in the future due to termination of VFD production. Therefore, the Company decided to dissolve FCP.

(2) *Outline of the subsidiary to be dissolved*

Company name	Futaba Corporation of The Philippines
Location	Laguna, Philippines
Representative	Representative of a board of directors, Akihiro Mihira
Business	Manufacture and sales of VFDs
Common stock	$39,001 thousand
Date of establishment	February 23, 1995
Investment ratio	Futaba Corporation 100%
Employees	476 employees at March 31, 2023

Relationship between the listed company and relevant company

Capital relationship	FCP is a wholly owned consolidated subsidiary of the Company.
Personal relationship	Three employees of the Company are also directors of FCP (one of them is a representative of FCP).
Business relationship	There are VFD products trading between the Company and FCP.
Status of related party	FCP is a consolidated company of the Company.

(3) *Schedule for the dissolution*

(a) Date of resolution at the Board of Directors' meeting:	May 12, 2023
(b) Date of resolution at the Board of Directors' meeting of FCP:	May 12, 2023
(c) Completion of liquidation:	March 31, 2028 (tentative)

The liquidation will be completed as soon as the necessary procedures are completed in accordance with local laws and regulations.

(4) *Impact of the dissolution on profit and loss*

Additional costs may be recorded as a result of the dissolution, the amount of which is currently under inspection.

Futaba Mobile Display Corporation

It was approved to dissolve a consolidated subsidiary, Futaba Mobile Display Corporation ("FMD"), at the Board of Directors' meeting held on June 9, 2023.

(1) *Purpose of the dissolution*

The Company purchased a portion of shares from TDK Micro Device Corporation in 2009 and entered Organic Light-Emitting Diode ("OLED") business. In 2012, the Company purchased all shares of TDK Micro Device Corporation, making it a subsidiary, and changed its name to Futaba Mobile Display Corporation. Since the acquisition, the OLED business has become one of the Company's core display businesses, not only as a consumer product but also as a genuine automotive component, and as the world's first film-type OLED display product to be adopted in the healthcare field.

However, the severity of price competition with rival companies is becoming tougher every year. For this reason, the Company made a series of corporate efforts by integrating its bases and using outsourcing but recent difficulties in procuring parts and materials and rising energy costs have made the business environment even more challenging, and the future estimation is also uncertain. Therefore, the Company entered into business partnership with RITdisplay Corporation on October 21, 2022, and then decided to outsource all production and terminate production at the Company.

As a result, the Company decided to dissolve FMD because due to termination of production, it is difficult to make future business decisions.

(2) *Outline of the subsidiary to be dissolved*

Company name	Futaba Mobile Display Corporation
Location	Kitaibaraki city, Ibaraki prefecture
Representative	Representative of a board of directors, Hiroshi Tanabe
Business	Manufacture and sales of OLEDs
Common stock	¥100 millions of Japanese yen
Date of establishment	1991 (became a subsidiary of the Company on April 1, 2012)
Investment ratio	Futaba Corporation 100%
Employees	61 employees at March 31, 2023 (excluded temporary employees)

(3) *Schedule for the dissolution*

(a)	Date of resolution at the Board of Directors' meeting:	June 9, 2023
(b)	Date of resolution at the Board of Directors' meeting of FMD:	July 2024 (tentative)
(c)	Completion of liquidation:	December 2024 (tentative)

The liquidation will be completed as soon as the necessary procedures are completed in accordance with local laws and regulations.

(4) *Impact of the dissolution on profit and loss*

Additional costs may be recorded as a result of the dissolution, the amount of which is currently under inspection.

c. Special Outplacement

It was approved to implement a special outplacement at the Board of Directors' meeting held on June 9, 2023.

(1) *Purpose of the special outplacement*

The Group has disclosed the business restructuring plan "Re-Futaba -Active Action (Resolution and Commitment)-" on June 9, 2023, and is attending to the restructuring of business. In executing this plan, the Company decided to implement a special outplacement, as it is necessary to promptly promote the optimization and streamlining of employees commensurate with the future scale of the Group's business.

(2) *Outline of the special outplacement*

(a) Eligible person

Regular staff who is over 50 years old and has continuous service more than 10 years as of September 30, 2023

(Business centers that are subject to restructuring or elimination of business offices will expand the eligible person.)

(b) Application period

As from July 3, 2023 to August 3, 2023

(c) Number of applicants

About 100 people

(d) Retirement date

September 30, 2023

(e) Preferential treatment

1. To add a special allowance to an ordinary retirement benefit
2. To support those who wish to take an aid of re-entry into employment by outside companies

(3) *Impact of the special outplacement on profit and loss*

The impact of this matter on profit and loss for the year ending March 31, 2024, is assuming about 100 applicants, the Company estimates that the total cost, including extra retirement benefits, will be about ¥800 million ($5,991 thousand). The impact on retirement benefit obligations is currently under assessment.

22. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. 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 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) *Description of Reportable Segments*

The Group's reportable segments are those for which financial information is separately available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group's reportable segments consist of the electronic devices and machinery and tooling segments. The electronic devices segment consists of VFDs, VFD modules, OLEDs, touch panels, radio control equipment, engines for models and parts for robots. The machinery and tooling segment consists of press die set components, moldbase components, precision plates and equipment for automation.

(2) *Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets and Other Items for Each Reportable Segment*

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) *Information about Sales, Profit (Loss), Assets and Other Items*

	Millions of Japanese Yen				
	Reportable Segment				
2023	Electronic Devices	Machinery and Tooling	Total	Reconcil-iations	Consol-idated
Sales:					
Japan	¥11,032	¥14,511	¥ 25,543		¥ 25,543
America	6,219	110	6,329		6,329
Europe	1,567		1,567		1,567
Asia	8,461	18,410	26,871		26,871
Revenue from contracts of customers	27,279	33,031	60,310		60,310
Revenue from others	16		16		16
Sales to external customers	27,295	33,031	60,326		60,326
Intersegment sales or transfers	13	4	17	¥ (17)	
Total	¥27,308	¥33,035	¥ 60,343	¥ (17)	¥ 60,326
Segment profit (loss)	¥ (2,592)	¥ 205	¥ (2,387)		¥ (2,387)
Segment assets	49,415	48,704	98,119	(1)	98,118
Other:					
Depreciation	410	827	1,237		1,237
Impairment losses of assets	233	999	1,232	231	1,463
Increase in property, plant and equipment and intangible assets	643	2,121	2,764		2,764

2022	Millions of Japanese Yen				
	Reportable Segment				
	Electronic Devices	Machinery and Tooling	Total	Reconcil-iations	Consol-idated
Sales:					
Japan	¥ 9,235	¥ 14,263	¥ 23,498		¥ 23,498
America	5,017	101	5,118		5,118
Europe	1,437	2	1,439		1,439
Asia	7,013	16,367	23,380		23,380
Revenue from contracts of customers	22,702	30,733	53,435		53,435
Revenue from others	16		16		16
Sales to external customers	22,718	30,733	53,451		53,451
Intersegment sales or transfers	14	26	40	¥ (40)	
Total	¥ 22,732	¥ 30,759	¥ 53,491	¥ (40)	¥ 53,451
Segment profit (loss)	¥ (2,630)	¥ 766	¥ (1,864)	¥ (0)	¥ (1,864)
Segment assets	48,876	51,560	100,436	(1)	100,435
Other:					
Depreciation	385	781	1,166		1,166
Impairment losses of assets	564	665	1,229	171	1,400
Increase in property, plant and equipment and intangible assets	848	2,492	3,340		3,340

2023	Thousands of U.S. Dollars				
	Reportable Segment				
	Electronic Devices	Machinery and Tooling	Total	Reconcil-iations	Consol-idated
Sales:					
Japan	$ 82,614	$ 108,675	$ 191,289		$ 191,289
America	46,574	822	47,396		47,396
Europe	11,736		11,736		11,736
Asia	63,368	137,873	201,241		201,241
Revenue from contracts of customers	204,292	247,370	451,662		451,662
Revenue from others	118		118		118
Sales to external customers	204,410	247,370	451,780		451,780
Intersegment sales or transfers	99	28	127	$ (127)	
Total	$ 204,509	$ 247,398	$ 451,907	$ (127)	$ 451,780
Segment profit (loss)	$ (19,412)	$ 1,536	$ (17,876)	$ (0)	$ (17,876)
Segment assets	370,064	364,744	734,808	(4)	734,804
Other:					
Depreciation	3,071	6,191	9,262		9,262
Impairment losses of assets	1,747	7,484	9,231	1,728	10,959
Increase in property, plant and equipment and intangible assets	4,818	15,879	20,697		20,697

(**4**) ***Information about Products and Services***

Information about products and services is omitted as the same information is disclosed within the segment information.

(**5**) ***Information about Geographical Areas***

a. *Sales*

2023

Millions of Japanese Yen				
Japan	America	Europe	Asia	Total
¥25,559	¥6,329	¥1,567	¥26,871	¥60,326

2022

Millions of Japanese Yen				
Japan	America	Europe	Asia	Total
¥23,514	¥5,118	¥1,439	¥23,380	¥53,451

2023

Thousands of U.S. Dollars				
Japan	America	Europe	Asia	Total
$ 191,407	$ 47,396	$ 11,736	$ 201,241	$ 451,780

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

Sales to the United States out of sales to America for the year ended March 31, 2023, were ¥6,217 million ($46,558 thousand).

Sales to South Korea out of sales to Asia for the years ended March 31, 2023 and 2022, were ¥14,883 million ($111,458 thousand) and ¥12,443 million, respectively.

b. *Property, plant and equipment*

2023

Millions of Japanese Yen				
Japan	America	Europe	Asia	Total
¥3,477	¥529	¥0	¥14,329	¥18,335

2022

Millions of Japanese Yen				
Japan	America	Europe	Asia	Total
¥3,612	¥482	¥0	¥13,774	¥17,868

2023

Thousands of U.S. Dollars				
Japan	America	Europe	Asia	Total
$ 26,040	$ 3,968	$0	$ 107,309	$ 137,317

Plant and equipment located in South Korea out of property, plant and equipment located in Asia for the years ended March 31, 2023 and 2022, were ¥11,050 million ($82,756 thousand) and ¥10,545 million, respectively.

(**6**) ***Information about Major Customers***

Information about major customers is omitted as no customer accounts for more than 10% of the net sales in the consolidated statement of operations.

* * * * * *

Board of Directors

As of 29 June, 2023

Representative Director and President	Motoaki Arima
Directors	Toshihide Kimizuka
	Masaharu Tomita
	Takemitsu Kunio
	Masako Tanaka
Directors, Audit and Supervisory Committee Members	Tadashi Ohmura
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