FINANCIAL STATEMENTS

YEARS ENDED 31ST MARCH, 2026 AND 2025

WITH

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

DAIHEN Corporation

2-1-11, Tagawa Yodogawa-ku
Osaka, Japan

DAIHEN CORPORATION
Consolidated Balance Sheets
Years Ended March 31, 2026 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
ASSETS			
Current assets:			
Cash and deposits (Note 10 and 14)	¥34,161	¥30,355	$213,666
Receivables —			
Notes and accounts receivable-trade (Note 11, and 14)			
Unconsolidated subsidiaries and affiliates	—	145	—
Other	58,509	55,332	365,956
Loans and other accounts	4,051	4,678	25,338
Allowance for doubtful accounts	(52)	(1,255)	(325)
	62,508	58,900	390,969
Inventories (Note 13)	109,212	101,708	683,087
Other current assets	3,948	2,605	24,694
Total current assets	209,829	193,568	1,312,416
Property, plant and equipment (Note 16 and 18):			
Land	13,891	13,693	86,884
Buildings and structures	65,416	60,627	409,157
Machinery and equipment	84,903	77,572	531,042
Lease assets	1,683	1,577	10,527
Construction in progress	3,783	4,011	23,661
Total	169,676	157,480	1,061,271
Accumulated depreciation	(109,484)	(104,458)	(684,789)
Net property, plant and equipment	60,192	53,022	376,482
Intangible assets:			
Software	2,320	2,354	14,511
Goodwill	518	525	3,240
Other intangible assets	2,445	2,188	15,293
Total intangible assets	5,283	5,067	33,044
Investments and other assets:			
Investment securities (Note 14 and 15)	14,003	12,170	87,584
Investments in unconsolidated subsidiaries and affiliates	3,673	3,811	22,973
Deferred tax assets (Note 20)	1,528	1,388	9,557
Net defined benefit asset (Note 21)	23,027	18,507	144,027
Other	5,202	2,731	32,538
Allowance for doubtful accounts	(2,562)	(29)	(16,025)
Total investments and other assets	44,871	38,578	280,654
Total assets	¥320,175	¥290,235	$2,002,596

See accompanying Notes to Consolidated Financial Statements.

DAIHEN CORPORATION
Consolidated Balance Sheets
Years Ended March 31, 2026 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
LIABILITIES			
Current liabilities:			
Short-term loans (Note 14, 18 and 19)	¥39,940	¥23,885	$249,812
Long-term debt due within one year (Note 14, 18 and 19)	8,188	6,160	51,213
Notes and accounts payable-trade (Note 14)			
Unconsolidated subsidiaries and affiliates	92	95	575
Other	20,326	21,486	127,133
Electronically recorded obligations –operating (Note 14)	8,760	15,265	54,791
Accrued employees' bonuses	5,459	5,145	34,144
Accrued directors' and corporate auditors' bonuses	152	144	951
Allowance for loss on construction contracts	160	166	1,001
Income taxes payable	5,700	3,510	35,652
Other current liabilities (Note 12)	13,052	11,035	81,637
Total current liabilities	101,829	86,891	636,909
Long-term liabilities:			
Long-term debt (Note 14, 18 and 19)	36,916	38,900	230,898
Net defined benefit liability (Note 21)	2,885	3,265	18,045
Reserve for directors' and corporate auditors' retirement benefits	89	104	557
Asset retirement obligation	179	121	1,120
Deferred tax liabilities (Note 20)	4,517	4,426	28,252
Provision for construction expenses related to earhquake resistance renovation	283	564	1,770
Provision for share awards	476	163	2,977
Provision for loss on guarantees	—	614	—
Provision for product safety measures	—	3	—
Other noncurrent liabilities	2,254	1,898	14,098
Total long-term liabilities	47,599	50,058	297,717
Total liabilities	149,428	136,949	934,626
Contingent liabilities (Note 22)			
NET ASSETS (Note 23)			
Shareholders' equity:			
Common stock — (Note 9)	10,596	10,596	66,275
Authorized - 108,000 thousand shares in 2026 and 2025			
Issued - 24,903 thousand shares in 2026			
25,603 thousand shares in 2025			
Capital surplus	10,075	10,075	63,016
Retained earnings	110,611	101,796	691,838
Treasury stock, at cost — (Note 9)			
— 1,296 thousand shares in 2026			
— 1,299 thousand shares in 2025	(6,995)	(4,926)	(43,752)
Accumulated other comprehensive income:			
Net unrealized holding gains and losses on available-for-sale securities	7,572	6,040	47,361
Foreign currency translation adjustments	14,517	9,294	90,799
Remeasurements of defined benefit plans	7,655	5,498	47,880
Total accumulated other comprehensive income	29,744	20,832	186,040
Noncontrolling interests	16,716	14,913	104,553
Total net assets	170,747	153,286	1,067,970
Total liabilities and net assets	¥320,175	¥290,235	$2,002,596

See accompanying Notes to Consolidated Financial Statements.

DAIHEN CORPORATION
Consolidated Statements of Income
Years Ended March 31, 2026 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Net sales (Note 16 and 24)	¥237,736	¥226,376	$1,486,965
Cost of sales (Note 13, 16 and 21)	169,218	162,516	1,058,406
Gross profit	68,518	63,860	428,559
Selling, general and administrative expenses (Note 21)	49,739	47,686	311,102
Operating income	18,779	16,174	117,457
Other income (expenses):			
Interest and dividend income	974	776	6,092
Interest expense	(1,106)	(904)	(6,918)
Foreign currency exchange gain (loss)	969	47	6,061
Gain on sales of investment securities	3,325	1,111	20,797
Share of profit of entities accounted for using equity method	42	7	263
Provision of allowance for doubtful accounts	(1,341)	(478)	(8,388)
Compensation expence for damage	—	(124)	—
Extra payments for early retirements	(181)	(38)	(1,132)
Subsidy income	320	780	2,002
Loss on revision of retirement benefit plan	—	(96)	—
Reversal provision for loss on guarantees	614	152	3,840
Loss on liquidation of subsidiaries and associates (Note 26)	(351)	—	(2,195)
Loss on valuation of investments in capital of subsidiaries and associates	(173)	—	(1,082)
Loss on valuation of shares of subsidiaries and associates	(134)	—	(838)
Impairment losses (Note 25 and 27)	(116)	—	(726)
Other, net	123	426	769
Total other income (expenses)	2,965	1,659	18,545
Income before income taxes	21,744	17,833	136,002
Income taxes (Note 20):			
Current	8,163	5,192	51,057
Deferred	(2,066)	(282)	(12,922)
Profit	¥15,647	¥12,923	$97,867
Profit attributable to noncontrolling interests	1,538	962	9,620
Profit attributable to owners of parent	14,109	11,961	88,247

	Yen		U.S. dollars (Note 1)
Per share of common stock: (Note 2 (22))			
Net income per share	¥591.35	¥493.31	$3.70
Cash dividends applicable to the year	¥180.00	¥165.00	$1.13

See accompanying Notes to Consolidated Financial Statements.

DAIHEN CORPORATION
Consolidated Statement of Comprehensive Income
Years Ended March 31, 2026 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Profit	¥15,647	¥12,923	$97,867
Other comprehensive income			
Net unrealized holding gains and losses on available-for-sale securities	1,687	(168)	10.552
Foreign currency translation adjustments	5,216	68	32,624
Remeasurment of defined benefit plans	2,388	(395)	14,936
Share of other comprehensive income of affiliates accounted for using equity method	7	3	14
Total other comprehensive income (Note 8)	9,298	(492)	58,156
Comprehensive income	¥24,945	¥12,431	$156,023
Attributable to:			
Owners of parent	¥23,003	¥11,566	$143,877
Noncontrolling interests	¥1,942	¥865	$12,146

See accompanying Notes to Consolidated Financial Statements.

DAIHEN CORPORATION
Consolidated Statement of Changes in Net Assets
Years Ended March 31, 2026 and 2025

	Millions of yen									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains and losses on available-for-sale securities	Net deferred gains and losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at March 31, 2024	¥10,596	¥10,011	¥94,768	¥(2,349)	¥6,208	¥(0)	¥9,104	¥5,799	¥14,459	¥148,596
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—
Restated balance	¥10,596	¥10,011	¥94,768	¥(2,349)	¥6,208	¥(0)	¥9,104	¥5,799	¥14,459	¥148,596
Cash dividends paid - ¥165.0 per share -(Note 9)	—	—	(4,029)	—	—	—	—	—	—	(4,029)
Profit attributable to owners of parent	—	—	11,961	—	—	—	—	—	—	11,961
Treasury stock, net	—	12	—	(4)	—	—	—	—	—	8
Adjustments due to change in the fiscal period of consolidated subsidiaries	—	—	(173)	—	—	—	—	—	—	(173)
Treasury stock, net	—	(1,302)	—	(2,577)	—	—	—	—	—	(3,879)
Changes in equity of parent from transaction of non controlling interest	—	2	—	—	—	—	—	—	—	2
Transfer to capital surplus from retained earnings	—	1,302	(1,302)	—	—	—	—	—	—	0
Change in scope of consolidation	—	—	571	—	—	—	—	—	—	571
Additional purchase of shares of consolidated subsidiaries	—	62	—	—	—	—	—	—	—	62
Net changes in items other than shareholders' equity	—	—	—	—	(168)	0	190	(301)	454	175
Balance at March 31, 2025	¥10,596	¥10,075	¥101,796	¥(4,926)	¥6,040	—	¥9,294	¥5,498	¥14,913	¥153,286
Cash dividends paid - ¥180.0 per share -(Note 9)	—	—	(3,999)	—	—	—	—	—	—	(3,999)
Profit attributable to owners of parent	—	—	14,109	—	—	—	—	—	—	14,109
Treasury stock, net	—	(1,460)	—	(2,069)	—	—	—	—	—	(3,529)
Transfer to capital surplus from retained earnings	—	1,460	(1,460)	—	—	—	—	—	—	0
Change in scope of consolidation	—	—	165	—	—	—	—	—	—	165
Net changes in items other than shareholders' equity	—	—	—	—	1,532	—	5,223	2,157	1,803	10,715
Balance at March 31, 2026	¥10,596	¥10,075	¥110,611	¥(6,995)	¥7,572	—	¥14,517	¥7,655	¥16,716	¥170,747

	Thousands of U.S. dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains and losses on available-for-sale securities	Net deferred gains and losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at March 31, 2025	$66,275	$63,016	$636,703	$(30,811)	$37,778	—	$58,131	$34,388	$93,277	$958,757
Cash dividends paid - $1.13 per share -(Note 9)	—	—	(25,012)	—	—	—	—	—	—	(25,012)
Profit attributable to owners of parent	—	—	88,247	—	—	—	—	—	—	88,247
Treasury stock, net	—	(9,132)	—	(12,941)	—	—	—	—	—	(22,073)
Transfer to capital surplus from retained earnings	—	9,132	(9,132)	—	—	—	—	—	—	0
Change in scope of consolidation	—	—	1,032	—	—	—	—	—	—	1,032
Net changes in items other than shareholders' equity	—	—	—	—	9,583	—	32,668	13,492	11,276	67,019
Balance at March 31, 2026	$66,275	$63,016	$691,838	$(43,752)	$47,361	—	$90,799	$47,880	$104,553	$1,067,970

See accompanying Notes to Consolidated Financial Statements.

DAIHEN CORPORATION
Consolidated Statements of Cash Flows
Years Ended March 31, 2026 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Cash flows from operating activities:			
Profit before income taxes	¥21,744	¥17,833	$136,002
Adjustments to reconcile income before income taxes to net cash provided by operating activities			
Depreciation	6,871	6,497	42,976
Impairment losses	116	—	726
Amortization of goodwill	73	68	457
Increase (decrease) in allowance for doubtful accounts	1,315	454	8,225
Increase (decrease) in provision for bonuses	297	1,857	1,858
Increase (decrease) in allowance for loss on construction contracts	(5)	43	(31)
Increase (decrease) in provision for loss on guarantees	(614)	(152)	(3,840)
Increase (decrease) in provision for construction expenses related to earthquake resistance renovation	(281)	(14)	(1,758)
Increase (decrease) in provision for product safety measures	(3)	(0)	(0)
Increase (decrease) in net defined benefit liability	(256)	370	(1,601)
Decrease (increase) in net defined benefit asset	(1,114)	(1,496)	(6,968)
Interest and dividend income	(974)	(776)	(6,092)
Interest expenses	1,106	904	6,918
Share of loss (profit) of entities accounted for using equity method	(42)	(7)	(263)
Loss (gain) on sale of investment securities	(3,325)	(1,111)	(20,797)
Loss on valuation of investments in capital of subsidiaries and associates	173	—	1,082
Loss (gain) on liquidation of subsidiaries and associates	351	—	2,195
Loss on valuation of shares of subsidiaries and associates	134	—	838
Compensation expenses for damage	—	124	—
Subsidy income	(320)	(780)	(2,002)
Decrease (increase) in trade receivables	(1,246)	2,506	(7,793)
Decrease (increase) in inventories	(4,917)	(1,751)	(30,754)
Increase (decrease) in trade payables	(9,344)	932	(58,444)
Other, net	1,261	1,454	7,887
Subtotal	11,000	26,955	68,802
Interest and dividends received	907	790	5,673
Interest paid	(1,104)	(902)	(6,906)
Subsidies received	320	780	2,002
Payments for compensation expenses for damage	—	(124)	—
Income taxes paid	(6,179)	(3,489)	(38,648)
Net cash provided by operating activities	4,944	24,010	30,923
Cash flows from investing activities:			
Net decrease (increase) in time deposits	(34)	31	(213)
Purchases of property, plant and equipment	(12,374)	(7,950)	(77,395)
Proceeds from sales of property, plant and equipment	76	78	475
Purchases of intangible assets	(794)	(792)	(4,966)
Purchases of investment in securities	(10)	(8)	(63)
Proceeds from sales of investment securities	4,107	1,458	25,688
Net decrease (increase) in short-term loans receivable	(468)	(360)	(2,927)
Long-term loan advances	(1,276)	(60)	(7,981)
Purchases of shares of subsidiaries	(16)	(1,990)	(100)
Other, net	(53)	(9)	(331)
Net cash used in investing activities	(10,842)	(9,602)	(67,813)
Cash flows from financing activities:			
Net increase (decrease) in short-term bank loans	15,388	(6,367)	96,247
Proceeds from long-term loans	6,009	14,068	37,584
Repayment of long-term loans	(6,114)	(5,303)	(38,241)
Repayment of lease obligations	(161)	(118)	(1,007)
Purchase of treasury stock	(3,561)	(3,901)	(22,273)
Cash dividends paid	(3,988)	(4,023)	(24,944)
Other, net	(99)	(338)	(619)
Net cash provided by (used in) financing activities	7,474	(5,982)	46,747
Effect of exchange rate changes on cash and cash equivalents	2,087	(600)	13,054
Net increase (decrease) in cash and cash equivalents	3,663	7,826	22,911
Cash and cash equivalents at beginning of year	28,856	22,078	180,485
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	108	165	676
Increase (decrease) in cash and cash equivalents resulting from change in accounting period of subsidiaries	—	(1,213)	—
Cash and cash equivalents at end of year (Note 10)	¥32,627	¥28,856	$204,072

See accompanying Notes to Consolidated Financial Statements.

DAIHEN CORPORATION
Notes to Consolidated Financial Statements

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of DAIHEN Corporation ("the Company") and its consolidated subsidiaries (together "the Companies") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded disclosure) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2026, which was ¥159.88 to U.S. $1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

(1) Consolidation
The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries over which the Company has power of control through majority voting rights or the existence of certain other conditions evidencing control by the Company. Investments in nonconsolidated subsidiaries and affiliates over which the Company has the ability to exercise significant influence over operating and financial policies are accounted for using the equity method. Investments in the remaining subsidiaries and affiliates are stated at cost.

There were 31 and 30 consolidated subsidiaries as of March 31, 2026 and 2025, respectively. There were two and two companies accounted for using the equity method as of March 31, 2026 and 2025.

DAIHEN MEXICO S.A. de C.V., which had previously been a non-consolidated subsidiary, has been included in the scope of consolidation from the fiscal year ended March 31, 2026 due to increased materiality.

For consolidated subsidiaries and equity-method affiliates which close their accounts on December 31, their financial statements are based on the provisional closing of accounts at the consolidated closing date. There were 15 such consolidated subsidiaries, namely, DAIHEN, Inc., OTC DAIHEN EUROPE GmbH, OTC DAIHEN Asia Co., Ltd., DAIHEN ELECTRIC Co., Ltd., DAIHEN Advanced Component, Inc., Mudanjiang OTC Welding Machines Co., Ltd., OTC Industrial (Shanghai) Co., Ltd., DAIHEN Korea Co., Ltd., OTC Industrial (Qingdao) Co., Ltd., DAIHEN OTC (Beijing) Co., Ltd., DAIHEN Advanced Machinery (Changshu) Co., Ltd., PT. OTC DAIHEN INDONESIA, DAIHEN VARSTROJ welding cutting and robotics d.d., DAIHEN MEXICO S.A. de C.V., and Lorch Schweißtechnik GmbH and one equity-method affiliate, namely, OTC DAIHEN Bangkok Co., Ltd.

(2) Cash and cash equivalents
In preparing the consolidated statements of cash flows, the Companies consider cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase to be cash and cash equivalents.

(3) Allowance for doubtful accounts
The allowance for doubtful accounts is provided for in an amount sufficient to cover possible losses on collection. With respect to normal trade accounts receivable, it is stated at an amount based upon the actual rate of historical bad debts. For certain doubtful accounts, the uncollectible amount is individually estimated.

(4) Securities
The Companies classify securities as either (a) equity securities issued by subsidiaries and affiliated companies or (b) all other securities (hereinafter, "available-for-sale securities"). Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving average cost. Other securities with no available fair market value are stated at moving average cost.

If the market value of available-for-sale securities declines significantly and is not expected to recover, the securities are stated at fair market value, and the difference between the fair market value and the carrying amount is recognized as a loss incurred in the period. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not accounted for using the equity method is not readily available, the securities should be written down to net asset value with a corresponding charge in the statement of income in the event net asset value declines significantly and is not expected to recover. In these cases, the fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

(5) Inventories
Inventories are measured primarily at cost using the gross average method, with book value written down based on declines in profitability.

(6) Property, plant and equipment (except for lease assets)
Property, plant and equipment are stated at cost. Depreciation is provided primarily using the declining balance method, except for buildings, structures and machinery and equipment at the plant in Mie prefecture, buildings (except for facilities attached to buildings) acquired after April 1, 1998, and facilities attached to buildings and structures acquired after April 1, 2016, which are depreciated by the straight-line method. The useful life of an asset is determined in accordance with the Corporation Tax Law.

(7) Intangible assets (except for lease assets)
Software for internal use is measured using the straight-line method over the internal useful life (five years). Software for market sale is measured based on the projected sales quantity.
Customer-related assets and other identifiable intangible assets acquired through business combinations are amortized using the straight-line method over the estimated useful life (10 to 20 years).
Other intangible assets are measured using the straight-line method.
The Group adopts amortization periods using the same standards as those in the Corporation Tax Act.

(8) Lease assets
Lease assets with respect to finance leases that do not transfer ownership of the leased property are depreciated using the straight-line method, with the assumption that the useful life of the asset is the term of the lease and that the residual value is zero.

(9) Accrued employees' bonuses
As of the balance sheet date, accrued employees' bonuses are recorded in the amount of the estimated bonuses attributable to the respective fiscal year. Accrued bonuses to directors and corporate auditors also are provided for based on the estimated amounts attributable to the respective fiscal year.

(10) Allowance for loss on construction contracts
Allowance for loss on construction contracts is provided with respect to construction projects for which eventual losses can be reasonably estimated.

(11) Reserve for employees' severance and retirement benefits
In determining retirement benefit obligations, the estimated amount of retirement benefits is attributed to periods of service on the benefit formula basis.

Differences generated from changes in actuarial assumptions are charged or credited to income in an amount allocated on a straight-line method mainly over 13 years, which is shorter than the average remaining service period of the employees, beginning with the term in which the differences are generated.

In calculating the liability for employees' severance and retirement benefits and retirement benefit expenses, certain consolidated subsidiaries adopt a simplified method in which the amount required to be paid if all the employees retired voluntarily at the fiscal year end is regarded as retirement benefit obligation.

(12) Reserve for directors' and corporate auditors' retirement benefits
Directors and corporate auditors are generally entitled to receive retirement benefits based on the Companies' internal rules. The reserve for directors' and corporate auditors' retirement benefits is provided for in the amount deemed to be paid in accordance with the internal rules as if the directors and corporate auditors had retired at the fiscal year-end.

(13) Provision for loss on guarantees
In order to prepare for losses related to debt guarantees, the estimated amount of losses to be borne is recorded with consideration for the financial condition of the guaranteed party.

(14) Provision for share awards
To prepare for the delivery of shares of the Company to employees in accordance with the share delivery rules, the estimated obligation as of the end of the fiscal year ended March 31, 2026 is recorded.

(15) Provision for construction expenses related to earthquake resistance renovation
An allowance for the estimated removal costs is provided with respect to anti-earthquake reinforcement work for the building and plant in the Juso and Mie business office.

(16) Provision for product safety measures
An allowance is provided for the estimated future costs of inspecting and repairing electric water heaters, manufactured and sold at one of the consolidated subsidiaries, Kyuhen Co., Inc.

(17) Income taxes
The asset-liability approach is used to recognize deferred tax assets and liabilities for loss carry-forwards and the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(18) Translation of foreign currencies
Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the foreign exchange rates prevailing at each balance sheet date, and the resulting translation gains and losses are charged to income.

Income and expense items denominated in foreign currencies are translated using the rate on the date of the transaction. Related exchange gains and losses are credited or charged to income as incurred.

For the financial statements of overseas subsidiaries and affiliates, assets and liabilities are translated at the foreign exchange rates prevailing at each balance sheet date. Revenue and expenses are translated at the average rates of exchange for the respective years. Net assets accounts are translated at historical rates. The resulting foreign currency translation adjustments are shown as a separate component of net assets.

(19) Research and development expenses
Research and development expenses, which are charged to income as incurred, amounted to ¥7,534 million ($47,123 thousand) and ¥7,012 million in 2026 and 2025, respectively.

(20) Derivatives and hedge accounting
The Companies state derivative financial instruments at fair value and recognize gains and losses resulting from changes in the fair value, except when derivative financial instruments are used for hedging purposes. If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gains and losses resulting from changes in the fair value of the derivative financial instruments until the related losses and gains on the hedged items are recognized.

Also, if foreign exchange forward contracts are used as hedges and meet certain hedging criteria, the hedged items are stated at the forward exchange rates. If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the asset or liability for which the swap contract was executed.

(21) Basis for recognition of significant revenue and expenses
The Companies' main business is the manufacture, sale, and repair of various transformers, various welding machines, industrial robots, power sources for plasma generation, clean transport robots, etc.
In principle, revenue from the sale of this merchandise or finished goods is recognized at the time of delivery of the merchandise or finished goods because it is in principle determined that the customer gains control over the merchandise or finished goods at the time of delivery and that the Companies' performance obligation is satisfied.

In cases in which the period from shipping of the merchandise or finished goods to the transfer of control to the customers is ordinary, domestic sales are recognized at the time of shipping. In addition, export sales are recognized at the time of shipment as the time when the risk burden is transferred to the customer mainly based on the trade conditions specified in Incoterms, etc.
For certain merchandise or finished goods that require on-site installation adjustment, revenue is recognized when performance confirmation is completed after completion of the on-site installation adjustment.
Revenue from the repair of merchandise or finished goods is recognized when the repair is completed, in principle, because the performance obligation is deemed to be satisfied at that time.

(22) Per share information
Computations of net income per share of common stock are based on the weighted average number of shares of common stock outstanding during the fiscal year. Diluted net income per share for the year ended March 31, 2026 and 2025 is not shown because there were no dilutive common stock equivalents.

Declarations of dividends and appropriations of retained earnings are approved at the general meeting of shareholders held after the end of the fiscal year. These dividends and the related appropriations of retained earnings are not reflected in the financial statements at the end of such fiscal year. However, dividends per share shown in the accompanying consolidated statements of income reflect dividends applicable to the respective period.

(23) Amortization method and period of goodwill
Goodwill is depreciated by the straight-line method over 9 years.

3. Significant accounting estimates

Year ended March 31, 2026 (April 1, 2025 to March 31, 2026)
(Valuation of goodwill and intangible assets)
(1) Amounts recorded in the consolidated financial statements for the fiscal year ended March 31, 2026

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Goodwill	¥518	¥525	$3,240
Intangible assets, Other	1,980	1,900	12,384

(2) Information on the significant accounting estimates for identified items
Following the consolidation of Lorch Schweißtechnik GmbH as a subsidiary, goodwill and intangible assets such as customer-related assets (collectively, "goodwill, etc.") were recorded on the consolidated balance sheet. Goodwill, etc. is amortized systematically over the period in which it is expected to generate benefits, and the unamortized balance is subject to impairment.
To identify indicators of impairment of goodwill, etc., the Company compares the actual performance against the business plan established at the time of acquisition, assessing for significant declines in profitability or other indicators. If impairment indicators are identified, the Company evaluates the necessity of recognizing impairment loss by comparing the book value to the total undiscounted future cash flows.
In the fiscal year ended March 31, 2026, due to a deterioration in business performance as compared to the business plan at the time of acquisition caused by a market downturn, the Company determined that indicators of impairment were present. Consequently, the business plan was revised, and the necessity of impairment loss was assessed. As a result, it was concluded that the total undiscounted future cash flows expected from use and eventual disposal of the asset group exceeded the book value, and thus, no impairment loss was recognized.
The undiscounted future cash flows were calculated based on the revised business plan. The key assumptions underlying the plan are net sales growth and cost reduction. The projected net sales growth incorporates expected expansion in sales volume through enhanced product offerings by leveraging group synergies and restructuring of the sales organization, taking into account market forecasts. The projected cost reduction reflects cost-cutting through utilization of group production bases and workforce optimization.
If the key assumptions incorporated in the business plan require revision due to changes in the economic environment or other factors, impairment loss may need to be recognized in the following consolidated fiscal year.

Year ended March 31, 2025 (April 1, 2024 to March 31, 2025)
(1) Amounts recorded in the consolidated financial statements for the fiscal year ended March 31, 2025

	Millions of yen	
	2025	2024
Goodwill	¥525	¥—
Intangible assets, Other	1,900	—

(2) Information on the significant accounting estimates for identified items

Following the consolidation of Lorch Schweißtechnik GmbH as a subsidiary, goodwill and intangible assets such as customer-related assets (collectively, "goodwill, etc.") were recorded on the consolidated balance sheet. Goodwill, etc. is amortized systematically over the period in which it is expected to generate benefits, and the unamortized balance is subject to impairment.

To identify indicators of impairment of goodwill, etc., the Company compares the actual performance against the business plan established at the time of acquisition, assessing for significant declines in profitability or other indicators. If impairment indicators are identified, the Company evaluates the necessity of recognizing impairment loss by comparing the book value to the total undiscounted future cash flows.

In the fiscal year ended March 31, 2025, due to a deterioration in business performance as compared to the business plan at the time of acquisition caused by a market downturn, the Company determined that indicators of impairment were present. Consequently, the business plan was revised, and the necessity of impairment loss was assessed. As a result, it was concluded that the total undiscounted future cash flows expected from use and eventual disposal of the asset group exceeded the book value, and thus, no impairment loss was recognized.

The undiscounted future cash flows were calculated based on the revised business plan. The key assumptions underlying the plan are net sales growth and cost reduction. The projected net sales growth incorporates expected expansion in sales volume through enhanced product offerings by leveraging group synergies and restructuring of the sales organization, taking into account market forecasts. The projected cost reduction reflects cost-cutting through utilization of group production bases and workforce optimization.

If the key assumptions incorporated in the business plan require revision due to changes in the economic environment or other factors, impairment loss may need to be recognized in the following consolidated fiscal year.

4. Changes in accounting policies

(Change in inventory valuation method)

The Company previously valued merchandise, raw materials, and supplies included in inventories using the last purchase cost method, with book value written down based on declines in profitability. The Company changed the valuation method to gross average method with book value written down according to declines in profitability, effective from the beginning of the fiscal year ended March 31, 2026.

This change was made in connection with the introduction of a new cost management system to achieve more accurate inventory valuation and periodic profit and loss remeasurement that better reflects fluctuations in raw material prices.

Because it is impracticable to apply the gross average method retrospectively to prior consolidated fiscal years and determine the cumulative effect of such retrospective application, the Company used the book value at the end of the previous consolidated fiscal year as the opening balance for the fiscal year ended March 31, 2026, and applied the gross average method prospectively from the beginning of this fiscal year.

The effect of this change in accounting policy is immaterial.

5. Standard and guidance not yet adopted

"Accounting Standard for Leases" (ASBJ Statement No. 34, September 13, 2024)
"Implementation Guidance on Accounting Standard for Leases" (ASBJ Guidance No. 33, September 13, 2024)
Other related amendments to Accounting Standards, Implementation Guidance for Accounting Standards, Practical Solution Reports, and Transferred Guidance

(1) Overview
As part of its effort to ensure international consistency in Japanese accounting standards, the Accounting Standards Board of Japan (ASBJ) reviewed international accounting standards and developed an accounting standard for leases that require a lessee to recognize assets and liabilities for all leases. In developing the accounting standard, the ASBJ adopted the single accounting model in IFRS 16 as its basic policy while incorporating only its principal provisions, rather than all provisions. As a result, the ASBJ issued the accounting standard for leases, etc., which is concise and highly useful and is also designed to make modifications basically unnecessary even when provisions of IFRS 16 are applied to non-consolidated financial statements.

(2) Effective date
Effective from the beginning of the fiscal year ending March 31, 2028.

(3) Effects of application
The Company and its consolidated subsidiaries are currently in the process of determining the effects of the new standard and guidance on the consolidated financial statements.

"Accounting Standard for Subsequent Events" (ASBJ Statement No. 41, January 9, 2026)
"Implementation Guidance on Accounting Standard for Subsequent Events" (ASBJ Guidance No. 35, January 9, 2026)

(1) Overview
The "Accounting Standard for Subsequent Events," etc. specify the accounting treatment and disclosure of subsequent events, making it a priority issue to establish a comprehensive accounting standard that addresses the definition, accounting treatment, disclosure, etc. of subsequent events. In developing the standard, the Japanese Institute of Certified Public Accountants transferred the standard-setting to ASBJ and ASBJ adopted a general policy to observe the accounting-related provisions presented in Practical Guidelines No. 1, "Treatment of Subsequent Events in Auditing," under Auditing Standards Committee Statement 560 issued by the Japanese Institute of Certified Public Accountants. The new standards, etc. revise certain terminology, clarify the definition of the subsequent event evaluation period, and introduce a requirement to disclose the approval of disclosure of financial statements.

(2) Effective date
Effective from the beginning of the fiscal year ending March 31, 2028.

6. Changes in presentation

(Consolidated Statements of Cash Flows)
"Long-term loan advances," which was included in "Other, net" under "Cash flows from investing activities" in the fiscal year ended March 31, 2025, is presented separately from the fiscal year ended March 31, 2026, due to their increased materiality. To reflect this change in presentation, the corresponding amounts in the consolidated financial statements for the fiscal year ended March 31, 2025 have been reclassified.
As a result, ¥(69) million previously presented as "Other, net" under "Cash flows from investing activities" in the consolidated statement of cash flows for the fiscal year ended March 31, 2025 has been reclassified as ¥(60) million in "Long-term loan advances" and ¥(9) million in "Other, net."

7. Transactions involving delivery of the Company's shares to employees through a trust

To enhance the welfare system for employees of the Company and its subsidiaries, and to increase employees' sense of belonging and participation in management, thereby contributing to the Company's medium- to long-term corporate value enhancement, the Company has introduced a share-based incentive plan for employees (hereinafter referred to as "the Plan").

(1) Outline of the transaction
Under the Plan, a trust (hereinafter referred to as "the Trust") is established using cash contributed by the Company as the source of funds. The Trust acquires shares of the Company's common stock (hereinafter referred to as "Company shares") and delivers the shares to employees who meet certain conditions, based on the number of points granted to them. These points are granted in accordance with the share delivery rules established by the Board of Directors, and the number of Company shares delivered to each employee is determined based on the number of points granted.

(2) The Company's shares remaining in the Trust
The Company's shares held in the Trust are recorded in net assets as treasury stock at the book value of the Trust (excluding incidental costs). The book value and the number of shares of such treasury stock are ¥1,012 million ($6,330 thousand) and 112,100 shares as of March 31, 2026, and ¥1,025 million and 113,500 shares as of March 31, 2025.

8. Comprehensive Income

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

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Net unrealized holding gains and losses on securities arising during the year	¥5,779	¥641	$36,146
Reclassification adjustments	(3,322)	(776)	(20,778)
Subtotal, before income taxes and tax effects	2,457	(135)	15,368
Income taxes and tax effects	(770)	(33)	(4,816)
Subtotal, net of tax	¥1,687	¥(168)	$10,552
Net deferred gains and losses on hedges arising during the year	¥—	¥—	$—
Reclassification adjustments	—	0	—
Subtotal, before income taxes and tax effects	—	0	—
Income taxes and tax effects	—	(0)	—
Subtotal, net of tax	¥—	¥0	$—
Foreign currency translation adjustments arising during the year	¥5,216	¥68	$32,624
Remeasurements of defined benefit plans arising during the year	¥4,824	¥546	$30,173
Reclassification adjustments	(1,161)	(1,072)	(7,262)
Subtotal, before income taxes and tax effects	¥3,663	(526)	22,911
Income taxes and tax effects	(1,275)	131	(7,975)
Subtotal, net of tax	¥2,388	¥(395)	$14,936
Share of other comprehensive income of associates accounted for using the equity method arising during the year	¥7	¥3	$44
Total other comprehensive income	¥9,298	¥(492)	$58,156

9. Consolidated Statement of Changes in Net Assets

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

(1) Items related to common stock

(Thousands of shares)

Type of shares	Number of shares as of April 1, 2025	Increase in number of shares	Decrease in number of shares	Number of shares as of March 31, 2026
Common stock	25,203	—	300	24,903

(Overview of reasons for fluctuations)
The decrease of 300 thousand treasury common stock consists of
: the decrease of 300 thousand treasury stock caused by cancellation of treasury stock by a resolution of the Board of Directors

(2) Items related to treasury stock

(Thousands of shares)

Type of shares	Number of shares as of April 1, 2025	Increase in number of shares (*1)	Decrease in number of shares (*2)	Number of shares as of March 31, 2026
Treasury stock	1,299	301	304	1,296

(Note) The number of common stock includes 112,100 shares held in the stock benefit trust for employees as of the end of the fiscal year ended March 31, 2026.

(Overview of reasons for fluctuations)
The increase of 301 thousand treasury common stock consists of
: the increase of 300 thousand treasury stock caused by the acquisition of treasury stock by a resolution of the Board of Directors
: the increase of 1 thousand treasury stock caused by the purchase of fractional shares
The decrease of 304 thousand treasury common stock consists of
: the decrease of 300 thousand treasury stock caused by cancellation of treasury stock by a resolution of the Board of Directors
: the decrease of 2 thousand treasury stock caused by disposal of treasury stock as restricted stock
: the decrease of 1 thousand treasury stock caused by disposal through the stock benefit trust
: the decrease of 0 thousand treasury stock caused by sale of fractional shares

(3) Items related to dividends

(Resolution)	Type of shares	Dividends paid		Dividends per share		Record date	Effective date
		(Millions of yen)	Thousands of U.S. dollars	(Yen)	Thousands of U.S. dollars		
June 26, 2025 Annual General Meeting of Shareholders	Common stock	1,981	12,391	82.50	0.52	March 31, 2025	June 27, 2025
November 6, 2025, Board of Directors	Common stock	2,018	12,622	84.00	0.53	September 30, 2025	December 3, 2025

(Note) The total amount of dividends by the resolution of the Board of Directors on June 26, 2025, includes ¥9 million ($56 thousand) in dividends to shares held in the stock benefit trust for employees.
The total amount of dividends by the resolution of the Board of Directors on November 6, 2025, includes ¥9 million ($56 thousand) in dividends to shares held in the stock benefit trust for employees.

(4) Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

(Resolution)	Type of shares	Source of dividends	Dividends paid		Dividends per share		Record date	Effective date
			(Millions of yen)	Thousands of U.S. dollars	(Yen)	Thousands of U.S. dollars		
June 24,2026 Annual General Meeting of Shareholders	Common stock	Retained earnings	2,277	14,242	96.00	0.60	March 31, 2026	June 27, 2026

(Note) The total amount of dividends by the resolution of the Annual General Meeting of Shareholders on June 24, 2026, includes ¥11 million ($69 thousand) in dividends to shares held in the stock benefit trust for employees.

Fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(1) Items related to common stock

(Thousands of shares)

Type of shares	Number of shares as of April 1, 2024	Increase in number of shares	Decrease in number of shares	Number of shares as of March 31, 2025
Common stock	25,603	—	400	25,203

(Overview of reasons for fluctuations)
The decrease of 400 thousand treasury common stock consists of
: the decrease of 400 thousand treasury stock caused by cancellation of treasury stock by a resolution of the Board of Directors

(2) Items related to treasury stock

(Thousands of shares)

Type of shares	Number of shares as of April 1, 2024	Increase in number of shares (*1)	Decrease in number of shares (*2)	Number of shares as of March 31, 2025
Treasury stock	1,186	515	402	1,299

(Note) The number of common stock includes 113,500 shares held in the stock benefit trust for employees as of the end of the fiscal year ended March 31, 2025.

(Overview of reasons for fluctuations)
The increase of 515 thousand treasury common stock consists of
: the increase of 400 thousand treasury stock caused by the acquisition of treasury stock by a resolution of the Board of Directors
: the increase of 113 thousand treasury stock caused by the acquisition through the stock benefit trust
: the increase of 1 thousand treasury stock caused by the purchase of fractional shares
The decrease of 402 thousand treasury common stock consists of
: the decrease of 400 thousand treasury stock caused by cancellation of treasury stock by a resolution of the Board of Directors
: the decrease of 0 thousand treasury stock caused by disposal through the stock benefit trust
: the decrease of 2 thousand treasury stock caused by disposal of treasury stock as restricted stock
: decrease of 0 thousand treasury stock caused by sale of fractional shares

(3) Items relate to dividends

(Resolution)	Type of shares	Dividends paid (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 26, 2024 Annual General Meeting of Shareholders	Common stock	2,014	82.50	March 31, 2024	June 27, 2024
November 6, 2024, Board of Directors	Common stock	2,015	82.50	September 30, 2024	December 3, 2024

(Note) The total amount of dividends by the resolution of the Board of Directors on November 6, 2024, includes ¥9 million in dividends to shares held in the stock benefit trust for employees.

(4) Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

(Resolution)	Type of shares	Source of dividends	Dividends paid (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 26, 2025 Annual General Meeting of Shareholders	Common stock	Retained earnings	1,981	82.50	March 31, 2025	June 27, 2025

(Note) The total amount of dividends by the resolution of the Annual General Meeting of Shareholders on June 26, 2025, includes ¥9 million in dividends to shares held in the stock benefit trust for employees.

10. Statements of Cash Flows

Cash and cash equivalents in the consolidated statements of cash flows and cash and deposits in the consolidated balance sheets at March 31, 2026 and 2025 were reconciled as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Cash and deposits	¥34,161	¥30,355	$213,666
Time deposits with maturities exceeding three months	(1,534)	(1,499)	(9,594)
Cash and cash equivalents	¥32,627	¥28,856	$204,072

11. Notes and accounts receivable-trade

The amounts of receivables arising from contracts with customers in notes and accounts receivable -trade were as follows.

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Notes receivable - trade	¥11,081	¥9,280	$69,308
Accounts receivable - trade	¥47,428	¥46,197	$296,648

12. Contract liabilities

The amount of contract liabilities included in other current liabilities was as follows.

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Contract liabilities	¥2,571	¥1,810	$16,081

13. Inventories

(1) Inventories at March 31, 2026 and 2025 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Merchandise and finished goods	¥39,094	¥31,329	$244,521
Work-in-process	22,483	19,573	140,624
Raw materials and supplies	47,635	50,806	297,942
	¥109,212	¥101,708	$683,087

(2) The write-down of book values for inventories held for sale in the course of business due to decreased profitability for the years ended March 31, 2026 and 2025 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Cost of sales	¥557	¥562	$3,484

14. Financial instruments and related disclosures

(1) Qualitative information on financial instruments
(a) Policies for using financial instruments
The Company's policy on cash investments is to invest mainly in short-term bank deposits. The Companies raise funds necessary for operating and investing activities through loans from banks and other financial institutions. The policy requires that the Companies use derivatives only to mitigate the risks described below and not to conduct speculative transactions for trading purposes.

(b) Details of financial instruments used and exposures to risks
Notes and trade accounts receivable - trade are exposed to credit risks associated with customers. Trade receivables denominated in foreign currencies generated through global business operations are exposed to the risk of fluctuations in exchange rates, mitigated through foreign exchange forward contracts. Investment securities, consisting mainly of stocks held primarily to build and maintain good business relationships with business partners, including financial institutions, are exposed to the risk of fluctuation in prices.
Notes and accounts payable - trade and electronically recorded obligations - operating, which are trade liabilities, are due within one year. Some of these are exposed to foreign exchange rate fluctuation risk generated through the import of raw materials denominated in foreign currencies, which is mitigated principally through foreign exchange forward contracts. Loans are used primarily to raise short-term funds for operating activities, and long-term funds are used for investing activities. The final maturity of long-term debt is 9 years after the fiscal year-end.

Derivative transactions comprise foreign exchange forward contracts and currency swaps used to hedge the foreign exchange risk of receivables and payables - trade and loans receivable denominated in foreign currency as well as interest rate swaps used to hedge interest rate risks of some long-term debt. "Summary of significant accounting policies," in Note 2(20) explains the Companies' hedge accounting policy, and "Derivative financial instruments and hedging transactions" in Note 17 shows in detail, including methods, hedged items and the recognition of gain or loss on hedged positions.

(c) Policies and processes for managing risk
(i) Credit risk management (risk arising from nonperformance of contracts by customers and counterparties)
The Company's business administration in each operating division has established a regular screening system to monitor the creditworthiness of major customers, conduct collection date control and review outstanding balances for each customer in accordance with the Company's regulations for credit management. These processes enable early detection and reduction of potential credit risk associated with customers' financial difficulties. The consolidated subsidiaries follow the same practices under their regulations for credit management.

For derivatives and deposits, the Companies enter into contracts only with highly rated financial institutions in order to minimize counterparty risk. The maximum credit risk at March 31, 2026 was represented by the book value of the financial instruments exposed to credit risk on the consolidated balance sheet.

(ii) Market risk management (managing the risks arising from fluctuations in exchange rates, interest rates and other indicators)
The Companies utilize mainly foreign exchange forward contracts and currency swap contracts in respect to accounts receivable - trade, accounts payable - trade and loans receivable denominated in foreign currencies to mitigate exchange rate fluctuation risk, which is monitored monthly for each currency. Monitoring foreign exchange markets closely, the Company applies foreign exchange forward contracts and currency swap contracts to expected export transactions. The Companies also utilize interest rate swap contracts to mitigate the floating interest expense risk of long-term debt. For investment securities, the Companies manage the risk of fluctuations in stock prices by periodically assessing the stock prices and the financial positions of the issuers. The Companies evaluate whether to continue holding such investments, taking into account their fair values and the business relationship with the issuers.
The chief of the accounting division at the Company's headquarters and each consolidated subsidiary consider, trade and manage derivatives according to the Company's policies.

(iii) Liquidity risk management (managing the risks that the Companies may not be able to meet their obligations on their scheduled due dates)
The Company minimizes liquidity risk through the accounting division's timely preparation of cash flow plans based on reports from each division, business units and major subsidiaries.

(d) Supplemental information on fair values
Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value. In addition, the notional amounts of derivatives in Note 17, "Derivative financial instruments and hedging transactions," are not necessarily indicative of the actual market risk involved in the derivative transactions themselves.

(e) Concentration of credit risk
Trade receivables related to certain large customers were 13.6% and 12.9% at March 31, 2026 and 2025, respectively.

(2) Fair values of financial instruments

(a) Book values and fair values of the financial instruments on the consolidated balance sheet as of March 31, 2026 and 2025 are set forth in the table below. Certain financial instruments were excluded from the tables as their fair values were not available.

	Millions of yen		
Year ended March 31, 2026	Book value	Fair value	Difference
Investment securities			
Other securities	¥13,510	¥13,510	¥—
stock			
Total assets	¥13,510	¥13,510	¥—
Long-term debt	¥44,710	¥42,002	¥(2,708)
Total liabilities	¥44,710	¥42,002	¥(2,708)
Derivatives (*2)	¥(37)	¥(37)	¥—

	Thousands of U.S. dollars		
Year ended March 31, 2026	Book value	Fair value	Difference
Investment securities			
Other securities	$84,501	$84,501	$—
stock			
Total assets	$84,501	$84,501	$—
Long-term debt	$279,647	$262,710	$(16,937)
Total liabilities	$279,647	$262,710	$(16,937)
Derivatives (*2)	$(231)	$(231)	$—

(*1) Cash is omitted, and deposits, notes and accounts receivable - trade, notes and accounts payable - trade, electronically recorded obligations - operating, and short-term loans payable are omitted because they are short-term instruments whose book value approximates their fair value.

(*2) Net assets and liabilities arising from derivative transactions are presented on a net basis.

	Millions of yen		
Year ended March 31, 2025	Book value	Fair value	Difference
Investment securities			
Other securities	¥11,677	¥11,677	¥—
stock			
Total assets	¥11,677	¥11,677	¥—
Long-term debt	44,706	¥42,588	¥(2,118)
Total liabilities	¥44,706	¥42,588	¥(2,118)
Derivatives (*2)	¥(29)	¥(29)	¥—

(*1) Cash is omitted, and deposits, notes and accounts receivable - trade, notes and accounts payable - trade, electronically recorded obligations - operating, and short-term loans payable are omitted because they are short-term instruments whose book value approximates their fair value.

(*2) Net assets and liabilities arising from derivative transactions are presented on a net basis.

(b) The aggregate maturities subsequent to March 31, 2026 and 2025 for financial assets with maturities were as follows:

Year ended March 31, 2026	Millions of yen		
	Within 1 year	Over 1 year but within 5 years	Over 5 years
Cash and deposits	¥34,161	¥—	¥—
Notes and accounts receivable - trade	58,509	—	—
Total	¥92,670	¥—	¥—

Year ended March 31, 2026	Thousands of U.S. dollars		
	Within 1 year	Over 1 year but within 5 years	Over 5 years
Cash and deposits	$213,666	$—	$—
Notes and accounts receivable - trade	365,956	—	—
Total	$579,622	$—	$—

Year ended March 31, 2025	Millions of yen		
	Within 1 year	Over 1 year but within 5 years	Over 5 years
Cash and deposits	¥30,355	¥—	¥—
Notes and accounts receivable - trade	55,477	—	—
Total	¥85,832	¥—	¥—

(c) The aggregate maturities subsequent to March 31, 2026 and 2025 for long-term debt were as follows:

Year ended March 31, 2026	Millions of yen					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Long-term debt	¥8,058	¥8,047	¥7,547	¥7,308	¥6,800	¥6,950

Year ended March 31, 2026	Thousands of U.S. dollars					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Long-term debt	$50,400	$50,332	$47,204	$45,709	$42,532	$43,470

Year ended March 31, 2025	Millions of yen					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Long-term debt	¥6,038	¥7,943	¥7,903	¥7,403	¥7,152	¥8,267

(3) Fair value hierarchy by level of financial inputs

(a) The fair value of financial instruments is classified into the following three levels according to the observability and significance of the inputs used to measure the fair value.

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

Level 2 : Fair values measured by using directly or indirectly observable inputs other than Level 1 inputs

Level 3 : Fair values measured by using significant unobservable inputs

In cases in which multiple inputs that have a significant impact on the fair value are used, the fair value level is classified into the lowest level from which significant inputs are used.

(b) Financial instruments measured at fair value

For the fiscal year ended March 31, 2026

Division	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stock	¥13,510	¥—	¥—	¥13,510
Total assets	¥13,510	¥—	¥—	¥13,510
Derivative transactions	¥—	¥(37)	¥—	¥(37)
Total liabilities	¥—	¥(37)	¥—	¥(37)

Division	Fair value (Thousands of U.S. dollars)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stock	$84,501	$—	$—	$84,501
Total assets	$84,501	$—	$—	$84,501
Derivative transactions	$—	$(231)	$—	$(231)
Total liabilities	$—	$(231)	$—	$(231)

For the fiscal year ended March 31, 2025

Division	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stock	¥11,677	¥—	¥—	¥11,677
Total assets	¥11,677	¥—	¥—	¥11,677
Derivative transactions	¥—	¥(29)	¥—	¥(29)
Total liabilities	¥—	¥(29)	¥—	¥(29)

(c) Financial instruments other than financial instruments measured at fair value

For the fiscal year ended March 31, 2026

Division	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Long-term debt	¥—	¥42,002	¥—	¥42,002
Total liabilities	¥—	¥42,002	¥—	¥42,002

Division	Fair value (Thousands of U.S. dollars)			
	Level 1	Level 2	Level 3	Total
Long-term debt	$—	$262,710	$—	$262,710
Total liabilities	$—	$262,710	$—	$262,710

For the fiscal year ended March 31, 2025

Division	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Long-term debt	¥—	¥42,588	¥—	¥42,588
Total liabilities	¥—	¥42,588	¥—	¥42,588

(d) Calculating the fair value of financial instruments and matters related to securities and derivative transactions

Investment securities

Listed shares are measured using quoted prices. As listed shares are traded in active markets, their fair value is classified as Level 1.

Derivative transactions

The fair value of currency swaps and forward exchange contracts is measured mainly using forward exchange rates.

The fair value of currency swaps and forward exchange contracts is measured based on models using observable inputs, primarily foreign exchange rates, and is classified as Level 2.

Long-term borrowings

The fair value of these items is measured using the discounted cash flow method based on the sum of principal and interest, remaining maturities and an interest rate reflecting credit risk, and is classified as Level 2.

15. Securities

(1) The following tables summarize acquisition costs and book values (fair values) of available-for-sale securities with available fair values at March 31, 2025 and 2024:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Securities with fair values exceeding acquisition cost			
Acquisition cost:			
Equity securities	¥2,022	¥2,645	$12,647
Bonds	—	—	—
Other	—	—	—
	¥2,022	¥2,645	$12,647
Book value:			
Equity securities	¥13,510	¥11,677	$84,501
Bonds	—	—	—
Other	—	—	—
	¥13,510	¥11,677	$84,501
Difference:			
Equity securities	¥11,488	¥9,032	$71,854
Bonds	—	—	—
Other	—	—	—
	¥11,488	¥9,032	$71,854
Securities with fair values not exceeding acquisition cost			
Acquisition cost:			
Equity securities	¥—	¥—	$—
Bonds	—	—	—
Other	—	—	—
	¥—	¥—	$—
Book value:			
Equity securities	¥—	¥—	$—
Bonds	—	—	—
Other	—	—	—
	¥—	¥—	$—
Difference:			
Equity securities	¥—	¥—	$—
Bonds	—	—	—
Other	—	—	—
	¥—	¥—	$—
Total			
Acquisition cost	¥2,022	¥2,645	$12,647
Book value (fair value)	13,510	11,677	84,501
Difference	¥11,488	¥9,032	$71,854

(2) Total sales of available-for-sale securities
Year ended March 31, 2026

	Millions of yen	Thousands of U.S. dollars
Amount of total sales:		
Equity securities	¥4,107	$25,688
Bonds	—	—
Other	—	—
	¥4,107	$25,688
Gain on sales:		
Equity securities	¥3,325	$20,797
Bonds	—	—
Other	—	—
	¥3,325	$20,797
Loss on sales:		
Equity securities	¥—	$—
Bonds	—	—
Other	—	—
	¥—	$—

Year ended March 31, 2025

	Millions of yen
Amount of total sales:	
Equity securities	¥1,458
Bonds	—
Other	—
	¥1,458
Gain on sales:	
Equity securities	¥1,111
Bonds	—
Other	—
	¥1,111
Loss on sales:	
Equity securities	¥—
Bonds	—
Other	—
	¥—

(3) Impairment loss on investment securities
Year ended March 31, 2026
Impairment losses are recognized for certain securities. However, details are omitted as they are immaterial.

Year ended March 31, 2025
Impairment losses are recognized for certain securities. However, details are omitted as they are immaterial.

16. Rental properties

The Company and certain consolidated subsidiaries own rental condominiums, rental houses for the elderly and other rental properties. The net rental income from these properties amounted to ¥24 million ($150 thousand) and ¥32 million for the years ended March 31, 2026 and 2025, respectively. The Company classifies rental income as net sales and rental expenses as cost of sales.

The book value of rental property on the consolidated balance sheets, the amount of change in book value and the fair value as of March 31, 2026 and 2025 were as follows:

	Millions of yen			
Year ended	Book value			Fair value
March 31, 2026	March 31, 2025	Changes during the year	March 31, 2026	March 31, 2026
Rental property	¥1,338	¥(66)	¥1,272	¥3,833

	Thousands of U.S. dollars			
Year ended	Book value			Fair value
March 31, 2026	March 31, 2025	Changes during the year	March 31, 2026	March 31, 2026
Rental property	$8,369	$(413)	$7,956	$23,974

	Millions of yen			
Year ended	Book value			Fair value
March 31, 2025	March 31, 2024	Changes during the year	March 31, 2025	March 31, 2025
Rental property	¥1,345	¥(7)	¥1,338	¥4,216

The book value represents the net amount of acquisition cost less accumulated depreciation.
The main decrease during the fiscal year ended March 31, 2025 was depreciation. The main decrease during the fiscal year ended March 31, 2026 was depreciation.
The fair value at the end of the fiscal year is based mainly on appraisal reports prepared by external real estate appraisers.

17. Derivative financial instruments and hedging transactions

(1) Derivatives not subject to hedge accounting

(a) Currency related

Year ended March 31, 2026

Division	Type of derivatives	Millions of yen			
		Contract amount	Portion over one year	Fair value	Valuation profit/loss
Transactions other than market transactions	Currency swap: Euro Yen receipt/Foreign currency payment	¥97	¥64	¥(37)	¥(37)
Total		¥97	¥64	¥(37)	¥(37)

Division	Type of derivatives	Thousands of U.S.dollars			
		Contract amount	Portion over one year	Fair value	Valuation profit/loss
Transactions other than market transactions	Currency swap: Euro Yen receipt/Foreign currency payment	$607	$400	$(231)	$(231)
Total		$607	$400	$(231)	$(231)

Year ended March 31, 2025

Division	Type of derivatives	Millions of yen			
		Contract amount	Portion over one year	Fair value	Valuation profit/loss
Transactions other than market transactions	Currency swap: Euro Yen receipt/Foreign currency payment	¥291	¥97	¥(29)	¥(29)
Total		¥291	¥97	¥(29)	¥(29)

(b) Interest rate related

Not applicable for the years ended March 31, 2026 and 2025.

(2) Derivatives subject to hedge accounting

(a) Currency related

Year ended March 31, 2026

Hedge accounting method	Type of derivatives	Hedged item	Millions of yen		
			Contract amount	Portion over one year	Fair value
Allocation method (*)	Foreign exchange forward contracts				
	Sell: U.S. dollar	Accounts receivable - trade	¥3,563	¥—	¥—
	Sell: Euro		21	—	—
	Sell: Korean won		51	—	—
	Sell: Taiwan dollar		146	—	—
	Buy: U.S. dollar	Accounts payable - trade	193	—	—
	Buy: Euro		16	—	—
	Currency swap				
	Euro Yen receipt/ Foreign currency payment	Loan receivable	2,822	—	—
Total			¥6,812	¥—	¥—

Year ended March 31, 2026

Hedge accounting method	Type of derivatives	Hedged item	Millions of yen		
			Contract amount	Portion over one year	Fair value
Allocation method (*)	Foreign exchange forward contracts				
	Sell: U.S. dollar	Accounts receivable - trade	$22,286	$—	$—
	Sell: Euro		131	—	—
	Sell: Korean won		319	—	—
	Sell: Taiwan dollar		913	—	—
	Buy: U.S. dollar	Accounts payable - trade	1,207	—	—
	Buy: Euro		100	—	—
	Currency swap				
	Euro Yen receipt/ Foreign currency payment	Loan receivable	17,651	—	—
Total			$42,607	$—	$—

Year ended March 31, 2025

Hedge accounting method	Type of derivatives	Hedged item	Millions of yen		
			Contract amount	Portion over one year	Fair value
Allocation method (*)	Foreign exchange forward contracts				
	Sell: U.S. dollar	Accounts receivable - trade	¥28	¥—	¥—
	Sell: Euro		217	—	—
	Sell: Korean won		174	—	—
	Sell: Taiwan dollar		253	—	—
	Buy: U.S. dollar	Accounts payable - trade	83	—	—
	Buy: Euro		31	—	—
	Currency swap				
	Euro Yen receipt/ Foreign currency payment	Loan receivable	1,190	—	—
Total			¥1,976	¥—	¥—

(*) The allocation method requires recognized foreign currency receivables and payables to be translated using corresponding foreign exchange forward contract rates. The fair value of gain or loss resulting from foreign exchange forward contracts embedded in receivables and payables subject to hedging is included in the fair value of the corresponding receivable or payable.

(b) Interest rate related

Not applicable for the years ended March 31, 2026 and 2025.

18. Pledged assets

The following assets were pledged as collateral for short-term loans payable and long-term debt of ¥2,211 million ($13,829 thousand) and ¥2,247 million at March 31, 2026 and 2025 respectively.

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Property, plant and equipment - net of accumulated depreciation	¥15,439	¥11,923	$96,566

19. Short-term loans, long-term debt

The weighted average interest rate on short-term loans payable was 1.7% and 1.8% for each of the years ended March 31, 2026 and 2025, respectively.

Long-term debt at March 31, 2026 and 2025 consisted of the following:

Substantially all of the loans with banks are made under general agreements as is customary in Japan.

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Loans from banks and insurance companies maturing through 2035 with interest rates ranging from 0.2% to 3.1%			
Secured	¥2,211	¥2,247	$13,829
Unsecured	42,499	42,459	265,818
Lease obligations	394	354	2,464
	45,104	45,060	282,111
Less amount due within one year	(8,188)	(6,160)	(51,213)
	¥36,916	¥38,900	$230,898

These agreements provide that, with respect to all present and future indebtedness to the banks, the Company and its consolidated domestic subsidiaries shall provide collateral at the request of any such bank, that any collateral provided under any agreement will be applicable to all indebtedness to the bank and that the lending bank has the right to offset deposits with them against any debt or obligation that becomes due and, in cases of default or certain other specified events, against all debts payable to the bank.

The aggregate annual maturities of long-term debt at March 31, 2026 and 2025 were as follows:

Year ended March 31, 2026

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2027	¥8,188	$51,213
2028	8,191	51,232
2029	7,617	47,642
2030	7,345	45,941
2031	6,811	42,601
2032 and thereafter	6,952	43,482
	¥45,104	$282,111

Year ended March 31, 2025

Years ending March 31	Millions of yen
2026	¥6,160
2027	8,046
2028	7,984
2029	7,442
2030	7,161
2031 and thereafter	8,267
	¥45,060

20. Income taxes

The Company and its subsidiaries are subject to a number of taxes based on income, which in the aggregate indicate a statutory income tax rate in Japan of approximately 30.6% for each of the years ended March 31, 2026 and 2025.

Significant components of the Companies' deferred tax assets and liabilities at March 31, 2026 and 2025 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Deferred tax assets:			
Liability for retirement benefits	¥829	¥974	$5,185
Enterprise tax payable	321	203	2,008
Nondeductible bonuses accrued	1,653	1,536	10,339
Write-down of inventories	1,279	1,231	8,000
Unrealized gains of inventories	983	870	6,148
Allowance for doubtful accounts	750	365	4,691
Provision for construction expenses related to earthquake resistance renovation	120	193	750
Retirement benefit trust assets	1,742	652	10,896
Carryforward tax loss (*1)	611	335	3,822
Other	1,814	1,431	11,346
Subtotal deferred tax assets	10,102	7,790	63,185
Valuation allowance for carryforward tax loss (*1)	(553)	(335)	(3,459)
Valuation allowance for deductible temporary differences	(528)	(491)	(3,302)
Valuation allowance – total	(1,081)	(826)	(6,761)
Total deferred tax assets	¥9,021	¥6,964	$56,424
Deferred tax liabilities:			
Gain on securities contributed to the retirement benefit trust	¥(1,050)	¥(1,050)	$(6,567)
Retained earnings appropriated for allowable tax reserves	(439)	(462)	(2,746)
Net unrealized gains on "available-for-sale-securities"	(3,562)	(2,810)	(22,279)
Land and buildings revaluation difference	(2,315)	(2,283)	(14,480)
Retirement benefit assets	(4,391)	(3,142)	(27,464)
Other	(253)	(256)	(1,583)
Total deferred tax liabilities	¥(12,010)	¥(10,003)	$(75,119)
Net deferred tax assets	¥(2,989)	¥(3,039)	$(18,695)

(*1) Carryforward tax loss and its deferred tax assets by expiration periods

Year ended March 31, 2026

	Millions of yen						
	2026	2027	2028	2029	2030	2030 and beyond	Total
Carryforward tax loss (*)	¥—	¥—	¥—	¥—	¥—	¥611	¥611
Valuation allowance	—	—	—	—	—	(553)	(553)
Net deferred tax assets	—	—	—	—	—	58	58
	Thousands of U.S.dollars						
	2026	2027	2028	2029	2030	2031 and beyond	Total
Carryforward tax loss (*)	$—	$—	$—	$—	$—	$3,822	$3,822
Valuation allowance	—	—	—	—	—	(3,459)	(3,459)
Net deferred tax assets	—	—	—	—	—	363	363

Year ended March 31, 2025

	Millions of yen						
	2025	2026	2027	2028	2029	2030 and beyond	Total
Carryforward tax loss (*)	¥—	¥—	¥—	¥—	¥—	¥335	¥335
Valuation allowance	—	—	—	—	—	(335)	(335)
Net deferred tax assets	—	—	—	—	—	—	—

(*) Carryforward tax loss shown in the above table is after multiplying the statutory tax rate.

Reconciliation of the difference between the statutory income tax rate and the effective income tax rate at March 31, 2026 and 2025 was as follows:

	2026	2025
Statutory income tax rate	30.6%	30.6%
(Reconciliation)		
Permanent difference (meals and entertainment, etc.)	1.5%	1.1%
Permanent difference (dividend income, etc.)	(0.8)%	(0.6)%
Inhabitants tax on per capita basis	0.3%	0.3%
Fluctuation in deferred tax assets valuation allowance account	1.3%	1.0%
Share of profit of entities accounted for using equity method	(0.1)%	0.0%
Different tax rates applied to foreign subsidiaries	(1.5)%	(2.1)%
Tax credit for research and development	(4.1)%	(3.5)%
Others	0.8%	0.7%
Effective income tax rate	28.0%	27.5%

21. Reserve for employees' severance and retirement benefits

Net defined benefit asset and net defined benefit liability included in the consolidated balance sheets as of March 31, 2026 and 2025 and retirement benefit expenses in the consolidated statements of income for the years ended March 31, 2026 and 2025 consisted of the following:

(1) Retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Balance at April 1	¥18,145	¥19,504	$113,491
Service cost	730	810	4,566
Interest cost	313	177	1,958
Actuarial gain (loss)	(859)	(1,066)	(5,373)
Benefits paid	(1,292)	(1,403)	(8,081)
Recognition of past service cost	—	96	—
Adjustments due to new consolidations	—	11	—
Other	43	16	269
Balance at March 31	¥17,080	¥18,145	$106,830

(2) Plan assets

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Balance at April 1	¥33,387	¥34,198	$208,825
Expected return on plan assets	557	558	3,484
Actuarial gain (loss)	4,150	(456)	25,957
Contributions paid by the employer	642	622	4,016
Benefits paid	(1,514)	(1,535)	(9,470)
Balance at March 31	¥37,222	¥33,387	$232,812

(3) Reconciliation from retirement benefit obligations and plan assets to net defined benefit liability (asset)

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Funded retirement benefit obligations	¥14,195	¥14,880	$88,785
Plan assets	(37,222)	(33,387)	(232,812)
	(23,027)	(18,507)	(144,027)
Unfunded retirement benefit obligations	2,885	3,265	18,045
Total net defined benefit liability (asset) at March 31	¥(20,142)	¥(15,242)	$(125,982)
Net defined benefit liability	¥2,885	¥3,265	$18,045
Net defined benefit asset	(23,027)	(18,507)	(144,027)
Total net defined benefit liability (asset) at March 31	¥(20,142)	¥(15,242)	$(125,982)

(4) Retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Service cost	¥730	¥810	$4,566
Interest cost	313	177	1,958
Expected return on plan assets	(557)	(557)	(3,484)
Net actuarial loss amortization	(1,467)	(1,136)	(9,176)
Past service cost	—	96	—
Total retirement benefit expenses for the fiscal year ended March 31	¥(981)	¥(610)	$(6,136)

(5) Remeasurements of defined benefit plans (before tax)

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Actuarial gains and losses	¥3,663	¥(526)	$22,911
Total remeasurements of defined benefit plans for the fiscal years ended March 31	¥3,663	¥(526)	$22,911

(6) Accumulated adjustments for retirement benefit (before tax)

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Unrecognized actuarial gains and losses	¥11,851	¥8,187	$74,124
Total balance at March 31	¥11,851	¥8,187	$74,124

(7) Plan assets
Plan assets comprise:

	2026	2025
Bonds	27.1%	28.5%
Equity Securities	32.5%	45.1%
Others	40.4%	26.4%
Total	100.0%	100.0%

Long-term expected rate of return

In current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(8) Actuarial assumptions

	2026	2025
Discount rates	1.0%~3.2%	1.0%~2.3%
Long-term expected rate of return	1.0%~3.0%	0.5%~3.0%

The contribution required to the defined contribution plan of the Companies was ¥572 million ($3,578 thousand) and ¥577 million for the years ended March 31, 2026 and 2025, respectively.

Note: Defined benefit plan applying the simplified method is included above.

22. Contingent liabilities

Contingent liabilities at March 31, 2026 and 2025 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Loan guarantees: Femitech GmbH	¥734	¥648	$4,591
Loan guarantees: LASOtech Systems GmbH (*)	417	629	2,608
Loan guarantees: Rolan RoboticsB.V.	95	49	594

(*) This amount is stated after deducting the provision for loss on guarantees from the amount of loan guarantees.

23. Net assets

Under the Japanese Corporate Law and regulations ("the Law"), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus in the accompanying consolidated balance sheets.

Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or greater than 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with the law.

24. Revenue recognition

(1) Information that disaggregates revenue from contracts with customers

Year ended March 31, 2026

	Millions of yen					
	Energy Management	Factory Automation	Material Processing	Subtotal	Other (*)	Total
Japan	¥122,949	¥8,396	¥57,205	¥188,550	¥7	¥188,557
North Americas	—	3,694	3,624	7,318	—	7,318
Asia	5,271	16,668	8,566	30,505	—	30,505
Other	—	4,138	7,025	11,163	—	11,163
Revenues from contracts with customers	¥128,220	¥32,896	¥76,420	¥237,536	¥7	¥237,543
Other	—	—	—	—	¥193	¥193
Sales to external customers	¥128,220	¥32,896	¥76,420	¥237,536	¥200	¥237,736

	Thousands of U.S. dollars					
	Energy Management	Factory Automation	Material Processing	Subtotal	Other (*)	Total
Japan	$769,008	$52,515	$357,799	$1,179,322	$44	$1,179,366
North Americas	—	23,105	22,667	45,772	—	45,772
Asia	32,968	104,253	53,578	190,799	—	190,799
Other	—	25,882	43,939	69,821	—	69,821
Revenues from contracts with customers	$801,976	$205,755	$477,983	$1,485,714	$44	$1,485,758
Other	—	—	—	—	¥1,207	¥1,207
Sales to external customers	$801,976	$205,755	$477,983	$1,485,714	$1,251	$1,486,965

Year ended March 31, 2025

	Millions of yen					
	Energy Management	Factory Automation	Material Processing	Subtotal	Other (*)	Total
Japan	¥114,966	¥9,267	¥55,366	¥179,599	¥7	¥179,606
North Americas	—	3,051	2,705	5,756	—	5,756
Asia	5,608	15,878	8,024	29,510	—	29,510
Other	241	4,524	6,554	11,319	—	11,319
Revenues from contracts with customers	¥120,815	¥32,720	¥72,649	¥226,184	¥7	¥226,191
Other	—	—	—	—	¥185	¥185
Sales to external customers	¥120,815	¥32,720	¥72,649	¥226,184	¥192	¥226,376

(*) The “Other” category is business segments not included in the reportable segments, including the real estate rental business.

(2) Information that serves as the basis for understanding revenue from contracts with customers
The Group's main business is the manufacture, sale, and repair of various transformers, various welding machines, industrial robots, power sources for plasma generation, clean transport robots, etc. The transaction price is calculated based on considerations promised in the contracts with customers.
Performance obligations are satisfied at the time of delivery to the customer or shipment of merchandise or finished goods, when performance confirmation is completed after completion of the on-site installation adjustment, or when the repair is completed, because at that time it can be judged that the legal ownership, physical possession, significant risks and economic values associated with the ownership of merchandises or finished goods are transferred to the customer, and the Companies have the right to receive the transaction value from the customer.
No significant financial element exists and no significant adjustment is made with respect to the receivables under the contract with the customer because the period from the satisfaction of the performance obligation to the receipt of consideration is usually within one year.

(3) Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers that existed at the end of the current fiscal year and are expected to be recognized in the following fiscal year.

(a) Balance of receivables and contract liabilities arising from contracts with customers

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Receivables arising from contracts with customers (beginning balance)	¥55,477	¥57,746	$346,991
Receivables arising from contracts with customers (ending balance)	¥58,509	¥55,477	$365,956
Contract liabilities (beginning balance)	¥1,810	¥1,403	$11,321
Contract liabilities (ending balance)	¥2,571	¥1,810	$16,081

Contract liabilities relate to advances received from customers based on payment terms for contracts with customers for which revenue is recognized upon delivery or upon completion of the performance confirmation after completion of the on-site installation adjustment.
Contract liabilities are reversed upon the recognition of revenue.
The amount of revenue recognized in the fiscal year ended March 31, 2026 that was included in the contract liability balance at the beginning of the period amounted to ¥823 million ($5,148 thousand).
The amount of revenue recognized in the fiscal year ended March 31, 2025 that was included in the contract liability balance at the beginning of the period amounted to ¥1,313 million.

(b) Transaction price allocated to remaining performance obligations
The total amount of transaction price allocated to residual performance obligations was ¥142,946 million ($894,083 thousand) on March 31, 2026.
Approximately 90% of these performance obligations will be recognized as revenue within two years after the balance sheet date and the remaining 10% within three years thereafter.
The total amount of transaction price allocated to residual performance obligations was ¥109,352 million on March 31, 2025.
Approximately 90% of these performance obligations will be recognized as revenue within two years after the balance sheet date and the remaining 10% within three years thereafter.

25. Segment information

(1) Description of reportable segments

A reportable segment of the Company represents a component for which financial information can be obtained separately from other components and the results of which can be reviewed by the Board of Directors on a regular basis in order to decide on allocations of managerial resources and evaluate business performance.

The Company has adopted a divisional organizational structure, in which each division formulates comprehensive domestic and international strategies for its products and services and conducts business activities accordingly.

Based on this structure, the Company has identified three technology domains: "Energy Management," "Factory Automation," and "Material Processing" as its reportable segments.

The main products for each reportable segment and their explanations are as follows.

	Main products
Energy Management	Transformers
	Power receiving and distribution systems
	Control and telecommunications equipment
	Charging systems
	Dispersed power equipment, etc.
Factory Automation	Industrial robots
	Clean transport robots
Material Processing	Welding machines
	Plasma cutting machines
	Power sources for plasma generation

Energy Management : This field aims to support the electric power infrastructure and contribute to the realization of a decarbonized society through equipment and systems that contribute to utilizing and expanding renewable energy, in addition to the conventional electric power equipment products for electric power companies and general consumer demand.

Factory Automation : This field is where we aim to contribute to automation and labor saving in factories around the world, not only with welding robots, which is the Company's strength, but also with various industrial robots and transport systems for handling, assembly, processing, etc.

Material Processing : This field is where we aim to expand the business in a wide range of processing areas such as precision joining, cutting, deposition, surface treatment, and modeling of metals, semiconductors, and resin materials through high-precision control technology of various energy sources.

(2) Accounting methods for net sales, income (loss), assets and other items for reportable segments

The accounting policies for the reportable segments are consistent with those disclosed in "Summary of significant accounting policies."

The amount of segment income corresponds to that of operating profit. Intersegment sales and transfer prices are calculated based on market value.

	Millions of yen					
Year ended March 31, 2026	Energy Management	Factory Automation	Material Processing	Subtotal	Other (*1)	Total
Net sales:						
Customers	¥128,220	¥32,896	¥76,420	¥237,536	¥200	¥237,736
Intersegment	—	37	7	44	—	44
Total	¥128,220	¥32,933	¥76,427	¥237,580	¥200	¥237,780
Segment income	¥14,165	¥1,972	¥7,422	¥23,559	¥13	¥23,572
Assets	147,591	48,890	95,557	292,038	1,152	293,190
Other items						
Depreciation (*2)	3,314	966	1,845	6,125	22	6,147
Amortization of goodwill	—		73	73	—	73
Increase in property, plant and equipment and intangible assets (*3,4)	8,527	996	1,781	11,304	8	11,312

	Thousands of U.S. dollars					
Year ended March 31, 2026	Energy Management	Factory Automation	Material Processing	Subtotal	Other (*1)	Total
Net sales:						
Customers	$801,976	$205,755	$477,983	$1,485,714	$1,251	$1,486,965
Intersegment	—	231	44	275	—	275
Total	$801,976	$205,986	$478,027	$1,485,989	$1,251	$1,487,240
Segment income	$88,598	$12,334	$46,422	$147,354	$82	$147,436
Assets	923,136	305,792	597,679	1,826,607	7,206	1,833,813
Other items						
Depreciation (*2)	20,728	6,042	11,540	38,310	138	38,448
Amortization of goodwill	—	—	457	457	—	457
Increase in property, plant and equipment and intangible assets (*3,4)	53,334	6,230	11,139	70,703	50	70,753

Year ended March 31, 2025	Millions of yen					
	Energy Management	Factory Automation	Material Processing	Subtotal	Other (*1)	Total
Net sales:						
Customers	¥120,815	¥32,720	¥72,649	¥226,184	¥192	¥226,376
Intersegment	—	54	8	62	—	62
Total	¥120,815	¥32,774	¥72,657	¥226,246	¥192	¥226,438
Segment income	¥11,478	¥2,275	¥6,985	¥20,738	¥34	¥20,772
Assets	128,037	47,473	91,730	267,240	1,073	268,313
Other items						
Depreciation (*2)	3,100	882	1,736	5,718	—	5,718
Amortization of goodwill	—	—	68	68	—	68
Increase in property, plant and equipment and intangible assets (*3,4)	4,665	964	2,296	7,925	—	7,925

(*1) The “Other” category is business segments not included in the reportable segments, including the real estate rental business.

(*2) Depreciation includes the amortization of long-term prepaid expenses.

(*3) Increase in property, plant and equipment and intangible assets includes the increase in long-term prepaid expenses.

(*4) Increase in property, plant and equipment and intangible assets does not include the increase of those arising from new consolidations.

(4) Amount and breakdown of the differences between aggregate amounts of reportable segments and amounts recorded in the consolidated financial statements (items related to adjustments of differences)

(a) Segment sales

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Reportable segment	¥237,580	¥226,246	$1,485,989
Sales of other	200	192	1,251
Segment adjustments	(44)	(62)	(275)
Consolidated net sales	¥237,736	¥226,376	$1,486,965

(b) Segment income

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Reportable segment	¥23,559	¥20,738	$147,354
Income of other	13	34	82
Segment adjustments	(0)	1	(0)
Company expenses	(4,793)	(4,599)	(29,979)
Consolidated operating income	¥18,779	¥16,174	$117,457

(*)"Company expenses" are operating expenses which cannot be allocated to any reportable segments.

(c) Segment assets

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Reportable segment	¥292,038	¥267,240	$1,826,607
Assets of other	1,152	1,073	7,206
Corporate assets	27,212	22,129	170,203
Other adjustments	(227)	(207)	(1,420)
Consolidated total assets	¥320,175	¥290,235	$2,002,596

(*)"Company assets" are cash and deposit, land, buildings, investment funds (investment securities) and others which cannot be allocated to any reportable segments.

(d) Other items

Year ended March 31, 2026	Millions of yen			
	Reportable segment	Other	Adjustment	Consolidated
Depreciation	¥6,125	¥22	¥724	¥6,871
Amortization of Goodwill	73	—	—	73
Increase in property, plant and equipment and intangible assets	11,304	8	2,087	13,399

Year ended March 31, 2026	Thousands of U.S. dollars			
	Reporting segment	Other	Adjustment	Consolidated
Depreciation	$38,310	$138	$4,528	$42,976
Amortization of Goodwill	457	—	—	457
Increase in property, plant and equipment and intangible assets	70,703	50	13,054	83,807

Year ended March 31, 2025	Millions of yen			
	Reporting segment	Other	Adjustment	Consolidated
Depreciation	¥5,718	—	¥779	¥6,497
Amortization of Goodwill	68	—	—	68
Increase in property, plant and equipment and intangible assets	7,925	—	1,768	9,693

(*) “Adjustment” of increase in property, plant and equipment and intangible assets is the investment in the entire company for information systems, earthquake resistance renovations and others.

(5) Geographic segment information for the years ended March 31, 2026 and 2025 was as follows:

(a) Net sales

	Millions of yen				
Year ended March 31, 2026	Japan	North America	Asia	Other	Total
Net sales	¥188,750	¥7,318	¥30,505	¥11,163	¥237,736

	Thousands of U.S. dollars				
Year ended March 31, 2026	Japan	North America	Asia	Other	Total
Net sales	$1,180,573	$45,772	$190,799	$69,821	$1,486,965

	Millions of yen				
Year ended March 31, 2025	Japan	North America	Asia	Other	Total
Net sales	¥179,791	¥5,756	¥29,510	¥11,319	¥226,376

(b) Tangible fixed assets

	Millions of yen				
Year ended March 31, 2026	Japan	North America	Asia (Thailand)	Other	Total
Tangible fixed assets	¥49,954	¥329	¥5,957 ¥3,853	¥3,952	¥60,192

	Thousands of U.S. dollars				
Year ended March 31, 2026	Japan	North America	Asia (Thailand)	Other	Total
Tangible fixed assets	$312,447	$2,058	$37,259 $24,099	$24,718	$376,482

	Millions of yen				
Year ended March 31, 2025	Japan	North America	Asia (Thailand)	Other	Total
Tangible fixed assets	¥43,441	¥317	¥5,651 ¥3,584	¥3,613	¥53,022

(6) Information on major customers for that account for 10% or more of the sales in the consolidated income statement the years ended March 31, 2026 and 2025 was as follows:

	Millions of yen		
Year ended March 31, 2026	Major customers	Revenue	Related segments
	Tokyo Electron Miyagi Limited	¥38,333	Material Processing
	The Kansai Electric Power Co., Inc.	23,436	Energy Management

	Thousands of U.S. dollars		
Year ended March 31, 2026	Major customers	Revenue	Related segments
	Tokyo Electron Miyagi Limited	$239,761	Material Processing
	The Kansai Electric Power Co., Inc.	146,585	Energy Management

	Millions of yen		
Year ended March 31, 2025	Major customers	Revenue	Related segments
	Tokyo Electron Miyagi Limited	¥35,913	Material Processing
	The Kansai Electric Power Co., Inc.	25,120	Energy Management

(*) Sales to The Kansai Electric Power Co., Inc. include sales to Kansai Transmission and Distribution, which belongs to the same corporate group.

(7) Information on impairment loss on fixed assets by reportable segment

Year ended March 31, 2026

Millions of yen

	Reportable segments				Other	Corporate / Elimination	Total
	Energy Management	Factory Automation	Material Processing	Subtotal			
Impairment losses	¥116	—	—	¥116	—	—	¥116

Thousands of U.S. dollars

	Reportable segments				Other	Corporate / Elimination	Total
	Energy Management	Factory Automation	Material Processing	Subtotal			
Impairment losses	$726	—	—	$726	—	—	$726

Year ended March 31, 2025

Not applicable

(8) Information on amortization of goodwill and its unamortized balance by reportable segment

Year ended March 31, 2026

Millions of yen

	Reportable segments				Other	Corporate / Elimination	Total
	Energy Management	Factory Automation	Material Processing	Subtotal			
(Goodwill)							
Amortization for the fiscal year	—	—	¥73	¥73	—	—	¥73
Balance at the end of the fiscal year	—	—	¥518	¥518	—	—	¥518

Thousands of U.S. dollars

	Reportable segments				Other	Corporate / Elimination	Total
	Energy Management	Factory Automation	Material Processing	Subtotal			
(Goodwill)							
Amortization for the fiscal year	—	—	$457	$457	—	—	$457
Balance at the end of the fiscal year	—	—	$3,240	$3,240	—	—	$3,240

Year ended March 31, 2025

Millions of yen

	Reportable segments				Other	Corporate / Elimination	Total
	Energy Management	Factory Automation	Material Processing	Subtotal			
(Goodwill)							
Amortization for the fiscal year	—	—	¥68	¥68	—	—	¥68
Balance at the end of the fiscal year	—	—	¥525	¥525	—	—	¥525

(9) Information on gain on bargain purchase by reportable segment

Not applicable for the years ended March 31, 2026 and 2025.

26. Loss on liquidation of subsidiaries and associates

Year ended March 31, 2026
The Company decided to liquidate DAIHEN OTC (Beijing) Co., Ltd., a consolidated subsidiary. Accordingly, the Company recognized the costs associated with the liquidation as loss on liquidation of subsidiaries and associates under extraordinary losses.

Year ended March 31, 2025
Not applicable.

27. Impairment losses

Year ended March 31, 2026
For the fiscal year ended March 31, 2026, the Group recognized impairment losses on the following asset group.

Location	Purpose	Type	Impairment losses (Million yen)	Impairment losses (Thousands of U.S. dollars)
Fukutsu City, Fukuoka Prefecture	Assets to be disposed of	Buildings and structures Machinery, equipment and vehicles Tools, furniture and fixtures	¥116	¥116

The Group groups its operating assets by reportable segment and groups its idle assets, assets to be disposed of, and rental assets by individual property.
KYUHEN Co., Inc., a consolidated subsidiary, decided to rebuild its substation equipment plant in Fukutsu City, Fukuoka Prefecture. As a result, the existing buildings and other assets are scheduled to be disposed of. The carrying amounts of these assets were written down to their recoverable amounts, and the resulting decrease was recognized as an impairment loss in extraordinary loss.
The impairment losses comprised ¥101 million ($632 thousand) on buildings and structures, ¥15 million ($94 thousand) on machinery, equipment and vehicles, and ¥0 million ($0 thousand) on tools, furniture and fixtures.
The recoverable amounts of these assets were measured at net sales value and determined to be zero, because the assets are to be demolished.

Year ended March 31, 2025
Not applicable.

28. Significant subsequent events

(Share split and partial amendments to Articles of Incorporation resulting from share split)
At a meeting of the Board of Directors held on August 4, 2026, the Company resolved to conduct a share split and make partial amendments to the Articles of Incorporation resulting from the share split.

1. Details of share split
(1) Purpose of share split
The share split is intended to lower the investment unit price to make the Company's shares more accessible to investors, thereby enhancing share liquidity and broadening the investor base.

(2) Overview of share split
(i) Method of share split
With Wednesday, September 30, 2026 as the record date, the Company will conduct a share split of its common shares held by shareholders that have been entered or recorded in the shareholder register at the end of the same date, at a ratio of five shares for each share.

(ii) Number of shares to be increased by share split

Total number of issued shares before the share split	24,903,291 shares
Number of shares to be increased by this share split	99,613,164 shares
Total number of issued shares after the share split	124,516,455 shares
Total number of shares authorized to be issued after the share split	490,000,000 shares

(3) Schedule

Date of public notice of the record date	Monday, September 14, 2026
Record date	Wednesday, September 30, 2026
Effective date	Thursday, October 1, 2026

(4) Impact on per share information
Per share information assuming that the share split was conducted at the beginning of the fiscal year ended March 31, 2026, is as follows.

	Year ended March 31, 2026 (Yen)	Year ended March 31, 2025 (Yen)	Year ended March 31, 2026 (U.S. dollars)
Basic earnings per share	¥118.27	¥98.66	$0.74
Diluted earnings per share	—	—	—

2. Partial amendments to the Articles of Incorporation following the share split
(1) Reason for amendments to the Articles of Incorporation
In connection with the share split described above, the Company will partially amend its Articles of Incorporation in accordance with Article 184, paragraph (2) of the Companies Act, with Thursday, October 1, 2026 as the effective date.

(2) Details of amendments to the Articles of Incorporation (Changes are indicated by underlining.)

Current Articles of Incorporation	Amended Articles of Incorporation
Article 6 (Total Number of Authorized Shares) The total number of authorized shares of the Company shall be 108,000,000 shares.	Article 6 (Total Number of Authorized Shares) The total number of authorized shares of the Company shall be 490,000,000 shares.

(3) Schedule for amendments

Date of resolution at the meeting of the Board of Directors	Tuesday, August 4, 2026
Effective date	Thursday, October 1, 2026

3. Other matters

(1) Change in the amount of share capital

There will be no change in the amount of share capital as a result of the share split.

29. Additional Information

Audit remuneration

(1) Remuneration of the Auditor

	Millions of yen			
	Fiscal year ended March 31, 2026		Fiscal year ended March 31, 2025	
	Remuneration for audit and attestation service	Remuneration for non-audit services	Remuneration for audit and attestation service	Remuneration for non-audit services
The Company	¥114	—	¥95	¥38
Consolidated subsidiaries	—	—	—	—
Total	¥114	—	¥95	¥38

	Thousands of U.S. dollars	
	Fiscal year ended March 31, 2026	
	Remuneration for audit and attestation service	Remuneration for non-audit services
The Company	$713	—
Consolidated subsidiaries	—	—
Total	$713	—

(Note) The non-audit services for the Company consisted of advisory services for financial and tax due diligence.

(2) Remuneration of the network firms to which the Auditor (KPMG network firm), excluding Remuneration of the Auditor

	Millions of yen			
	Fiscal year ended March 31, 2026		Fiscal year ended March 31, 2025	
	Remuneration for audit and attestation service	Remuneration for non-audit services	Remuneration for audit and attestation service	Remuneration for non-audit services
The Company	—	—	—	—
Consolidated subsidiaries	¥20	¥24	¥16	¥17
Total	¥20	¥24	¥16	¥17

	Thousands of U.S. dollars	
	Fiscal year ended March 31, 2026	
	Remuneration for audit and attestation service	Remuneration for non-audit services
The Company	—	—
Consolidated subsidiaries	$125	¥150
Total	$125	¥150

(Note) The non-audit services for the consolidated subsidiaries consisted of advisory services for taxation, etc.

(3) Remuneration based on other significant audit and attestation services

Not applicable

Independent Auditor's Report

DAIHEN Corporation

For the Years ended March 31,
2026 and 2025

KPMG AZSA LLC
September 2026

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Independent Auditor's Report

To the Board of Directors of DAIHEN Corporation.:

Report on the Audit of the Consolidated Financial Statements
Opinion

We have audited the accompanying consolidated financial statements of DAIHEN Corporation. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2026 and 2025 , the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2026 and 2025 , and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of 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 these matters.

Appropriateness of the Company's determination of the accounting period in which revenue was recognized from sales	
The key audit matter	**How the matter was addressed in our audit**
The amount of revenue from sales of DAIHEN Corporation and its consolidated subsidiaries (hereinafter referred to as the "DAIHEN Group") amounted to ¥237,735 million in the consolidated fiscal year ended March 31, 2026. As described in Note 2(21), "Summary of significant accounting policies - Basis for recognition of significant revenue and expenses" and Note 24(2), "Revenue recognition - Information that serves as the basis for understanding revenue from contracts with customers", the DAIHEN Group's main business is the manufacture, sale, and repair of various transformers, various welding machines, industrial robots, power sources for plasma generation, clean	The primary procedures we performed to assess whether revenue from sales was recognized in the appropriate accounting period included the following. As part of these procedures, we engaged the auditors of significant overseas consolidated subsidiaries, provided direction to them, supervised them, and reviewed the audit work they performed: **(1) Internal control testing** We tested the design and operating effectiveness of internal controls relevant to the process of recognizing revenue. In particular, we focused our testing on controls to ensure that sales were attributable to the appropriate accounting period by comparing the ev-

transport robots, etc. In principle, revenue from the sale of this merchandise or finished goods is recognized at the time of delivery of the merchandise or finished goods. In cases in which the period from shipping of the merchandise or finished goods to the transfer of control to the customer is ordinary, domestic sales are recognized at the time of shipping. In addition, export sales are recognized at the time of shipment as the time when the risk burden is transferred to the customer mainly based on the trade conditions specified in Incoterms, etc. For certain merchandise or finished goods that require on-site installation adjustment, revenue is recognized when performance confirmation is completed after completion of the on-site installation adjustment. Furthermore, revenue from the repair of merchandise or finished goods is recognized when the repair is completed.

Since the demand in each business of the DAIHEN Group is related mainly to capital investment, a sudden change in a trend in a customer's capital investment could have a significant impact on sales.

In addition, because sales in the 4th quarter were ¥74,312 million and accounted for approximately 30% of the full-year sales, the judgment of whether the sales recorded near the end of the consolidated fiscal year should be attributed to the then current consolidated fiscal year may have had a significant impact on the consolidated statement of income of the DAIHEN Group.
We, therefore, determined that our assessment of the appropriateness of the DAIHEN Group's determination of the accounting period in which revenue from sales was recognized was the most significant in our audit of the consolidated financial statements for the consolidated fiscal year ended March 31, 2026 and, accordingly, a key audit matter.

idence that shows the fact of shipment or confirms the customer inspection.

(2) Assessment of whether revenue was recognized in the appropriate accounting period

In order to assess whether the revenue from sales was recognized in the appropriate accounting period for the sales of DAIHEN Corporation and its consolidated subsidiaries, which have a large share of their sales outside the DAIHEN Group, we:

- confirmed that sales recorded near the end of the consolidated fiscal year and meet certain conditions were recorded in an appropriate accounting period by comparing them with the materials that support sales;
- confirmed that sales recorded at near the end of the consolidated fiscal year were recorded in an appropriate accounting period by directly sending confirmations with specific customers and directly receiving and confirming the responses;
- confirmed that the sales were recorded in the appropriate accounting period by examining the sales cancellations after the end of the consolidated fiscal year.

Other Information

The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon.

We do not perform any work on the other information as we determine such information does not exist.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors 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.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors'performance of their duties with regard to the design, implementation and maintenance of 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 our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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 an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express 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 presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

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

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and nonaudit services provided to the Company and its subsidiaries are described in "Audit remuneration" included in "29. Additional Information" of the Annual Report.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2026 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We 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.

Takehiro Nakamura
Designated Engagement Partner
Certified Public Accountant

Kazuhisa Adachi
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Osaka Office, Japan
September 30, 2026