

Daido Metal Co., Ltd.
and Consolidated Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2025,
AND
INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Daido Metal Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Daido Metal Co., Ltd. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2025, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

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

Convenience Translation

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

Basis for Opinion

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

Key Audit 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.

Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
Valuation of intangible assets including goodwill.	
<p>As stated in Note 3 to the consolidated financial statements, goodwill of ¥3,451 million and customer related assets of ¥2,942 million, resulting from the acquisition of ATA Casting Technology Japan Co., Ltd. and its subsidiaries (hereinafter the “ATA Group”) and Iino Holding Ltd. and its subsidiaries (hereinafter the “Iino Group”), were recorded in the consolidated balance sheet as of March 31, 2025.</p> <p>In determining whether impairment indications are identified, an impairment test is carried out for a larger unit, which consists of goodwill, customer-related asset and group of assets in which goodwill has been allocated, assuming that there is an indication of impairment and the amount of the purchase price allocated to intangible assets, including goodwill, is material.</p> <p>When recognizing and measuring the impairment loss, the recoverable amount is based on the value in use. The Group evaluates whether there is any indication of impairment by utilizing the estimated undiscounted future cash flows, which are based on the midterm plan.</p> <p>The significant assumptions used in estimating the value in use involve the projection of sales and the estimated reduction of production cost, which are the basis of the midterm plan made by management.</p> <p>The projection of sales is calculated based on the sales plan for product items with a high order probability, considering estimated orders supported by the current forecasted receipts information from customers.</p> <p>Estimated reduction of production cost is calculated based on measures to equalize production systems and improve productivity.</p> <p>The assessment for recognizing and measuring impairment losses requires careful consideration as the assumptions above have a significant impact on the estimated undiscounted future cash</p>	<p>Our audit procedures to test the valuation of intangible assets, including goodwill, included the following, among others:</p> <ul style="list-style-type: none"> - We evaluated the effectiveness of controls over the estimation process of future cashflows used for identification of impairment of intangible assets including goodwill, as well as the approval process of the midterm plan used for and controls over impairment test. -We assessed the estimated future cash flows in calculating the value in use by evaluating whether they were consistent with the midterm plan which was approved by management. In addition, we assessed the accuracy of the midterm plan by comparing the business plan in prior years with the actual results. -We tested whether the projection of sales quantities and sales prices were based on the estimated orders by customer, which we compared to the estimated automotive production quantities obtained from independent sources and analyzed the trends of sales quantities and prices. Through these procedures, we evaluated the reasonableness of the assumptions used by management. - With regard to equalization of production systems in the midterm plan, we compared estimated reduction of production cost in the midterm plan with the projection of sales quantities. Also, we evaluated the reasonableness of the assumptions used by management for improvement of productivity by inquiry of the management and by inspecting corroborating information provided by the management. <p>We also performed a sensitivity analysis to assess the highly uncertain assumptions and projections used in estimating the value in use of the assets.</p>

<p>flows.</p> <p>Therefore, we determined the valuation of intangible assets, including goodwill, resulting from the acquisition of the ATA Group and the Iino Group as a key audit matter.</p>	
<p>Valuation of tangible assets for DM Casting Technology (Thailand) Co., Ltd.</p>	
<p>As stated in Note 3 to the consolidated financial statements, tangible fixed assets of DM Casting Technology (Thailand) Co., Ltd. of ¥2,144 million were recorded in the consolidated financial statements for the year ended March 31, 2025.</p> <p>If there is an indication of impairment of an asset or asset group, the Group determines whether an impairment loss should be recognized. If the recoverable amount of an asset group is less than the carrying amount, the Group reduces the carrying amount to the recoverable amount and recognizes the reduction as an impairment loss.</p> <p>DM Casting Technology (Thailand) Co., Ltd. manufactures aluminum die-cast parts for Electric Vehicles. DM Casting Technology (Thailand) Co., Ltd.'s sales are affected by the number of vehicles produced with these and its costs are affected by the increase in initial production costs at the time of new product launch and the period required for cost improvement, respectively. Since the start of mass production of its products, the Group has experienced a number of production defects for certain products and has shown indications of impairment as it is reporting net loss due to rising inspection costs to prevent the outflow of defective products and transportation costs by air to meet deadlines.</p> <p>When recognizing and measuring the impairment loss, the recoverable amount is based on the value in use. The Group evaluates whether there is any indication of impairment by utilizing estimated undiscounted future cash flows, which are based on the midterm plan.</p> <p>The significant assumptions used in estimating the value in use involve the projection of sales, and the estimated reduction of production cost.</p>	<p>Our audit procedures to test the valuation of tangible assets for DM Casting Technology (Thailand) CO., LTD., included the following, among others:</p> <ul style="list-style-type: none"> - We evaluated the effectiveness of controls over the estimation process of future cashflows used for identification of impairment of tangible fixed assets by understanding the approval process of the midterm plan used for and controls over impairment test. - We assessed the estimated future cash flows in calculating the value in use by evaluating whether they were consistent with the midterm plan which was approved by management. In addition, we assessed the accuracy of the midterm plan by comparing the business plan in prior years with the actual results. - We tested whether the projection of sales quantities and sales prices were based on the estimated orders by customer, which we compared to the estimated automotive production quantities obtained from independent sources and analyzed the trends of sales quantities and prices. Through these procedures, we evaluated the reasonableness of the assumptions used by management. - With regard to equalization of production systems in the midterm plan, we compared estimated reduction of production cost and elimination of air transportation in the midterm plan with the projection of sales quantities. Also, we evaluated the reasonableness of the assumptions used by management for improvement of productivity by inquiry of the management and by inspecting corroborating information provided by the management. -We performed a sensitivity analysis to assess

<p>The projection of sales is calculated based on the sales plan for product items with a high order probability, considering estimated orders supported by the current forecasted receipts information from customers.</p> <p>Estimated reduction of production cost is calculated based on measures to equalize production systems and improve productivity and the resulting elimination of air transportation are also incorporated into these figures.</p> <p>The assessment of recognition and measurement of impairment losses requires careful consideration as the assumptions above have a significant impact on the estimated undiscounted future cash flows.</p> <p>Therefore, we determined the valuation of tangible assets for DM Casting Technology (Thailand) CO., LTD. as a key audit matter.</p>	<p>the highly uncertain assumptions and projections used in estimating the value in use of the assets.</p> <p>-We assessed the appropriateness of the calculation model for the discount rate used in calculation of the value in use, and we also assessed the reasonability of the assumptions used by the management by comparing the basic data used for calculation of the discount rate with the market data.</p>
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Other Information

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

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

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

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

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units 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 purposes of the group audit. We remain solely responsible for our audit opinion.

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

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board 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 Audit & Supervisory Board members and the Audit & Supervisory Board, 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 for audit and other services for the year ended March 31, 2025, which were charged by us and our network firms to Daido Metal Co., Ltd. and its subsidiaries were ¥ 71 million and ¥112 million, respectively.

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

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

July 23, 2025

CONSOLIDATED BALANCE SHEET
MARCH 31, 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	¥ 25,019	¥ 24,586	\$ 166,795
Time deposits (Note 15)	4,128	6,370	27,519
Receivables (Notes 12 and 15):			
Trade notes	4,467	4,753	29,783
Trade accounts	27,997	27,539	186,647
Non-consolidated subsidiaries and associated companies	317	392	2,115
Other	1,062	622	7,082
Inventories (Note 5)	42,239	37,352	281,595
Other current assets	2,501	2,019	16,667
Allowance for doubtful accounts (Note 15)	(144)	(84)	(963)
Total current assets	<u>107,586</u>	<u>103,549</u>	<u>717,240</u>
PROPERTY, PLANT AND EQUIPMENT:			
Land (Notes 6 and 7)	10,644	10,522	70,958
Buildings and structures (Notes 6 and 7)	44,951	41,328	299,671
Machinery and equipment (Note 7)	123,432	120,201	822,878
Furniture and fixtures (Note 7)	9,641	9,039	64,274
Lease assets	6,801	5,455	45,342
Construction in progress	5,639	3,371	37,594
Total	<u>201,108</u>	<u>189,916</u>	<u>1,340,717</u>
Accumulated depreciation	(140,415)	(133,051)	(936,101)
Net property, plant and equipment	<u>60,693</u>	<u>56,865</u>	<u>404,616</u>
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 15)	4,989	4,462	33,257
Investments in non-consolidated subsidiaries and associated companies	3,046	2,861	20,305
Long-term loans	358	311	2,388
Goodwill	3,451	4,070	23,004
Other intangible assets	4,933	5,314	32,885
Asset for employees' retirement benefits (Note 8)	8,870	8,213	59,135
Deferred tax assets (Note 11)	1,787	1,685	11,915
Other investments and other assets	991	1,083	6,612
Allowance for doubtful accounts	(47)	(43)	(313)
Total investments and other assets	<u>28,378</u>	<u>27,956</u>	<u>189,188</u>
TOTAL ASSETS	<u>¥ 196,657</u>	<u>¥ 188,370</u>	<u>\$ 1,311,044</u>

(Continued)

Daido Metal Co., Ltd. and Consolidated Subsidiaries

**CONSOLIDATED BALANCE SHEET
MARCH 31, 2025**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 7)	¥ 28,195	¥ 32,487	\$ 187,963
Current portion of long-term debt (Notes 7 and 15)	6,031	8,408	40,204
Payables:			
Trade notes and accounts	22,768	21,027	151,786
Non-consolidated subsidiaries and associated companies	16	33	105
Acquisitions of property, plant and equipment	1,848	1,269	12,319
Other	2,694	2,804	17,960
Income taxes payable	1,630	1,488	10,868
Contract liabilities (Note 12)	108	90	720
Accrued expenses	5,093	4,693	33,958
Other current liabilities	1,710	2,170	11,403
Total current liabilities	<u>70,093</u>	<u>74,469</u>	<u>467,286</u>
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7 and 15)	31,571	22,486	210,476
Liability for employees' retirement benefits (Note 8)	7,704	7,797	51,360
Provision for share-based remuneration	109	83	728
Provision for share-based remuneration for directors	76	59	504
Asset retirement obligations	18	18	118
Deferred tax liabilities (Note 11)	4,639	4,356	30,925
Other long-term liabilities	352	380	2,346
Total long-term liabilities	<u>44,469</u>	<u>35,179</u>	<u>296,457</u>
CONTINGENT LIABILITIES (Note 17)			
EQUITY (Note 9):			
Common stock,			
Authorized: 80,000,000 shares in 2025 and 2024			
Issued: 47,520,253 shares in 2025 and 2024	8,413	8,413	56,090
Capital surplus	13,114	13,114	87,429
Retained earnings	38,320	36,550	255,464
Treasury stock, at cost			
374,456 shares in 2025 and 385,061 shares in 2024 (Note 10)	(281)	(291)	(1,877)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	1,698	1,616	11,321
Foreign currency translation adjustments	8,513	6,419	56,753
Defined retirement benefit plans	2,973	2,999	19,823
Total	<u>72,750</u>	<u>68,820</u>	<u>485,003</u>
Non-controlling interests	9,345	9,902	62,298
Total equity	<u>82,095</u>	<u>78,722</u>	<u>547,301</u>
TOTAL LIABILITIES AND EQUITY	<u>¥ 196,657</u>	<u>¥ 188,370</u>	<u>\$ 1,311,044</u>

See notes to consolidated financial statements.

(Concluded)

Daido Metal Co., Ltd. and Consolidated Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED MARCH 31, 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
NET INCOME	¥ 3,632	¥ 3,447	\$ 24,213
OTHER COMPREHENSIVE INCOME (Note 18):			
Unrealized gain on available-for-sale securities	87	667	582
Foreign currency translation adjustments	2,625	2,414	17,499
Remeasurements of defined retirement benefit plans	(10)	2,604	(70)
Share of other comprehensive income in nonconsolidated subsidiaries and associated companies	53	227	353
Total other comprehensive income	<u>2,755</u>	<u>5,912</u>	<u>18,364</u>
COMPREHENSIVE INCOME	<u>¥ 6,387</u>	<u>¥ 9,359</u>	<u>\$ 42,577</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 4,871	¥ 7,854	\$ 32,475
Non-controlling interests	1,516	1,505	10,102

See notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEAR ENDED MARCH 31, 2025**

	Thousands Number of Shares of Common Stock Outstanding	Millions of Yen									
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total	Non-Controlling Interests	Total Equity
						Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
Balance at April 1, 2023	47,109	¥8,413	¥13,114	¥34,171	¥ (310)	¥975	¥4,359	¥415	¥61,137	¥9,317	¥70,454
Net income attributable to owners of the parent				2,569					2,569		2,569
Cash dividends, interim and year-end, ¥4 per share				(190)					(190)		(190)
Decrease in treasury stock	26				19				19		19
Net changes in the year						641	2,060	2,584	5,285	585	5,870
Balance at March 31, 2024	47,135	8,413	13,114	36,550	(291)	1,616	6,419	2,999	68,820	9,902	78,722
Net income attributable to owners of the parent				2,720					2,720		2,720
Cash dividends, interim and year-end, ¥20 per share				(950)					(950)		(950)
Decrease in treasury stock	11				10				10		10
Net changes in the year						82	2,094	(26)	2,150	(557)	1,593
Balance at March 31, 2025	47,146	¥ 8,413	¥ 13,114	¥ 38,320	¥ (281)	¥ 1,698	¥ 8,513	¥ 2,973	¥ 72,750	¥ 9,345	¥ 82,095

	Thousands of U.S. Dollars (Note 1)									
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			Total	Non-Controlling Interests	Total Equity
					Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
Balance at March 31, 2024	\$56,090	\$87,429	\$243,665	\$ (1,940)	\$10,771	\$42,792	\$19,994	\$458,801	\$66,013	\$524,814
Net income attributable to owners of the parent			18,135					18,135		18,135
Cash dividends, interim and year-end, \$0.13 per share			(6,336)					(6,336)		(6,336)
Decrease in treasury stock				63				63		63
Net changes in the year					550	13,961	(171)	14,340	(3,715)	10,625
Balance at March 31, 2025	\$ 56,090	\$ 87,429	\$ 255,464	\$ (1,877)	\$ 11,321	\$ 56,753	\$ 19,823	\$ 485,003	\$ 62,298	\$ 547,301

See notes to consolidated financial statements.

Daido Metal Co., Ltd. and Consolidated Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
OPERATING ACTIVITIES:			
Income before income taxes	¥ 6,820	¥ 6,037	\$ 45,469
Adjustments for:			
Income taxes—paid	(3,221)	(1,878)	(21,470)
Depreciation and amortization	9,514	9,595	63,426
Gain on sales of securities	(0)	(211)	(0)
Amortization of goodwill	804	777	5,357
Foreign exchange losses	176	1,020	1,176
Loss on sales and disposals of property, plant and equipment, net	214	62	1,424
Equity in earnings of non-consolidated subsidiaries and associated companies	(240)	(235)	(1,602)
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	936	(1,134)	6,239
Increase (decrease) in allowance for doubtful accounts	60	(4)	401
(Increase) decrease in inventories	(3,761)	920	(25,071)
Increase in notes and accounts payable	992	745	6,613
Decrease in liability for employees' retirement benefits	(769)	(272)	(5,127)
Increase in provision for share-based remuneration	26	24	172
Increase in provision for share-based remuneration for directors	17	10	112
Decrease in provision for loss on guarantees	-	(162)	-
Other—net	(643)	1,361	(4,288)
Total adjustments	4,105	10,618	27,362
Net cash provided by operating activities	10,925	16,655	72,831
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(10,582)	(7,606)	(70,548)
Proceeds from sales of property, plant and equipment	14	13	92
Acquisition of investment securities	(376)	(35)	(2,505)
Purchases of intangible assets	(490)	(378)	(3,264)
Payments into time deposits	(4,045)	(6,307)	(26,967)
Proceeds from withdrawal of time deposits	7,108	5,574	47,386
Other—net	(20)	436	(132)
Net cash used in investing activities	(8,391)	(8,303)	(55,938)
FORWARD	¥ 2,534	¥ 8,352	\$ 16,893

(Continued)

Daido Metal Co., Ltd. and Consolidated Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2025

	2025	2024	Thousands of U.S. Dollars (Note 1) 2025
FORWARD	¥ 2,534	¥ 8,352	\$ 16,893
FINANCING ACTIVITIES:			
Net decrease in short-term bank loans	(5,241)	(1,998)	(34,942)
Proceeds from long-term bank loans	14,850	7,650	99,000
Repayment of long-term bank loans	(7,954)	(6,732)	(53,030)
Proceeds from treasury stock, net	9	1	63
Dividends paid, including payment to non-controlling interests	(3,367)	(767)	(22,446)
Repayment of finance lease obligations	(689)	(654)	(4,591)
Net cash used in financing activities	<u>(2,392)</u>	<u>(2,500)</u>	<u>(15,946)</u>
FOREIGN CURRENCY TRANSLATION			
ADJUSTMENTS TO CASH AND CASH EQUIVALENTS	<u>291</u>	<u>(221)</u>	<u>1,938</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	433	5,631	2,885
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>24,586</u>	<u>18,955</u>	<u>163,910</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>¥ 25,019</u>	<u>¥ 24,586</u>	<u>\$ 166,795</u>

See notes to consolidated financial statements.

(Concluded)

Daido Metal Co., Ltd., and Consolidated Subsidiaries

Notes to Consolidated Financial Statements Year Ended March 31, 2025

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2024 consolidated financial statements to conform to the classifications used in 2025.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Daido Metal Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amount into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥150 to \$1, the approximate rate of exchange at March 31, 2025. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Consolidation*—The consolidated financial statements as of March 31, 2025, include the accounts of the Company and its 32 (32 in 2024) significant subsidiaries (together, the "Group").

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

Investments in one (one in 2024) non-consolidated subsidiary and three (three in 2024) associated companies are accounted for by the equity method.

Investments in the remaining two (two in 2024) non-consolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to investments in these subsidiaries, the effect on the accompanying consolidated financial statements would not be material.

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

The differences between the cost and underlying net equity of investments in consolidated subsidiaries at acquisition are included in goodwill and are amortized by the straight-line method within 14 years.

Twenty (twenty in 2024) consolidated subsidiaries, and one (one in 2024) non-consolidated subsidiary accounted for by the equity method have fiscal year-ends differing from that of the Company as of March 31, 2025. The accounts of the subsidiaries that have different fiscal periods have been adjusted for significant transactions to properly reflect their

financial positions at March 31, 2025, and 2024, and their results of operations for the years ended March 31, 2025, and 2024.

- b. *Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements***—Under Accounting Standards Board of Japan (“ASBJ”) Practical Issues Task Force (“PITF”) No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements,” the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or generally accepted accounting principles in the United States of America (“U.S. GAAP”) may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized research and development (“R&D”) costs; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting, and (e) recoding a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.
- c. *Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method***—ASBJ Statement No. 16, “Accounting Standard for Equity Method of Accounting for Investments,” requires adjustments to be made to conform associates’ accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associates’ financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either IFRS or U.S. GAAP may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recoding a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign associate elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.
- d. *Cash Equivalents***—Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash equivalents include time deposits, all of which mature or become due within three months of the date of acquisition.
- e. *Inventories***—Inventories are stated at the lower of cost, determined mainly by the periodic average method for merchandise, finished products, work in process, and raw materials and mainly by the moving-average method for supplies, or net selling value.
- f. *Allowance for doubtful accounts***—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group’s past credit loss experiences and an evaluation of potential losses in the receivables outstanding.

- g. *Investment Securities***—Investment securities are classified and accounted for, depending on management's intent, as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to their fair values by a charge to income.

- h. *Property, Plant and Equipment***—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and 5 domestic consolidated subsidiaries are computed by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998, and building improvements and structures acquired on or after April 1, 2016. Depreciation of property, plant and equipment of other subsidiaries is computed by the straight-line method.

Leased properties under finance leases that do not transfer ownership of the leased property to the lessee and right-of-use-assets are depreciated by the straight-line method over the lease period. Depreciation of leased properties that transfer ownership to the lessee are computed by the same method of the Group's owned properties.

The range of useful lives is principally from 3 to 60 years for buildings and structures, and from 3 to 20 years for machinery and equipment.

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

- j. *Other Intangible Assets***—Other intangible assets are amortized by the straight-line method. Leased assets under finance leases that do not transfer ownership of the leased assets to the lessee are depreciated by the straight-line method over the lease period.

- k. *Accrued Expenses***—Accrued expenses include liabilities for indemnification of defective products, accrued bonuses to employees, and accrued bonuses to directors and Audit & Supervisory Board members. A liability for indemnification of defective products represents a provision for estimated compensation costs in the future related to the quality of products.

Accrued bonuses to employees represent a provision for the estimated amount of payment corresponding to the fiscal year. Accrued bonuses to directors and Audit & Supervisory Board members are accrued at year-end to which such bonuses are attributable.

- l. *Retirement and Pension Plans***—The Company has unfunded and funded pension plans covering substantially all their employees (excluding executive officers) and a retirement benefit plan for executive officers.

Two domestic consolidated subsidiaries have funded pension plans, and 5 domestic consolidated subsidiaries have unfunded retirement benefit plans. Certain overseas consolidated subsidiaries have unfunded and funded retirement benefit plans and a plan for medical benefits for retired employees.

The Company accounted for the liability for retirement benefits based on the projected benefit obligations and fair value of pension plan assets at the consolidated balance sheet date. The projected benefit obligations are attributed to

periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income) after adjusting for tax effects and are recognized in profit or loss over 14 years, no longer than the expected average remaining service period of the employees. The discount rate is determined using different discount rates reflecting the estimated timing of the benefit payments. To prepare for the retirement benefits to executive officers, the amount required to be paid at the end of the year in accordance with the internal rules is provided.

- m. *Stock Ownership Plan***—In accordance with PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts," upon transfer of treasury stock to the employee stockownership trust (the "Trust") by the Company, any difference between the book value and fair value of the treasury stock is recorded in capital surplus. At year-end, the Company records (1) the Company stock held by the Trust as treasury stock in equity, (2) all other assets and liabilities of the Trust on a line-by-line basis, and (3) a liability/asset for the net of (i) any gain or loss on delivery of the stock by the Trust to the employee shareholding association, (ii) dividends received from the Company for the stock held by the Trust, and (iii) any expenses relating to the Trust. To prepare for the loss on guarantee at the termination of the Trust, an estimated amount of loss is provided.
- n. *Provision for Share-based Remuneration***—In order to prepare for the share-based remuneration for directors and executive officers, the estimated benefit amount of stock based on the points allocated to is provided.
- o. *Revenue Recognition***—The Group recognizes revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for satisfying performance obligations to transfer the goods, or services promised in contracts with customers. The nature of performance obligation for each of the Group's major industry and when such obligations are satisfied are as follows:
Manufacturing of bearing products is the principal business line of the Group. Revenue from the sale of such products is recognized at the time the products are delivered to customers and the control of the goods is transferred to the customers. For domestic sales if the period until control of the goods is transferred to the customer is a normal period, revenue is recognized at the time of shipment in principle. For export and other overseas transactions, revenue is recognized when the risk is transferred to customers based on trade terms stipulated in Incoterms. Revenue is measured in an amount determined by subtracting discounts, rebates, and product returns from a consideration promised in a contract with the customer. As the consideration is usually paid within one year after delivering products to customers, the consideration promised does not include any significant financial components.
- p. *Research and Development Costs***—Research and development costs are charged to income as incurred.
- q. *Leases***—Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the consolidated balance sheet. For overseas subsidiaries, all leases are capitalized as assets and liabilities in accordance with IFRS 16 and ASC 842. All other leases are accounted for as operating leases.
- r. *Income Taxes***—The provision for current income taxes is computed based on pretax income or loss included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred tax assets and liabilities are measured by applying the currently enacted income tax rates to the temporary differences.
- s. *Foreign Currency Transactions***—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the

extent that they are not hedged by forward exchange contracts.

- t. Foreign Currency Financial Statements*—The balance sheet accounts, and revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as “Foreign currency translation adjustments” in a separate component of equity.
- u. Derivative Financial Instruments*—The Group uses derivative financial instruments to manage their exposures to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange risks. The Group does not enter derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value; and gains or losses on derivative transactions are recognized in the income statement and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

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

- v. Per Share Information*—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance), with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants. Diluted net income per share is not presented as the Group does not have potential dilutive common shares.

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

- w. New Accounting Pronouncement*—On September 13, 2024, ASBJ issued the “Accounting Standard for Lease Transactions”. This new lease accounting standard will be effective for fiscal years starting on or after April 1, 2027. This new lease accounting standard mandates all leases are required to be recorded as assets and liabilities. The Group is in process of calculating the effect of the adoption of the new accounting standard for lease transactions.

3. SIGNIFICANT ACCOUNTING ESTIMATE

Valuation of intangible assets including goodwill

(1) Carrying amounts

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Goodwill	¥3,451	¥4,070	\$23,004
Customer -related assets	2,942	3,008	19,614

The breakdown of goodwill is ¥564 million (\$3,762 thousand) for Iino Holding Ltd. and its subsidiaries (hereinafter referred to as the “Iino Group”) and ¥2,887 million (\$19,242 thousand) for ATA Casting Technology Japan Co., Ltd. (hereinafter referred to as the “ATA Group”), and the breakdown of customer-related assets are ¥2,204 million (\$14,694 thousand) for Iino Group and ¥738 million (\$4,920 thousand) for ATA Group at March 31, 2025.

(2) Information on the significant accounting estimate

To strengthen product offerings to existing customers of the Group and diversify and expand products and businesses for the Group over the medium to long term, the Group acquired Iino Group and ATA Group in the fiscal year ended March 2017, categorizing both groups as part of the “Parts for Automobiles Other than Bearings” segment and recording intangible assets including goodwill in the consolidated balance sheets.

The related assets are subject to the analysis of impairment indicators, and an impairment test is carried out for the group of assets where goodwill has been allocated, assuming that there is an indication of impairment. The amounts allocated to intangible assets, including goodwill, are material.

The carrying amount of non-current assets including goodwill is ¥6,079 million (\$40,524 thousand) for the Iino Group and ¥8,046 million (\$53,637 thousand) for the ATA Group at March 31, 2025. The impairment tests show that the total amount of future cash flow before discount exceeds the carrying amount of non-current assets including goodwill, and therefore, no impairment losses were recognized for both groups.

The cash flows before discount are calculated based on the figures presented in the midterm plans of both groups. Among these figures, the projection of sales is calculated based on the sales plan for product items with a high order probability, considering estimated orders supported by the current forecasted receipts information from customers. In addition, regarding expenses, estimated reduction of production cost, such as materials, labor and overhead, is reflected based on measures to equalize production systems and improve productivity.

When the assumptions used in these estimates need to be revised due to changes in automobile production forecasts, including the cost reduction status, impairment losses may be recognized for the following fiscal year.

Valuation of tangible assets for DM Casting Technology (Thailand) CO., LTD.

(1) Carrying amounts

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Tangible fix assets	¥2,144	¥ 1,991	\$14,296

(2) Information on the significant accounting estimate

The Company established DM Casting Technology (Thailand) CO., LTD. in 2018 to manufacture aluminum die cast parts for electric vehicles and allocated it to the “Parts for Automobiles Other than Bearings” segment.

The related assets are subject to the analysis of impairment indicators, and an impairment test is carried out. If there is indication of impairment, the Company measures determines if the recoverable amount of the asset group is less than it carrying amount, and if it is, the Company reduces the carrying amount to the recoverable amount and recognizes an impairment loss.

Since the start of mass production of its products, the Company has experienced a number of production defects for certain products and has shown indication of impairment as its operating profit has been negative due to rising inspection costs to prevent the outflow of defective products and transportation costs by air to meet deadlines. When recognizing and measuring impairment losses, the recoverable amount is determined based on the value in use, which is based on figures in the company's midterm plan. The sales in the midterm plan are calculated based on the sales plan for product items with a high order probability, considering estimated orders supported by the current forecasted receipts information from customers. Estimated reduction of production cost, such as materials, labor and overhead, is calculated based on measures to equalize production systems and improve productivity and elimination of air transportation are also incorporated into expenses.

If the assumptions used in these estimates need to be revised due to changes in projected vehicle production volumes or progress in cost improvement, the amount of impairment loss may change in the following fiscal year.

4. SECURITIES

(a) Investment securities

Investment securities at March 31, 2025, and 2024, consisted of only equity securities.

The costs and aggregate fair values of investment securities at March 31, 2025, and 2024, were as follows:

Millions of Yen				
March 31, 2025	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥1,979	¥2,947	¥6	¥4,920

Millions of Yen				
March 31, 2024	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥1,608	¥2,794	¥8	¥4,394

Thousands of U.S. Dollars				
March 31, 2025	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	\$13,194	\$19,650	\$38	\$32,806

(b) Available-for-sale securities which were sold

The proceeds, realized gains and realized losses of the available-for-sale securities which were sold during the year ended March 31, 2024, was as follows (The available-for-sale securities which were sold during the year ended March 31, 2025, are omitted since it was not material.):

Millions of Yen				
March 31, 2024	Proceeds	Realized Gains	Realized Losses	
Available-for-sale:				
Equity securities	¥ 321	¥ 211		-

5. INVENTORIES

Inventories at March 31, 2025, and 2024, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Merchandise	¥6,649	¥5,549	\$44,330
Finished products	12,181	11,268	81,206
Work in process	13,220	11,720	88,135
Raw materials and supplies	10,189	8,815	67,924
Total	¥42,239	¥37,352	\$281,595

(Reversal of write down) write-down of inventories was recognized in ¥(229) million (\$1,530) thousand and in ¥165 million for the years ended March 31, 2025 and 2024, respectively.

6. INVESTMENT PROPERTY

The Group owns certain rental properties, such as office buildings and land, in Tokyo and other areas. The net of rental income for those rental properties for the years ended March 31, 2025, and 2024, was ¥ 65 million (\$437 thousand) and ¥69 million, respectively, and were included in the “NET SALES” and “COST OF SALES” line items of the accompanying consolidated statement of income.

In addition, the carrying amounts, changes in such balances, and market prices of such properties were as follows:

Millions of Yen			
Carrying Amount (1)			Fair Value (3)
April 1, 2024	Increase/(Decrease) (2)	March 31, 2025	March 31, 2025
¥ 1,108	¥(181)	¥927	¥2,151

Millions of Yen			
Carrying Amount (1)			Fair Value (3)
April 1, 2023	Increase/(Decrease) (2)	March 31, 2024	March 31, 2024
¥1,305	¥(197)	¥1,108	¥2,319

Thousands of U.S. Dollars			
Carrying Amount (1)			Fair Value (3)
April 1, 2024	Increase/(Decrease) (2)	March 31, 2025	March 31, 2025
\$7,386	\$(1,206)	\$6,180	\$14,341

Notes:

1. The carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2. The main decreases for the years ended March 31, 2025 and 2024 were due to the transfers resulting from the determination of the use purpose of idle lands of ¥184 million (\$1,227 thousand) and ¥188 million, respectively.
3. The fair value of properties as of March 31, 2025, and 2024 is measured by the Group in accordance with the Real Estate Appraisal Standard.

7. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2025, and 2024, consisted of notes to banks and bank overdrafts. The average annual interest rates applicable to the short-term bank loans were 3.0% and 3.9% at March 31, 2025, and 2024, respectively.

The Group contracted bank overdraft agreements with 21 banks for efficient fund raising at March 31, 2025 (23 banks in 2024). The Group was able to withdraw the maximum amount of ¥30,056 million (\$200,371 thousand) and ¥29,850 million at March 31, 2025, and 2024, respectively. The outstanding balance of bank overdrafts at March 31, 2025, and 2024, was ¥3,150 million (\$21,000 thousand) and ¥3,250 million, respectively.

Long-term debt at March 31, 2025 and 2024, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Loans from banks and other financial institutions, with weighted-average interest rates of 0.9 % in 2025 and 0.6% in 2024	¥ 36,064	¥ 28,827	\$240,429
Lease obligations, with weighted-average interest rates of 2.0% in 2025 and 2024	1,538	2,067	10,251
Total	37,602	30,894	250,680
Less current portion	(6,031)	(8,408)	(40,204)
Long-term debt, less current portion	¥31,571	¥ 22,486	\$210,476

Annual maturities of long-term debt at March 31, 2025, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2026	¥6,031	\$40,204
2027	5,592	37,287
2028	8,542	56,946
2029	6,322	42,147
2030	11,109	74,058
2031 and thereafter	6	38
Total	¥37,602	\$250,680

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥2,927 million (\$19,513 thousand) and long-term debt (including current portion) of ¥994 million (\$6,628 thousand) at March 31, 2025, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥1,926	\$12,842
Buildings and structures—net of accumulated depreciation	462	3,079
Machinery and equipment—net of accumulated depreciation	1,108	7,386
Furniture and fixtures—net of accumulated depreciation	0	0
Total	¥3,496	\$23,307

The carrying amounts of assets pledged as factory foundation mortgage collateral in the above assets for short-term bank loans of ¥2,050 million (\$13,667 thousand) and long-term debt (including current portion) of ¥900 million (\$6,000 thousand) at March 31, 2025, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥ 1,783	\$ 11,885
Buildings and structures—net of accumulated depreciation	6	38
Machinery and equipment—net of accumulated depreciation	0	0
Other property, plant, and equipment—net of accumulated depreciation	0	0
Total	<u>¥1,789</u>	<u>\$11,923</u>

8. RETIREMENT AND PENSION PLANS

The Company has a lump-sum retirement benefit plan and a non-contributory funded pension plan for employees. In conjunction with these benefit plans, the Company contributed securities to a trust. The Company implemented a defined contribution pension plan in October 2012, by which a portion of the lump-sum retirement benefit plan was terminated. Two domestic subsidiaries have funded defined benefit pension plans. Five domestic subsidiaries have lump-sum retirement benefit plans. Certain overseas subsidiaries have defined benefit pension plans or defined contribution pension plans, and one overseas consolidated subsidiary provides a postretirement medical care plan to its employees.

(a) Defined Benefit Pension Plans

(1) The changes in the defined benefit obligation for the years ended March 31, 2025, and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Balance at beginning of year	¥19,410	¥19,364	\$129,400
Service cost	1,080	1,054	7,198
Interest cost	198	147	1,320
Actuarial gains	(1,094)	(636)	(7,293)
Benefits paid	(861)	(795)	(5,741)
Others	54	276	361
Balance at end of year	<u>¥18,787</u>	<u>¥19,410</u>	<u>\$125,245</u>

(2) The changes in plan assets for the years ended March 31, 2025, and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Balance at beginning of year	¥19,826	¥ 15,888	\$132,171
Expected return on plan assets	416	338	2,776
Actuarial (losses) gains	(830)	3,094	(5,534)
Contributions from the employer	1,035	1,027	6,899
Benefits paid	(583)	(568)	(3,886)
Others	89	47	594
Balance at end of year	<u>¥19,953</u>	<u>¥19,826</u>	<u>\$133,020</u>

- (3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of the defined benefit obligation and plan assets at March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Funded defined benefit obligation	¥ 12,696	¥ 13,292	\$ 84,641
Plan assets	(19,953)	(19,826)	(133,020)
	(7,257)	(6,534)	(48,379)
Unfunded defined benefit obligation	6,091	6,118	40,604
Net liability arising from defined benefit obligation	¥ (1,166)	¥ (416)	\$ (7,775)

- (4) The components of net periodic benefit costs for the years ended March 31, 2025, and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Service cost	¥1,080	¥1,054	\$7,198
Interest cost	198	147	1,320
Expected return on plan assets	(416)	(338)	(2,776)
Recognized actuarial (gains) losses	(213)	14	(1,420)
Other	8	7	56
Net periodic benefit costs	¥657	¥884	\$4,378

- (5) Amounts recognized in other comprehensive income (before income taxes) in respect of defined retirement benefit plans for the years ended March 31, 2025, and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Actuarial gains	¥37	¥3,740	\$247
Total	¥37	¥3,740	\$247

- (6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2025, and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Unrecognized actuarial gains/losses	¥ (4,367)	¥ (4,331)	\$ (29,114)
Unrecognized prior service cost	-	1	-
Total	¥ (4,367)	¥ (4,330)	\$ (29,114)

(7) Plan assets

a. *Components of plan assets*

Plan assets consisted of the following:

	2025	2024
Debt investments	20%	19%
Equity investments	40	46
Assets in an insurer's general account	14	13
Cash and cash equivalents	7	7
Others	19	15
Total	100%	100%

The retirement benefit trust for the Company's defined retirement benefit plan accounted for 25% (27% in 2024) of total plan assets.

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

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

(8) Assumptions used for the years ended March 31, 2025, and 2024, were set forth as follows:

	2025	2024
Discount rate	1.6%	1.0%
Expected rate of return on plan assets	1.9%	2.0%

(b) Defined Contribution Pension Plans

The Group's contributions to defined contribution pension plan funds for the years ended March 31, 2025, and 2024, were ¥454 million (\$3,025 thousand) and ¥424 million, respectively.

9. EQUITY

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

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. For companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria. The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

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

(c) Treasury Stock and Treasury Stock Acquisition Rights

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

10. STOCK OWNERSHIP PLAN

Performance-linked Stock-based Remuneration Plan for Directors and Executive Officers

The Company introduced a new performance-linked stock-based remuneration (“the Plan”) for Directors (excluding Outside Directors, the same applying hereinafter) and Executive Officers (excluding a Director concurrently serving as an Executive Officer, the same applying hereinafter) in order to incentivize Directors and Executive Officers to improve the business performance of the Company and to enhance the corporate value in the medium to long term.

The Board Benefit Trust (“the BBT”) was created with contribution from the Company. The BBT purchases the Company’s shares, and the Company gives eligible Directors and Executive Officers the shares based on accumulated number of points conferred in accordance with their individual rank and their achievement in meeting

goals etc., as set forth in the Share Grant Rule. Beneficiaries of the BBT shall be those who serve as Directors and Executive Officers during the period. The Company's shares are granted to each of the Directors and Executive Officers when they retire from their position.

Residual shares in the BBT have been recorded as treasury stock under net assets at the book value in the trust (excluding ancillary expenses). BBT held treasury stock, which was included in the balance sheet of the Company, are as follows:

	Millions of Yen		Thousands of
	2025	2024	U.S. Dollars
Treasury stock	¥ 280	¥290	2025
(shares)	(372,072)	(382,859)	\$1,869

11. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% for the years ended March 31, 2025, and 2024.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2025, and 2024, are as follows:

	Millions of Yen		Thousands of
	2025	2024	U.S. Dollars
			2025
Deferred tax assets:			
Tax loss carryforwards	¥ 2,890	¥ 2,760	\$ 19,264
Write-down of inventories	1,100	1,029	7,332
Depreciation	821	773	5,474
Impairment of long-lived assets	582	563	3,880
Write-down of golf membership	17	17	116
Allowance for doubtful accounts	33	30	223
Accrued bonuses	622	571	4,147
Liability for indemnification of defective products	39	28	261
Liability for employees' retirement benefits	2,775	2,687	18,501
Long-term accounts payable	66	110	439
Unrealized gains on intercompany transactions	902	917	6,015
Other	737	535	4,909
Total of tax loss carryforwards and temporary differences	10,584	10,020	70,561
Less valuation allowance for tax loss carryforwards	(2,821)	(2,678)	(18,804)
Less valuation allowance for temporary differences	(1,307)	(1,268)	(8,712)
Total valuation allowance	(4,128)	(3,946)	(27,516)
Deferred tax assets	6,456	6,074	43,045
Deferred tax liabilities:			
Deferred gain on property, plant and equipment	2,026	1,899	13,510
Unrealized gain on available-for-sale securities	923	856	6,150
Asset for employees' retirement benefits	2,762	2,514	18,411
Unrealized gain on net assets of consolidated subsidiaries	535	530	3,570
Undistributed earnings of foreign subsidiaries	902	936	6,012
Customer - related assets	726	749	4,843
Other	1,434	1,261	9,559
Deferred tax liabilities	9,308	8,745	62,055
Net deferred tax liabilities	¥ (2,852)	¥(2,671)	\$ (19,010)

Notes: Valuation allowance increased by ¥182 million (\$1,213 thousand) mainly due to increase in tax loss carryforwards and the related valuation allowances in consolidated subsidiaries.

The expiration of tax loss carryforwards and the related valuation allowances and the resulting net deferred tax assets as of March 31, 2025, and 2024, were as follows:

March 31, 2025	Millions of Yen						Total
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	
Deferred tax assets relating to tax loss carryforwards	¥ 121	¥194	¥193	¥1,211	¥76	¥1,095	¥2,890
Less valuation allowances for tax loss carryforwards	(99)	(194)	(193)	(1,211)	(76)	(1,048)	(2,821)
Net deferred tax assets relating to tax loss carryforwards	22	-	-	-	-	47	69

March 31, 2024	Millions of Yen						Total
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	
Deferred tax assets relating to tax loss carryforwards	¥93	¥126	¥ 183	¥ 182	¥ 890	¥ 1,286	¥ 2,760
Less valuation allowances for tax loss carryforwards	(44)	(97)	(183)	(182)	(890)	(1,282)	(2,678)
Net deferred tax assets relating to tax loss carryforwards	49	29	-	-	-	4	82

March 31, 2025	Thousands of U.S. Dollars						Total
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	
Deferred tax assets relating to tax loss carryforwards	\$805	\$1,293	\$1,287	\$8,070	\$508	\$7,301	\$19,264
Less valuation allowances for tax loss carryforwards	(662)	(1,293)	(1,287)	(8,070)	(508)	(6,984)	(18,804)
Net deferred tax assets relating to tax loss carryforwards	143	-	-	-	-	317	460

Note: Deferred tax assets of ¥69 million (\$460 thousand) and ¥82 million are recognized related to tax loss carryforwards of ¥2,890 million (\$19,264 thousand) and ¥2,760 million at March 31, 2025, and 2024, respectively. For the tax loss carryforwards recognized on the deferred tax assets, valuation allowance related to the portion of tax loss carryforwards is determined to be realizable based on the estimated future taxable income.

The reconciliation between the effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2025, and 2024, are as follows:

	<u>2025</u>	<u>2024</u>
Effective statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	7.3	5.4
Income not recognized for tax purposes	(0.4)	(0.6)
Per capita tax	0.5	0.5
Effects of differences in income tax rates applicable to foreign subsidiaries	(3.0)	2.7
Amortization of goodwill not recognized for tax purposes	3.6	3.9
Equity in earnings of a non-consolidated subsidiary and an associated company	(1.1)	(1.2)
Net change in valuation allowance	2.5	3.9
Tax credit relating to R&D and other	(2.9)	(4.4)
Effects of change in statutory tax rate	0.4	0.9
Transfer pricing regulations related	11.1	1.7
Corporate tax – refund	(2.3)	-
Other – net	0.4	(0.6)
Actual effective tax rate	<u>46.7%</u>	<u>42.8%</u>

On March 31, 2025, a tax reform law was enacted in Japan which changed the normal effective statutory tax rate from approximately 30.6% to 31.5%, effective for years beginning on or after April 1, 2026. The effect of this change was to increase deferred tax assets and deferred tax liabilities by ¥5 million (\$33 thousand) and ¥56 million (\$373 thousand), respectively, and to decrease unrecognized gain on available for sale by ¥22 million (\$147 thousand) in the consolidated balance sheet as of March 31, 2025, and to increase income taxes—deferred by ¥28 million (\$187 thousand) in the consolidated statement of income for the year then ended.

12. REVENUE

(1) Disaggregation of Revenue

Revenues from contracts with customers on a disaggregated basis for the years ended March 31, 2025, and 2024, were as follows:

		Millions of Yen					
		2025					
		Reportable Segment					
	Automotive Motor Bearings	Automotive Non-Motor Bearings	Non-automotive Bearings	Parts for Automobiles Other than Bearings	Total	Other (*)	Total
Geographical areas:							
Japan	¥27,953	¥9,357	¥10,651	¥4,695	¥52,656	¥1,345	¥54,001
North America	9,355	2,838	1,267	5,976	19,436	111	19,547
Asia	22,953	5,437	1,774	12,041	42,205	179	42,384
Europe	7,817	2,303	3,965	1	14,086	75	14,161
Other	4,026	1,031	231	821	6,109	18	6,127
Revenues from contracts with customers	¥72,104	¥20,966	¥17,888	¥23,534	¥134,492	¥1,728	¥136,220
Other revenue	-	-	-	-	-	83	83
Total	¥72,104	¥20,966	¥17,888	¥23,534	¥134,492	¥1,811	¥136,303
		Millions of Yen					
		2024					
		Reportable Segment					
	Automotive Motor Bearings	Automotive Non-Motor Bearings	Non-automotive Bearings	Parts for Automobiles Other than Bearings	Total	Other (*)	Total
Geographical areas:							
Japan	¥27,800	¥9,183	¥10,196	¥4,834	¥52,013	¥1,090	¥53,103
North America	8,269	2,430	1,020	4,353	16,072	68	16,140
Asia	21,435	4,938	1,750	11,444	39,567	146	39,713
Europe	8,385	2,403	3,451	1	14,240	73	14,313
Other	3,618	885	194	667	5,364	19	5,383
Revenues from contracts with customers	¥69,507	¥19,839	¥16,611	¥21,299	¥127,256	¥1,396	¥128,652
Other revenue	-	-	-	-	-	86	86
Total	¥69,507	¥19,839	¥16,611	¥21,299	¥127,256	¥1,482	¥128,738

Thousands of U.S. Dollars

2025

	Reportable Segment				Total	Other (*)	Total
	Automotive Motor Bearings	Automotive Non-Motor Bearings	Non-automotive Bearings	Parts for Automobiles Other than Bearings			
Geographical areas:							
Japan	\$186,352	\$62,384	\$71,006	\$31,299	\$351,041	\$8,965	\$360,006
North America	62,365	18,922	8,449	39,839	129,575	740	130,315
Asia	153,017	36,248	11,830	80,271	281,366	1,197	282,563
Europe	52,114	15,352	26,435	5	93,906	502	94,408
Other	26,839	6,871	1,543	5,474	40,727	118	40,845
Revenues from contracts with customers	\$480,687	\$139,777	\$119,263	\$156,888	\$896,615	\$11,522	\$908,137
Other revenue	-	-	-	-	-	552	552
Total	\$480,687	\$139,777	\$ 119,263	\$ 156,888	\$896,615	\$12,074	\$908,689

* Other includes electrode sheets for electric double layer capacitors, metallic dry bearings, rotary pumps, and property rental.

(2) Basic Information to Understand Revenues from Contracts with Customer

Basic information to understand revenues from contracts with customer is described in Note 2.o. to the consolidated financial statements.

(3) Contract Balance

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

	Millions of Yen		Thousands of
	2025	2024	U.S. Dollars
Receivables from contracts with customers:			2025
Balance at beginning of year	¥32,674	¥ 30,317	\$ 217,827
Balance at end of year	32,782	32,674	218,544
Contract liabilities:			
Balance at beginning of year	¥90	¥ 83	\$600
Balance at end of year	108	90	720

Contract liabilities primarily relate to prepaid payments received in advance of the satisfaction of performance obligations where the Group sells bearing products to customers. The Group generally records revenue upon completion of the delivery of the products. The contractual liability for these prepaid payments received is monetized in a short period of time. The amount of revenue recognized in the years ended March 31, 2025, and 2024 that was included in the contract liabilities at the beginning of year is immaterial.

(4) Transaction Prices Allocated to Remaining Performance Obligations

The transaction prices allocated to remaining performance obligations to be satisfied within one year are not presented since the amount is immaterial.

Consideration arising from the contract with the customer that are not included in the transaction price is immaterial.

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥ 2,581 million (\$ 17,206 thousand) and ¥ 2,322 million for the years ended March 31, 2025, and 2024, respectively.

14. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general, and administrative expenses for the years ended March 31, 2025, and 2024, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Fare	¥ 3,751	¥ 3,537	\$ 25,006
Outsourcing commission	1,672	1,620	11,146
Provision of allowance for doubtful accounts	38	11	251
Executive remuneration	655	592	4,365
Salary allowance	6,597	6,073	43,979
Provision for bonuses to employees	557	490	3,711
Provision for bonuses to directors and Audit & Supervisory Board members	116	103	770
Provision for product warranties	215	113	1,436
Net periodic retirement benefit cost	334	420	2,228
Welfare expense	1,388	1,273	9,254
Depreciation	1,589	1,571	10,594
Rent costs	1,118	1,117	7,451
Research and development costs	2,525	2,262	16,834
Other	6,117	6,037	40,782
Total	¥ 26,672	¥ 25,219	\$ 177,807

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

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

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

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates. Investment securities, mainly equity instruments of customers and suppliers of the Group or held for business alliances, are exposed to the risk of market price fluctuations.

Maturities of bank loans and lease obligations are over a period of up to 7 years after the balance sheet date. A portion of such bank loans and lease obligations is exposed to market risks from changes in variable interest rates.

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

(3) Risk Management for Financial Instruments

Credit Risk Management

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

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

Market Risk Management (Foreign Exchange Risk and Interest Rate Risk)

Investment securities are managed by monitoring market values and the financial position of issuers on a regular basis. The basic principles for derivative transactions of the Company have been approved by management in accordance with the Company's policies which define transaction limits and trading rights. At least once every three months, the responsible department reports to the Board of Directors on the status of foreign exchange risk management, and risk measures are being considered. Consolidated subsidiaries also manage derivative transactions in accordance with the Group's policies or their own policies.

Liquidity Risk Management

The Group manages liquidity risk by maintaining the cash management plan according to reports from each department.

(4) Fair Value of Financial Instruments

The fair value of financial instruments is based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Fair value information for cash and cash equivalents, notes and accounts receivable, notes and accounts payable, short-term bank loans, and income tax payable is omitted since carrying amounts of them are approximate fair value because of their short maturities. Please see Note 16 for more details on fair values for derivatives.

March 31, 2025	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains/(Losses)
Investment securities	¥4,921	¥4,921	-
Total	¥4,921	¥4,921	-
Long-term debt, including current portion	¥37,602	¥36,921	¥681
Total	¥37,602	¥36,921	¥681
Derivatives	¥(32)	¥(32)	-

		Millions of Yen		
March 31, 2024	Carrying Amount	Fair Value	Unrealized Gains/(Losses)	
Investment securities	¥4,394	¥4,394	-	
Total	¥4,394	¥4,394	-	
Long-term debt, including current portion	¥30,894	¥30,591	¥303	
Total	¥30,894	¥30,591	¥303	
Derivatives	¥6	¥6	-	
		Thousands of U.S. Dollars		
March 31, 2025	Carrying Amount	Fair Value	Unrealized Gains/(Losses)	
Investment securities	\$32,806	\$32,806	-	
Total	\$32,806	\$32,806	-	
Long-term debt, including current portion	\$250,680	\$246,140	\$4,540	
Total	\$250,680	\$246,140	\$4,540	
Derivatives	\$(212)	\$(212)	-	

Carrying amount of investments in equity instruments that do not have a quoted market price in an active market

		Millions of Yen		Thousands of U.S. Dollars
		2025	2024	2025
Unlisted equity instruments		¥68	¥68	\$451

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

		Millions of Yen			
		Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
March 31, 2025	Cash and cash equivalents	¥25,007	-	-	-
	Time deposits	4,128	-	-	-
	Receivables	33,843	-	-	-
Total		¥62,990	-	-	-
		Millions of Yen			
		Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
March 31, 2024	Cash and cash equivalents	¥24,586	-	-	-
	Time deposits	6,370	-	-	-
	Receivables	33,306	-	-	-
Total		¥64,262	-	-	-

March 31, 2025	Thousands of U.S. Dollars			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	\$166,795	-	-	-
Time deposits	27,519	-	-	-
Receivables	225,627	-	-	-
Total	\$419,941	-	-	-

Please see Note 7 for annual maturities of long-term debt.

Financial Instruments Categorized by Fair Value Hierarchy

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

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

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

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

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

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

March 31, 2025	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available for sale				
Equity securities	¥4,921	-	-	¥4,921
Derivatives				
Foreign currency forward contracts	-	¥(32)	-	¥(32)
Total	¥4,921	¥(32)	-	¥4,889

March 31, 2024	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available for sale				
Equity securities	¥4,394	-	-	¥4,394
Derivatives				
Foreign currency forward contracts	-	¥6	-	¥6
Total	¥4,394	¥6	-	¥4,400

Thousands of U.S. Dollars				
March 31, 2025	Level 1	Level 2	Level 3	Total
Investment securities				
Available for sale				
Equity securities	\$32,806	-	-	\$32,806
Derivatives				
Foreign currency forward contract	-	\$(212)	-	\$(212)
Total	\$32,806	\$(212)	-	\$32,594

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

Millions of Yen				
March 31, 2025	Level 1	Level 2	Level 3	Total
Long-term debt, including current portion	-	¥36,921	-	¥36,921
Total	-	¥36,921	-	¥36,921

Millions of Yen				
March 31, 2024	Level 1	Level 2	Level 3	Total
Long-term debt, including current portion	-	¥30,591	-	¥30,591
Total	-	¥30,591	-	¥30,591

Thousands of U.S. Dollars				
March 31, 2025	Level 1	Level 2	Level 3	Total
Long-term debt, including current portion	-	\$246,140	-	\$246,140
Total	-	\$246,140	-	\$246,140

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

Investment Securities

The fair value of investment securities is measured at the quoted market price of the stock exchange for the equity instruments. Since the equity instruments are traded in active markets, the fair values of them are categorized as Level 1.

Long-Term Debt

The fair values of long-term debt are measured by using discounted present value techniques considering assumptions including expected future cash flows and discount rates considering maturity and credit risk and are categorized as Level 2.

Derivatives

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

16. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

An accounting department of the Company oversees entering such transactions based on an approved defined management policy on authority and limits on the maximum number of derivative transactions. Consolidated subsidiaries also manage derivatives based on internal policies.

Derivative Transactions to Which Hedge Accounting is Not Applied

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
<u>March 31, 2025</u>				
Foreign currency forward contracts:				
Buying yen				
Selling Chinese yuan	¥674	-	¥(17)	¥(17)
Selling Thai baht	1,756		(15)	(15)
Total	<u>¥2,430</u>	<u>-</u>	<u>¥(32)</u>	<u>¥(32)</u>

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
<u>March 31, 2024</u>				
Foreign currency forward contracts:				
Buying yen				
Selling Chinese yuan	¥154	-	¥6	¥6
Total	<u>¥154</u>	<u>-</u>	<u>¥6</u>	<u>¥6</u>

	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
<u>March 31, 2025</u>				
Foreign currency forward contracts:				
Buying yen				
Selling Chinese yuan	\$4,494	-	\$(111)	\$(111)
Selling Thai baht	11,709		(101)	(101)
Total	<u>\$16,203</u>	<u>-</u>	<u>\$(212)</u>	<u>\$(212)</u>

17. CONTINGENT LIABILITIES

At March 31, 2025, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of employees' housing loans	¥ 76	\$ 505
Export notes sold with recourse	¥ 13	\$ 89

18. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2025, and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥ 152	¥ 1,173	\$ 1,017
Reclassification adjustments to profit or loss	(1)	(211)	(6)
Amount before income tax effect	¥ 151	¥ 962	\$ 1,011
Income tax effect	¥ (64)	¥ (295)	\$ (429)
Total	¥ 87	¥ 667	\$ 582
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 2,625	¥ 2,414	\$ 17,499
Total	¥ 2,625	¥ 2,414	\$ 17,499
Defined retirement benefit plans			
Adjustments arising during the year	¥ 236	¥ 3,726	\$ 1,574
Reclassification adjustments to profit or loss	(199)	14	(1,327)
Amount before income tax effect	¥ 37	¥ 3,740	\$ 247
Income tax effect	¥ (47)	¥ (1,136)	\$ (317)
Total	¥ (10)	¥ 2,604	\$ (70)
Share of other comprehensive income in a nonconsolidated subsidiary and an associated company			
Gains arising during the year	¥ 53	¥ 227	\$ 353
Total	¥ 53	¥ 227	\$ 353
Total other comprehensive income	¥ 2,755	¥ 5,912	\$ 18,364

19. NET INCOME PER SHARE

Calculation of basic income per share for the years ended March 31, 2025, and 2024, was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	Net Income Per Share	
<u>For the year ended March 31, 2025:</u>				
Net income attributable to common shareholders	¥ 2,720	47,140	¥57.70	\$0.38
<u>For the year ended March 31, 2024:</u>				
Net income attributable to common shareholders	¥ 2,569	47,133	¥ 54.50	

Diluted net income per share is not presented as the Group did not have potential dilutive common shares in 2025 and 2024.

20. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2025, was approved at the Board of Directors meeting held on May 29, 2025:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥11 (\$0.07) per share	¥523	\$3,485

21. SEGMENT INFORMATION

Under ASBJ Statement No. 17, “Accounting Standard for Disclosures about segments of an Enterprise and Related information,” and ASBJ Guidance No. 20, “Guidance on Accounting Standard for Disclosures about segments of an Enterprise and Related information,” an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity for which separate financial information is available and whose financial information is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and assess its performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of Reportable Segments

The Group’s reportable segments are those for which separate financial information is available and regular evaluation by the Company’s management is performed in order to decide how resources are allocated among the Group.

The Group mainly manufactures and sells bearings for the automotive, marine and construction machinery industries, dry bearings and special bearings for general industrial machinery, high-precision / high-quality parts for automotive engines and transmissions, and aluminum die cast automotive parts across the globe. Furthermore, the Group also manufactures and sells metallic dry bearings, rotary pumps, centralized lubrication equipment, electrode sheets for electric double layer capacitors and so on.

The Group has four reportable segments which include manufacturing automotive motor bearings, automotive non-motor bearings, non-automotive bearings, and parts for automobiles other than bearings, to correspond to its customers’ business needs.

Effective April 1, 2024, the Group changed a part of the Automotive Motor Bearings business in line with the reclassification of business management within the Group and shifted to the Non-automotive Bearing business. The segment information for the year ended March 31, 2024, is also disclosed using the new operating segments.

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

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, “SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.”

Reportable segment profit represents operating income. Intersegment sales or transfer prices are based upon the current market price.

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

Millions of Yen

	2025								
	Reportable Segment				Total	Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated
	Automotive Motor Bearings	Automotive Non-Motor Bearings	Non-automotive Bearings	Parts for Automobiles Other than Bearings					
Sales:									
Sales to external customers	¥72,103	¥20,967	¥17,890	¥23,533	¥134,493	¥1,810	¥136,303	-	¥136,303
Intersegment sales or transfers	486	300	34	148	968	592	1,560	¥(1,560)	-
Total	¥72,589	¥21,267	¥17,924	¥23,681	¥135,461	¥2,402	¥137,863	¥(1,560)	¥136,303
Segment profit (loss)	¥9,285	¥3,119	¥3,713	¥(1,362)	¥14,755	¥417	¥15,172	¥(8,081)	¥7,091
Segment assets	85,138	25,414	24,144	34,389	169,085	1,191	170,276	26,381	196,657
Other:									
Depreciation and amortization	4,151	1,086	722	2,337	8,296	21	8,317	1,197	9,514
Amortization of goodwill	-	-	-	804	804	-	804	-	804
Investments in associated companies that are accounted for by the equity method	1,073	1,480	-	461	3,014	-	3,014	-	3,014
Increase in property, plant and equipment and intangible assets	1,731	513	6,822	1,680	10,746	47	10,793	802	11,595

Millions of Yen

2024

	Reportable Segment				Total	Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated
	Automotive Motor Bearings	Automotive Non-Motor Bearings	Non-automotive Bearings	Parts for Automobiles Other than Bearings					
Sales:									
Sales to external customers	¥69,507	¥19,839	¥16,611	¥21,300	¥127,257	¥1,481	¥128,738	-	¥128,738
Intersegment sales or transfers	569	235	35	236	1,075	773	1,848	¥(1,848)	-
Total	¥70,076	¥20,074	¥16,646	¥21,536	¥128,332	¥2,254	¥130,586	¥(1,848)	¥128,738
Segment profit (loss)	¥9,083	¥2,798	¥3,254	¥(1,723)	¥13,412	¥397	¥13,809	¥(7,724)	¥6,085
Segment assets	90,691	23,589	17,358	32,586	164,224	1,173	165,397	22,973	188,370
Other:									
Depreciation and amortization	4,329	1,090	651	2,254	8,324	48	8,372	1,223	9,595
Amortization of goodwill	-	-	-	777	777	-	777	-	777
Investments in associated companies that are accounted for by the equity method	963	1,453	-	415	2,831	-	2,831	-	2,831
Increase in property, plant and equipment and intangible assets	1,833	514	2,716	1,907	6,970	25	6,995	767	7,762

Thousands of U.S. Dollars

	2025								
	Reportable Segment				Total	Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated
	Automotive Motor Bearings	Automotive Non-Motor Bearings	Non-automotive Bearings	Parts for Automobiles Other than Bearings					
Sales:									
Sales to external customers	\$480,686	\$139,778	\$119,264	\$156,888	\$896,616	\$12,073	\$908,689	-	\$908,689
Intersegment sales or transfers	3,242	2,000	228	985	6,455	3,947	10,402	\$(10,402)	-
Total	\$483,928	\$141,778	\$119,492	\$157,873	\$903,071	\$16,020	\$919,091	\$(10,402)	\$908,689
Segment profit (loss)	\$61,903	\$20,795	\$24,752	\$(9,083)	\$98,367	\$2,778	\$101,145	\$(53,869)	\$47,276
Segment assets	567,588	169,422	160,957	229,260	1,127,227	7,941	1,135,168	175,876	1,311,044
Other:									
Depreciation and amortization	27,667	7,242	4,813	15,582	55,304	143	55,447	7,979	63,426
Amortization of goodwill	-	-	-	5,357	5,357	-	5,357	-	5,357
Investments in associated companies that are accounted for by the equity method	7,152	9,866	-	3,074	20,092	-	20,092	1	20,093
Increase in property, plant and equipment and intangible assets	11,542	3,417	45,481	11,201	71,641	317	71,958	5,341	77,299

Notes:

- Other includes real estate leases, oil-less metal bearings, rotary pumps businesses, and electrode sheets for electric double layer capacitors.
- Reconciliations are as follows:
 - The reconciliation for segment loss of ¥8,081 million (\$53,869 thousand) and ¥7,724 million as of March 31, 2025, and 2024, respectively, includes corporate-wide costs of ¥8,066 million (\$53,772 thousand) and ¥7,722 million, respectively, and the elimination of intersegment transactions of ¥15million (\$97 thousand) and ¥2 million, respectively.
Corporate-wide costs, which are not allocated to reportable segments, principally consist of general and administrative expenses.
 - The reconciliation for segment assets of ¥26,381 million (\$175,876 thousand) and ¥22,973million as of March 31, 2025, and 2024, respectively, includes corporate assets of ¥28,944 million (\$192,964 thousand) and ¥34,242 million, respectively, and the elimination of intercompany transactions of ¥2,563 million (\$17,088 thousand) and ¥11,269 million, respectively.
Corporate assets, which are not allocated to reportable segments, principally consist of the central office in Nagoya.
 - The reconciliation for depreciation of ¥1,197 million (\$7,979 thousand) and ¥1,222 million as of March 31, 2025, and 2024, respectively, relates to the depreciation of corporate assets.
 - The reconciliation for the increase in property, plant and equipment and intangible assets of ¥ 802 million (\$5,341 thousand) and ¥ 768 million as of March 31, 2025, and 2024, respectively, relates to the investment in corporate assets.

Associated Information

1. Information about geographical areas

(1) Sales

Millions of Yen							
2025							
Japan	America	Asia (excl. China and Thailand)	China	Thailand	Europe	Other	Total
¥54,075	¥19,023	¥14,267	¥12,743	¥15,383	¥14,161	¥6,651	¥136,303

Millions of Yen							
2024							
Japan	North America	Asia (excl. China and Thailand)	China	Thailand	Europe	Other	Total
¥53,180	¥16,140	¥13,498	¥11,305	¥14,919	¥14,312	¥5,384	¥128,738

Thousands of U.S. Dollars							
2025							
Japan	America	Asia (excl. China and Thailand)	China	Thailand	Europe	Other	Total
\$360,500	\$126,820	\$95,117	\$84,953	\$102,551	\$94,408	\$44,340	\$908,689

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

(2) Property, plant and equipment

Millions of Yen						
2025						
Japan	North America	Asia (excl. Thailand)	Thailand	Europe (excl. Czech)	Czech	Total
¥28,636	¥4,708	¥6,790	¥8,232	¥2,812	¥9,515	¥60,693

Millions of Yen					
2024					
Japan	North America	Asia (excl. Thailand)	Thailand	Europe	Total
¥26,830	¥5,449	¥7,221	¥8,243	¥9,122	¥56,865

Thousands of U.S. Dollars						
2025						
Japan	North America	Asia (excl. Thailand)	Thailand	Europe (excl. Czech)	Czech	Total
\$190,905	\$31,386	\$45,267	\$54,883	\$18,745	\$63,430	\$404,616

2. Information about Impairment of Long-Lived Assets

No impairment was recognized for the years ended March 31, 2025 and 2024.

3. Information about Goodwill

Millions of Yen									
2025									
Reportable Segments									
	Automotive Motor Bearings	Automotive Non-Motor Bearings	Non-automotive Bearings	Parts for Automobiles Other than Bearings	Total	Other	Total	Elimination/ Corporate	Consolidated
Goodwill	-	-	-	¥3,451	¥3,451	-	¥3,451	-	¥3,451

Millions of Yen									
2024									
Reportable Segments									
	Automotive Motor Bearings	Automotive Non-Motor Bearings	Non-automotive Bearings	Parts for Automobiles Other than Bearings	Total	Other	Total	Elimination/ Corporate	Consolidated
Goodwill	-	-	-	¥4,070	¥ 4,070	-	¥4,070	-	¥4,070

Thousands of U.S. Dollars									
2025									
Reportable Segments									
	Automotive Motor Bearings	Automotive Non-Motor Bearings	Non-automotive Bearings	Parts for Automobiles Other than Bearings	Total	Other	Total	Elimination/ Corporate	Consolidated
Goodwill	-	-	-	\$23,004	\$23,004	-	\$23,004	-	\$23,004

Note: Please see segment information for details about the amortization of goodwill.

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