Futaba

Futaba Corporation

FINANCIAL STATEMENTS 2025

Year Ended 31st March, 2025

Highlights of the Year Year Ended 31st March, 2025

	Millions of Japanese Yen	
	2025	**2024**
Net Sales	48,116	56,360
Net Income (Loss) Attributable to Owners of the Parent	(281)	(1,854)
Net Income (Loss) per Share (Yen)	(6.63)	(43.71)
Cash Dividends	212	509

Corporate Data As of 31st March, 2025

Corporate Name	FUTABA CORPORATION	
Founded	1948	
Principal Office	629 Oshiba, Mobara, Chiba Prefecture 297-8588, Japan	
Common Stock	Authorized	196,099,900 shares
	Issued	42,426,739 shares
Capitalized	¥22,559 million	
Shareholders	12,146	
Employees	2,534	

Futaba Corporation and Consolidated Subsidiaries

Consolidated Financial Statements for the Year Ended March 31, 2025, and Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Futaba Corporation:

<Audit of Consolidated Financial Statements>

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 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 Matter

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

<table>
<tr><th colspan="2">Revenue recognition of Futaba Corporation</th></tr>
<tr><th>Key audit matter description</th><th>Audit responses</th></tr>
<tr><td>Futaba Corporation (the "Company") and its consolidated subsidiaries manufacture and sell electronic systems products and machinery and tooling products. Net sales were ¥48,117 million in the consolidated statement of operations for the year ended March 31, 2025, of which majority of the net sales was recorded under the Company, and therefore, the net sales of the Company were material.

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

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

(1) Evaluation and testing internal controls

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

• With assistance of our IT specialists, we performed the following:
• We obtained an understanding of the data process flow from the inception of sales transactions to recording in the accounting system, data processing and automated internal controls in IT systems.
• We evaluated the design and operating effectiveness of IT automated controls over the automatically calculation of sales amount based on shipping volume and applicable sales unit price, and the interface between the core operating system and accounting system.
• We tested the design and operating effectiveness of general IT controls such as user access controls, system program change management controls and system operation controls of core systems related to product sales.

(2) Substantive procedures to address the matter

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

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

Other Information

Management is responsible for the other information. The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<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 Futaba Corporation and its subsidiaries were ¥158 million and ¥25 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.

Deloitte Touche Tohmatsu LLC
August 5, 2025

Futaba Corporation and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2025

ASSETS	Millions of Japanese Yen 2025	Millions of Japanese Yen 2024	Thousands of U.S. Dollars (Note 1) 2025
CURRENT ASSETS:			
Cash and cash equivalents (Note 18)	¥ 23,611	¥ 21,317	$ 157,911
Marketable securities (Notes 5 and 18)	299	301	1,997
Short-term investments (Notes 6 and 18)	7,674	5,747	51,327
Receivables (Notes 14 and 18):			
Trade notes	919	1,405	6,146
Trade accounts	10,736	13,701	71,806
Other	190	207	1,268
Allowance for doubtful receivables	(803)	(996)	(5,373)
Electronically recorded monetary claims (Notes 14 and 18)	1,474	1,740	9,859
Inventories (Note 7)	13,968	17,856	93,417
Prepaid expenses and other current assets	888	850	5,942
Total current assets	58,956	62,128	394,300
PROPERTY, PLANT AND EQUIPMENT:			
Land (Notes 8 and 10)	8,974	10,008	60,017
Buildings and structures (Notes 8 and 10)	33,381	37,749	223,252
Machinery and equipment (Note 8)	44,320	52,361	296,412
Lease assets (Notes 3, 8 and 17)	10	10	64
Construction in progress (Note 8)	113	171	753
Other (Note 8)	377	296	2,524
Total	87,175	100,595	583,022
Accumulated depreciation	(70,430)	(82,190)	(471,026)
Net property, plant and equipment	16,745	18,405	111,996
INVESTMENTS AND OTHER ASSETS:			
Investments in unconsolidated subsidiaries	20	20	134
Investment securities (Notes 5, 10 and 18)	13,324	12,757	89,110
Intangibles (Note 8)	645	659	4,315
Asset for retirement benefits (Note 11)	9,288	7,770	62,114
Deferred tax assets (Note 13)	232	422	1,552
Other investments (Note 10)	1,881	2,102	12,582
Total investments and other assets	25,390	23,730	169,807
TOTAL	¥ 101,091	¥ 104,263	$ 676,103

(Continued)

Futaba Corporation and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2025

LIABILITIES AND EQUITY	Millions of Japanese Yen 2025	Millions of Japanese Yen 2024	Thousands of U.S. Dollars (Note 1) 2025
CURRENT LIABILITIES:			
Current portion of long-term debt (Note 10)	¥ 139	¥ 166	$ 931
Payables (Notes 10 and 18):			
Trade notes	70	74	470
Trade accounts	1,823	2,235	12,192
Unconsolidated subsidiaries	16	17	108
Other	453	546	3,029
Short-term bank loans (Notes 9 and 18)	95	133	633
Electronically recorded obligations (Note 18)	110	541	738
Accrued expenses	2,492	3,461	16,661
Income taxes payable	182	244	1,217
Other current liabilities (Note 14)	1,155	807	7,725
Total current liabilities	6,535	8,224	43,704
LONG-TERM LIABILITIES:			
Long-term debt (Notes 10 and 18)	467	437	3,125
Liability for retirement benefits (Note 11)	180	372	1,202
Retirement allowances for directors	18	11	120
Deferred tax liabilities (Note 13)	5,467	4,552	36,566
Other	112	137	747
Total long-term liabilities	6,244	5,509	41,760
CONTINGENT LIABILITIES			
EQUITY (Note 12):			
Common stock—authorized, 196,099,900 shares; issued, 42,426,739 shares in 2025 and 42,426,739 shares in 2024	22,559	22,559	150,873
Capital surplus	21,045	21,047	140,747
Retained earnings	21,818	22,311	145,926
Treasury stock—at cost, 11,143 shares in 2025 and 10,557 shares in 2024	(17)	(17)	(115)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	4,931	4,774	32,982
Foreign currency translation adjustments	3,682	5,485	24,624
Defined retirement benefit plans	3,150	2,052	21,067
Total	77,168	78,211	516,104
Noncontrolling interests	11,144	12,319	74,535
Total equity	88,312	90,530	590,639
TOTAL	¥ 101,091	¥ 104,263	$ 676,103

See notes to consolidated financial statements.

(Concluded)

Futaba Corporation and Consolidated Subsidiaries

Consolidated Statement of Operations
Year Ended March 31, 2025

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
NET SALES (Notes 14 and 20)	¥48,117	¥56,360	$ 321,809
COST OF SALES	39,248	47,607	262,494
Gross profit	8,869	8,753	59,315
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 15)	10,161	9,895	67,957
Operating loss	(1,292)	(1,142)	(8,642)
OTHER INCOME (EXPENSES):			
Interest and dividend income	906	800	6,059
Rental income	261	243	1,745
Foreign exchange income (loss)—net	(45)	563	(299)
Gain on sales of property, plant and equipment	1,947	1,221	13,024
Loss on sales of property, plant and equipment	(0)	(1)	(3)
Loss on disposals of property, plant and equipment	(1)	(2)	(7)
Restructuring loss (Notes 11 and 16)	(599)	(2,414)	(4,005)
Impairment loss (Note 8)	(322)	(1,057)	(2,150)
Gain on sales of investment securities		390	
Extra retirement benefits (Note 11)	(46)	(36)	(310)
Other—net	10	142	65
Other income (expenses)—net	2,111	(151)	14,119
INCOME (LOSS) BEFORE INCOME TAXES	819	(1,293)	5,477
INCOME TAXES (Note 13):			
Current	638	389	4,264
Refund	(356)		(2,379)
Deferred	281	110	1,878
Total income taxes	563	499	3,763
NET INCOME (LOSS)	256	(1,792)	1,714
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	537	62	3,595
NET LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ (281)	¥ (1,854)	$ (1,881)

	Japanese Yen		U.S. Dollars
AMOUNTS PER SHARE (Note 2.r):			
Net loss	¥ (6.63)	¥ (43.71)	$ (0.04)
Cash dividends applicable to the year	10.00	10.00	0.07

See notes to consolidated financial statements.

Futaba Corporation and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2025

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
NET INCOME (LOSS)	¥ 256	¥ (1,792)	$ 1,714
OTHER COMPREHENSIVE INCOME (Note 20):			
Unrealized gain on available-for-sale securities	160	2,275	1,074
Foreign currency translation adjustments	(2,745)	4,518	(18,357)
Defined retirement benefit plans	1,076	1,025	7,193
Total other comprehensive income (loss)	(1,509)	7,818	(10,090)
COMPREHENSIVE INCOME (LOSS)	¥ (1,253)	¥ 6,026	$ (8,376)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	¥ (829)	¥ 4,933	$ (5,543)
Noncontrolling interests	(424)	1,093	(2,833)

See notes to consolidated financial statements.

Futaba Corporation and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2025

	Thousands	Millions of Japanese Yen				
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Subtotal
BALANCE, APRIL 1, 2023	42,417	¥22,559	¥21,556	¥24,165	¥(17)	¥68,263
Net loss attributable to owners of the parent				(1,854)		(1,854)
Cash dividends			(509)			(509)
Purchase of treasury stock	(1)				(0)	(0)
Net change in the year						
BALANCE, MARCH 31, 2024	42,416	22,559	21,047	22,311	(17)	65,900
Net loss attributable to owners of the parent				(281)		(281)
Cash dividends				(212)		(212)
Purchase of treasury stock	(0)				(0)	(0)
Change in ownership interest of the parent due to transactions with non-controlling interests			(2)			(2)
Net change in the year						
BALANCE, MARCH 31, 2025	42,416	¥22,559	¥21,045	¥21,818	¥(17)	¥65,405

(Continued)

Futaba Corporation and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2025

	Millions of Japanese Yen					
	Accumulated Other Comprehensive Income (Loss)					
	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjust-ments	Defined Retirement Benefit Plans	Total	Noncon-trolling Interests	Total Equity
BALANCE, APRIL 1, 2023	¥2,509	¥1,939	¥1,076	¥73,787	¥11,424	¥85,211
Net loss attributable to owners of the parent				(1,854)		(1,854)
Cash dividends				(509)		(509)
Purchase of treasury stock				(0)		(0)
Net change in the year	2,265	3,546	976	6,787	895	7,682
BALANCE, MARCH 31, 2024	4,774	5,485	2,052	78,211	12,319	90,530
Net loss attributable to owners of the parent				(281)		(281)
Cash dividends				(212)		(212)
Purchase of treasury stock				(0)		(0)
Change in ownership interest of the parent due to transactions with non-controlling interests				(2)		(2)
Net change in the year	157	(1,803)	1,098	(548)	(1,175)	(1,723)
BALANCE, MARCH 31, 2025	¥4,931	¥3,682	¥3,150	¥77,168	¥11,144	¥88,312

(Continued)

Futaba Corporation and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2025

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Subtotal
BALANCE, MARCH 31, 2024	$ 150,873	$ 140,757	$ 149,225	$ (113)	$ 440,742
Net loss attributable to owners of the parent			(1,881)		(1,881)
Cash dividends			(1,418)		(1,418)
Purchase of treasury stock				(2)	(2)
Change in ownership interest of the parent due to transactions with non-controlling interests		(10)			(10)
Net change in the year					
BALANCE, MARCH 31, 2025	$ 150,873	$ 140,747	$ 145,926	$ (115)	$ 437,431

	Thousands of U.S. Dollars (Note 1)					
	Accumulated Other Comprehensive Income (Loss)					
	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjust-ments	Defined Retirement Benefit Plans	Total	Noncon-trolling Interests	Total Equity
BALANCE, MARCH 31, 2024	$ 31,927	$ 36,688	$ 13,721	$ 523,078	$ 82,390	$605,468
Net loss attributable to owners of the parent				(1,881)		(1,881)
Cash dividends				(1,418)		(1,418)
Purchase of treasury stock				(2)		(2)
Change in ownership interest of the parent due to transactions with non-controlling interests				(10)		(10)
Net change in the year	1,055	(12,064)	7,346	(3,663)	(7,855)	(11,518)
BALANCE, MARCH 31, 2025	$ 32,982	$ 24,624	$ 21,067	$ 516,104	$74,535	$ 590,639

See notes to consolidated financial statements.

Futaba Corporation and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2025

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
OPERATING ACTIVITIES:			
Income (loss) before income taxes	¥ 819	¥(1,293)	$ 5,477
Adjustments for:			
Income taxes—paid	(695)	(284)	(4,649)
Income taxes—refund	331	279	2,211
Depreciation and amortization	1,066	1,258	7,131
Amortization of goodwill		13	
Impairment loss	322	1,057	2,150
Foreign exchange gain	(316)	(302)	(2,110)
Gain on sales and disposal of property, plant and equipment	(1,946)	(1,218)	(13,013)
Gain on sales and valuation of investment securities		(390)	
Restructuring loss	599	2,414	4,005
Restructuring paid	(1,133)	(1,748)	(7,575)
Increase in defined retirement benefit plans	1,685	2,115	11,269
Changes in assets and liabilities:			
Decrease in provision for doubtful receivables	(73)	(27)	(489)
Increase in asset for retirement benefits	(1,603)	(2,831)	(10,724)
Decrease in liability for retirement benefits	(198)	(14)	(1,323)
Decrease in accrued bonuses	(31)	(71)	(209)
Decrease in trade receivables	2,978	1,438	19,920
Decrease in inventories	3,333	3,927	22,293
Decrease in trade payables	(635)	(2,030)	(4,247)
Other—net	121	(764)	809
Total adjustments	3,805	2,822	25,449
Net cash provided by operating activities	4,624	1,529	30,926
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	2,364	1,590	15,814
Purchases of property, plant and equipment	(1,084)	(1,219)	(7,250)
Purchases of intangible assets	(81)	(78)	(540)
Purchases of investment securities	(594)	(421)	(3,974)
Proceeds from sales and redemption of investment securities	307	1,057	2,054
(Increase) decrease in short-term investments and marketable securities—net	(1,303)	3,281	(8,715)
Payments for long-term deposits	(877)	(19)	(5,869)
Loan advances	(0)	(0)	(1)
Proceeds from collection of loans receivable	0	2	1
Other—net	(83)	20	(558)
Net cash provided by (used in) investing activities	(1,351)	4,213	(9,038)
FORWARD	¥ 3,273	¥ 5,742	$21,888

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Futaba Corporation and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2025

	Millions of Japanese Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
FORWARD	¥ 3,273	¥ 5,742	$ 21,888
FINANCING ACTIVITIES:			
Increase in short-term loans payable	587	760	3,930
Repayments of short-term bank loans	(621)	(977)	(4,150)
Repayments of long-term debt	(207)	(205)	(1,387)
Repurchases of treasury stock	(0)	(0)	(2)
Dividends paid	(213)	(510)	(1,427)
Dividends paid to noncontrolling shareholders	(697)	(197)	(4,664)
Net cash used in financing activities	(1,151)	(1,129)	(7,700)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	172	1,180	1,151
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,294	5,793	15,339
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	21,317	15,524	142,572
CASH AND CASH EQUIVALENTS, END OF YEAR	¥23,611	¥21,317	$ 157,911

See notes to consolidated financial statements.

(Concluded)

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form 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 Futaba Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥149.52 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 24 (25 in 2024) significant subsidiaries (together, the "Group"). FUTABA Mobile Display Corporation has been excluded from the scope of consolidation from current fiscal year as a result of the liquidation. Furthermore, the Company has an unconsolidated subsidiary with the name FUTABA Business System Co., Ltd.

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

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

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

b. ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements***—Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS Accounting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of research and development; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

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

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

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

f. ***Marketable and Investment Securities***—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: available-for-sale securities, which are not classified as trading securities or held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

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

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

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

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

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

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

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

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the 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 10 years no longer than the expected average remaining service period of the employees. Furthermore, several consolidated subsidiaries apply the simplified method based on Japanese GAAP.

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

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

The Group operates businesses in electronic systems and machinery and tooling. For sales of these products, revenue is recognized at the time of shipment for domestic transactions, as the period from shipment to the transfer of control to the customer is typically short. For export transactions, revenue is primarily recognized based on the bill of lading, as control of the assets is transferred to the customer in accordance with the Incoterms and other conditions.

Additionally, electronic systems transactions related to the manufacture and sale of customer-specific products result in the creation of assets that cannot be repurposed for other uses. The Group has the enforceable right to collect payment for the completed portions of work performed. Accordingly, the Group recognizes revenue over time.

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

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

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

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

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

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

q. ***Derivatives and Hedging Activities***—The Group uses derivative financial instruments, such as foreign exchange forward contracts, to manage foreign currency exchange risks. The Group does not enter into derivatives for trading or speculative purposes.

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

Foreign currency forward contracts employed to hedge foreign currency exposures for export sales and import purchases are measured at fair value and the unrealized gains/losses are recognized in income. Deposits, trade receivables and payable denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rates if the forward contracts qualify for hedge accounting.

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

The weighted-average number of shares used in the computation was 42,416,036 shares for 2025 and 42,416,452 shares for 2024.

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

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

s. ***New Accounting Pronouncements***

Accounting Standard for Leases

—"Accounting Standard for Leases" (ASBJ Statement No.34, issued on September 13, 2024)

—"Implementation Guidance on Accounting Standard for Leases" (ASBJ Guidance No.33 issued on September 13, 2024)

(1) *Overview*

As part of efforts to align Japanese GAAP with international accounting standards, the ASBJ has been considering the development of lease accounting standards that require lessees to recognize assets and liabilities for all leases, based on international accounting standards. The basic policy follows the single accounting model of IFRS 16. However, only the main provisions of IFRS 16 will be applied, rather than adopting all of the provisions. The new lease accounting standard aims to be simple and convenient, and generally requires no modification even if the provisions of IFRS 16 are applied in non-consolidated financial statements.

For lessee accounting, the single accounting model will be applied, under which depreciation expenses for right-of-use assets and interest expenses for lease liabilities are recognized for all leases, regardless of whether the lease would previously have been classified as a finance lease or an operating lease, as in IFRS 16.

(2) *Date of adoption*

The accounting standard will be adopted from the beginning of the fiscal year ending March 2028.

(3) *Impact of the adoption of the accounting standard*

The impact of adopting this accounting standard on the consolidated financial statements is currently being assessed.

3. CHANGES IN ACCOUNTING POLICIES

Application of the Accounting Standard for Current Income Taxes, etc.

The Group has applied the “Accounting Standard for Current Income Taxes” (ASBJ Statement No.27, issued on October 28, 2022; hereinafter “Revised Accounting Standard 2022”) and other related standards from the beginning of the fiscal year ended March 31, 2025. With respect to the revision concerning the categories in which current income taxes should be recorded (taxes on other comprehensive income), the Group has followed the transitional treatment set forth in paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment set forth in paragraph 65-2 (2) of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No.28, October 28, 2022; hereinafter, “Revised Implementation Guidance 2022”). This change in accounting policies has no impact on the Group’s financial statements.

As for the revision related to changes in the accounting treatment for the Group’s financial statements when gains or losses on sale of shares, etc., in subsidiaries arising from transactions between consolidated entities within the Group are deferred for tax purposes, the Group has applied the Revised Implementation Guidance 2022 from the beginning of the fiscal year ended March 31, 2025. This change in accounting policies was applied retrospectively to the Group’s financial statements for the fiscal year ended March 31, 2024. There was no impact on the Group’s financial statements as a result of this change.

4. CHANGE IN PRESENTATION

Consolidated Statement of Cash Flows

Prior to April 1, 2024, payments for long-term deposits was included in other—net of the consolidated statement of cash flows. The amount is disclosed separately in the investing activities section of the consolidated statement of cash flows for the year ended March 31, 2025, as the balance is material. As a result, other—net of ¥1 million has been reclassified as payments for long-term deposits of ¥(19) million and other—net of ¥20 million, respectively, in the consolidated statement of cash flows of the previous fiscal year.

5. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2025 and 2024, consisted of the following:

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2025	2024	2025
Current—Government and corporate bonds	¥ 299	¥ 301	$ 1,997
Total	¥ 299	¥ 301	$ 1,997
Non-current:			
Marketable equity securities	¥11,794	¥11,486	$78,881
Government and corporate bonds	776	797	5,189
Trust fund investments and other	754	474	5,040
Total	¥13,324	¥12,757	$89,110

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

	Millions of Japanese Yen			
March 31, 2025	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as—				
Available-for-sale:				
Equity securities	¥4,389	¥7,233		¥11,622
Debt securities	1,102		¥27	1,075
March 31, 2024				
Securities classified as—				
Available-for-sale:				
Equity securities	¥4,412	¥6,887		¥11,299
Debt securities	1,101		¥3	1,098

	Thousands of U.S. Dollars			
March 31, 2025	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as—				
Available-for-sale:				
Equity securities	$29,355	$48,374		$77,729
Debt securities	7,370		$184	7,186

The information on available-for-sale securities which were sold during the years ended March 31, 2025 and 2024, is as follows:

	Millions of Japanese Yen		
March 31, 2025	Proceeds	Realized Gains	Realized Losses
Available-for-sale—Equity securities	¥ 1	¥ 1	
Total	¥ 1	¥ 1	
March 31, 2024			
Available-for-sale—Equity securities	¥758	¥390	
Total	¥758	¥390	

	Thousands of U.S. Dollars		
March 31, 2025	Proceeds	Realized Gains	Realized Losses
Available-for-sale—Equity securities	$ 7	$ 3	
Total	$ 7	$ 3	

6. SHORT-TERM INVESTMENTS

Short-term investments at March 31, 2025 and 2024, consisted of time deposits of ¥7,674 million ($51,327 thousand) and ¥5,747 million, respectively.

7. INVENTORIES

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2025	2024	2025
Finished goods	¥ 4,047	¥ 5,236	$ 27,063
Work in process	2,054	2,852	13,737
Raw materials and supplies	7,867	9,768	52,617
Total	¥13,968	¥17,856	$ 93,417

8. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2025 and 2024. As a result, the Group recognized an impairment loss of ¥322 million ($2,150 thousand) and ¥1,057 million for the years ended March 31, 2025 and 2024, respectively, as further described below:

For 2025

Description	Classification	Location	Millions of Japanese Yen	Thousands of U.S. Dollars
Facilities for electronic systems	Construction in progress, buildings, etc.	Huntsville, etc., USA	¥ 117	$ 780
Facilities for electronic systems	Machinery, other intangible fixed assets, etc.	Kaohsiung City, Taiwan	39	259
Facilities for machinery and tooling	Machinery	Incheon Metropolitan City, South Korea	38	253
Head office, etc.	Other investments, machinery, etc.	Chosei County, etc., Japan	35	235
Facilities for machinery and tooling	Machinery, construction in progress, etc.	Chosei County, etc., Japan	33	222
Facilities for machinery and tooling	Machinery, equipment, etc.	Shenzhen City, China	25	163
Facilities for machinery and tooling	Machinery, buildings, etc.	Ho Chi Minh City, Viet Nam	19	128
Facilities for machinery and tooling	Software and equipment	Tokyo, Japan	8	52
Facilities for machinery and tooling	Equipment, buildings, etc.	Hwaseong Gyeonggi-do, South Korea	4	27
Facilities for electronic systems	Machinery	Huizhou City, China	2	15
Facilities for electronic systems	Other tangible fixed assets and equipment	Anyang Gyeonggi-do, South Korea	2	15
Facilities for electronic systems	Equipment	Shanghai City, China	0	1
Total			¥ 322	$2,150

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

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

A breakdown of impairment loss for the fiscal year ended March 31, 2025, is as follows:

Classification	Millions of Japanese Yen	Thousands of U.S. Dollars
Machinery and equipment	¥ 146	$ 970
Construction in progress	60	402
Buildings and structures	42	278
Furniture and fixtures	35	234
Other intangible fixed assets	19	125
Other investments	12	81
Software	6	43
Other tangible fixed assets	2	15
Land	0	2
Total	¥ 322	$2,150

For 2024

Description	Classification	Location	Millions of Japanese Yen
Facilities for machinery and tooling	Machinery, land, etc.	Chosei County, etc., Japan	¥ 359
Head office, etc.	Construction in progress, buildings, etc.	Chosei County, etc., Japan	306
Facilities for machinery and tooling	Machinery and equipment	Incheon Metropolitan City, South Korea	211
Facilities for machinery and tooling	Lease assets (right of use), equipment, etc.	Iwate City, Japan	39
Facilities for electronic systems	Other investments, machinery, etc.	Kaohsiung City, Taiwan	32
Facilities for electronic systems	Other investments and equipment	Singapore	29
Facilities for machinery and tooling	Buildings, machinery, etc.	Ho Chi Minh City, Viet Nam	25
Facilities for electronic systems	Other investments and buildings	Shanghai City, China	12
Facilities for electronic systems	Machinery and other investments	Huntsville, etc., USA	11
Facilities for electronic systems	Other investments, equipment, etc.	Anyang Gyeonggi-do, South Korea	9
Facilities for machinery and tooling	Software and equipment	Tokyo, Japan	8
Facilities for machinery and tooling	Other investments and equipment	Shenzhen City, China	6
Facilities for machinery and tooling	Machinery, other investments, etc.	Hwaseong Gyeonggi-do, South Korea	5
Facilities for machinery and tooling	Other investments and machinery	Kunshan City, China	3
Facilities for electronic systems	Equipment, machinery, etc.	Chosei County, Japan	2
Facilities for electronic systems	Construction in progress	Laguna, Philippines	0
Total			¥1,057

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

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

A breakdown of impairment loss for the fiscal year ended March 31, 2024, is as follows:

Classification	Millions of Japanese Yen
Machinery and equipment	¥ 429
Construction in progress	163
Land	113
Buildings and structures	96
Furniture and fixtures	94
Software	73
Other tangible fixed assets	49
Lease assets	38
Other intangible fixed assets	2
Total	¥1,057

9. SHORT-TERM BANK LOANS

The annual interest rates applicable to the short-term bank loans at March 31, 2025 and 2024, were 3.80% and 3.60%, respectively.

10. LONG-TERM DEBT AND ASSETS PLEDGED AS COLLATERAL

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2025	2024	2025
Long-term lease obligation	¥606	¥603	$4,056
Less current portion	(139)	(166)	(931)
Long-term debt, less current portion	¥467	¥437	$3,125

Annual maturities of long-term debt as of March 31, 2025, for the next five years and thereafter were as follows:

Year Ending March 31	Millions of Japanese Yen	Thousands of U.S. Dollars
2026	¥139	$ 931
2027	120	801
2028	105	700
2029	81	543
2030	60	404
2031 and thereafter	101	677
Total	¥606	$4,056

The carrying amounts of assets pledged as collateral for trade accounts payable of ¥86 million ($572 thousand) and other of ¥36 million ($243 thousand) at March 31, 2025, were as follows:

	Millions of Japanese Yen	Thousands of U.S. Dollars
Land	¥1,042	$ 6,966
Buildings and structures—net	608	4,068
Investment securities	285	1,907
Total	¥1,935	$12,941

11. RETIREMENT AND PENSION PLANS

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

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

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

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2025	2024	2025
Balance at beginning of year	¥23,809	¥27,179	$ 159,233
Current service cost	251	275	1,678
Interest cost	232	247	1,551
Actuarial gains	(2,150)	(522)	(14,378)
Benefits paid	(2,574)	(3,638)	(17,218)
Others	(225)	268	(1,500)
Balance at end of year	¥19,343	¥23,809	$ 129,366

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2025	2024	2025
Balance at beginning of year	¥31,206	¥31,646	$ 208,710
Expected return on plan assets	786	795	5,258
Actuarial gains (losses)	(807)	1,472	(5,400)
Contributions from the employer	236	210	1,575
Benefits paid	(2,336)	(3,303)	(15,626)
Return of retirement benefit trust assets	(360)		(2,411)
Others	(274)	386	(1,828)
Balance at end of year	¥28,451	¥31,206	$ 190,278

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2025	2024	2025
Funded defined benefit obligation	¥19,165	¥23,441	$ 128,174
Plan assets	(28,451)	(31,206)	(190,278)
Total	(9,286)	(7,765)	(62,104)
Unfunded defined benefit obligation	178	367	1,192
Net asset arising from defined benefit obligation	¥ (9,108)	¥ (7,398)	$ (60,912)

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2025	2024	2025
Liability for retirement benefits	¥ 180	¥ 372	$ 1,202
Asset for retirement benefits	(9,288)	(7,770)	(62,114)
Net asset arising from defined benefit obligation	¥(9,108)	¥(7,398)	$ (60,912)

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2025	2024	2025
Service cost	¥ 251	¥ 275	$ 1,678
Interest cost	232	247	1,551
Expected return on plan assets	(786)	(795)	(5,258)
Recognized actuarial losses (gains)	372	(517)	2,485
Others	4	1	29
Net periodic benefit costs	¥ 73	¥(789)	$ 485

In addition to the net periodic benefit costs stated above, extra retirement benefits of ¥38 million ($255 thousand) and ¥51 million were recorded as operating expenses for the years ended March 31, 2025 and 2024, respectively. Furthermore, extra retirement benefits of ¥46 million ($310 thousand) and ¥36 million were recorded as other expenses for the years ended March 31, 2025 and 2024, respectively. Additionally, special retirement benefits of ¥435 million ($2,909 thousand) and ¥2,156 million were recorded as restructuring loss for the years ended March 31, 2025 and 2024, respectively.

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2025	2024	2025
Actuarial gains	¥1,651	¥1,599	$ 11,045
Total	¥1,651	¥1,599	$ 11,045

(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 Japanese Yen		Thousands of U.S. Dollars
	2025	2024	2025
Unrecognized actuarial gains	¥4,659	¥3,007	$ 31,157
Total	¥4,659	¥3,007	$ 31,157

(7) Plan assets

a. *Components of plan assets*

Plan assets as of March 31, 2025 and 2024, consisted of the following:

	2025	2024
Debt investments	18%	18%
Equity investments	14	18
General accounts	44	41
Others	24	23
Total	100%	100%

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

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

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

	2025	2024
Discount rate	Mainly 2.0%	Mainly 0.6%
Expected rate of return on plan assets	Mainly 2.5%	Mainly 2.5%

12. EQUITY

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

a. *Dividends*

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Board of Directors of companies with an audit and supervisory committee (as implemented under the Companies Act effective May 1, 2015) may also declare dividends at any time because such companies, by nature, meet the criteria under the Companies Act. However, the Company does not meet all the above criteria.

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

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

b. *Increases/Decreases and Transfer of Common Stock, Reserve and Surplus*

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

c. *Treasury Stock and Treasury Stock Acquisition Rights*

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

13. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30% for each of the years ended March 31, 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 Japanese Yen		Thousands of U.S. Dollars
	2025	2024	2025
Deferred tax assets:			
Inventories	¥ 409	¥ 493	$ 2,739
Accrued bonuses to employees	202	206	1,349
Depreciation	232	295	1,554
Liability for retirement benefits	156	468	1,043
Allowance for doubtful accounts	323	420	2,157
Loss on impairment of long-lived assets	5,027	6,007	33,618
Tax loss carryforwards	12,972	12,627	86,761
Other	329	337	2,206
Total deferred tax assets	19,650	20,853	131,427
Net of deferred tax liabilities in the same tax jurisdiction	(338)	(315)	(2,263)
Valuation allowance related to tax loss carryforwards	(12,972)	(12,627)	(86,761)
Valuation allowance related to total deductible temporary difference, etc.	(6,108)	(7,489)	(40,851)
Valuation allowance	(19,080)	(20,116)	(127,612)
Deferred tax assets—net	232	422	1,552
Deferred tax liabilities:			
Undistributed earnings of subsidiaries	13	78	87
Reserve for advanced depreciation of non-current assets	283	275	1,891
Asset for retirement benefits	2,873	2,059	19,218
Unrealized gain on available-for-sale securities	2,202	2,026	14,730
Other	434	429	2,903
Total deferred tax liabilities	5,805	4,867	38,829
Net of deferred tax assets in the same tax jurisdiction	(338)	(315)	(2,263)
Deferred tax liabilities—net	5,467	4,552	36,566
Net deferred tax liabilities	¥ 5,235	¥ 4,130	$ 35,014

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of operations for the year ended March 31, 2025, with the corresponding figures for 2024, is as follows:

	2025	2024
Normal effective statutory tax rate	30 %	30 %
Expenses not deductible for tax purposes	5	(5)
Unrecognized tax effects on unrealized gains	13	2
Valuation allowance for deferred tax assets	(68)	(11)
Expiration of loss carryforwards	130	(39)
Controlled foreign company taxation		(2)
Foreign tax credit	11	(3)
Effects of tax rates change	(37)	
Different tax rates applied to foreign subsidiaries	(20)	(6)
Amortization of goodwill		(0)
Other—net	5	(5)
Actual effective tax rate	69 %	(39)%

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

	Millions of Japanese Yen						
March 31, 2025	Within 1 Year	Over 1 Year to 2 Years	Over 2 Years to 3 Years	Over 3 Years to 4 Years	Over 4 Years to 5 Years	Over 5 Years	Total
Tax loss carryforward	¥ 885	¥ 987	¥320	¥1,235	¥2,015	¥7,530	¥12,972
Valuation allowance	(885)	(987)	(320)	(1,235)	(2,015)	(7,530)	(12,972)
Deferred tax assets							
March 31, 2024							
Tax loss carryforward	¥1,122	¥ 827	¥973	¥291	¥1,123	¥8,291	¥12,627
Valuation allowance	(1,122)	(827)	(973)	(291)	(1,123)	(8,291)	(12,627)
Deferred tax assets							

	Thousands of U.S. Dollars						
March 31, 2025	Within 1 Year	Over 1 Year to 2 Years	Over 2 Years to 3 Years	Over 3 Years to 4 Years	Over 4 Years to 5 Years	Over 5 Years	Total
Tax loss carryforward	$5,920	$6,601	$2,139	$8,260	$13,480	$50,361	$86,761
Valuation allowance	(5,920)	(6,601)	(2,139)	(8,260)	(13,480)	(50,361)	(86,761)
Deferred tax assets							

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

Revisions to Deferred Tax Assets and Deferred Tax Liabilities Due to Changes in Income Tax Rates

Due to the enactment of the "Act for Partial Revision of the Income Tax Act, etc." (Act No.13 of 2025) by the Japanese Diet on March 31, 2025, the "Special Corporate Tax for National Defense" will be imposed in fiscal years beginning on or after April 1, 2026. Accordingly, the statutory effective tax rate has been changed from 29.99% to 30.88% for the calculation of deferred tax assets and deferred tax liabilities with respect to temporary differences expected to be resolved in the fiscal year beginning on April 1, 2026.

As a result of this change, deferred tax liabilities (after deducting deferred tax assets) for the year ended March 31, 2025, and income taxes—deferred increased by ¥149 million ($999 thousand) and ¥48 million ($319 thousand), respectively, while valuation difference on available for sale securities, defined retirement benefit plans and foreign currency translation adjustments decreased by ¥62 million ($412 thousand), ¥38 million ($255 thousand) and ¥2 million ($14 thousand), respectively.

14. REVENUE

(1) *Disaggregation of Revenue*

Information that classifies revenues from contracts with customers is shown in Note 24, "Segment Information."

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

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

(3) ***Contract Balances***

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2025	2024	2025
Receivables from contracts with customers:			
Balance at beginning of year	¥16,846	¥16,701	$112,667
Balance at end of year	13,130	16,846	87,812
Contract liabilities:			
Balance at beginning of year	128	141	858
Balance at end of year	452	128	3,024

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

The amount of revenue recognized for the years ended March 31, 2025 and 2024, that was included in the balance of contract liabilities at the beginning of year were ¥128 million ($858 thousand) and ¥141 million, respectively.

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

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

15. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,268 million ($8,480 thousand) and ¥1,404 million for the years ended March 31, 2025 and 2024, respectively.

16. RESTRUCTURING LOSS

For 2025

Restructuring loss of ¥599 million ($4,005 thousand) was recorded as a result of the restructuring of the Group's business for the year ended March 31, 2025. These mainly consist of special retirement benefits of the manufacturing subsidiaries located in China for machinery and tooling.

For 2024

Restructuring loss of ¥2,414 million was recorded as a result of the restructuring of the Group's business for the year ended March 31, 2024. It includes special outplacement across the entire Company of ¥1,057 million, dissolution of manufacturing subsidiaries related to the termination of out-cell touch sensor business and expenses for reorganization of overseas sales subsidiaries of ¥1,007 million for electronic systems, and expenses for reorganization of manufacturing subsidiaries located in China of ¥349 million for machinery and tooling. These mainly consist of special retirement benefits.

17. LEASES

Finance Leases

As Lessee

The Group leases certain computer equipment, machinery and other assets. Total lease payments under finance leases for the years ended March 31, 2025 and 2024, were ¥207 million ($1,387 thousand) and ¥205 million, respectively.

Operating Leases

There are no obligations under noncancelable operating leases for the years ended March 31, 2025 and 2024.

18. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

The Group uses financial instruments, mainly safe and reliable short-term cash deposits and marketable and investment securities which are believed to be beneficial for the business and fund management. In accordance with the Group's financing policy, funding is mainly procured as required by capital investment plans. In addition, the Company has entered into a commitment line contract in the form of a relative contract as a means of procuring short-term working capital. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

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

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using foreign currency forward contracts. Marketable and investment securities, composed mainly of bonds and stocks of companies with which the Group has business relationships, are exposed to the risk of market price fluctuations.

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

Derivatives mainly include foreign currency forward contracts, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables. Please see Note 19 for more details about derivatives.

(3) *Risk Management for Financial Instruments*

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables based on internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage. With respect to debt securities, the Group manages its exposure to credit risk by limiting its funding to high credit rated bonds in accordance with its internal guidelines. With reference to derivatives, it is reasonable to assume that there is a little credit risk to be recognized as the Group only deals with high credit rating financial institutions. Please see Note 19 for details about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2025.

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

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

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

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

Funding liquidity risk management

Funding liquidity risk is the risk of being unable to make payments when due. The Company compares planned and actual results on a timely basis in accordance with its cash management plan. In addition, the Company manages liquidity risk by entering into the commitment line contract in the form of a relative contract to secure flexible and stable working capital.

(4) ***Fair Values of Financial Instruments***

Fair values of financial instruments are as follows: Investments in equity instruments that do not have a quoted market price in an active market are not included in the following table. The fair values of cash and cash equivalents, short-term investments, receivables, electronically recorded monetary claims, payables, electronically recorded obligations and short-term bank loans are not disclosed because their maturities are short and the carrying values approximate fair value.

(a) *Fair value of financial instruments*

	Millions of Japanese Yen		
March 31, 2025	Carrying Amount	Fair Value	Unrealized Gain/Loss
Marketable and investment securities	¥12,697	¥12,697	
March 31, 2024			
Marketable and investment securities	¥12,397	¥12,397	

	Thousands of U.S. Dollars		
March 31, 2025	Carrying Amount	Fair Value	Unrealized Gain/Loss
Marketable and investment securities	$84,915	$84,915	

Marketable and Investment Securities

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

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2025	2024	2025
Investments in equity instruments that do not have a quoted market price in an active market	¥192	¥207	$1,285
Investments in limited partnership	754	474	5,040

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

	Millions of Japanese Yen			
March 31, 2025	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	¥23,611			
Short-term investments	7,674			
Receivables	11,845			
Electronically recorded monetary claims	1,474			
Marketable and investment securities:				
Government bonds			¥300	
Corporate bonds	300	¥500		
Other			754	
Total	¥44,904	¥500	¥1,054	

	Millions of Japanese Yen			
March 31, 2024	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	¥21,317			
Short-term investments	5,747			
Receivables	15,313			
Electronically recorded monetary claims	1,740			
Marketable and investment securities:				
Government bonds	300			
Corporate bonds		¥800		
Other			¥429	¥45
Total	¥44,417	¥800	¥429	¥45

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	$ 157,911			
Short-term investments	51,327			
Receivables	79,220			
Electronically recorded monetary claims	9,859			
Marketable and investment securities:				
Government bonds			$2,007	
Corporate bonds	2,007	$3,344		
Other			5,040	
Total	$ 300,324	$3,344	$7,047	

Please see Note 10 for annual maturities of long-term debt and Note 17 for the obligations under noncancelable operating leases.

(**6**) ***Financial Instruments Categorized by Fair Value Hierarchy***

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

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

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

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

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

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

March 31, 2025	Millions of Japanese Yen Level 1	Level 2	Level 3	Total
Securities:				
Stocks	¥11,622			¥11,622
Government and municipal bonds	285			285
Corporate bonds		¥790		790
Total assets	¥11,907	¥790		¥12,697

March 31, 2025	Thousands of U.S. Dollars Level 1	Level 2	Level 3	Total
Securities:				
Stocks	$77,729			$77,729
Government and municipal bonds	1,907			1,907
Corporate bonds		$5,279		5,279
Total assets	$79,636	$5,279		$84,915

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

There are no material financial instruments for the year ended March 31, 2025.

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

Marketable and Investment Securities

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

19. DERIVATIVES

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

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

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

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

Derivative Transactions to Which Hedge Accounting Is Not Applied

There is no balance of derivatives for the years ended March 31, 2025 and 2024, respectively.

Derivative Transactions to Which Hedge Accounting Is Applied

There is no balance of derivatives for the years ended March 31, 2025 and 2024, respectively.

20. OTHER COMPREHENSIVE INCOME

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

	Millions of Japanese Yen		Thousands of U.S. Dollars
	2025	2024	2025
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 343	¥2,850	$ 2,296
Reclassification adjustments to profit or loss		390	
Amount before income tax effect	343	3,240	2,296
Income tax effect	(183)	(965)	(1,222)
Total	¥ 160	¥2,275	$ 1,074
Foreign currency translation adjustments:			
Adjustments arising during the year	¥(2,661)	¥4,675	$(17,798)
Amount before income tax effect	(2,661)	4,675	(17,798)
Income tax effect	(84)	(157)	(559)
Total	¥(2,745)	¥4,518	$(18,357)
Defined retirement benefit plans:			
Adjustments arising during the year	¥1,240	¥2,114	$ 8,295
Reclassification adjustments to profit or loss	372	(517)	2,486
Amount before income tax effect	1,612	1,597	10,781
Income tax effect	(536)	(572)	(3,588)
Total	¥1,076	¥1,025	$ 7,193
Total other comprehensive income (loss)	¥(1,509)	¥7,818	$(10,090)

21. MATERIAL CONTRACT

Commitment Line Contract

At the Board of Directors’ meeting held on February 9, 2024, approval was granted to enter into a commitment line contract. The Company entered into the contract on March 1, 2024. The Company exercised its first annual extension option under this contract, extending the commitment period by one year beyond the original expiration date of February 28, 2025:

Outline of the commitment line contract after exercising the extension option

(1) Recipient of the contract	The Chiba Bank, Ltd.
(2) Contract type	Commitment line contract in relative form
(3) Maximum amount of loan	¥5,000 million ($33,440 thousand)
(4) Commitment term	From March 1, 2024 to February 27, 2026 (2 extension options per year)
(5) Collateral availability	Unsecured and unguaranteed
(6) Purpose of using funds	Working capital
(7) Financial covenants	The total equity on the Company's balance sheet and the Group's consolidated balance sheet after March 31, 2024, must remain at least 75% of the total equity on the Company's balance sheet and the Group's consolidated balance sheet as of March 31, 2023.

22. SUBSEQUENT EVENT

a. Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2025, was approved at the Company's shareholders' meeting held on June 27, 2025:

	Millions of Japanese Yen	Thousands of U.S. Dollars
Cash dividends, ¥10 ($0.067) per share	¥424	$2,837

b. Transfer of Fixed Assets

At the Board of Directors’ meeting held on April 2, 2025, approval was granted to transfer the following fixed assets owned by Futaba Corporation of America (“FCA”), a consolidated subsidiary of the Company. Subsequently, a real estate sales contract was executed on April 3, 2025, and in accordance with the terms of the contract, the fixed assets were transferred as of May 3, 2025.

(1) *Reason for transfer*

As part of management streamlining efforts, FCA consolidated its two manufacturing facilities in Alabama, U.S.A., into a single facility. As a result of this consolidation, the Company decided to transfer the fixed assets that were no longer required for operations.

(2) *Details of the assets transferred*

Detail	Land and Building (Futaba Corporation of America Huntsville Factory 1)
Location	101 Electronics Blvd, Huntsville, Alabama, 35824, U.S.A.
Area	Land:16,834㎡ Building:4,180㎡
Transfer price	$3,850 thousand (Approx. ¥575 million)
Carrying amount	$567 thousand (Approx. ¥84 million)
Current status	Land and Building

(3) *Outline of the transferee*

Name of transferee Systems Products and Solutions, Inc.

(4) *Schedule of the transfer*

Date of resolution at the Board of Directors' meeting	April 2, 2025
Date of contract	April 3, 2025
Date of transfer	May 3, 2025

(5) *Future outlook*

As a result of the transfer of the fixed assets, the Company expects to record a gain on the sale of fixed assets of approximately ¥490 million ($3,283 thousand) in the consolidated financial results for the first quarter of the fiscal year ending March 31, 2026.

23. RELATED PARTY DISCLOSURES

Corporate pension for employees, and others

Transactions of the Company with related parties for the years ended March 31, 2025 was as follows:

Type:	Corporate pension
Name of related parties or person:	Retirement benefit trust
Detail of relationship:	Plan assets under retirement benefit trust
Detail of transaction:	Refund of assets
Transaction amount:	¥360 millions of Japanese yen ($2,411 thousand)

24. SEGMENT INFORMATION

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

(1) *Description of Reportable Segments*

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

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

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

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

2025	Reportable Segment: Electronic Systems	Reportable Segment: Machinery and Tooling	Reportable Segment: Total	Reconcil-iations	Consol-idated
	Millions of Japanese Yen				
Sales:					
Japan	¥ 8,312	¥13,238	¥ 21,550		¥ 21,550
America	4,507	68	4,575		4,575
Europe	1,775	2	1,777		1,777
Asia and others	2,860	17,336	20,196		20,196
Revenue from contracts of customers	17,454	30,644	48,098		48,098
Revenue from others	19		19		19
Sales to external customers	17,473	30,644	48,117		48,117
Intersegment sales or transfers	19	1	20	¥ (20)	
Total	¥17,492	¥30,645	¥ 48,137	¥ (20)	¥ 48,117
Segment loss	¥ (921)	¥ (371)	¥ (1,292)	¥ (0)	¥ (1,292)
Segment assets	51,375	49,717	101,092	(1)	101,091
Other:					
Depreciation	348	718	1,066		1,066
Impairment losses of assets	160	127	287	35	322
Increase in property, plant and equipment and intangible assets	540	680	1,220		1,220

2024	Reportable Segment: Electronic Systems	Reportable Segment: Machinery and Tooling	Reportable Segment: Total	Reconcil-iations	Consol-idated
	Millions of Japanese Yen				
Sales:					
Japan	¥10,818	¥13,335	¥24,153		¥ 24,153
America	7,043	124	7,167		7,167
Europe	943		943		943
Asia and others	5,991	18,088	24,079		24,079
Revenue from contracts of customers	24,795	31,547	56,342		56,342
Revenue from others	18		18		18
Sales to external customers	24,813	31,547	56,360		56,360
Intersegment sales or transfers	11	3	14	¥ (14)	
Total	¥24,824	¥31,550	¥56,374	¥ (14)	¥ 56,360
Segment loss	¥ (989)	¥ (153)	¥ (1,142)	¥ (0)	¥ (1,142)
Segment assets	53,746	50,518	104,264	(1)	104,263
Other:					
Depreciation	398	860	1,258		1,258
Impairment losses of assets	95	657	752	305	1,057
Increase in property, plant and equipment and intangible assets	460	981	1,441		1,441

2025	Reportable Segment: Electronic Systems	Reportable Segment: Machinery and Tooling	Reportable Segment: Total	Reconcil-iations	Consol-idated
	Thousands of U.S. Dollars				
Sales:					
Japan	$ 55,593	$ 88,533	$ 144,126		$ 144,126
America	30,146	456	30,602		30,602
Europe	11,868	16	11,884		11,884
Asia and others	19,128	115,945	135,073		135,073
Revenue from contracts of customers	116,735	204,950	321,685		321,685
Revenue from others	124		124		124
Sales to external customers	116,859	204,950	321,809		321,809
Intersegment sales or transfers	125	10	135	$ (135)	
Total	$ 116,984	$ 204,960	$ 321,944	$ (135)	$ 321,809
Segment loss	$ (6,157)	$ (2,483)	$ (8,640)	$ (2)	$ (8,642)
Segment assets	343,600	332,506	676,106	(3)	676,103
Other:					
Depreciation	2,330	4,801	7,131		7,131
Impairment losses of assets	1,070	845	1,915	235	2,150
Increase in property, plant and equipment and intangible assets	3,610	4,551	8,161		8,161

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

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

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

a. Sales

2025

Millions of Japanese Yen				
Japan	America	Europe	Asia and Others	Total
¥21,569	¥4,575	¥1,777	¥20,196	¥48,117

2024

Millions of Japanese Yen				
Japan	America	Europe	Asia and Others	Total
¥24,171	¥7,167	¥ 943	¥24,079	¥56,360

2025

Thousands of U.S. Dollars				
Japan	America	Europe	Asia and Others	Total
$ 144,250	$ 30,602	$11,884	$ 135,073	$ 321,809

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

Sales to South Korea out of sales to Asia and others for the years ended March 31, 2025 and 2024, were ¥13,653 million ($91,312 thousand) and ¥14,671 million, respectively.

b. *Property, plant and equipment*

2025

Millions of Japanese Yen				
Japan	America	Europe	Asia	Total
¥2,730	¥585	¥0	¥13,430	¥16,745

2024

Millions of Japanese Yen				
Japan	America	Europe	Asia	Total
¥2,886	¥593	¥0	¥14,926	¥18,405

2025

Thousands of U.S. Dollars				
Japan	America	Europe	Asia	Total
$18,263	$3,910	$0	$89,823	$111,996

Plant and equipment located in South Korea out of property, plant and equipment located in Asia for the years ended March 31, 2025 and 2024, were ¥10,601 million ($70,899 thousand) and ¥11,803 million, respectively.

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

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

(**7**) ***Information about Impairment Losses***

2025

	Millions of Japanese Yen			
	Electronic Systems	Machinery and Tooling	Elimination/ Corporate	Total
Impairment losses of assets	¥ 160	¥ 127	¥ 35	¥ 322

2024

	Millions of Japanese Yen			
	Electronic Systems	Machinery and Tooling	Elimination/ Corporate	Total
Impairment losses of assets	¥ 95	¥ 657	¥ 305	¥ 1,057

2025

	Thousands of U.S. Dollars			
	Electronic Systems	Machinery and Tooling	Elimination/ Corporate	Total
Impairment losses of assets	$ 1,070	$ 845	$ 235	$ 2,150

(8) ***Information about Amortization of Goodwill***

2025

There is no amortization of goodwill for the year ended March 31, 2025.

2024

	Millions of Japanese Yen			
	Electronic Systems	Machinery and Tooling	Elimination/ Corporate	Total
Amortization of goodwill	¥ 13			¥ 13
Goodwill at March 31, 2024				

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Board of Directors

As of 27 June, 2025

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

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