Note: **This document is an excerpt translation of the Annual Securities report (The 75th Fiscal Year from April 1, 2024 to March 31, 2025), which was originally prepared in Japanese. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.**

Securities Report

FROM APRIL 1, 2024
TO MARCH 31, 2025

Hosiden Corporation

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I. [Business Overview]
1 [Management policy]

Hosiden Corporation's (the "Company") approach to management policy, business environment and issues to be addressed are as follows. Note that matters related to future developments mentioned in this section are judgments of the Company Group (the "Group") that were made as of the end of the fiscal year under review.

(1) Basic policy on corporate management

The Company has contributed to the development of the electronics market by timely supplying high-quality and sought-after products, which are backed by advanced technology and a complete quality management system, to the market at all times as an electronic component manufacturer.

Moving forward, while the electronics market demands technologies and products that are more sophisticated and have greater functionality with the rapid evolution of AI technology and advanced driver-assistance system (ADAS) technology and the spread of the Internet of Everything (IoE: everything is connected to the Internet), the Company will support customers' corporate strategies with its unique advanced technology and contribute to the development of the global electronics markets.

In terms of its environmental activities, the Company promotes earth-friendly activities, and will take measures to reduce the environmental burden, including acquiring ISO 14001 certification, reducing product energy consumption and size, and promoting the reduction and total abolition of environmentally controlled substances for its products. Furthermore, the Company recognizes addressing carbon neutrality as a corporate responsibility, and will proactively make efforts in this area and promote appropriate information disclosure.

(2) Medium- to long-term corporate management strategy

The electronics industry, to which the Company belongs, is rapidly changing due to a dizzying pace of technological innovations such as digitalization and networking, and even more promising products and technologies are created one after another there. The smartphone, tablet device and Internet-related devices are expected to witness the progress of high-speed communications and advanced features with an eye to 6G, and grow further while combined with traditional consumer electronics/AV and gaming markets, and are expected to come into wider use rapidly. In the automotive-related business, CASE (Connected, Autonomous, Sharing, and Electricity) and ADAS are entering a period of diffusion and expansion, and thus the circle (type and quantity) of electronic components and devices used is expanding as onboard electronic devices become more sophisticated. In addition, the growth of markets for medical/health/cosmetics-related devices and electronic devices for nursing care and frailty countermeasures due to the increase in the number of elderly people and the expansion of markets related to IoE for improving productivity, mainly in industrial devices, are also fully expected, and thus significant growth is anticipated for the electronic component industry as a whole.

Amid such trends, the Company will make efforts to ensure and expand net sales and profits on a consolidated basis and enhance corporate value by offering extensive product lineups, technological capabilities that cater to diverse customer needs, fine-tuned services centered on customer satisfaction, etc. as an electronic component manufacturer.

Regarding technology aspect, we are continuing to take action to achieve our medium-term (three-year) technology plan, which aims to strengthen the technology and research and development systems of the Company and the Group. We are taking stock of past technologies and reconstructing the strengths of its own products (devices), which is yielding results such as increased development speed and efficiency. The Company will seek to strongly develop its unique technological products that cater to market needs, including new module products and sensor units for IoE. Specifically, the Company will achieve this by advancing its core technologies including electro-mechanical design technology, high-frequency design technology, acoustic design technology, optical design technology, circuit design technology, metal mold design technology, simulation technology, analytical technology, software development, EMC measure design technology, sensor development, and application technology. IoE products, in particular, are becoming more widely used as factory DX tools, and needs are increasing for these devices, which are indispensable for solving social issues such as the aging population with a low birthrate, labor shortage, and soaring labor costs. In addition, we are planning to launch a line of products that will help protect lifelines and transportation infrastructure, thereby contributing to society from the standpoint of a comprehensive electronic component manufacturer.

In terms of production, the Company will proceed with automation and labor-saving, including the utilization of industrial robots, with a sense of speed and will work to reduce costs and stabilize quality.

ESG management and contributions to the SDGs are global trends that companies and society are striving to achieve, and we will also continue to proactively work toward these goals.

(3) Business environment

The business environment surrounding the electronic component industry, to which the Group belongs, shows a steady growth of the automotive-related demand backed by further advancing electrification, due to environmental measures and wide use of ADAS, etc. Wearable devices and AI devices are expected to drive electronic component demand significantly. Moreover, infrastructure demand that aims to achieve higher speed and larger capacity in line with the development of the cloud environment, as well as the environment, power-saving and new energy-related markets, are also expected to create new component demand.

(4) Issues to be addressed.

As for the Group, it will consider bolstering and newly establishing production bases in the ASEAN countries in terms of production. The Company will also further increase efficiency and speed of overall management, promote mechanization, automation, and labor-saving to further enhance quality and cost competitiveness, enhance financial results, bolster its profitability structure.

In addition, the group will enhance and bolster compliance system, corporate social responsibility (CSR) system, internal control system, information security management system, risk management system, etc. toward the enhancement of corporate value. To this end, the Company has established the Sustainability Supervisory Committee, and will promote concrete initiatives and make efforts for appropriate information disclosure.

In terms of quality, the Group has acquired ISO 9001 certification in all its production bases. Especially in its production bases for the automotive-related business, the Group acquired IATF 16949 certification and will make efforts to enhance and stabilize its quality.

As for environmental initiatives, the Group will, as a whole, promote the following: acquiring ISO 14001 certification at all its production bases; earth-friendly product design and production activities; environmentally controlled substance measures through green procurement, the RoHS Directive, the REACH regulations, etc.; and the initiatives to reduce the environmental burden including resource conservation/power-saving activities, reduction in wastes and recycling. Accordingly, the Group will pay attention to the environment across all of its business activities and continue to improve its environmental management system proactively.

Furthermore, toward the achievement of carbon neutrality, the Company will promote concrete initiatives and make efforts for appropriate information disclosure.

As for achieving management mindful of cost of capital and stock prices, the Company will regard the difference between the ROE and the cost of equity as equity spread and drive creation of corporate value. While companies are generally expected to achieve an ROE of approximately 8%, the Company’s ROE exceeded 8%. The Company considers that the reason that its PBR is yet to achieve 1 regardless of its greater than expected ROE is that its efforts for lowering the cost of equity are not sufficient. The Company disclosed “Notice on Initiatives for Achieving PBR of 1” on May 12, 2023 and expressed that, in addition to various measures such as measures for shareholder returns, it will strengthen and improve IR to promote dialogue with investors. After further consideration, the Company has been taking the following measures other than the above:

- Making available to the public on the Company’s website details of financial results briefings for analysts, messages from the president and Q&A summary
- Disclosing the Company’s medium-term management plan on the integrated report
- Building trusting relationship with shareholders and investors by proactively implementing business improvement, which is inspired by constructive dialogues with shareholders and investors
- Disclosing securities reports in English (excerpts)

The Company will further strengthen its IR.

(5) Objective indicators to measure the status of achievement of management goals

The Company has set net sales and operating profit as its management goals, and the results of the fiscal year under review are stated in “4 Management’s analysis of financial position, operating results and cash flows (2) Analysis and discussions of operating results from the viewpoint of management.”

2 [The Company’s Approach to Sustainability and Its Initiatives]

The Company’s approach to sustainability and its initiatives are as follows.

Note that matters related to future developments mentioned in this section are judgments of the Group that were made as of the end of the fiscal year under review.

(1) Governance and risk management regarding sustainability in all its aspects

The Group aims for sustainable social development as well as ongoing value creation and competitive enhancement of the Group. The Sustainability Supervisory Committee, which is headed by the President and CEO, oversees and supervises the Global Warming Control Committee, the CSR Committee and the Risk Management Committee, and share the information among the three subordinate committees. The Global Warming Control Committee oversees the Company’s overall strategy on climate change, formulates basic policies and medium- to long-term plans, and proposes or reports them to the President and CEO, who is the person in charge, from the chairman. The CSR Committee oversees the Company’s overall strategies on “fair trade and business ethics,” “human rights and labor conditions,” “operational health and safety,” “environmental protection,” etc., formulates basic policies and medium- to long-term plans and proposes or reports them to the President and CEO. The Risk Management Committee continuously monitors whether the risk management system is functioning effectively and reports it to the President and CEO. The President and CEO receives reports from each of these committees and, if necessary, reports to the Board of Directors.

In the risk management, the Company defines risk as factors that may hinder the Group from achieving its business objectives. The Group’s basic policy for risk management is to minimize the damage that can be caused to the Group if risks materialize, and to prevent any significant adverse impact on its customers, business partners, employees, surrounding areas, and other stakeholders related to the Group. Identified risks are appropriately classified and evaluated based on impact on the business and occurrence frequency, and countermeasures are considered and implemented according to the magnitude of their importance. Additionally, regarding opportunities, the Group identify and recognize opportunities in contrast to the risks mentioned above, and we evaluate their significance based on the impact on the business and their frequency of occurrence. The Group also consider and implement countermeasures according to the significance of the opportunities.

(2) Key sustainability items

The following are the key sustainability items of the Group identified through the governance and risk management mentioned above:

- Climate change

  The Company upholds earth-friendly business activities as part of its management policy, and takes measures to reduce the environmental burden, including acquiring ISO 14001 certification, reducing product energy consumption and size, and promoting the reduction and total abolition of environmentally controlled substances for its products. The Company recognizes that climate change caused by the environmental burden has a significant effect on its business continuity, and has identified climate change as one of the key sustainability items.

- Human capital

  As part of its medium- to long-term corporate management strategy, the Company is engaged in the development of IoE products, which serve as essential devices for addressing social challenges such as an aging population with a declining birthrate, labor shortages, and rising labor costs. Amid a shortage of human resources, the Company recognizes that human resources development, including securing the diversity of human resources, has a significant effect on its business continuity, and has identified human capital as one of the key sustainability items.

The Group’s approach to and initiatives for sustainability regarding each item are as follows.

(I) Climate change

The Company’s governance, risk management, strategy, and metrics and targets concerning climate change-related risks and opportunities are as follows.

Climate change-related risks and opportunities	(i) Governance	(ii) Risk management	(iii) Strategy	(iv) Metrics and targets
There is a risk of increased costs due to the implementation of carbon pricing, which stems from the acceleration of decarbonization.	In response to the risks and opportunities associated with climate change, the Global Warming Control Committee, which is chaired by the President and CEO, advances the development of basic policies, medium- to long-term plans, and disclosures in line with the TCFD, while reporting to the Board of Directors as needed. The Global Warming Control Committee is chaired by the Executive Officer responsible for climate-related issues and is composed of the heads of the Production Management Division, Management Planning Division, Environmental Management Division, Technology Management Division, and General Affairs Division. The Committee oversees the Company's overall strategy on climate change and considers the setting of greenhouse gas emission reduction targets and the introduction of renewable energy. Matters discussed by the Global Warming Control Committee are reported to the President and CEO, and to the Board of Directors as needed. Matters requiring resolutions of the Board of Directors are decided with the approval of the Board	In the risk management, the Company defines risk as factors that may hinder the Company and affiliates from achieving its business objectives. The Group's basic policy for risk management is to prevent any significant adverse impact on its customers, business partners, employees, surrounding areas, and other stakeholders related to the Group, if risks materialize. The climate change-related risks are identified, evaluated and managed by the Global Warming Control Committee and the Risk Management Committee. Identified risks are appropriately classified and evaluated based on impact on the business and occurrence frequency, and countermeasures are considered and implemented according to the magnitude of their importance. The Risk Management Committee continuously monitors whether the risk management system is functioning effectively, and makes proposals and reports to the President and CEO. The President and CEO receives reports from each of the committees and reports to the Board of Directors as necessary. The Board of Directors confirms and considers the reports, which works as a supervisory function.	In addition to keeping an eye on regulatory trends of relevant countries, the Company promotes decarbonization in the production phase through means, such as energy conservation, renewable energy procurement and adopting renewable energy facilities.	CO_2 emission reduction (Medium-term target) Reduction of 20% per unit by the end of FY2025, compared to FY2013 (Long-term target) The Company will endeavor to reduce about 46% from FY2013 levels by the end of FY2030.
There is a risk of decrease in orders received if the Company fails to respond to product decarbonization (such as decarbonization in production processes and designing and development of low-carbon products).			The Company implements energy-efficient facilities within its production processes and promotes process optimization. The Company will also promote the use of low-carbon materials in product design and pursue reductions in size and energy consumption.	
Failure to meet customer expectations regarding decarbonization may result in a decline in orders received, while cost-reduction demands pose a risk of decreased profitability.			The Company has established decarbonization targets that align with market demand and is actively working to achieve them. In March 2025, the Company committed to the Science Based Targets (SBT) and will advance more ambitious decarbonization efforts. To address specific customer needs, the Company will explore response strategies, including carbon offset initiatives utilizing green certification.	
Insufficient environmental initiatives by the Company may lead to a decline in customer evaluations and a reduction in orders. A lower valuation by investors may result in a decline in the			The Company will intensify its decarbonization efforts in pursuit of certification under the Science Based Targets (SBT). Furthermore,	

Company’s share price.	of Directors.		the Company will strive to enhance its ratings from external evaluation agencies, such as the CDP Corporate Questionnaire, in an effort to strengthen its corporate image.	
Global warming-related hazards, such as wind damage, flooding, and drought, pose risks of reduced production and potential operational shutdowns.			In preparation for acute natural disasters, the Company has placed business continuity measures such as cooperation within the Group that enables transfer of production and private power generation facilities.	
Rising summer temperatures—driven by extreme heat and heat waves—may lead to increased air conditioning usage, posing a risk of higher operational costs.			During the installation of new facilities and the renewal of existing ones, the Company transitions from fossil fuels to renewable energy sources and energy-saving facilities.	
Opportunities for increase in orders and new order acquisition arise through fulfilling customer needs.			By strengthening the decarbonization efforts, the Company will contribute to the reduction of its customers’ Scope 3 emissions. The purpose of obtaining the SBT certificates is to strengthen the decarbonization efforts.	
An increase in the Company’s share price, driven by improved corporate valuation, creates opportunities to expand business investments.			The Company proactively communicates its decarbonization initiatives through announcements and disclosures, aiming to foster deeper understanding among customers and investors.	

(Notes) Assumptions used for calculations of the metrics are as follows.

Calculation methods of CO_2 equivalent

Scope 1

- For both domestic and overseas operations, the Company uses the latest version of the “List of Calculation Methods and Emission Factors” published by the Ministry of the Environment.

Scope 2 (Market-based calculation)

- Domestic: Emission factors “adjusted for each electric operator” in the “List of Emission Factors by Operators of Electric

Utilities" released by the Ministry of Environment are used for calculation.

- Overseas: If the emission factors for contracted power are available from the operators of electric utilities from which electricity is purchased, those emission factors are used. If unable to obtain emission factors, the emission factors by country released by IEA are used.

For the Company's initiatives for climate change, please refer to "Environment" in HOSIDEN REPORT 2025, which published on the Company's website at the end of July 2025.

(ii) Human capital

a) Governance and risk management

With regard to "human rights and labor conditions," the Group Code of Conduct for Corporate Social Responsibility (CSR) has been formulated and made it known across the Group. With regard to "diversity of human resources" and "human resources development," the Human Resources Development Committee, headed by the General Manager of Human Resources Department, formulates basic policies, drafts medium- to long-term plans, and makes proposals and reports on matters to be discussed to the President and CEO. In relation to office environment development, the Operational Health and Safety Committee formulates hazard prevention measures and employee health enhancement initiatives across the Company, and reports relevant proposals and findings to the President and CEO. The President and CEO receives reports from each of the committees and reports to the Board of Directors as necessary. The Board of Directors confirms and considers the reports, which works as a supervisory function. In addition, matters that may hinder achievement of the Group's business objectives are reported to the Risk Management Committee for deliberation.

b)Strategy

〇Human Rights and Labor Conditions

The Group respects the human rights of all persons including external stakeholders and labor rights of its employees. The specific policy is as follows.

・We employ all employees at their own free will and do not force them to work. In addition, we do not employ any child laborers under the minimum working age.

・We respect the dignity and rights of all people and do not discriminate on the basis of race, ethnicity, nationality, gender, religion, etc. or engage in inhumane acts such as abuse or harassment.

・We guarantee the legal minimum wage in the country where the Company is located, and properly manage the number of working days, hours, and holidays of employees in order to comply with working hours stipulated by laws and regulations.

・We respect the rights of workers to join labor unions and bargain collectively in accordance with laws and regulations

〇Diversity of Human Resources

The Group respect the individuality of our diverse workforce and strive to create a work environment in which all employees can thrive. The specific policy is as follows.

・We create an environment which female employees can be active.

・We active hire foreigners.

・We create an environment which senior employees can be active.

〇Human Resource Development

In order to realize our management philosophy, the Group aim to develop "strong employees" who are independent, self-reliant, and self-responsible, and can contribute to the Company's management and business performance. To this end, we have divided our education system into the following categories according to purpose in our efforts to develop human resources. The specific policy is as follows.

・Rank-based education: We are working to foster the knowledge, skills, and mindset required by each intake year and position.

・Function-specific training: We encourage employees to improve their level of logical thinking, presentation, and other skills essential to becoming "strong employees."

・Global human resources education: We foster a global mindset and provide language education with a view to future success overseas.

・Support for participation in external education: To help employees acquire the specialized knowledge and skills required for their work and to promote their self-development, we partially cover the course fees and support participation in external seminars and correspondence courses

〇Improvement of the internal environment

In addition to complying with laws and regulations related to health and safety, we will undertake efforts to create an internal environment where employees can work in good physical and mental health and safety.

The specific policy is as follows.

・We implement safety and health patrols and risk assessments to identify and improve hazardous and unsanitary areas within the Company.

・We make recommendations for use of health guidance in cooperation with health insurance associations.

・We establish working hour management using PC log records, setting up simultaneous leaving times and no-overtime days to curb long working hours.

・We make internal announcements in accordance with the time of year, such as winter driving precautions, influenza prevention, and heat stroke precautions.

・We have a system in place to help employees and their families stay healthy, such as subsidizing the cost of complete physical checkups taken by dependent spouses.

c) Metrics and targets

The metrics and targets for the above policy are as follows.

o Human rights and labor conditions

Policy	Guidance	Target	Result
The Company ensures that all employees are hired voluntarily and prohibit the use of forced labor. The Company does not employ any children below the minimum working age.	Number of forced laborers and child laborers in employment	None	None
The Company respects the dignity and rights of all individuals and strictly prohibits discrimination on the basis of race, ethnicity, nationality, gender, religion, or any other grounds. Nor does the Company conduct any forms of inhumane treatment including abuse or harassment.	Inhumane treatment	None	One power harassment case Recurrence preventive measures have been taken.
The Company ensures proper management of employee working days, working hours, and holidays in accordance with applicable laws and regulations. It also guarantees statutory minimum wages in all countries where it operates.	Violation of laws and regulations	None	None
The Company respects labor rights, including the freedom to join workers' associations and engage in collective bargaining, in accordance with applicable laws and regulations.	Violation of laws and regulations	None	None

o Diversity of human resources

The Company creates an Easy-to-work environment in which female employees can be active.	Percentage of female in the total new college graduates (NCGs) hired by the Company	10%	5% of the total NCGs who joined the Company in April 2025
The Company actively recruits foreign nationals.	Percentage of foreign nationals in the total NCGs hired by the Company	A few people	Two foreign nationals (NCGs) joined the Company in April 2025.
The Company creates an environment in which senior employees play an active role.	Senior employment system	Introduction of the system–proper application of the system	Introduced in April 2025

(Note) The initiatives taken under the above metrics are not implemented in all consolidated Group companies; therefore, the target and result reflect the figures of the Company.

o Human resources development

Policy	Guidance	Target	Result
Hierarchical training is conducted to cultivate the knowledge, skills, and mindsets required according to employees' years of service and job grade.	Satisfactory rating by employees who took hierarchical training (on a scale of 1–5, 5 being the highest)	4.0	3.8
Functional training programs are designed to enhance essential skills required to become a high-performing employee, such as logical thinking and effective presentation capabilities.	Satisfactory rating by employees who took functional training (on a scale of 1–5, 5 being the highest)	4.0	4.1
Training programs for globally competitive talent are designed to foster a global mindset and provide language education to employees who aspire to take active roles in overseas operations in the future.	Satisfactory rating by employees who took training programs for globally competitive talent (on a scale of 1–5, 5 being the highest)	4.0	4.0
The Company provides support for external training by subsidizing part of the fees for seminars and distance learning programs, enabling employees to acquire job-related expertise and skills and advance their personal development.	Distance learning completion rate	70%	80%

(Note) The initiatives taken under the above metrics are not implemented in all consolidated Group companies; therefore, the target and result reflect the figures of the Company.

o Development of office environment

Policy	Guidance	Target	Result
The Company identifies unsafe and unhealthy conditions in its offices and implements improvements through operational health and safety patrols and risk assessments.	Number of work-related accidents within the Company	None	None
The Company encourages employees to receive health guidance in collaboration with the health insurance association.	Percentage of employees who actually received specific healthcare guidance among those eligible.	45.0%	26.8%
The Company manages employee working hours by utilizing PC log data and designates “on-time leaving days” and “no-overtime days” to help reduce excessive working hours.	Monthly average overtime hours per employee	8.0 hours	9.4 hours
The Company issues timely announcements on topics such as safe driving reminders, flu prevention during winter, and heatstroke alerts, thereby promoting employee safety and health awareness across the organization.	Internal notification for company-wide communication	4 times	5 times
To promote the health of employees and their family members, the Company will increase participation in comprehensive medical examinations by subsidizing fees for dependent spouses.	Percentage of dependent spouses who took comprehensive medical examinations	70.0%	70.4%

(Note) The initiatives taken under the above metrics are not implemented in all consolidated Group companies; therefore, the target and result reflect the figures of the Company.

For the Company’s initiatives for human capital, please refer to “Social” in HOSIDEN REPORT 2025 disclosed on the Company’s website in the end of July 2025.

3 [Business and Other Risks]

Among the matters related to the business condition, financial information, etc. described in this Securities Report, the significant risks which the management recognizes as potentially affecting financial conditions, operating results and cashflows of the consolidated companies are as follows.

Any forward-looking statements included in this section are based on the judgement of the Group as of the filing date of the Securities Report.

(1) Economic factors

Since most of the products made by the Group are components installed in final products manufactured by assembly manufactures, the business of the Group may be adversely affected by scaling back on production by such assembly manufactures due to recessions in major markets including Japan, Asia, the U.S. and Europe.

(2) Foreign exchange rate fluctuations

The Group operates its businesses in many parts of the world and thus is influenced by foreign exchange rate fluctuations. A majority of net sales in overseas and domestic markets are denominated in foreign currencies. Items denominated in local currencies including sales, expenses, assets and liabilities in different regions are converted to yen to create consolidated financial statements; therefore, the value after conversion to yen may be affected by the foreign exchange rates at the time of conversion.

As a countermeasure for this, the Group works to match the currency in which it sells goods to its customers with the currency in which it produces and purchases goods. In addition, the Group enters into forward exchange contracts as necessary.

(3) Price competitions

The competition in the electronics industry, to which the Group belongs, is fierce, and the Group is expected to face intensified competitions in product markets and regional markets. Some of the competitors of the Group may have better resources for research and development, manufacturing and sales than the Group. Downward pressures on prices are expected to increase in major markets of the Group, and the price competition may adversely affect the financial results of the Group.

(4) Price fluctuations and supply conditions of raw materials

Products produced by the Company use various kinds of metals and petrochemical products as raw materials. Surges in raw material prices and aggravation of supply conditions may have significant impact on production and costs of the Group. Price increases of raw materials have been continuing to this date, affecting the financial results of the fiscal year under review. They may also affect the financial results of the fiscal year ending March 31, 2026.

(5) Logistics-related risks

For production and sales of the Company's products, raw materials and components must be delivered from suppliers to the Company, and the Company's products must be delivered to customers. There are risks due to sluggish logistics and surging costs associated with these activities. In the fiscal year under review, shipping delays, global shortages of containers and increases in transportation costs impacted the financial results of the fiscal year under review. They may also affect the financial results of the fiscal year ending March 31, 2026.

(6) Technological innovations and demand trends

Markets related to the businesses of the Group are influenced by rapid technological innovations and changes in demand associated with them. Due to frequent technological innovations in the industry, existing products of the Group may become obsolete in a relatively short period of time. If the Group cannot fully predict the changes of the industry and markets and cannot develop appealing new products, the Group's financial results may be adversely affected. Moreover, since 57.4% of the Group's net sales are from Nintendo Co., Ltd., the trend of orders placed by Nintendo and the trend of demand for amusement (game) devices may influence the Group's financial results.

(7) Overseas business-related risks

A substantial part of the Group's production and sales activities takes place outside Japan, for example, in Asia, the U.S. and Europe. The overseas businesses in these regions are susceptible to various uncertainties, in particular, the risks below:

(i) Unfavorable political or economic factors
(ii) Unexpected legal or regulatory changes
(iii) Hinderance to securing human resources
(iv) Impact of potentially unfavorable tax increases
(v) Social turmoil due to war, terrorism, epidemics, earthquakes, disasters, riots and other factors

The Group sells products in the United States. In the future, if the U.S. government changes its trade policy, particularly by raising tariff or strengthening import restrictions, the exports costs to the United States may increase. This may lead to a decrease in the price competitiveness of our products and could negatively impact our sales and profits.

The situation in Russia and Ukraine does not directly affect the Group at this time, but shutdowns at customer plants due to disruptions in the supply chain could result in a decline in demand. This impacted the financial results of the Company. Social disruptions like these could happen in any other country in the future.

(8) Cyber attacks

The Group has confidential information of its customers obtained through business activities as well as that of its own. In case the Group is hit by a cyber attack (cyber attacks have become increasingly diverse and sophisticated in recent years), its important data may be destroyed, falsified or leaked, which could significantly affect the business continuity of the Group.

As countermeasures for these, the Group has enhanced its post-detection response by adopting a system to detect, analyze and report cyber attacks, as well as by reinforcing security of the entry points of the attacks. Furthermore, the Group trains and educates its employees through formulating rules on how to handle important information.

(9) Dilution of equity

The Group issued convertible bonds with share acquisition rights on December 19, 2024. If the share acquisition rights are exercised, the value per share of the Company will be diluted according to the percentage of bonds that are converted to stocks. This could affect the share prices of the Company.

(10) Epidemic-related risks

The WHO has stated that the public health emergency of international concern (PHEIC) regarding COVID-19 has ended and it has become a general infection prevention response. However, there are still concerns about the emergence of pandemics caused by newly emerging or re-emerging infectious diseases. If a pandemic occurs, it could impact customer demand and the continuation of production within the Group and supply chain due to a cluster infections or lockdowns.

(11) Risks related to tightening of environment-related regulations

Carbon neutrality, contribution to achieving SDGs and ESG management are goals expected not only by investors but also by customers. A delay in the Group’s efforts for carbon neutrality in particular will expose the Group to a risk of a decrease in orders placed by customers. Although the burden of expenses could increase as a result of tackling these issues, the Group will take measures to meet the requests of its investors and customers by proactively taking environmental measures.

(12) Risks associated with the aging society with low birthrate

The Japanese society has been aging with dwindling birthrates, and there is a risk of being unable to obtain human resources as planned. To grapple with the problem, the Company will promote work style reforms including reduction of overtime work hours and strengthen mid-career recruitment as well as new graduate recruitment to secure talented human resources.

4 [Management’s Analysis of Financial Position, Operating Results and Cash Flows]

Note that matters related to future developments mentioned in this section are judgments that were made as of the last day of the fiscal year under review.

(1) Overview of operating results, etc.

(i) Overview of operating results during the fiscal year ended March 31, 2025

During the fiscal year ended March 31, 2025 (from April 2024 to March 2025), the U.S. economy showed solid growth driven mainly by consumer spending, while Europe saw moderate growth supported by the recovery of consumer spending reflecting a decline in inflation rate. Meanwhile, in China, the growth of personal consumption slowed due to the real estate downturn. Japan’s economy temporarily stagnated but is maintaining a recovery on the back of the improvement in personal consumption. Further, the Russia-Ukraine conflict and tensions in the Middle East are adding elements of uncertainty to the global economy, while in the latter half of the fiscal year, concerns grew over an economic downturn worldwide including the U.S. due to the country’s massive tariff increase plan.

In the electronics components industry to which the Group belongs, many automobile manufacturers in the automotive-related market have not achieved their sales plans, but sales are increasing slightly. In the mobile communications-related market, sales are in a recovery trend although a full recovery has not been made.

Under such circumstances, the Group recorded an increase in net sales as a whole due to the increases in the net sales of the amusement-related business, mobile communications-related business, and the automotive-related business.

With regard to profits, operating profit increased as sales grew and profitability of the mobile communications-related business improved, although the profit contribution from the weaker yen was not as much as it was a year ago. The foreign exchange gain came to 45 million yen, compared with 4,214 million yen a year ago, and both ordinary profit and profit attributable to owners of parent declined.

As a result, during the fiscal year under review, the Group posted consolidated net sales of 247,571 million yen (up 13.1% year on year), operating profit of 13,573 million yen (up 5.0% year on year), ordinary profit of 14,776 million yen (down 18.6% year on year) with foreign exchange gains of 45 million yen due to foreign exchange fluctuations, and profit attributable to owners of parent of 10,037 million yen (down 13.7% year on year).

The net sales and segment profit or loss for the reportable segments are as follows:

Net sales for the electro-mechanical components segment were 214,651 million yen (up 16.1% year on year) due to increases in the amusement-related and mobile communications-related businesses, and the segment profit was 10,781 million yen (up 15.8% year on year).

Net sales for the acoustic components segment were 20,997 million yen (up 4.0% year on year) due to increases in the automotive-related business, and the segment profit was 1,851 million yen (up 20.8% year on year).

Net sales for the display components segment were 2,201 million yen (down 11.3% year on year) due to a decrease in the automotive-related business, and the segment loss was 270 million yen (segment loss of 431 million yen for the previous fiscal year).

Net sales for the applied equipment and other segment were 9,721 million yen (down 14.5% year on year) due to a decrease in the health device-related business, and the segment profit was 1,210 million yen (down 51.8% year on year).

(ii) Overview of financial position for the fiscal year ended March 31, 2025

At the end of the fiscal year under review, total assets increased 25,271 million yen from the end of the previous fiscal year to 200,279 million yen mainly due to increases in trade receivables and inventories despite decreases in cash and deposits and securities. Total liabilities increased 19,825 million yen from the end of the previous fiscal year to 59,962 million yen mainly due to an increase in trade payables while income taxes payable decreased.

Net assets increased 5,446million yen from the end of the previous fiscal year to 140,317 million yen mainly due to an increase in retained earnings, resulting in an equity-to-asset ratio of 70.1%.

(iii) Overview of cash flows for the fiscal year ended March 31, 2024

At the end of the fiscal year under review, cash and cash equivalents (the “net cash”) decreased 29,892 million yen from the end of the previous fiscal year to 46,769 million yen (an increase of 10,644 million yen in the previous fiscal year).

The status of respective cash flows during the fiscal year under review and their factors are as follows:

Cash flows from operating activities

Net cash provided by operating activities decreased by 18,228 million yen (an increase of 26,931 million yen in the previous fiscal year). This was mainly due to profit before income taxes of 14,229 million yen (profit before income taxes of 17,210 million yen in the previous fiscal year), depreciation of 3,540 million yen (3,150 million yen in the previous fiscal year), an increase in trade receivables of 10,032 million yen (a decrease of 12,963 million yen in the previous fiscal year), an increase in inventories of 40,172 million yen (a decrease of 10,073 million yen in the previous fiscal year), an increase in trade payables of 20,912 million yen (a decrease of 11,796 million yen in the previous fiscal year), and income taxes paid of 5,617 million yen (6,354 million yen in the previous fiscal year).

Cash flows from investing activities

Net cash provided by investing activities decreased by 5,931 million yen (decrease of 8,345 million yen in the previous fiscal year). This was mainly due to payments into time deposits of 15,048 million yen (12,372 million yen in the previous fiscal year), proceeds from withdrawal of time deposits of 12,629 million yen (10,247 million yen in the previous fiscal year), proceeds from withdrawal of long-term deposits of 3,000 million yen (no payments in the previous fiscal year), and purchase of property, plant and equipment of 6,262 million yen (2,742 million yen in the previous fiscal year).

Cash flows from financing activities

Net cash provided by financing activities decreased by 5,312 million yen (a decrease of 7,940 million yen in the previous fiscal year). This was mainly due to purchase of treasury shares of 3,000 million yen (2,817 million yen in the previous fiscal year), and dividends paid of 3,264 million yen (3,798 million yen in the previous fiscal year).

(iv) Production, orders received and sales

a. Production results

The production results by segment during the fiscal year under review are as follows:

Segment name	Amount (Millions of yen)	YoY change (%)
Electro-mechanical components	214,225	15.9
Acoustic components	20,375	2.8
Display components	2,033	(12.2)
Applied equipment and other	9,570	(17.1)
Total	246,204	12.7

(Note) The amounts shown are sales prices.

b. Order received

The orders received by segment during the fiscal year under review are as follows:

Segment name	Orders received (Millions of yen)	YoY change (%)	Backlog (Millions of yen)	YoY change (%)
Electro-mechanical components	271,389	45.9	82,301	222.0
Acoustic components	21,154	5.8	4,876	3.3
Display components	1,495	(23.8)	698	(50.3)
Applied equipment and other	8,909	(28.8)	3,349	(19.5)
Total	302,950	37.4	91,225	154.5

(Note) The amounts shown are sales prices.

c. Sales results

Sales results by segment during the fiscal year under review are as follows:

Segment name	Amount (Millions of yen)	YoY change (%)
Electro-mechanical components	214,651	16.1
Acoustic components	20,997	4.0
Display components	2,201	(11.3)
Applied equipment and other	9,721	(14.5)
Total	247,571	13.1

(Note) 1 The sales results by the major customer and the ratio thereof to the total sales results are as follows:

Customer	Previous fiscal year		Current fiscal year	
	Amount (Millions of yen)	Percentage (%)	Amount (Millions of yen)	Percentage (%)
Nintendo Co., Ltd.	121,483	55.5	142,221	57. 4
Samsung Electronic Vietnam Thai Nguyen	26,804	12.2	—	—

2 The amounts shown are sales prices.

3 Amounts and percentages that are less than 10% are omitted.

(2) Analysis and discussions of operating results, etc. from the viewpoint of management

Recognition, analysis and discussions of the Group’s operating results, etc. from the viewpoint of management are as follows.

Note that matters related to future developments mentioned in this section are judgments of the Group that were made as of the end of the fiscal year under review.

(i) Recognition, analysis and discussions of operating results, etc. for the fiscal year under review

Recognition and analysis of operating results, etc. for the fiscal year under review are as stated in “I Business Overview 4 Management’s analysis of financial position, operating results and cash flows (1) Overview of operating results, etc.

The competition is fierce in the business environment surrounding the Company, and the demand for the Group’s main staples such as amusement-related and mobile communications-related components is largely influenced by demand trends of the final products these main staples are installed in. Constant introduction of new technologies in the electronics industry has been closely related to the Group’s forecast of demand trends and its trends of R&D activities and is a factor that has a significant impact on its operating results.

The Company set net sales and operating profit as its management targets, and the targets for the fiscal year under review were 227,000 million yen for net sales and 9,200 million yen for operating profit, respectively. The results were 247,571 million yen for net sales and 13,573 million yen for operating profit.

The net sales achieved the target, owing to higher sales to major customers than expected.

The operating profit achieved the target due to the higher sales than expected and unexpectedly depreciation of the yen though sales.

(ii) Cash flows analysis

Cash flows analysis is as stated in “I. [Business Overview] 4 [Management’s analysis of financial position, operating results and cash flows] (1) Overview of operating results, etc. (iii) Overview of cash flows for the fiscal year ended March 31, 2025”.

Analysis of capital sources and liquidity of the Group is as follows.

The Group’s main working capital demand comes from operating expenses such as manufacturing costs and selling, general and administrative expenses. Demand for funds for investment is due in part to capital investment.

The basic policy of the Group is to ensure the liquidity and sources of funds necessary for business operations in a stable manner.

Short-term working capital comes principally from its own capital and short-term borrowings from banks and financial institutions while capital investment and long-term working capital are procured mainly from its own capital, borrowings from banks and financial institutions and issuance of bonds with share acquisition rights.

(iii) Significant accounting estimates and assumptions used to make the accounting estimates

The Group’s consolidated financial statements are prepared in accordance with accounting principles generally accepted as fair and reasonable in Japan.

In preparing consolidated financial statements, the Company makes certain estimates and judgements concerning uncollectible accounts, inventory assets, investments, corporate taxes, retirement allowance, contingencies, etc. in accordance with various factors that are considered reasonable based on the past results and conditions. Because of the uncertainty inherent in estimates, the actual results may differ from the estimates.

(Allowance for doubtful accounts)

Allowance for doubtful accounts is as stated in “V Financial Information 1 Consolidated Financial Statements, etc. (1) Consolidated financial statements Notes to Consolidated financial statements (Important basis of consolidated financial statements).”

(Valuation of inventories)

Valuation of inventories is as stated in “V Financial Information 1 Consolidated Financial Statements, etc. (1) Consolidated financial statements Notes to Consolidated financial statements (Important basis of consolidated financial statements).”

(Retirement benefit expenses and retirement benefit liability)

To prepare for payments of retirement benefits to employees, provisions are made based on the projected retirement benefit obligation and pension plan asset as of the end of each fiscal year. These provisions take into account significant estimates including promotion rates, mortality rates as well as long-term expected rates of return on plan assets.

(Deferred tax assets)

Regarding deferred tax assets, taxable income is estimated based on the Company's future profit plan and temporary differences in future subtractions that are considered recoverable are recorded. If a change in the preconditions or assumptions used in assessing the taxable income results in a decrease in the taxable income, deferred tax assets may be reduced and tax expenses may be recorded.

5 [Critical Contracts for Operation]

None applicable

6 [Research and Development Activities]

The total amount of R&D expenses for the Group's main developed products was 2,073 million yen for the fiscal year under review. The status of R&D activities by segment for main developed products during the fiscal year under review are as follows.

(1) R&D in the electro-mechanical components segment

(i) To meet the demand for more compact automotive connectors, the Company has developed a new 8-pin model with significantly reduced dimensions, approximately 8% lower in height and 25% less board area, compared to existing mass-produced connectors. Equipped with an optimal pin count for USB Type-C (USB 2.0) connectivity, this connector is well-suited for interface applications in USB Type-C power delivery units. Additionally, it can be used as an interface connector for LVDS applications such as illuminated USB Type-C power supplies, dual USB Type-A ports, ADAS devices, and camera ECUs. Furthermore, by placing multiple side springs inside the shell that make contact with the plug cover, a stable GND connection is ensured, resulting in high electromagnetic compatibility (EMC) performance.

(ii) Along with the advancement of preventive safety performance of automobiles, higher resolutions and further space-saving features of automotive cameras are in demand. The Company has developed "Ultra Low-profile Coaxial Camera Connector" for in-vehicle camera high-speed digital communication. Sample sales for in-vehicle camera modules started in April 2025. Even though it has a low-profile for its total mated height, the product mechanism is designed such that it will tolerate misalignment for receptacle mating. Even with the connector is at the limit of its misalignment tolerance, it is still able to support high-speed signal transmission of up to 6 Gbps for automotive SER/DES (SERializer/DESerializer).

(iii) As more and more electrical components are being employed in vehicles, the instrument panel is already filled with many components. It is now a common issue how to secure the space for interfaces such as a USB charger. To address this issue, the Company has developed a space-saving slot-in connector designed to optimize panel space utilization. We offer a diverse lineup of interface configurations combining USB Type-A, USB Type-C, and HDMI. Also, for improved visibility there are newly developed slot-in connectors with illumination for the surrounding I/F devices.

(2) R&D in the acoustic components segment

The Company has developed a Waterproof Microphone Assembly compliant to the IPX9K waterproofing standard. The product is capable of voice operation in outdoor locations exposed to wind and rain and detecting sirens of emergency vehicles if mounted to the exterior of a vehicle. It is a highly versatile microphone that can be used in a variety of situations such as kitchens and bathrooms.

(3) R&D in the applied equipment and other segment

(i) The Company has developed a high-quality Temperature-Humidity Sensor Module. By accurately monitoring the indoor environment with the product, it enables to adjust the temperature and humidity of air conditioners and humidifiers at an optimal balance, which also contributes to energy conservation and reduction of environmental burdens.

(ii) In addition to the Company's existing distance measuring sensors using the 60 GHz waveband, it has developed a millimeter-wave distance measurement sensor with added versatility. With excellent resistance to external disturbances, sensors using millimeter-waves can continuously detect objects with less influence from scratches, dust, water droplets, dirt, or other external noise when compared to the sensors utilizing other ranging systems such as optical, ultrasonic, or pressure. Suitable applications include the following: detection of remaining liquid levels in tanks in plant or infrastructure equipment, monitoring of water level of culverts or gutters, and water level monitoring on farmland fields. Also, as the sensor does not require a transparent window which is mandatory in laser or optical-based sensors, there are many applications requiring discrete, privacy-conscious human presence detection such as in public toilets or offices, hotels, and restaurants. Also, the unit's low power consumption allows battery operation, facilitating easy and secure outdoor installation without power supply cabling. Furthermore, in efforts to widen the variety of the product, explosion-proof versions of the product is under development.

(iii) Status monitoring for maintenance purposes using sensors is quite common in many industries. The monitoring helps avoid serious accidents resulting from plant or infrastructure deterioration. Industrial applications can be found in manufacturing and infrastructure, with monitoring of machinery, equipment, and bridge inspection being typical examples. Particularly needed is effective monitoring of vibration status to measure and predict transitions leading to failure. Additionally, in recent years there has been an upturn in the need for monitoring/sensing, and wireless vibration sensors are proving ideal as they are easy to install in a wide range of locations without having to consider cables or separate power supplies. For this scenario, the Company has developed the wireless vibration sensor. Equipped with an autonomous normal/abnormal judging capability, the product wirelessly reports only its judged results. Wireless systems face limitations in data transmission volume, which can result in incomplete analysis due to the inability to transmit all monitored vibration data. This raises concerns about overlooking abnormal conditions. However, this product addresses those concerns by incorporating a self-diagnosis function. Adding to its ISO 10816 compliant abnormality judgment, the sensor is also equipped with user-settable parameters (such as threshold setting across the frequency spectrum), contributing to even greater versatility.

II. [Corporate Governance]
1 [Overview of corporate governance]

(i) Basic policy on corporate governance

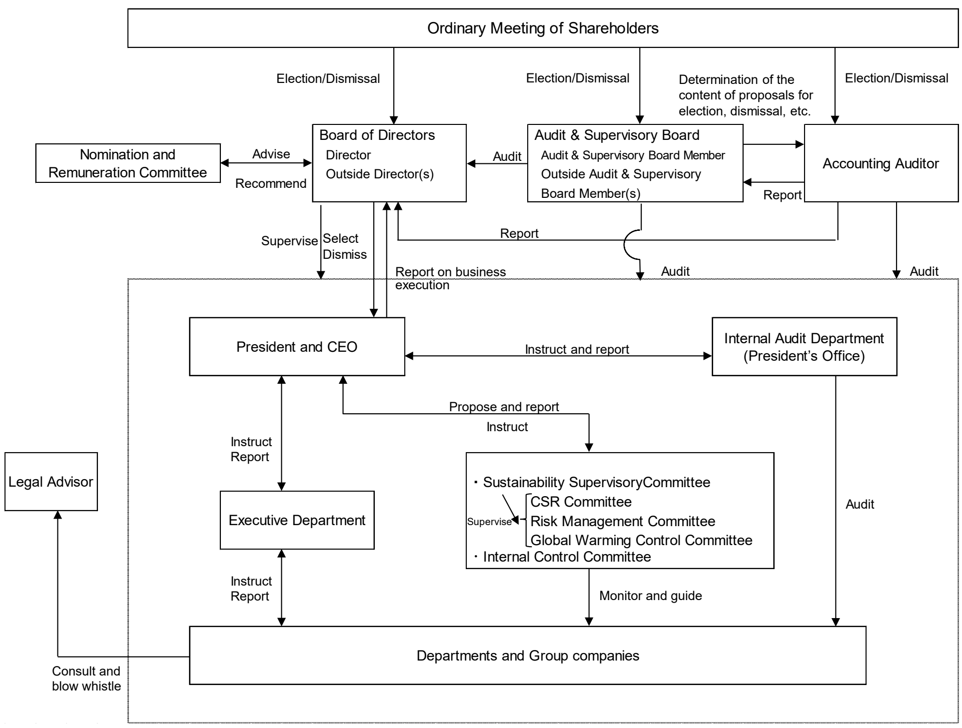
The Company regards corporate governance as an important issue, and its basic approach is to focus on the interests of all shareholders who support its corporate activities, under the recognition that it is extremely important to maximize shareholder value.

<Basic Policy>

1. We will strive to ensure the rights and equality of shareholders.
2. We will strive to appropriately collaborate with stakeholders other than shareholders (customers, business partners, creditors, local community, employees, etc.).
3. We will strive to ensure appropriate information disclosure and transparency.
4. We will strive to appropriately carry out the roles and responsibilities of the Board of Directors to ensure transparent, fair, prompt and decisive decision-making by the Board of Directors.
5. We will strive to engage in constructive dialogue with shareholders in order to contribute to sustainable growth and medium- to long-term enhancement of corporate value.

(ii) Overview of the Company's corporate governance system and the reason for adopting the system

The Company's corporate governance system is as follows.



(Board of Directors)

The Board of Directors is chaired by Kenji Furuhashi, President and CEO, and consists of five members (of whom three are Outside Directors) as of June 25, 2025.

The proposal for the agenda (resolution matters) of the regular shareholders meeting held on June 26, 2025, includes the “election of 6 directors” and the “election of 1 auditor.” The proposal was approved, the composition of the Company’s board of directors consist of 6 members (of whom three are Outside Directors). In addition to monthly regular meetings of the Board of Directors, extraordinary Board of Directors meetings are held as necessary to make resolutions on important items and check the status of the business performance. The Company thus establishes a system that enables swift management decisions and thorough compliance. The executive officer system clarifies the decision-making, supervisory and business execution functions in management and speeds up business execution.

During the fiscal year under review, the Company held a Board of Directors meeting once a month in principle. The attendance of each Director and Audit & Supervisory Board member is as follows.

Director/Audit & Supervisory Board Member	Name	Number of meetings held	Number of meetings attended
Director	Kenji Furuhashi	12	12
Director	Shigemi Dochi	12	12
Director	Hiroshi Horie	12	12
Director	Susumu Maruno	12	12
Director	Yukari Konishi	10	10
Audit & Supervisory Board Member	Shinji Hombo	12	12
Audit & Supervisory Board Member	Takayuki Tanemura	12	12
Audit & Supervisory Board Member	Masakatsu Maruyama	12	12

(Note)

1. In addition to the Board of Directors meetings above, there were seven written resolutions made, which deemed that the resolutions were passed at the Board of Directors meeting, pursuant to the provisions of Article 370 of the Companies Act and the provisions of Article 22 of the Articles of Incorporation of the Company.

2. Yukari Konishi, Director, appointed as a director in June 2024 and have attended all ten board meetings held since then.

The specific matters that were discussed include a monthly report on financial results, an industry trend report. The following matters were also discussed and resolved.

・Approval of financial statements, etc.
・Convocation of the general meeting of shareholders and proposals for the meeting
・Decision on remuneration, bonuses and restricted stock remuneration for individual directors
・Conclusion of the limited liability contract with directors
・Purchase and cancellation of treasury shares
・Interim dividend
・Establishment of a subsidiary
・Issuance of convertible bonds
・Installation of solar panels as part of measures for carbon neutrality

The above is not a complete list of matters discussed and resolved.

(Audit & Supervisory Board)

The Audit & Supervisory Board is chaired by Shinji Hombo, Audit & Supervisory Board member, and consists of three members (of which two are Outside Audit & Supervisory Board members) as of June 25, 2025.

The proposal for the agenda (resolution matters) of the regular shareholders meeting scheduled to be held on June 26,2025, includes the “election of 6 directors” and the “election of 1 auditor.” The proposal was approved, the composition of the Company’s audit & supervisory board consists of 3 members (of which two are Outside Audit & Supervisory Board members)

Since two of the members are Outside Audit & Supervisory Board members, the Company considers that a system for management monitoring is in place that monitors the execution of duties of Directors from an objective point of view. Through attending important meetings such as Board of Directors meetings, the three Audit & Supervisory Board members provide advice on and proposals for the Company's management based on their broad insight and wide experience cultivated through their careers. The Company believes that the purpose of strengthening the audit function is sufficiently thus achieved.

(Nomination and Remuneration Committee)

As of the date of submission of the securities report (June 25,2025), the Nomination and Remuneration Committee consists of two Independent Outside Directors and the President and CEO.

Upon consultation from the Board of Directors, the Committee deliberates on the following matters and offers advice and proposals to the Board of Directors.

・Matters regarding election and dismissal of Directors
・Matters regarding remuneration for Directors
・Matters regarding a succession plan (including development)

<Members> Kenji Furuhashi (Chairperson), Hiroshi Horie (Outside Director) and Susumu Maruno (Outside Director)

During the fiscal year under review, the Company held two meetings of the Committee. The attendance of each Director is as follows.

Title	Name	Number of meetings held	Number of meetings attended
Director	Kenji Furuhashi	2	2
Outside Director	Hiroshi Horie	2	2
Outside Director	Susumu Maruno	2	2

The specific matters discussed include the following:

・Election of Audit & Supervisory Board members
・Meeting with the members of Nomination and Remuneration Committee and executive employee

(Accounting Auditor)

The Company has concluded a contract with Deloitte Touche Tohmatsu LLC as its Accounting Auditor. The Company receives audits required under the Financial Instruments and Exchange Law and the Companies Act, and confirms various matters regarding accounting treatment and auditing with the Accounting Auditor as needed.

(Legal advisor)

The Company has concluded advisory contracts with two legal firms and obtains advice as necessary.

(Internal Audit Department)

The Internal Audit Department consists of the President's Office/Management Planning Division and Legal Division. From a strict neutral standpoint, it inspects and evaluates all business activities and systems of all consolidated Group companies in light of the Company's rules and standards, and offers proposals for and advice on improvement of management efficiency and asset protection. It also aims to contribute to business administration by engaging in prevention of fraud and errors and facilitating communication among various divisions.

The Company believes that the above-mentioned system will establish governance that enables appropriate monitoring and supervision and will enhance its effectiveness.

(iii) Other matters regarding corporate governance

With respect to internal control, the Board of Directors has resolved the basic policy for building an internal control system of the Company in order to have a system to ensure proper and appropriate corporate operations. Based on the basic policy, the Company has formulated the basic rules for internal control regarding financial reporting and, in accordance with the basic rules, developed a system that enables effective internal control.

In terms of risk management, the Company has developed relevant regulations regarding management risks and chooses managers responsible for each of the risks. In accordance with the regulations, the Company has developed a system to ensure effective risk management.

In order to ensure proper and appropriate operations of its subsidiaries, the Company has developed a system in which organizations in charge of operations of the subsidiaries oversee necessary matters and assess the status of their operations in accordance with the management regulations of its affiliates. Directors of subsidiaries, etc. make important reports such as management plans, progress reports and financial reports at meetings of the Board of Directors or the Management Committee and receive suggestions, advice, additional proposals, etc. from the members of the members of these meetings. The Management Planning Division and the Legal/Control Division have built a system to assess the status of business execution and ensure proper and appropriate corporate operations by providing necessary instructions, advice, and guidance to the subsidiaries, etc.

The Company has concluded a limited liability contract that limits the amount of liability to the extent stipulated in Article 423, Paragraph 1 of the Companies Act with each of the Outside Directors and the Outside Audit & Supervisory Board members, pursuant to the Articles of Incorporation of the Company and the provisions of Article 427, Paragraph 1 of the Companies Act.

(iv) Basic policy on control of the Company

The overview of the Company's policy on control of the Company is as follows.

The shares of the Company, which is a listed company, are to be freely traded by shareholders and investors; therefore, even if there is an offer for a large-scale purchase or a similar act for the Company's shares, the Company will not reject such a proposal or act indiscriminately and believes that ultimately, the decision must be left to the discretion of the shareholders.

The Company believes that those who control decisions on the Company's financial and business policies must have a full understanding of the Company's basic management philosophy, its sources of corporate value and its relationship of trust with stakeholders who support the Company, and must ensure and improve the Company's corporate value and the common interests of the shareholders over the medium to long term. For this reason, the Company deems that anyone who makes an inappropriate offer of a large-scale purchase or engages in a similar act that would damage its corporate value or the common interests of the shareholders is inappropriate as a person who controls decisions on the Company's financial and business policies. This is the Company's policy on those who control decisions on the Company's financial and business polices.

(v) Number of Directors

The Company stipulates in its Articles of Incorporation that the number of Directors of the Company shall be three or more.

(vi) Requirements for a resolution to elect Directors

The Company stipulates in its Articles of Incorporation that a resolution to elect Directors shall be made by a majority of the votes of the shareholders present at a shareholders meeting where shareholders holding one third or more of the votes of the shareholders entitled to exercise their votes thereat are present, and that the resolution shall not rely on cumulative voting.

(vii) Decision-making body for purchase of treasury shares

The Company stipulates in its Articles of Incorporation that the Company may acquire its treasury shares through market transactions by a resolution of the Board of Directors, pursuant to the provisions of Article 165, Paragraph 2 of the Companies Act. The purpose of this provision is to enable agile execution of capital policy in response to changes in the business environment.

(viii) Decision-making body for interim dividend

The Company stipulates in its Articles of Incorporation that the Company may distribute interim dividends every year by a resolution of the Board of Directors with the record date of September 30. The purpose of this provision is to enable agile shareholder returns.

(ix) Requirements for a special resolution of a general meeting of shareholders

The Company stipulates in its Articles of Incorporation that such a resolution as stipulated in Article 309, Paragraph 2 of the Companies Act shall be made by two thirds or more of the votes of the shareholders present at a meeting where shareholders representing one third or more of the votes of the shareholders entitled to vote thereat are present. The purpose of this provision is to enable smooth operation of a general meeting of shareholders.

(x) Overview of liability insurance policy for directors and officers

The Company has entered into a liability insurance policy for directors and officers with an insurance company, pursuant to the provisions of Article 430-3, Paragraph 1 of the Companies Act. The insurance policy compensates for damages incurred as a result of claims for damages arising from actions taken in connection with the performance of duties, as well as the costs of disputes related to such claims.

The principal executives, including Directors, Audit & Supervisory Board members and Executive Officers, are the insured of the liability insurance policy, and all the insurance premiums incurred by the insured are borne by the Company.

As a measure to ensure that the appropriateness of the execution of duties by the insured person is not impaired, the Company does not compensate for damages caused by illegal acquisition of personal benefits or conveniences, damages caused by criminal acts and damages caused by acts committed while knowing violations of laws and regulations.

2 [Shareholdings]

(i) Classification standards and approach for investment equity securities

The Company classifies investment equity securities into those for pure investment, which are held solely for the purpose of gaining benefits from fluctuations of the stock value or from the receipt of dividends, and those for purposes other than pure investment.

(ii) Investment equity securities held for purposes other than pure investment

a. Details of verification at Board of Directors meetings, etc. regarding stock holding policy, method for verifying the rationality of stock holding, and appropriateness of holding individual stocks

The Company holds shares of its business partners with an aim to ensure the credibility of transactions, maintain a stable stock price and contribute to increasing medium- to long-term corporate value.

The Company's policy is that president, director in charge, and general manager of finance department verify the appropriateness of holding individual stocks and sell stocks which are determined to have little significance.

b. Number of stocks and amount recorded in the balance sheet

	Number of stocks	Total amount recorded in balance sheet (Millions of yen)
Unlisted stocks	4	128
Shares other than unlisted stocks	21	6,107

(Stocks whose number increased during the fiscal year under review)

	Number of stocks	Total acquisition price relating to increase in number of stocks (Millions of yen)	Reason for increase
Unlisted stocks	1	149	For the facilitation and development of our product in the future
Shares other than unlisted stocks	–	–	–

(Stocks whose number decreased during the fiscal year under review)

	Number of stocks	Total sales price relating to decrease in number of stocks
Unlisted stocks	–	–
Shares other than unlisted stocks	–	–

c. The number of stocks as per issue name for specified investment equity securities and for deemed holdings of equity securities, as well as the amount recorded in the balance sheet

Specified investment equity securities

Name of securities	Number of shares (shares) / Amount recorded in balance sheet (Millions of yen): Current fiscal year	Number of shares (shares) / Amount recorded in balance sheet (Millions of yen): Previous fiscal year	Purpose of holding, outline of business alliances, quantitative holding effects, and reason of the increase in the number of shares	Hosiden shareholders
Tokio Marine Holdings, Inc.	297,675	297,675	(Purpose of holding) To secure stable shareholders and maintain a stable stock price (Quantitative holding effects) (Note) 1	Yes
	1,707	1,399		
Murata Manufacturing Co., Ltd.	445,500	445,500	(Purpose of holding) To secure stable shareholders and maintain a stable stock price (Quantitative holding effects) (Note) 1	Yes
	1,027	1,258		
Hulic Co., Ltd.	461,400	461,400	(Purpose of holding) To secure stable shareholders and maintain a stable stock price (Quantitative holding effects) (Note) 1	Yes
	663	725		
Nintendo Co., Ltd.	59,400	59,400	(Purpose of holding) Mainly in the “Electro-mechanical components” segment, while selling product, we improve the accuracy of corporate information and ensure the credibility of transactions by exchanging information with the relevant company as a shareholder. (Quantitative holding effects) (Note) 1	No
	600	486		
Mizuho Financial Group, Inc.	90,133	90,133	(Purpose of holding) To secure stable shareholders and maintain a stable stock price (Quantitative holding effects) (Note) 1	Yes
	365	274		
Mitsubishi UFJ Financial Group, Inc.	146,780	146,780	(Purpose of holding) To secure stable shareholders and maintain a stable stock price (Quantitative holding effects) (Note) 1	Yes
	295	228		
YOKOWO CO., LTD.	188,000	188,000	(Purpose of holding) To secure stable shareholders and maintain a stable stock price (Quantitative holding effects) (Note) 1	Yes
	257	297		
NICHICON CORPORATION	194,500	194,500	(Purpose of holding) To secure stable shareholders and maintain a stable stock price (Quantitative holding effects) (Note) 1	Yes
	238	249		
AIPHONE CO., LTD.	54,000	54,000	(Purpose of holding) To secure stable shareholders and maintain a stable stock price (Quantitative holding effects) (Note) 1	Yes
	140	163		
Sharp Corporation	144,670	144,670	(Purpose of holding) Mainly in the “Electro-mechanical components” segment, while selling product, we improve the accuracy of corporate information and ensure the credibility of transactions by exchanging information with the relevant company as a shareholder. (Quantitative holding effects) (Note) 1	No
	136	120		
Sumitomo Mitsui Financial Group, Inc.(Note) 2	34,368	11,456	(Purpose of holding) To secure stable shareholders and maintain a stable stock price (Quantitative holding effects) (Note) 1	Yes
	130	102		

Name of securities	Number of shares (shares) / Amount recorded in balance sheet (Millions of yen): Current fiscal year	Previous fiscal year	Purpose of holding, outline of business alliances, quantitative holding effects, and reason of the increase in the number of shares	Hosiden shareholders
ICOM INCORPORATED	42,250	42,250	(Purpose of holding) To secure stable shareholders and maintain a stable stock price (Quantitative holding effects) (Note) 1	Yes
	116	143		
NEC Corporation	6,063	6,063	(Purpose of holding) Mainly in the “Electro-mechanical components” segment, while selling product, we improve the accuracy of corporate information and ensure the credibility of transactions by exchanging information with the relevant company as a shareholder. (Quantitative holding effects) (Note) 1	No
	95	66		
DAISHINKU CORP.	157,600	157,600	(Purpose of holding) To secure stable shareholders and maintain a stable stock price (Quantitative holding effects) (Note) 1	Yes
	88	126		
CMK Corporation	211,600	211,600	(Purpose of holding) To secure stable shareholders and maintain a stable stock price (Quantitative holding effects) (Note) 1	Yes
	85	131		
Daiwa Securities Group Inc.	62,441	62,441	(Purpose of holding) To secure stable shareholders and maintain a stable stock price (Quantitative holding effects) (Note) 1	Yes
	62	71		
Yamaha Corporation (Note) 3	42,000	14,000	(Purpose of holding) Mainly in the “Applied equipment and other” segment, while selling product, we improve the accuracy of corporate information and ensure the credibility of transactions by exchanging information with the relevant company as a shareholder. (Quantitative holding effects) (Note) 1	No
	48	45		
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	204,000	204,000	(Purpose of holding) Mainly in the “Electro-mechanical components” segment, while selling product, we improve the accuracy of corporate information and ensure the credibility of transactions by exchanging information with the relevant company as a shareholder. (Quantitative holding effects) (Note) 1	No
	29	36		
SUNCALL CORPORATION	29,348	29,348	(Purpose of holding) Mainly in the “Electro-mechanical components” segment, while procuring parts and materials, we improve the accuracy of corporate information and ensure the credibility of transactions by exchanging information with the relevant company as a shareholder. (Quantitative holding effects) (Note) 1	No
	9	14		

<table>
<tr><th rowspan="3">Name of securities</th><th colspan="2">Number of shares (shares)</th><th rowspan="3">Purpose of holding, outline of business alliances, quantitative holding effects, and reason of the increase in the number of shares</th><th rowspan="3">Hosiden shareholders</th></tr>
<tr><th colspan="2">Amount recorded in balance sheet (Millions of yen)</th></tr>
<tr><th>Current fiscal year</th><th>Previous fiscal year</th></tr>
<tr><td rowspan="2">Sumitomo Heavy Industries, Ltd.</td><td>2,736</td><td>2,736</td><td rowspan="2">(Purpose of holding) The Company procures parts and materials from the company mainly in the “Display components” segment. As a result of a share exchange executed for the shares of the company that the Company had held in order to improve the accuracy of corporate information and ensure the credibility of transactions by exchanging information with the relevant company as a shareholder, the company became a wholly-owned subsidiary. Now, the Company holds the shares of its parent company.
(Quantitative holding effects) (Note) 1</td><td rowspan="2">No</td></tr>
<tr><td>8</td><td>12</td></tr>
<tr><td rowspan="2">JVCKENWOOD Corporation</td><td>1,756</td><td>1,756</td><td rowspan="2">(Purpose of holding) Mainly in the “Electro-mechanical components” segment, while selling product, we improve the accuracy of corporate information and ensure the credibility of transactions by exchanging information with the relevant company as a shareholder.
(Quantitative holding effects) (Note) 1</td><td rowspan="2">No</td></tr>
<tr><td>2</td><td>1</td></tr>
</table>

(Note) 1. Since it is difficult to state quantitative effects of holding specified investment equity securities, the Company states the verification method of the reasonableness of holding them. Matters such as the significance of holding individual shares and whether or not benefits and risks associated with holding them are worth capital costs are discussed by president, responsible officer, and the head of finance department where shares of each company are examined in terms of factors such as holding purpose, holding risk, market value, and dividend yield to determine whether to hold them or not.

2. Sumitomo Mitsui Financial Group, Inc. carried out a three-for-one stock split of its common stock as of October 1, 2024.

3. Yamaha Corporation carried out a three-for-one stock split of its common stock as of October 1, 2024.

Deemed holdings of equity securities

None applicable

(iii) Investment equity securities held for pure investment

None applicable

III. [Consolidated financial statements and significant notes thereto]

1 [Consolidated balance sheets]

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Assets		
Current assets		
Cash and deposits	72,287	59,564
Notes receivable - trade	1,644	1,224
Accounts receivable - trade	21,110	31,918
Securities	14,624	–
Merchandise and finished goods	9,214	8,220
Work in process	3,730	3,207
Raw materials and supplies	19,638	61,897
Trade accounts receivable	1,188	1,170
Other	2,503	4,496
Allowance for doubtful accounts	(15)	(182)
Total current assets	145,925	171,516
Non-current assets		
Property, plant and equipment		
Buildings and structures	21,966	22,510
Accumulated depreciation and impairment	(15,021)	(15,663)
Buildings and structures, net	6,944	6,847
Machinery, equipment and vehicles	27,160	27,614
Accumulated depreciation and impairment	(22,787)	(22,600)
Machinery, equipment and vehicles, net	4,373	5,013
Land	3,031	3,019
Construction in progress	311	874
Other	30,885	31,340
Accumulated depreciation and impairment	(28,905)	(27,492)
Other, net	1,979	3,847
Total property, plant and equipment	16,641	19,602
Intangible assets	405	508
Investments and other assets		
Investment securities	7,057	7,228
Retirement benefit asset	35	–
Deferred tax assets	674	626
Other	4,554	1,052
Allowance for doubtful accounts	(286)	(254)
Total investments and other assets	12,035	8,652
Total non-current assets	29,082	28,763
Total assets	175,008	200,279

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Liabilities		
Current liabilities		
Notes payable	204	–
Accounts payable	12,448	34,092
Electronically recorded obligations	1,979	1,546
Short-term borrowings	1,050	1,050
Current portion of bonds with share acquisition rights	10,008	–
Income taxes payable	3,253	2,127
Provision for bonuses for directors (and other officers)	140	151
Other	5,916	6,269
Total current liabilities	35,042	45,236
Non-current liabilities		
Bonds with share acquisition rights	–	10,190
Deferred tax liabilities	2,167	2,397
Retirement benefit liability	2,307	1,497
Other	620	640
Total non-current liabilities	5,094	14,725
Total liabilities	40,137	59,962
Net assets		
Shareholders' equity		
Share capital	13,660	13,660
Capital surplus	19,596	19,596
Retained earnings	106,744	112,257
Treasury shares	(11,584)	(12,393)
Total shareholders' equity	128,417	133,120
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,500	3,464
Foreign currency translation adjustment	2,272	2,922
Remeasurements of defined benefit plans	680	809
Total accumulated other comprehensive income	6,453	7,196
Total net assets	134,870	140,317
Total liabilities and net assets	175,008	200,279

2 [Consolidated statements of income and consolidated statements of comprehensive income]

Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Net sales	218,910	247,571
Cost of sales	196,164	224,422
Gross profit	22,745	23,148
Selling, general and administrative expenses	9,820	9,575
Operating profit	12,925	13,573
Non-operating income		
Interest income	808	968
Dividend income	142	164
Foreign exchange gains	4,214	45
Other	129	131
Total non-operating income	5,294	1,309
Non-operating expenses		
Interest expenses	41	34
Commission for syndicated loans	–	64
Other	16	8
Total non-operating expenses	58	107
Ordinary profit	18,160	14,776
Extraordinary income		
Gain on sale of non-current assets	14	14
Gain on sale of golf club memberships	–	4
Total extraordinary income	14	18
Extraordinary losses		
Loss on sale and retirement of non-current assets	33	8
Loss on valuation of securities	–	123
Impairment losses	931	432
Other	0	0
Total extraordinary losses	965	565
Profit before income taxes	17,210	14,229
Income taxes – current	5,181	3,876
Income taxes – deferred	396	315
Total income taxes	5,578	4,192
Profit	11,632	10,037
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	11,632	10,037

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Profit	11,632	10,037
Other comprehensive income		
Valuation difference on available-for-sale securities	1,119	(35)
Foreign currency translation adjustment	1,605	650
Remeasurements of defined benefit plans, net of tax	345	128
Total other comprehensive income	3,070	742
Comprehensive income	14,702	10,779
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	14,702	10,779
Comprehensive income attributable to non-controlling interests	–	–

3 [Consolidated statements of changes in equity]

Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	13,660	19,596	100,808	(10,695)	123,370
Changes during period					
Dividends of surplus			(3,798)		(3,798)
Profit attributable to owners of parent			11,632		11,632
Purchase of treasury shares				(2,817)	(2,817)
Disposal of treasury shares		9		20	29
Cancellation of treasury shares		(9)	(1,897)	1,907	–
Net changes in items other than shareholders' equity					
Total changes during period	–	–	5,936	(889)	5,046
Balance at end of period	13,660	19,596	106,744	(11,584)	128,417

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	2,381	666	334	3,382	126,753
Changes during period					
Dividends of surplus					(3,798)
Profit attributable to owners of parent					11,632
Purchase of treasury shares					(2,817)
Disposal of treasury shares					29
Cancellation of treasury shares					–
Net changes in items other than shareholders' equity	1,119	1,605	345	3,070	3,070
Total changes during period	1,119	1,605	345	3,070	8,117
Balance at end of period	3,500	2,272	680	6,453	134,870

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

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	13,660	19,596	106,744	(11,584)	128,417
Changes during period					
Dividends of surplus			(3,264)		(3,264)
Profit attributable to owners of parent			10,037		10,037
Purchase of treasury shares				(3,000)	(3,000)
Disposal of treasury shares		404		528	932

Cancellation of treasury shares		(404)	(1,259)	1,663	–
Net changes in items other than shareholders' equity					
Total changes during period	–	–	5,512	(808)	4,703
Balance at end of period	13,660	19,596	112,257	(12,393)	133,120

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	3,500	2,272	680	6,453	134,870
Changes during period					
Dividends of surplus					(3,264)
Profit attributable to owners of parent					10,037
Purchase of treasury shares					(3,000)
Disposal of treasury shares					932
Cancellation of treasury shares					–
Net changes in items other than shareholders' equity	(35)	650	128	742	742
Total changes during period	(35)	650	128	742	5,446
Balance at end of period	3,464	2,922	809	7,196	140,317

4 [Consolidated statements of cash flows]

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Cash flows from operating activities		
Profit before income taxes	17,210	14,229
Depreciation	3,150	3,540
Impairment losses	931	432
Increase (decrease) in allowance for doubtful accounts	(73)	140
Increase (decrease) in retirement benefit liability	(436)	(627)
Interest and dividend income	(950)	(1,132)
Interest expenses	41	34
Loss (gain) on sale and retirement of non-current assets	19	(5)
Loss (gain) on valuation of investment securities	–	123
Decrease (increase) in trade receivables	12,963	(10,032)
Decrease (increase) in inventories	10,073	(40,172)
Decrease (increase) in operating accounts receivable	380	17
Decrease (increase) in other assets	1,095	(1,667)
Increase (decrease) in trade payables	(11,796)	20,912
Increase (decrease) in other liabilities	(38)	91
Other, net	(173)	451
Subtotal	32,394	(13,665)
Interest and dividends received	940	1,086
Interest paid	(49)	(31)
Income taxes paid	(6,354)	(5,617)
Net cash provided by (used in) operating activities	26,931	(18,228)
Cash flows from investing activities		
Payments into time deposits	(12,372)	(15,048)
Proceeds from withdrawal of time deposits	10,247	12,629

Payments into long-term deposits	(3,500)	–
Proceeds from withdrawal of long-term deposits	–	3,000
Purchase of property, plant and equipment	(2,742)	(6,262)
Proceeds from sale of property, plant and equipment	97	78
Purchase of investment securities	–	(149)
Purchase of intangible assets	(179)	(255)
Other, net	103	75
Net cash provided by (used in) investing activities	(8,345)	(5,931)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,187)	–
Redemption of bonds with share acquisition rights	–	(9,085)
Proceeds from the issuance of bonds with share acquisition rights	–	10,135
Purchase of treasury shares	(2,817)	(3,000)
Dividends paid	(3,798)	(3,264)
Other, net	(137)	(97)
Net cash provided by (used in) financing activities	(7,940)	(5,312)
Effect of exchange rate change on cash and cash equivalents	(1)	(420)
Net increase (decrease) in cash and cash equivalents	10,644	(29,892)
Cash and cash equivalents at beginning of period	66,017	76,662
Cash and cash equivalents at end of period	76,662	46,769

[Notes]

Significant matters serving as the basis for preparation of consolidated financial statements

(1) Matters regarding scope of consolidation

The Company has all of its subsidiaries consolidated, whose number is 22.

Hosiden India Private Limited has been newly established and is included in the scope of consolidation from the current consolidated fiscal year.

(2) Matters regarding fiscal year of consolidated subsidiaries

Of consolidated subsidiaries, the closing date of the following six overseas consolidated subsidiaries is December 31: Qingdao Hosiden Electronics Co., Ltd., Hosiden Electronics (Shanghai) Co., Ltd., Hosiden (Shenzhen) Co., Ltd., Hosiden Technology (Qingdao) Co., Ltd., Hosiden Vietnam (Bac Giang) Co., Ltd., and China Hosiden Co., Ltd. In preparing consolidated financial statements for the fiscal year under review, the Company uses the financial statements as of December 31, but made necessary consolidation adjustments for significant transactions that occurred thereafter until the consolidated closing date.

(3) Matters regarding accounting policies

(i) Valuation standards and methods for significant assets

Securities

Available-for-sale securities

Non-marketable securities other than stocks, etc.

Market value method (Valuation difference is recognized directly into net assets in full, and the cost of securities sold is calculated based on the moving average method.)

Non-marketable securities, stocks, etc.

Moving average cost method

Derivatives

Market value method

Inventories

The Company and domestic consolidated subsidiaries mainly use the periodic average method (values on the balance sheet are subject to the carrying amount reduction method based on decreased profitability). Meanwhile, overseas consolidated subsidiaries use the lower of cost or market method (using the first-in, first-out method) for merchandise, and mainly the periodic average or weighted average method for finished goods, work in process, raw materials and supplies.

(ii) Depreciation and amortization method for significant depreciable assets

Property, plant and equipment

The Company and domestic consolidated subsidiaries use the diminishing balance method. However, the straight-line method is used for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and for facilities attached to buildings and also structures acquired on or after April 1, 2016. Overseas consolidated subsidiaries mainly use the straight-line method.

The useful lives of principal assets are as follows.

Buildings and structures: 31-50 years

Machinery, equipment and vehicles: 5-9 years

Intangible assets

Straight-line method. Software for internal use is amortized by the straight-line method based on the internal usable period (five years).

(iii) Standards for recognizing significant provisions

Allowance for doubtful accounts

To prepare for bad debt expenses, the estimated uncollectable amounts regarding normal receivables are recognized using the loan loss ratio, and the estimated uncollectable amounts regarding certain receivables, such as doubtful receivables, are recognized by separately examining their collectability.

Provision for bonuses for directors

To prepare for bonus payments to directors, the relevant provision is recognized based on the estimated payment amount.

(iv) Accounting method for retirement benefits

Period attribution method for the expected retirement benefits

For calculating retirement benefit obligations, the benefit formula standards are used regarding the method of attributing the expected retirement benefits to the periods until the fiscal year under review.

Expensing method for actuarial gains and losses

Past service costs are amortized by the straight-line method over a period within the average remaining service years for employees at the time of recognition (mainly five years).

Actuarial gains and losses are amortized by the straight-line method over a period within the average remaining service years for employees at the time of recognition (mainly five years), and allocated proportionately from the fiscal year following the respective fiscal year of recognition.

Accounting method for unrecognized actuarial gains and losses

Unrecognized actuarial gains and losses and unrecognized past service costs are recognized at the remeasurements of defined benefit plans item of accumulated other comprehensive income in net assets after adjusting tax effects.

(v) Standards for recognition of significant revenues and expenses

The Group's principal business is developing, manufacturing, and selling electronic components. Sales transactions to customers are based on the terms and conditions determined by agreement with the customer, and revenue is recognized when the performance obligation is satisfied by the transfer of control of the product to the customer. For product sales, the Company determines that the performance obligation is satisfied when the customer obtains control over the product at the time of delivery. However, for domestic product sales, the Company recognizes revenue at the time of shipment to the domestic delivery location designated by the customer.

(vi) Criteria for translation of significant foreign currency-denominated assets and liabilities into Japanese yen

Foreign currency-denominated assets and liabilities are translated into Japanese yen at the spot exchange rates as of the consolidated closing date, and the translation differences are treated as gains or losses. Assets and liabilities of affiliates outside Japan are translated into Japanese yen at the spot exchange rates as of the consolidated closing date, and the revenue and costs are translated into Japanese yen at the average market exchange rates during the relevant period. The translation differences are recorded in foreign currency translation adjustment under the net assets.

(vii) Scope of net cash in the consolidated statement of cash flows

The scope of net cash (cash and cash equivalents) in the consolidated statement of cash flows includes cash on hand, deposits drawable at any time, and short-term investments that are readily convertible to cash, are exposed to insignificant risks of changes in value and are redeemable within three months.

(viii) Other Significant matters serving as the basis for preparation of consolidated financial statements

Accounting treatment for non-deductible consumption taxes on assets

It is based on the tax-excluded method. However, Non-deductible consumption taxes and local consumption taxes on assets are treated as expenses for the fiscal year under review.

(Significant accounting estimates)

Valuation of inventories

(i) Amount recorded in the consolidated financial statements for the fiscal year under review.

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year
Merchandise and finished goods	9,214	8,220
Work in process	3,730	3,207
Raw materials and supplies	19,638	61,897

(ii) Details of significant accounting estimates related to the identified items

Inventories are qualitatively evaluated based on the periods of retention. Some of the amusement-related raw materials are evaluated by comparing an appropriate inventory level, which is based on the potential orders by customers and future usability, and the volume of inventories at the end of the fiscal year. If the appropriate level of inventories significantly changes due in part to changes in the market environment that were unpredictable at the time of estimation, the amount of raw materials may be affected in the consolidated financial statements for the next fiscal year.

Changes in accounting policies

Notes on changes in accounting policies

(Application of Accounting Standard for Current Income Taxes)

The Company has applied the "Accounting Standard for Current Income Taxes" (Accounting Standards Board of Japan [ASBJ] Statement No. 27, October 28, 2022; hereinafter referred to as the "2022 Revised Accounting Standards") and other standards from the beginning of the consolidated accounting period.

With regard to the amendments to the classification of corporate taxes, etc. (taxation on other comprehensive income), the Company follows the transitional treatment set forth in the proviso to paragraph 20-3 of the 2022 Revised Accounting Standards and the transitional treatment set forth in the proviso to paragraph 65-2(2) of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the "2022 Revised Implementation Guidance"). This treatment has no impact on the consolidated financial statements.

In addition, with regard to the amendments related to the revision of the treatment in consolidated financial statements when profits and losses on sales of subsidiary shares, etc. between consolidated companies are deferred for tax purposes, the 2022 Revised Implementation Guidance has been applied from the beginning of the consolidated accounting period. This change in accounting policy has been applied retrospectively, and the consolidated financial statements for the previous fiscal year are after retrospective application.

This retrospective treatment has no impact on the consolidated financial statements for the previous fiscal year.

Unapplied Accounting Standards, etc.

- Accounting Standard for Leases (ASBJ Statement No. 34 on September 13, 2024, Accounting Standards Board of Japan)
- Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33 on September 13, 2024, Accounting Standards Board of Japan), etc.

(1) Outline

As part of initiatives to align Japanese generally accepted accounting principles (GAAP) with international accounting standards, the Accounting Standards Board of Japan (ASBJ) has conducted deliberations based on the international accounting standards with the aim of developing new accounting standards for leases, by which a lessee recognizes assets and liabilities for all leases. Employing the basic policy of adopting not all stipulations but only key stipulations of IFRS 16, while placing its basis on a single accounting treatment model of IFRS 16, ASBJ released the accounting standard for leases, etc., that are simple and of high convenience, and that also aim to basically eliminate the need for restatements when the stipulations of IFRS 16 are applied to non-consolidated financial statements. With regard to accounting treatment for a lessee, the single accounting treatment model is applied to the cost allocation for leases of a lessee, under which, as under IFRS 16, a lessee is required to record depreciation of right-of-use assets and the amount equivalent to interest for lease liabilities for all leases, whether they are a finance lease transaction or an operating lease transaction.

(2) Effective date

The standards and guidance will be effective from the beginning of the fiscal year ending March 31, 2028.

(3) Effects of application of the standards and guidance

The effects of application of Accounting Standard for Leases, etc. on the consolidated financial statements are currently under evaluation.

Changes in presentation

(Consolidated balance sheets)

In the previous fiscal year, electronically recorded obligations - operating was included in notes and accounts payable - trade under current liabilities from the perspective of materiality. In the fiscal year under review, however, it is noted independently because the balance of notes payable - trade is zero. In order to reflect the change in presentation, certain reclassifications have been made to the consolidated financial statements for the previous fiscal year.

As a result, 14,673 million yen shown as notes and accounts payable - trade under current liabilities on the consolidated balance sheets for the previous fiscal year was reclassified into notes payable - trade of 204 million yen, accounts payable -trade of 12,488 million yen and electronically recorded obligations -operating of 1,979 million yen.

(Additional information)

(Application of the Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules, etc.)

"The Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules, etc." (the Practical Solution No. 46, March 22, 2024) has been applied since the beginning of the fiscal year under review. The effect of the application on the consolidated financial statements is minimal.

(Notes - Consolidated balance sheet)

*1 Pledged assets and secured debt

A revolving security interest for borrowings from banks has been created over the assets below; however, the Company has no borrowings on the credit facility.

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Buildings and structures	64 million yen	56 million yen

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Machinery, equipment and vehicles	182 million yen	107 million yen
Total	247 million yen	164 million yen

In addition to the above, time deposits have been pledged as collateral to guarantee transactions of overseas consolidated subsidiaries.

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Time deposits	9 million yen	— million yen

*2 Promissory notes due on balance sheet date, etc.

The balance sheet date for the current fiscal year fell on a bank holiday; however, the accounting treatment for promissory notes due on balance sheet date was treated as if it was settled on the balance sheet date. The amount of promissory notes due on balance sheet date for the current fiscal year is as follows:

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Notes receivable trade	6 million yen	— million yen
Notes payable trade	1 million yen	— million yen
Current liabilities “Other” (Notes payable facilities)	2 million yen	— million yen

*3 Of “Other,” the amount of contract liabilities is as follows.

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Contract liabilities	7 million yen	1 million yen

(Notes - Consolidated statements of income)

*1 The inventory balance at the end of the period represents the balance after writing down the book value due to decreased profitability. The following loss on valuation of inventories (the amount after the reversal of inventory write-down) is included in cost of sales.

Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
614 million yen	(549) million yen

*2 Of Selling, general and administrative expenses, major items and the amounts thereof are as follows:

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Employees’ salaries and bonuses	3,864 million yen	3,807 million yen
Retirement benefit expenses	172 million yen	152 million yen
Provision of allowance for doubtful accounts	2 million yen	171 million yen
Provision for bonuses for directors (and other officers)	138 million yen	161 million yen

Packing and transportation costs	1,313 million yen	1,252 million yen
Commission expenses	1,008 million yen	992 million yen

*3 Total research and development expenses included in Selling, general and administrative expenses and manufacturing costs for the current period.

Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
1,977 million yen	2,073 million yen

*4 Details of gain on sale of non-current assets are as follows:

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Buildings and structures, land and other	— million yen	0 million yen
Machinery, equipment and vehicles	14 million yen	12 million yen
Tools, furniture and fixtures	0 million yen	0 million yen
Total	14 million yen	14 million yen

*5 Details of loss on sale and retirement of non-current assets are as follows:

Loss on retirement

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Buildings and structures	0 million yen	0 million yen
Machinery, equipment and vehicles	1 million yen	5 million yen
Tools, furniture and fixtures; metal molds; and other	1 million yen	0 million yen
Total	3 million yen	6 million yen

Loss on sale

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Machinery, equipment and vehicles, and other	13 million yen	2 million yen
Land	17 million yen	— million yen
Total	30 million yen	2 million yen

*6 Impairment losses

Previous fiscal year (From April 1, 2023 to March 31, 2024)

The Group recorded impairment losses for the following asset group.

Location	Use	Category	Amount
Japan (Osaka)	Acoustic components Manufacturing facility	Machinery, equipment and vehicles	69 million yen
		Tools, furniture and fixtures, and dies	94 million yen
Japan(Osaka)	Display components Manufacturing facility	Machinery, equipment and vehicles	167 million yen

		Tools, furniture and fixtures, and dies	16 million yen
		Software	0 million yen
China (Guangdong)	Electro-mechanical components Manufacturing facility	Machinery, equipment and vehicles	427 million yen
		Tools, furniture and fixtures, and dies	6 million yen
		Software	54 million yen
		Right-of-use assets	10 million yen
China (Hong Kong)	Sales offices	Right-of-use assets	55 million yen
Germany	Sales offices	Right-of-use assets	27 million yen
Total			931 million yen

The Group groups assets based on the units in which the Group continuously recognizes profit and loss, taking into account their relevance in the manufacturing process, etc.

Price competitions in the markets are severe, and losses have been continuously recorded for the above asset group. Because recovery of either net sales or profit is unlikely, the Group wrote down the book value to the recoverable value, and recorded the amount reduced as impairment losses in the extraordinary losses section. The recoverable value of the asset group is calculated using the value in use; however, the future cash flows are negative and thus the value of use is zero. Since the future cash flows were negative, the discount rate was omitted.

Current fiscal year (From April 1, 2024 to March 31, 2025)
The Group recorded impairment losses for the following asset group.

Location	Use	Category	Amount
Japan (Osaka)	Electro-mechanical components Manufacturing facility	Building and structures	124 million yen
		Machinery, equipment and vehicles	6 million yen
		Tools, furniture and fixtures, and dies	5 million yen
		Software	4 million yen
		Land	12 million yen
Japan (Shiga)	Display components Manufacturing facility	Building and structures	0 million yen
		Machinery, equipment and vehicles	45 million yen
		Tools, furniture and fixtures, and dies	9 million yen
China (Guangdong)	Electro-mechanical components Manufacturing facility	Machinery, equipment and vehicles	16 million yen
		Software	1 million yen
China (Shandong)	Electro-mechanical components Manufacturing facility, Acoustic components Manufacturing facility	Machinery, equipment and vehicles	2 million yen
		Tools, furniture and fixtures, and dies	14 million yen
The United Kingdom	Acoustic components Manufacturing facility	Building and structures	15 million yen
		Machinery, equipment and vehicles	37 million yen

		Tools, furniture and fixtures, and dies	86 million yen
Germany	Electro-mechanical components Manufacturing facility, Acoustic components Manufacturing facility, Display components Manufacturing facility, Sales offices	Tools, furniture and fixtures, and dies	19 million yen
		Right-of-use assets	30 million yen
Total			432 million yen

The Group groups assets based on the units in which the Group continuously recognizes profit and loss, taking into account their relevance in the manufacturing process, etc.

Price competitions in the markets are severe, and losses have been continuously recorded for the above asset group. Because recovery of either net sales or profit is unlikely, the Group wrote down the book value to the recoverable value, and recorded the amount reduced as impairment losses in the extraordinary losses section. The recoverable value of the asset group is calculated using the value in use; however, the future cash flows are negative and thus the value of use is zero. Since the future cash flows were negative, the discount rate was omitted.

(Notes - Consolidated statements of comprehensive income)

*1 Reclassification adjustments concerning other comprehensive income (Millions of yen)

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Valuation difference on available-for-sale securities		
Increase (decrease) during the period	1,613	(51)
Reclassification adjustments	–	–
Total	1,613	(51)
Foreign currency translation adjustment		
Increase (decrease) during the period	1,605	650
Reclassification adjustments	–	–
Total	1,605	650
Remeasurements of defined benefit plans, net of tax		
Increase (decrease) during the period	556	403
Reclassification adjustments	(125)	(223)
Total	430	180
Total before tax effect adjustment	3,649	778
Tax effects	(578)	(35)
Total other comprehensive income	3,070	742

*2 Tax effects concerning other comprehensive income (Millions of yen)

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Valuation difference on available-for-sale securities		
Before tax effect adjustment	1,613	(51)
Tax effects	(493)	15
After tax effect adjustment	1,119	(35)
Foreign currency translation adjustment		
Before tax effect adjustment	1,605	650
Tax effects	–	–
After tax effect adjustment	1,605	650
Remeasurements of defined benefit plans, net of tax		
Before tax effect adjustment	430	180
Tax effects	(84)	(51)
After tax effect adjustment	345	128
Total other comprehensive income		
Before tax effect adjustment	3,649	778
Tax effects	(578)	(35)
After tax effect adjustment	3,070	742

(Notes - Consolidated statements of changes in equity)

1 [Previous fiscal year (From April 1, 2023 to March 31, 2024)]

(1) Matters concerning the type and number of shares issued and of treasury shares

	At the beginning of the current fiscal year (Thousands of shares)	Increase during the current fiscal year (Thousands of shares)	Decrease during the current fiscal year (Thousands of shares)	At the end of the current fiscal year (Thousands of shares)
Shares issued				
Common stock (Note) 2	63,010	–	1,600	61,410
Total	63,010	–	1,600	61,410
Treasury shares				
Common stock (Notes) 1, 2 and 3	9,731	1,604	1,616	9,719
Total	9,731	1,604	1,616	9,719

(Note) 1.Details of the increase of 1,604,000 shares in common stock under treasury shares are as follows: increase due to purchase of treasury shares by the resolution of the Board of Directors meeting (1,600,000 shares) and increase due to purchase of treasury shares less than a standard unit (0 shares) and increase of 3,000 shares due to a case occurred that triggers the Company's acquisition of shares at no cost under the restricted stock remuneration plan.

2. Details of the decrease of 1,600,000 shares in common stock are as follows: decrease due to cancellation of treasury shares.

3. Details of the decrease of 1,616,000 shares in common stock under treasury shares are as follows: decrease due to cancellation of treasury shares (1,600,000 shares) and decrease due to disposal of treasury shares as restricted stock (16,000 shares).

(2) Share acquisition rights

Category	Description	Type of shares to be issued	Number of shares to be issued (Thousands) (Notes) 2 and 3				Balance at the end of the current fiscal year (Millions of yen)
			At the beginning of the current fiscal year	Increase during the current fiscal year	Decrease during the current fiscal year	At the end of the current fiscal year	
Reporting company (Parent company)	Yen-denominated convertible bonds with share acquisition rights due in 2024	Common stock	4,463	161	–	4,624	(Note) 1
Total		–	4,463	161	–	4,624	–

(Note) 1. Yen-denominated convertible bonds with share acquisition rights are based on the lump-sum method.

2. The number of shares to be issued indicates the number of shares based on the assumption that the acquisition rights are exercised.

3. The number of shares to be issued increased during the current fiscal year because the conversion price was adjusted from 2,240.60 yen to 2,162.40 yen in accordance with the conversion price adjustment clause.

(3) Dividends

(i) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 29, 2023 Ordinary general meeting of shareholders	Common stock	2,557	48.0	March 31, 2023	June 30, 2023
November 10, 2023 Board of Directors meeting	Common stock	1,240	24.0	September 30, 2023	December 4, 2023

(ii) Dividends with the record date in the current fiscal year and the effective date in the following fiscal year.

Resolution	Type of shares	Total dividends (Millions of yen)	Dividend source	Dividends per share (Yen)	Record date	Effective date
June 26, 2024 Ordinary general meeting of shareholders	Common stock	2,274	Retained earnings	44.0	March 31, 2024	June 27, 2024

2 [Current fiscal year (From April 1, 2024 to March 31, 2025)]

(1) Matters concerning the type and number of shares issued and of treasury shares

	At the beginning of the current fiscal year (Thousands of shares)	Increase during the current fiscal year (Thousands of shares)	Decrease during the current fiscal year (Thousands of shares)	At the end of the current fiscal year (Thousands of shares)
Shares issued				
Common stock (Note) 2	61,410	–	1,245	60,164
Total	61,410	–	1,245	60,164
Treasury shares				
Common stock (Notes) 1 and 3	9,719	1,246	1,688	9,277
Total	9,719	1,246	1,688	9,277

(Note) 1. Details of the increase of 1,246,000 shares in common stock under treasury shares are as follows: increase due to purchase of treasury shares by the resolution of the Board of Directors meeting (1,245,000 shares) and increase due to purchase of treasury shares less than a standard unit (0 shares) and increase of 0 shares due to a case occurred that triggers the Company's acquisition of shares at no cost under the restricted stock remuneration plan.

2. Details of the decrease of 1,245,000 shares in common stock are as follows: decrease due to cancellation of treasury shares.

3. Details of the decrease of 1,688,000 shares in common stock under treasury shares are as follows: decrease due to cancellation of treasury shares (1,245,000 shares) ,decrease due to disposal of treasury shares as restricted stock (8,000 shares),and exercise of Stock Options of Yen-denominated convertible bonds with share acquisition rights due in 2024(435,000 shares).

(2) Share acquisition rights

<table>
<tr><th rowspan="2">Category</th><th rowspan="2">Description</th><th rowspan="2">Type of shares to be issued</th><th colspan="4">Number of shares to be issued (Thousands)
(Notes) 2 and 3</th><th rowspan="2">Balance at the end of the current fiscal year (Millions of yen)</th></tr>
<tr><th>At the beginning of the current fiscal year</th><th>Increase during the current fiscal year</th><th>Decrease during the current fiscal year</th><th>At the end of the current fiscal year</th></tr>
<tr><td rowspan="2">Reporting company (Parent company)</td><td>Yen-denominated convertible bonds with share acquisition rights due in 2024</td><td>Common stock</td><td>4,624</td><td>131</td><td>4,755</td><td>–</td><td>(Note) 1</td></tr>
<tr><td>Zero Coupon Convertible Bonds due 2031</td><td>Common stock</td><td>–</td><td>3,610</td><td>–</td><td>3,610</td><td>(Note) 1</td></tr>
<tr><td colspan="2">Total</td><td>–</td><td>4,624</td><td>3,741</td><td>4,755</td><td>3,610</td><td>–</td></tr>
</table>

(Note) 1. Yen-denominated convertible bonds with share acquisition rights are based on the lump-sum method.
2. The number of shares to be issued indicates the number of shares based on the assumption that the acquisition rights are exercised.
3. The number of shares to be issued increased during the current fiscal year because the conversion price was adjusted from 2,162.40 yen to 2,102.90 yen in accordance with the conversion price adjustment clause.

(3) Dividends

(i) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 26, 2024 Ordinary general meeting of shareholders	Common stock	2,274	44.0	March 31, 2024	June 27, 2024
November 8, 2024 Board of Directors meeting	Common stock	990	19.0	September 30, 2024	December 4, 2024

(ii) Dividends with the record date in the current fiscal year and the effective date in the following fiscal year.

Resolution	Type of shares	Total dividends (Millions of yen)	Dividend source	Dividends per share (Yen)	Record date	Effective date
June 26, 2025 Ordinary general meeting of shareholders	Common stock	2,035	Retained earnings	40.0	March 31, 2025	June 27, 2025

(Notes - Consolidated statements of cash flows)

* Reconciliation of ending balance of cash and cash equivalents with account balances per balance sheet

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Cash and deposits	72,287 million yen	59,564 million yen
Time deposits with maturities of more than three months	(10,248) million yen	(12,794) million yen
Short-term investments which mature within three months from the acquisition date (securities)	14,624 million yen	－ million yen

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Cash and cash equivalents	76,662 million yen	46,769 million yen

(Notes - Financial instruments)

1 [Matters regarding the status of financial instruments]

(1) Policies on financial instruments

The Group finances necessary funds mainly through bank loans and issuance of corporate bonds in light of its capital investment plans, etc. Temporary surplus funds are invested mainly in financial instruments with high liquidity, and short-term working capital is sourced through borrowings from banks. Derivatives are used to avoid the risks discussed in the following, and the Group's policy is not to be engaged in any speculative transactions.

(2) Description of financial instruments and related risks

The Group's operating receivables of notes receivable - trade and accounts receivable - trade are exposed to the credit risk of the respective customers. Operating receivables denominated in foreign currencies are exposed to the risk of fluctuations in foreign currency exchange rates. However, in principle, a certain percentage of the exposure is hedged through forward exchange contracts, except for cases in which the claims are less than the balance of accounts payable denominated in the same foreign currency.

Securities are short-term negotiable certificates of deposit, etc. Investment securities are mainly shares in corporations with which the Group has receivables or business relationships, and are exposed to the risk of fluctuations in their market prices.

Notes and accounts payable - trade, which are the operating debts of the Group, have payment dates within one year. Some of them are denominated in foreign currencies and are exposed to the risk of fluctuations in foreign currency exchange rates. However, in principle, a certain percentage of this exposure is hedged through forward exchange contracts, except for cases in which the debts are less than the balance of accounts receivable denominated in the same foreign currency.

Borrowings are mainly used for financing capital investment, research and development, and working capital. Corporate bonds are used for financing capital investment.

Derivatives transactions are forward exchange contracts to hedge currency fluctuation risk associated with operating receivables and payables denominated in foreign currencies.

(3) Risk management structure for financial instruments

(i) Credit risk (risk relating to counterparty not executing contracts, etc.) management

Operating receivables are managed based on the credit control rules of the Company. The sales division regularly monitors the status of major counterparties and manages the due date and balance for each counterparty, and the Company works on mitigation and early detection of concerns over collectability of claims due to deteriorating financial conditions of counterparties. The Company manages its consolidated subsidiaries in a similar way, following the management rules of the Company.

The Group believes that derivatives transactions are exposed to little credit risk because they are conducted only with financial institutions with a high credit rating.

(ii) Market risk (currency and interest rate fluctuation risk) management

Concerning operating receivables and payables denominated in foreign currencies, the Company in principle employs forward exchange contracts to hedge currency fluctuation risk that is recognized by currency by month.

The fair value of securities and investment securities and the financial position of their issuers (business partners) are assessed regularly, and the status of shareholdings is continuously reviewed.

Derivatives transactions are executed by the department in charge with the approval of the approver(s) in accordance with the management rules which provide for transaction authority, transaction limits, etc. Actual monthly transactions are reported to the Board of Directors.

The Company manages its consolidated subsidiaries, following the management rules of the Company.

(iii) Management of liquidity risk (risk that payments are not made on payment date) associated with financing

The Company manages liquidity risk through maintaining liquidity on hand as well as preparing and updating cash flow planning as necessary based on reports from relevant departments.

(4) Supplementary explanation concerning fair value of financial instruments

Factors subject to fluctuations are incorporated in measuring the fair values of financial instruments, and therefore the resulting amounts may change if different preconditions are used. Please note that the contract amounts related to derivatives transactions included in the note “Derivatives and hedge accounting” do not by themselves indicate the market risk associated with derivatives transactions.

(5) Concentration of credit risk

57.9% of operating receivables as of the end of the current fiscal year are for major customers.

2 [Matters regarding fair value of financial instruments]

The following tables indicate the amount recorded in the consolidated balance sheets, the fair value and the difference between them.

Previous fiscal year (As of March 31, 2024)

	Amount recorded in consolidated balance sheets (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Securities	5,000	4,997	(3)
Investment securities (*2)	6,953	6,953	–
Total assets	11,953	11,950	(3)
Bonds with share acquisition rights	10,008	10,250	241
Total liabilities	10,008	10,250	241
Derivatives transactions (*3)	(152)	(152)	–

(*1) “Cash and deposits,” “Notes receivable - trade,” “Accounts receivable - trade,” “Trade accounts receivable,” MMF and negotiable certificates of deposit out of “Securities, “Notes and accounts payable - trade,” and “short-term borrowings” are omitted because they are settled within a short time and the fair value is almost equal to the book value.

(*2) Non-marketable securities are not included in “investment securities.” The amounts of financial instruments recorded in the consolidated balance sheets are as follows.

Category	Previous fiscal year (Millions of yen)
Unlisted stocks	103

(*3) Net receivables and payables, which were derived from derivatives transactions, are presented in net amounts, and any item for which the total becomes a net liability is indicated in parentheses.

Current fiscal year (As of March 31, 2025)

	Amount recorded in consolidated balance sheets (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Securities	–	–	–
Investment securities (*2)	7,099	7,099	–
Total assets	7,099	7,099	–
Bonds with share acquisition rights	10,190	10,175	(14)
Total liabilities	10,190	10,175	(14)
Derivatives transactions (*3)	(19)	(19)	–

(*1) “Cash and deposits,” “Notes receivable - trade,” “Accounts receivable - trade,” “Trade accounts receivable,” and “Short-term borrowings” are omitted because they are settled within a short time and the fair value is almost equal to the book value.

(*2) Non-marketable securities are not included in “investment securities.” The amounts of financial instruments recorded in the consolidated balance sheets are as follows.

Category	Current fiscal year (Millions of yen)
Unlisted stocks	128

(*3) Net receivables and payables, which were derived from derivatives transactions, are presented in net amounts, and any item for which the total becomes a net liability is indicated in parentheses.

(Note) The redemption schedule after the consolidated balance sheet date of monetary receivables and securities with maturity dates

Previous fiscal year (As of March 31, 2024)

	Due within one year (Millions of yen)	Due after one year but within five years (Millions of yen)	Due after five years but within ten years (Millions of yen)	Due after ten years (Millions of yen)
Cash and deposits	72,287	–	–	–
Notes receivable - trade	1,644	–	–	–
Accounts receivable - trade	21,110	–	–	–
Trade accounts receivable	1,188	–	–	–
Securities and investment securities				
Other securities with maturities				
(1) Negotiable certificates of deposit	6,500	–	–	–
(2) Investment trust	5,000	–	–	–
(3) Bonds (Government bonds)	–	700	–	–
(4) Bonds (Corporate bonds)	–	–	300	–
Investments and other assets (other)				
Investments and other assets (other) with maturities				
Long-term deposits	3,000	3,500	–	–
Total	110,730	4,200	300	–

Current fiscal year (As of March 31, 2025)

	Due within one year (Millions of yen)	Due after one year but within five years (Millions of yen)	Due after five years but within ten years (Millions of yen)	Due after ten years (Millions of yen)
Cash and deposits	59,564	–	–	–
Notes receivable - trade	1,224	–	–	–
Accounts receivable - trade	31,918	–	–	–
Trade accounts receivable	1,170	–	–	–
Securities and investment securities				
Other securities with maturities				
(1) Negotiable certificates of deposit	–	–	–	–
(2) Investment trust	–	–	–	–

	Due within one year (Millions of yen)	Due after one year but within five years (Millions of yen)	Due after five years but within ten years (Millions of yen)	Due after ten years (Millions of yen)
(3) Bonds (Government bonds)	–	700	–	–
(4) Bonds (Corporate bonds)	–	–	300	–
Investments and other assets (other)				
Investments and other assets (other) with maturities				
Long-term deposits	–	–	–	–
Total	93,877	700	300	–

3 [Matters regarding fair value of financial instruments by levels]

The fair values of financial instruments are classified into the following three levels based on the observability and materiality of the inputs used to calculate the fair values.

Level 1: Fair value derived from observable inputs that are derived from quoted prices in active markets for identical assets or liabilities.

Level 2: Fair value derived from observable inputs that are not included in Level 1 inputs.

Level 3: Fair value derived from unobservable inputs

When multiple inputs that have a significant impact on the fair value calculation are used, the fair value is classified at a lower level category.

(1) Financial instruments recorded in the consolidated balance sheets at fair value

Previous fiscal year (As of March 31, 2024)

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stock	5,956	–	–	5,956
Government bonds	698	–	–	698
Corporate bonds	–	298	–	298
Derivatives transactions				
Currency-related transactions	–	0	–	0
Total assets	6,655	299	–	6,954
Derivatives transactions				
Currency-related transactions	–	152	–	152
Total liabilities	–	152	–	152

Current fiscal year (As of March 31, 2025)

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stock	6,107	–	–	6,107
Government bonds	693	–	–	693
Corporate bonds	–	299	–	299
Derivatives transactions				
Currency-related transactions	–	–	–	–
Total assets	6,800	299	–	7,099
Derivatives transactions				
Currency-related transactions	–	19	–	19

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Total liabilities	–	19	–	19

(2) Financial instruments other than those recorded in the consolidated balance sheets at fair value

Previous fiscal year (As of March 31, 2024)

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities				
Other securities				
Investment trust	–	4,997	–	4,997
Total assets	–	4,997	–	4,997
Bonds with share acquisition rights	–	10,250	–	10,250
Total liabilities	–	10,250	–	10,250

Current fiscal year (As of March 31, 2025)

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities				
Other securities				
Investment trust	–	–	–	–
Total assets	–	–	–	–
Bonds with share acquisition rights	–	10,175	–	10,175
Total liabilities	–	10,175	–	10,175

(Note) Valuation techniques and inputs used to measure fair value

Investment securities

Fair values of listed stocks, government bonds and corporate bonds are based on prices on the market. Listed stocks and government bonds are classified in Level 1 because they are traded in active markets. Corporate bonds held by the Company are based on prices indicated by financial institutions, and their fair value is classified in Level 2.

Derivatives transactions

Fair value of forward exchange contracts is based on prices indicated by financial institutions, and their fair value is classified in Level 2.

Bonds with share acquisition rights

Fair value of bonds with share acquisition rights is based on prices indicated by financial institutions, and their fair value is classified in Level 2.

Investment trust

Fair value of investment trust is based on prices indicated by financial institutions, and their fair value is classified in Level 2.

(Notes - Investment securities)

(1) Other securities

Previous fiscal year (As of March 31, 2024)

	Category	Amount recorded in consolidated balance sheets (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose amount recorded in the consolidated balance sheets exceeds their acquisition cost	Stock	5,836	964	4,871
	Subtotal	5,836	964	4,871
Securities whose amount recorded in the consolidated balance sheets does not exceed their acquisition cost	(i) Stock	120	186	(66)
	(ii) Bonds	997	1,001	(4)
	(iii) Others	14,624	14,624	–
	Subtotal	15,741	15,812	(71)
Total		21,577	16,777	4,800

(Note) Unlisted stocks (whose amount recorded in the consolidated balance sheets is 103 million yen) fall under the category of non-marketable securities and thus are not included in “other securities” in the table above.

Current fiscal year (As of March 31, 2025)

	Category	Amount recorded in consolidated balance sheets (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose amount recorded in the consolidated balance sheets exceeds their acquisition cost	Stock	5,970	964	5,005
	Subtotal	5,970	964	5,005
Securities whose amount recorded in the consolidated balance sheets does not exceed their acquisition cost	(i) Stock	136	186	(50)
	(ii) Bonds	992	1,000	(8)
	(iii) Others	–	–	–
	Subtotal	1,128	1,187	(58)
Total		7,099	2,152	4,947

(Note) Unlisted stocks (whose amount recorded in the consolidated balance sheets is 128 million yen) fall under the category of non-marketable securities and thus are not included in “other securities” in the table above.

(2) Other securities sold during the fiscal year

Previous fiscal year (From April 1, 2023 to March 31, 2024)

None applicable

Current fiscal year (From April 1, 2024 to March 31, 2025)

None applicable

(3) Securities for which an impairment loss was recognized

Previous fiscal year (From April 1, 2023 to March 31, 2024)

None applicable

Current fiscal year (From April 1, 2024 to March 31, 2025)

Impairment loss of 123 million yen was recognized for non-marketable securities under other securities.

When recognizing impairment loss, fair value at the end of the fiscal year that has dropped by 50% or more compared with the acquisition cost is wholly recognized as impairment loss, and fair value at the end of the fiscal year that has dropped by 30 to 50% is recognized as impairment loss for the amount deemed necessary after consideration of recoverability, etc.

(Notes - Derivative transaction)

(1) Derivatives transactions for which hedge accounting is not adopted

Currency-related transactions

Previous fiscal year (As of March 31, 2024)

Category	Type of transaction	Notional principal or contract amount (Millions of yen)	Portion due after one year (Millions of yen)	Fair value (Millions of yen)	Valuation gain or loss (Millions of yen)
Non-market transactions	Forward foreign exchange contracts				
	Sell				
	USD	5,154	–	(152)	(152)
	Buy				
	USD	44	–	0	0
Total		5,198	–	(152)	(152)

Current fiscal year (As of March 31, 2025)

Category	Type of transaction	Notional principal or contract amount (Millions of yen)	Portion due after one year (Millions of yen)	Fair value (Millions of yen)	Valuation gain or loss (Millions of yen)
Non-market transactions	Forward foreign exchange contracts				
	Sell				
	USD	605	–	(6)	(6)
	Buy				
	USD	1,794	–	(13)	(13)
Total		2,399	–	(19)	(19)

(2) Derivatives transactions for which hedge accounting is adopted

Previous fiscal year (As of March 31, 2024)

None applicable

Current fiscal year (As of March 31, 2025)

None applicable

(Notes - Retirement benefit expenses)

1 [Description of retirement benefit plans adopted by the Company]

The Company and its consolidated subsidiaries have adopted funded and unfunded defined benefit pension plans and defined contribution pension plans to prepare for employee retirement benefits.

Defined benefit corporate pension plans (all of them are funded plans) provide a lump-sum or pension based on salary and length of service. However, the Company and some of its consolidated subsidiaries have adopted a cash balance plan for the defined benefit corporate pension plan. This plan sets up a virtual individual account corresponding to the funds for the accumulated amount and pension amount is established for each participant. The virtual individual account of the beneficiary who requests to delay receiving the benefit will accumulate credits of interest based mainly on the trend of the market interest rates.

Some of the defined benefit corporate pension plans have a retirement benefit trust set up for them.

A lump-sum retirement benefit plan (though unfunded, may become a funded plan as a result of setting a retirement benefit trust) provides a lump-sum as a retirement benefit based on salary and length of service.

2 [Defined benefit pension plan]

(1) Adjustments between the beginning and ending balances of retirement benefit obligation

(Millions of yen)

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Retirement benefit obligation at the beginning of the year	11,575	11,341
Service cost	547	628
Interest cost	105	126
Actuarial gain and loss generated	(150)	(557)
Retirement benefits paid	(1,073)	(903)
Amount of the past service cost arisen	13	—
Other	323	(67)
Retirement benefit obligation at the end of the year	11,341	10,567

(2) Adjustments between the beginning and ending balances of plan assets

(Millions of yen)

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Plan assets at the beginning of the year	8,465	9,070
Expected return on plan assets	111	111
Actuarial gain and loss generated	358	(117)
Contribution from employer	415	611
Retirement benefits paid	(611)	(545)
Other	332	(60)
Plan assets at the end of the year	9,070	9,069

(3) Reconciliation of retirement benefit obligation and pension asset at the end of the year with retirement benefit liability and retirement benefit asset recorded in the consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Retirement benefit obligation for funded plans	10,087	9,337
Plan assets	(9,070)	(9,069)
	1,016	267
Retirement benefit obligation for unfunded plans	1,254	1,229

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Net retirement benefit liability and asset reported in the consolidated balance sheets	2,271	1,497

Retirement benefit liability	2,307	1,497
Retirement benefit asset	(35)	－
Net retirement benefit liability and asset reported in the consolidated balance sheets	2,271	1,497

(4) Breakdown of retirement benefit expenses

(Millions of yen)

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Service cost	547	628
Interest cost	105	126
Expected return on plan assets	(111)	(111)
Amortization of actuarial gain and loss	(65)	(262)
Amount of the past service cost reported as an expense	1	2
Retirement benefit expenses for defined benefit pension plans	476	382

(5) Remeasurements of defined benefit plans, net of tax

Remeasurements of defined benefit plans, net of tax consist of the following (before tax effects).

(Millions of yen)

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Past service cost	11	(2)
Actuarial gain and loss	(442)	(177)
Total	(430)	(180)

(6) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans consist of the following (before tax effects).

(Millions of yen)

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Unrecognized past service cost	11	9
Unrecognized actuarial gain and loss	(893)	(1,071)
Total	(881)	(1,062)

(7) Plan assets

(i) Major components of plan assets

Percentages of major components of the total plan assets are as follows.

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Bonds	24%	34%
General accounts	29%	29%
Investment trust	21%	18%
Stock	9%	9%
Cash and deposits	15%	8%
Other	2%	2%
Total	100%	100%

(ii) Method for determining the long-term expected return on plan assets

To determine the long-term expected return on plan assets, the current and future portfolios of the plan assets held, and the current and future expected long-term returns generated from the various assets constituting the plan assets are considered.

(8) Assumptions used in actuarial calculations

Major assumptions used in actuarial calculations

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Discount rates	0.51%	1.26%
Long-term expected rates of return on plan assets	0.50%	0.50%

(Note) Expected future salary increases are not used for calculation of retirement benefit obligation.

3 [Defined contribution pension plans]

The required amounts of contribution to the consolidated subsidiaries' defined contribution pension plans were 33 million yen for the previous fiscal year and 32 million yen for the current fiscal year.

(Notes - Tax effect accounting)

(1) Significant components of deferred tax assets and liabilities

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Deferred tax assets		
Accrued bonuses	252 million yen	241 million yen
Accrued business office tax	134 million yen	56 million yen
Inventories	929 million yen	740 million yen
Impairment losses	494 million yen	504 million yen
Retirement benefit liability	1,142 million yen	918 million yen
Tax loss carry forwards (Note) 2	1,127 million yen	1,469 million yen
Other	461 million yen	566 million yen
Deferred tax assets subtotal	4,541 million yen	4,497 million yen
Valuation allowance for tax loss carry forwards (Note) 2	(1,127) million yen	(1,469) million yen
Valuation allowance for the sum of future deductible temporary differences, etc.	(2,183) million yen	(2,002) million yen
Valuation allowance subtotal (Note) 1	(3,310) million yen	(3,472) million yen
Total deferred tax assets	1,231 million yen	1,025 million yen
Deferred tax liabilities		
Reserve for tax purpose reduction entry of non-current assets	(230) million yen	(232) million yen
Valuation difference on available-for-sale securities	(1,498) million yen	(1,482) million yen
Retained profits of overseas subsidiaries	(936) million yen	(1,043) million yen
Other	(58) million yen	(36) million yen
Total deferred tax liabilities	(2,723) million yen	(2,796) million yen
Net deferred tax assets (liabilities)	(1,492) million yen	(1,771) million yen

(Note) 1 Valuation allowance increased by 161 million yen. This was mainly due to an increase in future deductible temporary differences by an increase in tax loss carry forwards at consolidated subsidiaries of the Company.

(Note) 2 The amounts of tax loss carry forwards and corresponding deferred tax assets by due periods.

Previous fiscal year (As of March 31, 2024)

	Due within one year (Millions of yen)	Due after one year but within two years (Millions of yen)	Due after two years but within three years (Millions of yen)	Due after three years but within four years (Millions of yen)	Due after four years but within five years (Millions of yen)	Due after five years (Millions of yen)	Total (Millions of yen)
Tax loss carry forwards (*)	–	–	–	–	218	908	1,127
Valuation allowance	–	–	–	–	(218)	(908)	(1,127)
Deferred tax assets	–	–	–	–	–	–	–

(*) The tax loss carry forwards represent the amounts after being multiplied by the effective statutory tax rate.

Current fiscal year (As of March 31, 2025)

	Due within one year (Millions of yen)	Due after one year but within two years (Millions of yen)	Due after two years but within three years (Millions of yen)	Due after three years but within four years (Millions of yen)	Due after four years but within five years (Millions of yen)	Due after five years (Millions of yen)	Total (Millions of yen)
Tax loss carry forwards (*)	–	–	–	162	106	1,200	1,469
Valuation allowance	–	–	–	(162)	(106)	(1,200)	(1,469)
Deferred tax assets	–	–	–	–	–	–	–

(*) The tax loss carry forwards represent the amounts after being multiplied by the effective statutory tax rate.

(2) Major components in relation to the significant difference between the effective statutory tax rate and the effective tax rate after adoption of tax effect accounting

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Statutory tax rate	30.6%	Notes are omitted because the difference between the effective statutory tax rate and the effective tax rate after adoption of tax effect accounting is 5% or less.
(Reconciliation)		
Change in valuation allowance	3.0%	
Items that are permanently not deductible such as entertainment expenses	1.6%	
Different tax rates applied to overseas consolidated subsidiaries	(3.4)%	
Tax credits	(0.6)%	
Undistributed earnings of overseas consolidated subsidiaries	0.9%	
Other	0.3%	
Effective tax rate after adoption of tax effect accounting	32.4%	

(2) **Revisions to the amounts of deferred tax assets and liabilities due to a change in tax rate**

Pursuant to the establishment of the Act on Partial Revision of the Income Tax Act, Etc. (Act No. 13 of 2025) by the National Diet of Japan on March 31, 2025, the taxation of the "Special Defense Corporate Tax" will begin for the consolidated accounting period from April 1,2026.

In line with this, for the deferred tax assets and deferred tax liabilities related to temporary differences expected to be resolved after the consolidated accounting year starting on April 1, 2026, we have recalculated using a statutory effective tax rate revised from 30.6% to 31.5%.

This has resulted in a net amount of deferred tax assets (after deducting deferred tax liabilities) that is 12 million yen higher, an amount of income taxes - deferred that is 8 million yen higher than if calculated before the change and an amount of measurements of defined benefit plans, net of tax - deferred that is 4 million yen lower than if calculated before the change.

(Notes - Revenue recognition)

(1) Breakdown of revenue from contracts with customers

Previous fiscal year (From April 1, 2023 to March 31, 2024)

(Unit: Millions of yen)

	Reportable segment				Total
	Electro-mechanical components	Acoustic components	Display components	Applied equipment and other	
Japan	132,221	3,248	1,095	1,842	138,407
Asia	50,398	11,041	274	8,698	70,413
Europe	37	2,269	1,036	306	3,650
Other regions	2,215	3,623	74	523	6,438
Revenue from contracts with customers	184,874	20,183	2,481	11,371	218,910
Net sales to unaffiliated customers	184,874	20,183	2,481	11,371	218,910

(Note) Net sales are categorized by country or region based on the location of customers.

Current fiscal year (From April 1, 2024 to March 31, 2025)

(Unit: Millions of yen)

	Reportable segment				Total
	Electro-mechanical components	Acoustic components	Display components	Applied equipment and other	
Japan	153,751	3,059	1,317	2,250	160,379
Asia	58,820	11,0629	270	5,789	76,509
Europe	24	1,975	178	297	2,475
Other regions	2,054	4,333	434	1,383	8,206
Revenue from contracts with customers	214,651	20,997	2,201	9,721	247,571
Net sales to unaffiliated customers	214,651	20,997	2,201	9,721	247,571

(Note) Net sales are categorized by country or region based on the location of customers.

(2) Basic information to understand revenue from contracts with customers

Information on contracts with customers, performance obligation and the standard timing of revenue recognition are as stated in "(Significant matters serving as the basis for preparation of consolidated financial statements) 3 Accounting policies (v) Standards for recognition of significant revenues and expenses." Under the payment terms and conditions of the Group's transactions, payment due dates usually arrive in a short-term, and contracts with customers do not include any material financing components. A transaction price is calculated by deducting the amount paid to a customer such as discounts and kickbacks from the amount of consideration agreed on with the customer under the contract.

(3) Information regarding the fulfillment of performance obligations under contracts with customers, the relationship with cash flows arising from such contracts, and the amounts and timing of revenue expected to be recognized in subsequent consolidated fiscal years from contracts with customers existing at the end of the current fiscal year

① Balance of contract assets and contract liabilities

	Previous fiscal year	Current fiscal year
Contract assets	1	7
Contract liabilities	7	1

Regarding the balance of contract liabilities, it is included under 'Other' in current liabilities on the consolidated balance sheet. Contract liabilities refer to advance received from customers based on the terms of the contracts with them. Contract liabilities are recognized as revenue is earned. Additionally, there are no relevant contract assets.

② Transaction price allocated to the remaining performance obligations

Since the Group does not have any significant transactions with individual forecast contract periods exceeding one year, we use practical expedients and omit disclosures regarding the remaining performance obligations.

(Notes - Segment information, etc.)

[Segment information]

(1) Overview of reportable segments

The Company's reportable segments are components of the Company for which separate financial information is available and which the Board of Directors regularly reviews to make decisions regarding the allocation of management resources and evaluate operating performance.

The Company develops, manufactures and sells electronic components as its main business, and sets four reportable segments taking into account the product types and similarities of their businesses: electro-mechanical components, acoustic components, display components, and applied equipment and other.

The electro-mechanical components segment primarily includes connectors, jacks and switches. The acoustic components segment primarily includes microphones, headphones, headsets, speakers and receivers. The display components segment primarily includes touch panels components. The applied equipment and other segment represents the applied devices that do not belong to the above segments.

(2) Calculation of net sales, profit or loss, assets and other items by reportable segment

Accounting methods for the reportable business segments are generally consistent with those described in the section "Significant matters serving as the basis for preparation of consolidated financial statements."

Reportable segment profit is based on operating profit. Inter-segment sales and transfers are based on the actual transaction volume.

(3) Net sales, profit or loss, assets and other items by reportable segment

Previous fiscal year (from April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reportable segments					Adjustments or company-wide (Note 1)	Amounts in consolidated financial statements (Note 2)
	Electro-mechanical components	Acoustic components	Display components	Applied equipment and other	Total		

Net sales							
Sales to unaffiliated customers	184,874	20,183	2,481	11,371	218,910	–	218,910
Inter-segment sales and transfers	–	–	–	–	–	–	–
Total	184,874	20,183	2,481	11,371	218,910	–	218,910
Segment profit (loss)	9,310	1,533	(431)	2,513	12,925	–	12,925
Segment assets	61,152	12,087	1,341	5,410	79,992	95,015	175,008
Other items							
Depreciation	2,338	526	46	239	3,150	–	3,150
Increase in property, plant and equipment and intangible assets	1,556	604	248	235	2,644	188	2,833

Notes: 1. The adjustments are as follows:

(1) The company-wide assets of 95,015 million yen for segment assets include cash and deposits, securities, investment securities and deferred tax assets, etc.

(2) Of the increase in property, plant and equipment and intangible assets, 188 million yen is company-wide assets that are not allocated to each reportable segment.

2. The total amount of segment profit (loss) is equal to the operating profit in the consolidated statements of income.

Current fiscal year (from April 1, 2024 to March 31, 2025)

(Millions of yen)

	Reportable segments					Adjustments or company-wide (Note 1)	Amounts in consolidated financial statements (Note 2)
	Electro-mechanical components	Acoustic components	Display components	Applied equipment and other	Total		
Net sales							
Sales to unaffiliated customers	214,651	20,997	2,201	9,721	247,571	–	247,571
Inter-segment sales and transfers	–	–	–	–	–	–	–
Total	214,651	20,997	2,201	9,721	247,571	–	247,571
Segment profit (loss)	10,781	1,851	(270)	1,210	13,573	–	13,573
Segment assets	113,592	13,589	626	4,145	131,954	68,324	200,279
Other items							
Depreciation	2,740	509	37	253	3,540	–	3,540

Increase in property, plant and equipment and intangible assets	5,261	732	218	221	6,434	299	6,733

Notes: 1. The adjustments are as follows:

(1) The company-wide assets of 68,324 million yen for segment assets include cash and deposits, securities, investment securities and deferred tax assets, etc.

(2) Of the increase in property, plant and equipment and intangible assets, 299 million yen is company-wide assets that are not allocated to each reportable segment.

2. The total amount of segment profit (loss) is equal to the operating profit in the consolidated statements of income.

[Relevant information]

Previous fiscal year (From April 1, 2023 to March 31, 2024)

(1) Information by products and services

(Unit: Millions of yen)

	Electro-mechanical components	Acoustic components	Display components	Applied equipment and other	Total
Net sales to unaffiliated customers	184,874	20,183	2,481	11,371	218,910

(2) Information by regions

(i) Net sales

(Unit: Millions of yen)

Japan	Asia			Europe	Other regions	Total
	China	Vietnam	Other			
138,407	6,264	36,511	27,637	3,650	6,438	218,910

(Note) Net sales are categorized by country or region based on the location of customers.

(ii) Property, plant and equipment

(Unit: Millions of yen)

Japan	China	Vietnam	Other	Total
9,341	545	5,355	1,399	16,641

(3) Information by major customers

(Unit: Millions of yen)

Name	Net sales	Segment
Nintendo Co., Ltd.	121,483	Electro-mechanical components
Samsung Electronics Vietnam Thai Nguyen	26,804	Electro-mechanical components

Current fiscal year (From April 1, 2024 to March 31, 2025)

(1) Information by products and services

(Unit: Millions of yen)

	Electro-mechanical components	Acoustic components	Display components	Applied equipment and other	Total
Net sales to unaffiliated customers	214,651	20,997	2,201	9,721	247,571

(2) Information by regions

(i) Net sales

(Unit: Millions of yen)

Japan	Asia			Europe	Other regions	Total
	China	Vietnam	Other			
160,379	6,582	41,208	28,718	2,475	8,206	247,571

(Note) Net sales are categorized by country or region based on the location of customers.

(ii) Property, plant and equipment

(Unit: Millions of yen)

Japan	China	Vietnam	Other	Total
11,830	555	6,101	1,114	19,602

(3) Information by major customers

(Unit: Millions of yen)

Name	Net sales	Segment
Nintendo Co., Ltd.	142,221	Electro-mechanical components

[Impairment losses on non-current assets by reportable segments]

Previous fiscal year (From April 1, 2023 to March 31, 2024)

(Unit: Millions of yen)

	Reportable segment					Company total	Total
	Electro-mechanical components	Acoustic components	Display components	Applied equipment and other	Total		
Impairment losses	537	193	195	4	931	–	931

Current fiscal year (From April 1, 2024 to March 31, 2025)

(Unit: Millions of yen)

	Reportable segment					Company total	Total
	Electro-mechanical components	Acoustic components	Display components	Applied equipment and other	Total		
Impairment losses	173	191	67	–	432	–	432

[Information about amortization of goodwill and unamortized balance by reportable segments]

None applicable

[Information about the gain recognized on negative goodwill by reportable segments]

None applicable

[Information about related parties]

Transactions with related parties

Transactions between the Company and related parties

Directors and major shareholders (individuals only) of the Company, etc.

Previous fiscal year (From April 1, 2023 to March 31, 2024)

Type	Name	Location	Share capital or investment in capital (Millions of yen)	Business or occupation	Percentage of voting rights (held)	Relation	Nature of transaction	Amount of transactions (Millions of yen)	Account	Balance at end of period
Director	Kenji Furuhashi	–	–	President and CEO	(Held) Direct 2.1% Indirect 0.3%	–	Disposal of treasury shares due to payment of in-kind contribution of monetary remuneration claims (Note2)	14	–	–
Director	Haremi Kitatani (Note1)	–	–	Executive Vice President and Representative Director	(Held) Direct 0.2%	–	Disposal of treasury shares due to payment of in-kind contribution of monetary remuneration claims (Note2)	10	–	–

(Note1)Haremi Kitatani passed away on October 28, 2023 and retired as Representative Director of the Company on the same day. Transactions in the current fiscal year that took place during his tenure are listed.

(Note2) Transaction terms and conditions and decision policy therefor, etc.

The transactions consist of restricted stocks allotted by the resolution of the Board of Directors meeting on June 29, 2023 in accordance with the "restricted share-based remuneration plan" whose introduction was resolved at the 72nd ordinary general meeting of shareholders held on June 29, 2022. The transaction prices were calculated based on the closing share price of the Company's common stock at the Tokyo Stock Exchange Prime Market on the business day before the day of the resolution by the Board of Directors meeting.

Current fiscal year (From April 1, 2024 to March 31, 2025)

Type	Name	Location	Share capital or investment in capital (Millions of yen)	Business or occupation	Percentage of voting rights (held)	Relation	Nature of transaction	Amount of transactions (Millions of yen)	Account	Balance at end of period

Director	Kenji Furuhashi	–	–	President and CEO	(Held) Direct 2.1% Indirect 0.4%	–	Disposal of treasury shares due to payment of in-kind contribution of monetary remuneration claims (Note)	14	–	–

(Note) Transaction terms and conditions and decision policy therefor, etc.

The transactions consist of restricted stocks allotted by the resolution of the Board of Directors meeting on June 26, 2024 in accordance with the "restricted share-based remuneration plan" whose introduction was resolved at the 72nd ordinary general meeting of shareholders held on June 29, 2022. The transaction prices were calculated based on the closing share price of the Company's common stock at the Tokyo Stock Exchange Prime Market on the business day before the day of the resolution by the Board of Directors meeting.

(Notes - Per share information)

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Net assets per share	2,609.20yen	2,757.39yen
Basic earnings per share	224.23yen	194.76yen
Diluted earnings per share	205.62yen	181.88yen

(Note) The basis for calculation is as follows.

(1) Basic earnings per share and diluted earnings per share

		Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
(1) Basic earnings per share			
Profit attributable to owners of parent	(Millions of yen)	11,632	10,037
Amount not attributable to common shareholders	(Millions of yen)	–	–
Profit attributable to owners of parent relating to common shares	(Millions of yen)	11,632	10,037
Average number of shares of common shares during the period	(Thousands of shares)	51,874	51,534
(2) Diluted earnings per share			
Adjustment to profit attributable to owners of parent	(Millions of yen)	(14)	(12)
(Of which amortization of discount on bonds (after tax)) (Note)	(Millions of yen)	[(14)]	[(12)]
Increase in common shares	(Thousands of shares)	4,624	3,581
Overview of potential shares that were not included in the calculation of diluted earnings per share due to lack of a dilutive effect		–	–

(Note) This represents the amortization amount (after tax) relating to the difference occurred due to the issuance of bonds at a value higher than the face value.

(2) Net assets per share

		Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Total net assets	(Millions of yen)	134,870	140,317
Amount to be deducted from total net assets	(Millions of yen)	–	–
Year-end net assets relating to common shares	(Millions of yen)	134,870	140,317
Number of year-end common shares used for the calculation of net assets per share	(Thousands of shares)	51,690	50,887

(Notes - Significant subsequent events)

None applicable

[Consolidated Supplementary Financial Schedules]

(1) Schedule of Bonds and Notes

Company	Name of securities	Date of issuance	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Interest Rate (%)	Collateral	Maturity date
The Company	Yen-denominated convertible bonds with share acquisition rights due in 2024 (Note) 1	September 21, 2017	10,008	–	–	None	September 20, 2024
The Company	Zero Coupon Convertible Bonds due 2031 (Note) 1	December 19, 2024	–	10,190	–	None	December 19, 2031
Total	–	–	10,008	10,190	–	–	–

(Note) 1. Details of the bonds with share acquisition rights are as follows.

Name of securities	Yen-denominated convertible bonds with share acquisition rights due in 2024	Zero Coupon Convertible Bonds due 2031
Shares to be issued	Common shares	Common shares
Issue price (yen)	Gratis	Gratis
Exercise price (yen)	2,102.9	2,770
Total exercise price (Millions of yen)	10,000	10,000
Total exercise price upon exercise of share acquisition rights (Millions of yen)	–	–
Ratio of share acquisition rights to be granted (%)	100.0	100.0
Period during which share acquisition rights can be exercised	From October 5, 2017 to September 6, 2024	From January 6, 2025 to December 5, 2031

(Note) 1. When a holder of the share acquisition rights makes a request, the full amount to be paid at the time of exercise of the stock acquisition rights shall be deemed to have been paid in lieu of the full redemption of the bonds to which the stock acquisition rights were attached. Also, when the share acquisition rights are exercised, it shall be deemed that such a request has been made.

2. At the 75th (fiscal year ended March 31, 2025) ordinary general meeting of shareholders held on June 26, 2025, the proposal to appropriate surplus with a year-end dividend of 40 yen per share was approved, and the annual dividend for the fiscal year ended March 31, 2025 is planned to determine to be 59 yen per share. Since this fell under the adjustment clause for the conversion price of bonds with share acquisition rights, it is planned to be adjusted from 2,770 yen to 2,742.6 yen since April 1, 2025.

2. The redemption schedule for 5 years subsequent to the consolidated balance sheet date is as follows:

Due within one year (Millions of yen)	Due after one year but within two years (Millions of yen)	Due after two years but within three years (Millions of yen)	Due after three years but within four years (Millions of yen)	Due after four years but within five years (Millions of yen)
–	–	–	–	–

(2) Schedule of Borrowings

Category	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (%)	Maturity
Short-term borrowings	1,050	1,050	1.2	–
Current portion of long-term borrowings	–	–	–	–
Current portion of lease obligations	96	58	3.6	–
Long-term borrowings (excluding current portion)	–	–	–	–
Lease obligations (excluding current portion)	351	355	6.6	April 2026 to December 2041
Other interest-bearing debt	–	–	–	–
Total	1,497	1,464	–	–

(Note) 1. The “average interest rate” represents the weighted-average rate applicable to the balance at end of period.

2. Some of the overseas consolidated subsidiaries have adopted IFRS No. 16 “Lease,” and the balances at beginning of period and at end of period of “Current portion of lease obligations” and “Lease obligations (excluding current portion)” include the balances based on the accounting standard.

3. The following table shows the repayment schedule of “lease obligations (excluding current portion)” for 5 years subsequent to the consolidated balance sheet date.

	Due after one year but within two years (Millions of yen)	Due after two years but within three years (Millions of yen)	Due after three years but within four years (Millions of yen)	Due after four years but within five years (Millions of yen)
Lease obligations	51	33	11	11

(3) Asset retirement obligations

None applicable

(4) Other

Quarterly results for the current fiscal year

(Accumulated period)	Mid quarter	Current fiscal year
Net sales (Millions of yen)	116,173	247,571

(Accumulated period)	Mid quarter	Current fiscal year
Profit before income taxes (Millions of yen)	6,342	14,229
Profit attributable to owners of parent (Millions of Yen)	4,426	10,037
Basic earnings per share (yen)	85.50	194.76