

# **Annual Report 2023**

**For the year ended March 31, 2023**

# Profile

Since its establishment in 1935 as a manufacturer of chemical plant equipment, Mitsubishi Kakoki Kaisha, Ltd. (MKK) has met the diversified needs of industries in the fields of energy, chemicals, foodstuffs, pharmaceuticals, air purification, and water and waste treatment. As an integrated engineering corporation, MKK has greatly contributed to the promotion of industrial prosperity.

MKK is furthering societal change by promoting the efficient use of resources and energy, the ongoing development of fine chemicals, and the refining of biotechnological and environmental technologies.

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# Financial Highlights (Consolidated)

Mitsubishi Kakoki Kaisha, Ltd. and Consolidated Subsidiaries

Fiscal years ended March 31

	Millions of yen			Thousands of U.S. dollars*
	2023	2022	2021	2023
For the year ended March 31				
Net sales	<b>¥44,590</b>	¥45,438	¥48,753	<b>\$333,932</b>
Income before income taxes and non-controlling interests	<b>4,363</b>	3,545	3,581	<b>32,679</b>
Profit attributable to owners of parent	<b>3,043</b>	2,547	2,511	<b>22,792</b>
Orders received	<b>53,194</b>	46,783	31,609	<b>398,367</b>

As of March 31

Total assets	<b>¥52,899</b>	¥50,521	¥51,837	<b>\$396,162</b>
Net assets	<b>30,325</b>	27,307	25,286	<b>227,102</b>
Backlog of orders	<b>50,589</b>	41,985	40,640	<b>378,862</b>

Summary of Sales by Product	Net Sales			Orders Received		
	Millions of yen		Thousands of U.S. dollars*	Millions of yen		Thousands of U.S. dollars*
	2023	2022	2023	2023	2022	2023
Engineering	<b>¥31,247</b>	¥33,212	<b>\$234,012</b>	<b>¥38,343</b>	¥33,234	<b>\$287,156</b>
Machinery	<b>13,342</b>	12,225	<b>99,920</b>	<b>14,850</b>	13,549	<b>111,211</b>
Total	<b>¥44,590</b>	¥45,438	<b>\$333,932</b>	<b>¥53,194</b>	¥46,783	<b>\$398,367</b>

\* U.S. dollar amounts have been translated from yen, for convenience only, at ¥133.53=U.S. \$1, the approximate rate of exchange prevailing on March 31, 2023.

# Report to Our Stockholders



## Business Environment and Business Results

During the fiscal year ended March 31, 2023, the Japanese economy continued to be affected by the novel coronavirus (COVID-19). However, as restrictions on activities were gradually eased and socio-economic activities returned to normal, personal consumption and private-sector capital investment showed signs of recovery. Meanwhile, the economic outlook remained uncertain, due to the prolonged situation in Ukraine, the depreciation of the yen, rising prices of resources and raw materials, the accompanying rise in commodity prices, and the downturn in overseas economies leading to weaker exports.

Under these circumstances, the Mitsubishi Kakoki Kaisha, Ltd. (MKK) Group strived to secure operating income through efforts to secure orders and improve costs, and continued to promote initiatives, including promoting projects in next-generation growth sectors and strengthening our corporate structure, to improve our performance. As a first step toward achieving the Mitsubishi Kakoki Group's Management Vision for 2050, which was formulated and announced in 2021 in light of social issues such as decarbonization, we formulated and announced a new medium-term business plan beginning in the fiscal year ended March 31, 2023 (from the fiscal year ended March 31, 2023 to the fiscal year ending March 31, 2025), with the gist being (1) establishment of a new business portfolio and (2) establishment of a management foundation, and started activities to achieve this plan. In order to further promote understanding and propagate the medium-term business plan within the Group, we held town hall meetings in which the President talked face to face with employees. Furthermore, in order to establish a new business portfolio, we made organizational changes aimed at fostering a company-wide sense of values that transcends business boundaries, collaborated and invested in initiatives in new business fields, strengthened and invested in projects relating to carbon neutrality, and renovated facilities and equipment for future business promotion.

The total amount of orders received on a consolidated basis during the fiscal year increased 13.7% compared to the previous fiscal year, to ¥53,194 million. This was due to increases in orders received both in the Engineering and the Machinery businesses.

Net sales decreased 1.9% compared to the previous fiscal year, to ¥44,590 million.

In terms of income and loss, operating income was ¥2,521 million (versus ¥2,770 million in the previous fiscal year) due to increases in selling, general and administrative expenses caused by increases in personnel expenses and estimated design expenses. Ordinary income was ¥2,859 million (versus ¥3,230 million in the previous fiscal year) due to factors such as a decrease in gain on foreign exchange. In addition, we recorded extraordinary losses from impairment loss, removal expenses of non-current assets, and loss on sales of investment securities, and also recorded extraordinary income from gain on sales of investment securities, which resulted in profit attributable to owners of parent of ¥3,043 million (versus ¥2,547 million in the previous fiscal year).

On a non-consolidated basis, during the fiscal year MKK received orders amounting to ¥44,662 million (up 22.9% year on year) and recorded net sales of ¥35,938 million (up 5.0% year on year), operating income of ¥3,095 million (versus ¥2,254 million in the previous fiscal year), ordinary income of ¥3,631 million (versus ¥2,800 million in the previous fiscal year) and net income of ¥4,033 million (versus ¥2,323 million in the previous fiscal year).

In determining its period-end dividend, MKK took into consideration factors including its performance for the fiscal year, the Company's assessment of future operating conditions and its financial position. On this basis, the Company has declared a period-end dividend of ¥80.00 per share, an increase of ¥10.00 per share from the previous fiscal year.

## Issues Facing the Group

Regarding the future outlook for the Japanese economy, it is expected that the restrictions on socio-economic activities associated with COVID-19 will be eased and the economy will pick up. However, amid continued global monetary tightening, there are risks of downward pressure on the Japanese economy due to concerns about a slowdown in overseas economies, as well as rising prices and constraints on the supply side, so the economic outlook is expected to remain unpredictable.

Under these circumstances, the Group will continue to pay close attention to the business environment. In order to secure operating income, we will strive to secure orders by winning orders for important projects by all means and improving costs, and further strengthen and thoroughly implement delivery date management and quality control. At the same time, we will continue to pursue policies to

strengthen our corporate structure by streamlining operations, improving indirect costs, and enhancing our financial structure.

Our medium-term business plan is based on the following policy: “In order to realize the management vision, we will enhance strategic investment and secure a foothold for creating new business as the first step toward evolution and transformation.” With the aim of transforming the Group from a business structure dependent on fossil fuel-based markets, we will establish a new business portfolio by promoting selection and concentration of existing businesses in order to create management resources in new business fields, and by shifting management resources to newly launched businesses and the existing businesses that we will deepen. We will also establish a management foundation by focusing on the establishment of a manufacturing strategy in the strategic business fields, the promotion of Group management that dynamically uses the entire Group’s management resources to improve profitability, and the enhancement of corporate value through initiatives that align with TCFD recommendations and the implementation of measures to improve capital efficiency. By such means, we will secure operating income by quickly adapting to market changes, and strengthening our sales capabilities, technological capabilities, and profitability. At the same time, by proactively making strategic investments, we will work to achieve our management vision aimed at a decarbonized and recycling-oriented society.

The fiscal year ending March 31, 2024 is the second year of our medium-term business plan, and it is essential to further promote specific initiatives in growth sectors and strategic business fields. In particular, in order to promote the hydrogen-based clean energy business and the recycling-based business for realizing a recycling society in a combined manner, we established the Environmental & Hydrogen & Energy Business Division in April 2023 by integrating the existing Environmental Engineering Business Division and the Hydrogen & Energy Project Center. This new division and the Technology Development & Production Division, which was established last year, will collaborate to create social contribution value in new business fields and strategic business fields through company-wide activities. As part of “the establishment of a manufacturing strategy” aimed at establishing a management foundation in our medium-term business plan, we will conduct a more concrete study of the project to rebuild our Kawasaki Works. Furthermore, our human resources policies will be based on the standpoint of diversity and by assigning the right person to the right position, we will create an environment where all employees can realize their full potential. At the same time, by developing a talent pool for management and experts through recruiting and nurturing visionary human resources with leadership and awareness for change, who are capable of adapting to changes in the business environment to enable the Company’s sustained growth, we will promote human resources development and utilization across the entire Group.

As described above, through business activities based on the new medium-term business plan, the Group, as a corporate group engaged in manufacturing and engineering that contribute to a low-carbon and recycling-based society, we will aim to sustainably increase corporate value. In addition, we will further focus on ensuring safety, while contributing to the achievement of the SDGs through promoting business activities from the standpoint of ESG. At the same time, we aim to be trusted by the wider community, and to that end will work continuously to ensure full compliance with laws and regulations, and to operate appropriately our internal control system in conformity with the stipulations of the Corporation Act of Japan and Financial Instruments and Exchange Act. We will also work to further enhance our corporate governance.

I sincerely request the continued support and encouragement of our stockholders in our ongoing efforts.

June 29, 2023

A handwritten signature in black ink, consisting of stylized Japanese characters, likely reading 'Tanaka Toshikazu'.

Toshikazu Tanaka  
*President*

# Review of Operations

## Engineering Operations

In Engineering Operations, in addition to attempts to identify customer needs, MKK sought to secure orders for a wide variety of plants and equipment to private sector customers as well as individually tailored sewage treatment equipment, mainly to public authorities. We conducted various research and development and demonstration tests to expand and strengthen biogas-related technologies, as well as sectors related to the business for realizing a recycling society and the clean energy business among the four strategic business fields set forth in our management vision. We also worked on the development of overseas plant projects.

Orders received increased 15.4% over the previous fiscal year's ¥33,234 million, to ¥38,343 million. This was because we were able to secure contracts for various plants, hydrogen production equipment, etc., for private sector customers in Japan, despite postponed and missed orders for overseas plant projects we had expected and sales of individually tailored sewage treatment equipment, mainly to public authorities, falling short of the previous fiscal year.

Net sales decreased 5.9% from the previous fiscal year's ¥33,212 million, to ¥31,247 million.

## Machinery Operations

In Machinery Operations, we worked to secure orders through the expansion of sales of Mitsubishi Oil Purifiers, which are a mainstay product, as well as the cultivation of projects for various types of standalone machinery. We also strived to deal with rising raw material prices. With regard to equipment complying with marine environment-protection regulations for ships, designated as one of our growth sectors, we continued to promote product development and market launch.

Orders received increased 9.6% over the previous fiscal year's ¥13,549 million, to ¥14,850 million. This was due to an increased number of contracts year on year for Mitsubishi Oil Purifiers, their after-sales service parts, and equipment complying with marine environment-protection regulations for ships, as well as strong performance of various types of stand-alone machinery.

Net sales increased 9.1% from the previous fiscal year's ¥12,225 million, to ¥13,342 million.

	2023	2022
<b>Orders Received</b>		
Engineering (%)	72.1	71.0
Machinery (%)	27.9	29.0
Total (millions of yen)	¥53,194	¥46,783
<b>Net Sales</b>		
Engineering (%)	70.1	73.1
Machinery (%)	29.9	26.9
Total (millions of yen)	¥44,590	¥45,438

# Major Products of MKK Group

## Engineering

Town Gas Production Plant, ICI Naphtha Reforming Plant, CRG (Catalytic Rich Gas) Plant, SNG (Substitute Natural Gas) Plant, LNG Satellite Plant/LNG Vaporizer, Coke Oven Gas Desulfurization Plant, Coke Oven Gas Treating Plants, Coal Gasification Plants, Petroleum Related Plant, Sulfur Recovery/Tail Gas Processing Plant, Thermal Cracking Plant, Hydrodesulfurization Plant, Hydrogen Plant, Cryogenic Air Separation Plant, Supercritical Fluid Extraction System, Chromatographic Separation System, Detergent Plant, Pharmaceutical Plant, Glucose Plant, Superpure Chemical Plant (EL grade), Cultivation/Fermentation Plant, Ultra Filtration Membrane Plant, Reverse Osmosis Membrane Plant, Sulfuric Acid Plant, Methanol/Formalin Synthesis Plant, Hydrogen Generation Plant, Nitrogen Generation Plant, CO Separation/Refining Plant, Resin Plant, Butanol Plant, Synthetic Glycerin Plant, Propylene Glycol Plant, Phenol Plant, Engineering Plastics Plant, Food Processing Plant, Meat Processing Plant, Thawing Equipment, Continuous Edible Oil Extraction Plant, Edible Oil Refining Plant, Soy Bean Albumin Plant, Microwave Heating Sterilizer, Industrial Waste Treatment Plant, Sewage Treatment Plant, Agricultural/Fishery Waste Water Treatment Facilities, Leachate Treatment Facilities for Final Waste Disposal Plants, Industrial Waste Water Treatment Plant, Recycled Water Utilization Plant, Desalination Plant, Waste Oil Treatment Plant, Flue Gas Desulfurization Plant, Flue Gas NOx Removal Plant, Sludge Processing Plant, Water-Permeable Brick Plant (Sewage Sludge), Municipal Solid Waste Incineration Plant, Industrial Waste Incineration Plant, Deodorizing Facilities

## Machinery

Oil Purifier (SJ and OP), Centrifugal Separator, Dryer, Filter, Young Filter (conforming to GMP), Schneider Filter (Rolling Mill Coolant Oil Filter), Belt Dehydrator, Mixer, Cleaners, Concentrator, Strainer, Seawater Intake Screening Equipment, Heat Exchanger, Tower, Vessel, Ballast Water Treatment System, SOx Scrubber System

# Independent Auditor's Report

The Board of Directors  
Mitsubishi Kakoki Kaisha, Ltd.

## Opinion

We have audited the accompanying consolidated financial statements of Mitsubishi Kakoki Kaisha, Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2023, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

## Basis for Opinion

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

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Estimate of total cost used by the Company to measure revenue recognized over time	
Description of Key Audit Matter	Auditor's Response
Mitsubishi Kakoki Kaisha, Ltd. (the Company) and its consolidated subsidiaries recognize revenue over time based on the progress in satisfying performance obligations, because such performance obligations related to construction contracts are satisfied over time.	<p>We performed the following audit procedures to assess the adequacy of the estimate of total cost used by the Company to measure revenue recognized over time, among others.</p> <p>(1) Evaluation of internal controls</p> <p>We evaluated the design and operating effectiveness of the following internal controls of the Company concerning the estimated total cost of construction.</p>

<p>Of net sales of ¥44,590 million recognized for the fiscal year ended March 31, 2023, ¥27,196 million, or approximately 61%, represents revenue recognized over time by the Company.</p> <p>As described in Note 1 (r) (Significant Accounting Estimates) to the consolidated financial statements, the progress in satisfying performance obligations used to measure revenue recognized over time is calculated based on the proportion of the actual cost incurred up until the end of the fiscal year against the estimated total cost of construction using the input methods.</p> <p>Since the construction work is highly individual in nature and the basic specifications and work performed are based on instructions from customers, it is difficult to develop a uniform standard for calculating the estimated total cost of construction. Therefore, estimates require certain assumptions and judgment to be made by the construction manager who has knowledge of and experience in construction work.</p> <p>In addition, since construction is generally completed over long-term periods, there is a possibility that additional construction costs will arise or adjustments will be made to the specifications in the course of the construction, and therefore it is difficult to appropriately revise the estimated total cost of construction in a timely manner. In particular, considering the scale and complexity of the construction work performed by the Company, the uncertainty of the estimated total cost of construction is high and involves subjective judgment by the construction manager.</p> <p>Accordingly, we have determined that the estimate of total cost used by the Company to measure revenue recognized over time is a key audit matter for the fiscal year ended March 31, 2023 due to the significance of the balance, estimates, and judgements, and the degree of uncertainty of the estimated total cost of construction.</p>	<ul style="list-style-type: none"> <li>• Control to ensure the reliability of the report on the status of individual construction work (the project status report), which is the basis of the estimated total cost of construction, through preparation by the construction manager and approval by the relevant person</li> <li>• System through which the estimated total cost of construction is revised in a timely manner in accordance with the status of the work, the actual cost incurred or any change in specification instructed by the customer</li> <li>• System for timely and appropriate monitoring of the profit or loss and the progress of construction by the construction cost management department responsible for the reliability of construction cost</li> </ul> <p>(2) Evaluation of reasonableness of estimated total cost of construction</p> <p>In light of various factors such as construction contract amount, construction profit or loss, construction specifications, and status of construction, we identified and selected construction projects for which there is a relatively high degree of uncertainty in terms of the estimated total cost of construction and performed the following procedures.</p> <ul style="list-style-type: none"> <li>• We compared the estimated total cost of construction with the project status report, which is the basis of the calculation of the estimated total cost of construction, and assessed whether it was calculated by aggregating costs for each type of construction and whether there were any abnormal adjustments made to the project status report due to future uncertainty.</li> <li>• We compared the estimated total cost of construction with the initial estimated total cost of construction and made inquiries of the construction manager regarding the progress of the construction and whether the estimated total cost of construction needs to be revised.</li> </ul>
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	<p>We assessed the timeliness and appropriateness of revisions of estimated total cost of construction by comparing such revisions with construction drawings, the construction schedule, quotes from subcontractors and the status of expenses incurred.</p> <ul style="list-style-type: none"> <li>• We inspected certain construction sites and assessed the consistency between the actual construction and the estimated total cost of construction as well as the progress in satisfying performance obligations.</li> <li>• We assessed the process for estimating total cost by comparing the initial estimated total cost of construction with the actual total cost.</li> </ul>
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## Other Information

The other information comprises the information included in the Annual Report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Audit and Supervisory Committee is responsible for overseeing the Group's reporting process of the other information.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

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

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 5 to the consolidated financial statements.

Ernst & Young ShinNihon LLC  
Tokyo, Japan

July 28, 2023

/s/ Yukiyasu Yamakawa  
Designated Engagement Partner  
Certified Public Accountant

/s/ Shigeyoshi Sato  
Designated Engagement Partner  
Certified Public Accountant

# Consolidated Balance Sheet

Mitsubishi Kakoki Kaisha, Ltd. and Consolidated Subsidiaries

March 31, 2023

<i>Assets</i>	Millions of yen		Thousands of U.S. dollars (Note 5)
	2023	2022	2023
<b>Current assets:</b>			
Cash and bank deposits (Notes 17 and 18)	¥13,115	¥11,227	\$ 98,220
Notes receivable, trade (Notes 18 and 20)	550	2,735	4,122
Electronically recorded monetary claims (Note 18)	1,554	1,102	11,638
Accounts receivable, trade (Note 18)	12,304	11,537	92,146
Contract assets	6,047	3,768	45,286
Finished goods	709	770	5,316
Work in process	1,959	1,791	14,674
Raw materials and supplies	1,045	757	7,832
Other assets	1,749	1,614	13,098
Allowance for doubtful accounts	(6)	(5)	(46)
<b>Total current assets</b>	<b>39,029</b>	<b>35,301</b>	<b>292,291</b>
<b>Property, plant and equipment (Notes 6 and 7):</b>			
Buildings and structures, net	2,457	2,560	18,401
Machinery, equipment and vehicles, net	541	570	4,053
Land	1,182	1,426	8,857
Other, net	783	412	5,867
<b>Total property, plant and equipment</b>	<b>4,964</b>	<b>4,969</b>	<b>37,180</b>
<b>Intangible assets</b>	<b>345</b>	<b>421</b>	<b>2,587</b>
<b>Investments and other assets:</b>			
Investment securities (Notes 7, 8, 18 and 19)	6,535	8,372	48,940
Deferred tax assets (Note 22)	730	1,026	5,469
Asset for retirement benefits (Note 21)	897	—	6,724
Other assets	421	453	3,155
Allowance for doubtful accounts	(24)	(24)	(185)
<b>Total investments and other assets</b>	<b>8,559</b>	<b>9,827</b>	<b>64,103</b>
<b>Total assets</b>	<b>¥52,899</b>	<b>¥50,521</b>	<b>\$396,162</b>

See accompanying "Notes to Consolidated Financial Statements."

<i>Liabilities and Net Assets</i>	Millions of yen		Thousands of U.S. dollars (Note 5)
	2023	2022	2023
<b>Current liabilities:</b>			
Notes and accounts payable, trade (Notes 18 and 20)	¥ 5,912	¥ 5,607	\$ 44,281
Electronically recorded obligations (Note 18)	3,492	3,723	26,151
Current portion of long-term debt (Notes 7 and 18)	500	1,000	3,744
Accrued income taxes	1,071	661	8,022
Contract liabilities	1,074	1,066	8,049
Accrued bonuses	881	865	6,601
Accrued bonuses to directors	18	14	139
Provision for warranties on completed construction	1,405	1,140	10,524
Provision for losses on construction contracts	148	132	1,110
Other current liabilities	1,123	1,239	8,410
<b>Total current liabilities</b>	<b>15,627</b>	<b>15,451</b>	<b>117,036</b>
<b>Long-term liabilities:</b>			
Long-term debt (Notes 7, 18 and 20)	2,800	2,300	20,969
Provision for executive compensation BIP Trust	62	89	471
Liability for retirement benefits (Note 21)	3,760	5,030	28,163
Other long-term liabilities	323	342	2,420
<b>Total long-term liabilities</b>	<b>6,946</b>	<b>7,762</b>	<b>52,024</b>
<b>Total liabilities</b>	<b>22,574</b>	<b>23,213</b>	<b>169,060</b>
<b>Shareholders' equity:</b>			
Common stock	3,956	3,956	29,633
Capital surplus	4,203	4,203	31,481
Retained earnings	19,565	17,059	146,522
Treasury stock	(540)	(553)	(4,049)
<b>Total shareholders' equity</b>	<b>27,185</b>	<b>24,666</b>	<b>203,588</b>
<b>Accumulated other comprehensive income:</b>			
Unrealized gain on available-for-sale securities	2,902	3,847	21,738
Deferred gain (loss) on hedges	24	7	181
Foreign currency translation adjustments	(251)	(293)	(1,885)
Accumulated remeasurements of defined benefit plans (Note 21)	464	(921)	3,480
<b>Total accumulated other comprehensive income</b>	<b>3,139</b>	<b>2,640</b>	<b>23,514</b>
<b>Total net assets (Note 16)</b>	<b>30,325</b>	<b>27,307</b>	<b>227,102</b>
<b>Total liabilities and net assets</b>	<b>¥52,899</b>	<b>¥50,521</b>	<b>\$396,162</b>

# Consolidated Statement of Operations

Mitsubishi Kakoki Kaisha, Ltd. and Consolidated Subsidiaries

Fiscal year ended March 31, 2023

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2023	2022	2023
<b>Net sales</b> (Note 23)	<b>¥44,590</b>	<b>¥45,438</b>	<b>\$333,932</b>
<b>Cost of sales</b> (Notes 11 and 12)	<b>35,915</b>	<b>37,123</b>	<b>268,970</b>
<b>Gross profit</b>	<b>8,674</b>	<b>8,315</b>	<b>64,962</b>
<b>Selling, general and administrative expenses</b> (Note 10)	<b>6,153</b>	<b>5,545</b>	<b>46,080</b>
<b>Operating income</b>	<b>2,521</b>	<b>2,770</b>	<b>18,881</b>
<b>Non-operating income:</b>			
Interest income	1	1	9
Dividends	359	267	2,693
Gain on foreign exchange	116	241	870
Gain on receipt of donated non-current assets	—	66	—
Other	7	40	56
<b>Non-operating expenses:</b>			
Interest expense	30	31	230
Commission paid	31	31	239
Loss on disposal of non-current assets	16	41	120
Litigation expenses	38	25	285
Other	29	27	217
<b>Ordinary income</b>	<b>2,859</b>	<b>3,230</b>	<b>21,417</b>
<b>Extraordinary income:</b>			
Gain on sales of investment securities (Notes 14 and 19)	1,906	437	14,280
<b>Extraordinary loss:</b>			
Impairment loss (Note 13)	263	92	1,976
Removal expenses of non-current assets	126	28	948
Loss on sales of investment securities (Note 19)	12	—	92
<b>Income before income taxes and non-controlling interests</b>	<b>4,363</b>	<b>3,545</b>	<b>32,679</b>
<b>Income taxes:</b> (Note 22)			
Current	1,227	915	9,193
Deferred	92	152	692
<b>Net income</b>	<b>3,043</b>	<b>2,476</b>	<b>22,792</b>
<b>Loss attributable to non-controlling interests</b>	<b>—</b>	<b>(70)</b>	<b>—</b>
<b>Profit attributable to owners of parent</b>	<b>¥ 3,043</b>	<b>¥ 2,547</b>	<b>\$ 22,792</b>

See accompanying “Notes to Consolidated Financial Statements.”

# Consolidated Statement of Comprehensive Income

Mitsubishi Kakoki Kaisha, Ltd. and Consolidated Subsidiaries

Fiscal year ended March 31, 2023

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2023	2022	2023
<b>Net income</b>	<b>¥3,043</b>	<b>¥2,476</b>	<b>\$22,792</b>
<b>Other comprehensive income</b>			
Unrealized gain (loss) on available-for-sale securities	(944)	(52)	(7,071)
Deferred gain (loss) on hedges	16	2	122
Foreign currency translation adjustments	41	(51)	311
Remeasurements of defined benefit plans	1,385	143	10,378
<b>Total other comprehensive income</b> (Note 15)	<b>499</b>	<b>41</b>	<b>3,741</b>
<b>Comprehensive income</b>	<b>¥3,543</b>	<b>¥2,518</b>	<b>\$26,534</b>
<b>Total comprehensive income attributable to:</b>			
Comprehensive income attributable to owners of parent	¥3,543	¥2,588	\$26,534
Comprehensive income attributable to non-controlling interests	¥ —	¥ (69)	\$ —

See accompanying “Notes to Consolidated Financial Statements.”

# Consolidated Statement of Changes in Net Assets

Mitsubishi Kakoki Kaisha, Ltd. and Consolidated Subsidiaries

Fiscal year ended March 31, 2023

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on available-for-sale securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
<b>Balance at March 31, 2021</b>	¥3,956	¥4,200	¥15,052	¥(591)	¥22,618	¥3,899	¥5	¥(241)	¥(1,064)	¥2,598	¥69	¥25,286
Cumulative effects of changes in accounting policies			(2)		(2)					—		(2)
Restated balance	3,956	4,200	15,049	(591)	22,615	3,899	5	(241)	(1,064)	2,598	69	25,283
Changes during the year:												
Dividends of surplus			(537)		(537)					—		(537)
Profit attributable to owners of parent			2,547		2,547					—		2,547
Purchase of treasury stock				(0)	(0)					—		(0)
Disposal of treasury stock		4		38	42					—		42
Transfer from retained earnings to capital surplus		(0)	0		—					—		—
Net changes in items other than those in shareholders' equity					—	(52)	2	(51)	143	41	(69)	(27)
Total changes during the year	—	3	2,009	37	2,051	(52)	2	(51)	143	41	(69)	2,023
<b>Balance at March 31, 2022</b>	<b>3,956</b>	<b>4,203</b>	<b>17,059</b>	<b>(553)</b>	<b>24,666</b>	<b>3,847</b>	<b>7</b>	<b>(293)</b>	<b>(921)</b>	<b>2,640</b>	<b>—</b>	<b>27,307</b>
Changes during the year:												
Dividends of surplus			(537)		(537)					—		(537)
Profit attributable to owners of parent			3,043		3,043					—		3,043
Purchase of treasury stock				(53)	(53)					—		(53)
Disposal of treasury stock		0		66	66					—		66
Net changes in items other than those in shareholders' equity					—	(944)	16	41	1,385	499		499
Total changes during the year	—	0	2,505	12	2,518	(944)	16	41	1,385	499	—	3,017
<b>Balance at March 31, 2023</b>	<b>¥3,956</b>	<b>¥4,203</b>	<b>¥19,565</b>	<b>¥(540)</b>	<b>¥27,185</b>	<b>¥2,902</b>	<b>¥24</b>	<b>¥(251)</b>	<b>¥464</b>	<b>¥3,139</b>	<b>¥—</b>	<b>¥30,325</b>

Thousands of U.S. dollars (Note 5)

	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on available-for-sale securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
<b>Balance at March 31, 2022</b>	<b>\$29,633</b>	<b>\$31,480</b>	<b>\$127,758</b>	<b>\$(4,143)</b>	<b>\$184,729</b>	<b>\$28,810</b>	<b>\$58</b>	<b>\$(2,197)</b>	<b>\$(6,898)</b>	<b>\$19,773</b>	<b>\$—</b>	<b>\$204,502</b>
Changes during the year:												
Dividends of surplus			(4,028)		(4,028)					—		(4,028)
Profit attributable to owners of parent			22,792		22,792					—		22,792
Purchase of treasury stock				(403)	(403)					—		(403)
Disposal of treasury stock		0		498	498					—		498
Net changes in items other than those in shareholders' equity					—	(7,071)	122	311	10,378	3,741		3,741
Total changes during the year	—	0	18,764	94	18,859	(7,071)	122	311	10,378	3,741	—	22,600
<b>Balance at March 31, 2023</b>	<b>\$29,633</b>	<b>\$31,481</b>	<b>\$146,522</b>	<b>\$(4,049)</b>	<b>\$203,588</b>	<b>\$21,738</b>	<b>\$181</b>	<b>\$(1,885)</b>	<b>\$3,480</b>	<b>\$23,514</b>	<b>\$—</b>	<b>\$227,102</b>

See accompanying "Notes to Consolidated Financial Statements."

# Consolidated Statement of Cash Flows

Mitsubishi Kakoki Kaisha, Ltd. and Consolidated Subsidiaries

Fiscal year ended March 31, 2023

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2023	2022	2023
<b>Cash flows from operating activities</b>			
Income before income taxes and non-controlling interests	¥ 4,363	¥ 3,545	\$32,679
Depreciation and amortization	643	593	4,817
Impairment loss	263	92	1,976
Removal expenses of non-current assets	126	28	948
Loss on valuation of inventories	88	(44)	663
Increase (decrease) in allowance for doubtful accounts	0	(44)	6
Increase (decrease) in accrued bonuses	15	128	117
Increase (decrease) in accrued bonuses to directors	4	(2)	31
Increase (decrease) in provision for warranties on completed construction	264	(27)	1,983
Increase (decrease) in provision for losses on construction contracts	9	(64)	74
Increase (decrease) in provision for executive compensation BIP Trust	(26)	(4)	(200)
Increase (decrease) in asset and liability for retirement benefits	(172)	(192)	(1,294)
Interest and dividends income	(360)	(268)	(2,703)
Interest expense	30	31	230
Loss (gain) on sales of investment securities	(1,894)	(437)	(14,187)
Foreign exchange losses (gains)	(91)	(182)	(685)
Decrease (increase) in notes and accounts receivable, trade	(1,227)	5,585	(9,193)
Decrease (increase) in inventories	(483)	51	(3,624)
Decrease (increase) in advance payments	(107)	(13)	(806)
Increase (decrease) in notes and accounts payable, trade	44	(2,540)	335
Increase (decrease) in contract liabilities	4	(16)	34
Other, net	26	(56)	195
Subtotal	1,522	6,162	11,400
Interest and dividends received	360	268	2,703
Interest paid	(30)	(31)	(231)
Income taxes paid	(856)	(1,276)	(6,412)
Net cash provided by (used in) operating activities	996	5,123	7,459
<b>Cash flows from investing activities</b>			
Proceeds from sales of property, plant and equipment	2	0	17
Purchases of property, plant and equipment and intangible assets	(914)	(944)	(6,849)
Proceeds from sales of investment securities	2,809	682	21,039
Purchases of investment securities	(448)	(29)	(3,360)
Payment for long-term loans receivable	(0)	—	(2)
Collection of long-term loans receivable	4	4	34
Other, net	(106)	(271)	(797)
Net cash provided by (used in) investing activities	1,346	(558)	10,082
<b>Cash flows from financing activities</b>			
Proceeds from long-term loans payable	1,000	200	7,488
Repayments of long-term loans payable	(1,000)	(200)	(7,488)
Repayments of lease obligations	(8)	(16)	(65)
Cash dividends paid	(537)	(537)	(4,028)
Purchase of treasury stock	(53)	(0)	(403)
Proceeds from sales of treasury stock	66	42	498
Net cash provided by (used in) financing activities	(533)	(512)	(3,998)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	79	127	592
<b>Increase (decrease) in cash and cash equivalents</b>	1,887	4,179	14,135
<b>Cash and cash equivalents at beginning of the year</b>	11,226	7,046	84,077
<b>Cash and cash equivalents at end of the year (Note 17)</b>	¥13,114	¥11,226	\$98,213

See accompanying “Notes to Consolidated Financial Statements.”



# Notes to Consolidated Financial Statements

Mitsubishi Kakoki Kaisha, Ltd. and Consolidated Subsidiaries

## 1. Summary of Significant Accounting Policies

### (a) Basis of presentation

Mitsubishi Kakoki Kaisha, Ltd. (the “Company”) and its consolidated subsidiaries (the “Group”) maintain their books of account in conformity with the financial accounting standards of Japan.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (IFRS), and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Figures are rounded down to the nearest million yen and the nearest thousand dollars.

### (b) Principles of consolidation and accounting for investments in non-consolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and any significant companies controlled directly by the Company. All significant intercompany balances and transactions have been eliminated in consolidation. As of March 31, 2023, the number of consolidated subsidiaries was 4 (4 in 2022).

Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost or loss. Where there has been a permanent decline in the value of such investments, the Company has written down the investments.

MKK Asia Co., Ltd. and MKK Europe B.V. are consolidated using their financial statements as of their fiscal year end, which falls on December 31 and necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31.

### (c) Securities

#### 1) Held to maturity bonds

Stated at cost

#### 2) Other securities

Items other than shares, etc. that do not have a market price  
Stated at fair value (Unrealized gains/losses on these securities are included in net assets, net of applicable income taxes and costs of the securities are determined by the period average method).

Shares, etc. that do not have a market price

Stated at cost determined by the period average method

#### 3) Investments in limited liability partnerships and similar partnerships (deemed as securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act)

Investments in limited liability partnerships and similar partnerships are recorded by the net amount of equity interest based on the latest financial statements available according to the latest financial reporting date stipulated in the partnership agreement.

### (d) Derivatives

Derivatives are stated at fair value.

### (e) Inventories

Finished goods, raw materials and supplies are valued at cost, determined by the moving-average method. Work in process is valued at cost determined by the specific identification method. The book value is written down based on any decline in profitability.

### (f) Depreciation and amortization

Property, plant and equipment (excluding leased assets) are depreciated by the declining-balance method. However, buildings

(excluding attached facilities) acquired on and after April 1, 1998 and attached facilities and other non-building structures acquired on and after April 1, 2016 are depreciated by the straight-line method.

Principal estimated useful lives are presented as follows:

Buildings and structures 31 to 50 years

Machinery, equipment and vehicles 4 to 9 years

Intangible assets are amortized by the straight-line method.

Internal-use software is amortized over the useful life of 5 years.

Leased assets are depreciated by the straight-line method, in which the lease term is used as the useful lives with a residual value of zero.

### (g) Allowance for doubtful accounts

Provision is made for doubtful accounts in preparation for possible losses on accounts receivable and loans based on historical default rates. Regarding receivables whose recoverability is deemed doubtful, additional provision is made in the expected uncollectible amounts, considering the specific circumstances.

### (h) Accrued bonuses

Accrued bonuses are provided for the future payment of employees' bonuses in the amount attributable to the fiscal year.

### (i) Accrued bonuses to directors

Accrued directors' bonuses are provided for the future payment of directors' bonuses in the amount attributable to the fiscal year.

### (j) Provision for warranties on completed construction

Provision for warranties on completed construction is provided for future estimated repair costs which may be required for completed construction after delivery of plants, estimated based on past experience over the latest two years.

### (k) Provision for losses on construction contracts

Provision for losses on construction contracts is provided based on an estimate of the total losses which can be anticipated in respect of construction projects on which are expected to generate losses and losses can reasonably be estimated.

### (l) Provision for executive compensation BIP Trust

This provision is calculated based on the estimated amount of shares to be paid, corresponding to the number of points allocated to executives in accordance with the stock issuance provisions, in preparation for the future payment of the Company's shares to executives.

### (m) Accounting method for retirement benefits

1) Periodic allocation method for projected retirement benefits  
In the calculation of the retirement benefit obligation, projected retirement benefits are allocated to the period up to the end of the fiscal year according to the straight-line standard.

2) Amortization method for actuarial gain or loss and past service cost

Past service cost is amortized by the straight-line method over a fixed number of years (9 to 12 years), which is within the average of the remaining years of service of employees at the time of its recognition.

Actuarial gain or loss is amortized proportionately by the straight-line method over a fixed number of years (9 to 12 years), which is within the average of the remaining years of service of employees at the time of its recognition in the fiscal year following the fiscal year in which the gain or loss is recognized.

**(n) Methods for recognizing revenue and expenses**

With regard to revenue from contracts with customers, details of the main performance obligations in the Company's major businesses, and the timing at which the Company typically satisfies these performance obligations are as follows.

**1) Sales of goods**

In sales of goods, including the sale of various machinery products, etc. in the Machinery Business, as performance obligations are determined to have been satisfied when such products, etc. are delivered to the customer and the control of the goods is transferred to the customer, the Company recognizes revenue at the time of delivery of such products, etc.

For domestic sales, the Company recognizes revenue at the time of shipment if the period from the time of shipment to the time when control of the goods is transferred to the customer is short.

For export sales, the Company recognizes revenue by determining that the performance obligation have been satisfied at the time when the risk is transferred to the customer based on the trade terms.

**2) Construction contracts**

Primarily in construction contracts related to plants and the construction and engineering of environmental facilities in the Engineering Business, as construction is conducted throughout the contract period, with the control of goods or services being transferred over that period, and performance obligations are determined to have been satisfied over time, the Company recognizes revenue over time, based on progress toward complete satisfaction of a performance obligation.

However, for construction contracts with extremely short satisfaction periods, the Company recognizes revenue at the time when the performance obligation of the construction contract has been completely satisfied.

Revenue is measured at the amount that is expected to be received upon the exchange of the goods or services promised in the contract with customers. The progress of satisfaction of performance obligations used in the measurement of revenue recognized over time is calculated as the proportion of the actual cost incurred by the end of the fiscal year against the estimated total cost of construction, based on the cost based input method.

Consideration for certain construction contracts is received, separately from the satisfaction of performance obligations, at the time of the conclusion of the contract or in stages during the contract period. However, consideration from other transactions is generally received within one year from satisfaction of the performance obligations, and the amount of consideration contains no significant financing component. In addition, there is no significant variable consideration.

In transactions in which the Company and its consolidated subsidiaries act as the principal, the Company recognizes the gross amount of consideration to be received from customers as revenue, while in certain transactions in the Machinery Business where the Company and its consolidated subsidiaries act as the agent in the sales to customers, the Company recognizes revenue at the net amount after deducting the amount to be paid to third parties from such gross amount.

**(o) Standard for converting important foreign currency assets and liabilities into Japanese yen**

Receivables and payables denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, and differences arising from the translation are included in the consolidated statement of income.

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of net assets excluding non-controlling interests which are translated at their historical exchange rates. Revenue and expense accounts are

translated at the average rate of exchange in effect during the year. Differences arising from the translation are presented as translation adjustments in the consolidated financial statements.

**(p) Hedge accounting**

Forward foreign exchange contracts which meet certain criteria are accounted for by the "Allocation method" which requires that recognized foreign currency receivables or payables be translated at the corresponding contract rates.

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the liabilities for which the swap contract is executed under "Special accounting treatment."

Hedging instruments and hedged items are as follows:

Foreign exchange forward contracts for imports and exports

Interest rate swaps for interest on borrowings

Hedging policies:

Derivative transactions are strictly limited to transactions backed by actual demand, aiming to mitigate currency fluctuations risks on transactions for imports and exports as well as interest rate fluctuation risks on future interest payments.

Hedge effectiveness evaluation method:

Evaluation of hedge effectiveness is not carried out for interest rate swaps as the special accounting treatment is used. Hedge effectiveness of foreign exchange forward contracts is not evaluated as the substantial terms and conditions of the hedging instruments and hedged items are the same.

**(q) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

**(r) Significant Accounting Estimates**

(1) Estimation of the progress of satisfaction of performance obligations used in the measurement of revenue recognized over time

1) The amount recorded in the consolidated financial statements for the fiscal year

	Millions of yen		Thousands of U.S. dollars
For the year ended March 31	2023	2022	2023
Net sales (revenue recognized over time)	¥27,196	¥28,604	\$203,673

2) Other information that helps users of consolidated financial statements to better understand the details of accounting estimates

In the revenue recognition related to construction contracts, the Company and its consolidated subsidiaries recognize revenue over time, according to the progress of satisfaction of performance obligations, as the performance obligations are determined to have been satisfied over time.

The progress of satisfaction of performance obligations used in the measurement of revenue recognized over time is calculated as the proportion of the actual cost incurred by the end of the fiscal year against the estimated total cost of construction, based on the cost-based input method.

Since construction work is highly specific in nature and completed based on instructions from customers, it is difficult to develop a uniform standard for calculating the total estimated cost. Therefore, estimates require certain assumptions and judgments to be made by the construction manager who has

knowledge and experience of construction work. In addition, since construction is generally undertaken over long term periods and the estimated total cost of construction up to completion may be affected by factors such as additional expenses for various construction works and changes in specification along with the progress of the construction work, the estimates and assumptions are reviewed on an ongoing basis.

The Company and its consolidated subsidiaries have firmly established a system for continuously verifying and evaluating the appropriateness of the estimated total cost of construction, based on a report on the status of individual construction work prepared each month (project status report). Accordingly, the Company and its consolidated subsidiaries believe that net sales are recognized adequately based on the appropriate progress of satisfaction of performance obligations. However, if reviews and adjustments to the estimated total cost of construction become necessary due to unexpected reasons, the amount of net sales to be recognized in the consolidated financial statements for the next fiscal year may be affected.

(2) Measurement of provision for warranties on completed construction

1) The amount recorded in the consolidated financial statements for the fiscal year

As of March 31	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Provision for warranties on completed construction	<b>¥1,405</b>	¥1,140	<b>\$10,524</b>

2) Other information that helps users of consolidated financial statements to better understand the details of accounting estimates

In order to be prepared for potential expenditures for follow up construction work under warranties to be carried out after the delivery of a construction project, the Company and its consolidated subsidiaries recognize a provision for warranties on completed construction at an expected amount of expenditure for follow up construction work under warranties, as determined by the average rate of actual occurrence of follow up construction work under warranties against net sales of the latest two years, adding necessary adjustments for future estimated repair costs, etc.

Since the estimated total cost of the follow up construction work under warranties as the basis for estimating the expected expenditure for future estimated repairs, etc., is likely to be affected by additional expenses for various construction works along with the progress of the construction work, the estimates and assumptions are reviewed on an ongoing basis.

The Company and its consolidated subsidiaries have firmly established a system for appropriately verifying and evaluating the handling of follow up construction work under warranties, as well as the expected expenses at the Steering Committee the Company holds on a monthly basis. Accordingly, the Company and its consolidated subsidiaries believe that the provision for warranties on completed construction is recognized based on an appropriate estimated total cost of construction. However, if reviews and adjustments to the estimated total cost of construction become necessary due to unexpected reasons, the amount of provision for warranties on completed construction to be recognized in the consolidated financial statements for the next fiscal year may be affected.

(3) Measurement of provision for losses on construction contracts

1) The amount recorded in the consolidated financial statements for the fiscal year

As of March 31	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Provision for losses on construction contracts	<b>¥148</b>	¥132	<b>\$1,110</b>

2) Other information that helps users of consolidated financial statements to better understand the details of accounting estimates

In order to be prepared for the potential loss associated with a construction project undelivered at the end of the fiscal year, which is likely to generate a reasonably determinable loss due to the estimated total cost of construction exceeding the contract amount, the Company and its consolidated subsidiaries recognize a provision for losses on construction contracts at the amount of loss expected to be incurred in the next fiscal year and thereafter.

Since the estimated total cost of construction up to completion may be affected by factors such as additional expenses for various construction works and changes in specifications along with the progress of construction work, the estimates and assumptions are reviewed on an ongoing basis.

The Company and its consolidated subsidiaries have firmly established a system for continuously verifying and evaluating the appropriateness of the estimated total cost of construction, based on a report on the status of individual construction work prepared each month (project status report). Accordingly, the Company and its consolidated subsidiaries believe that provision for losses on construction contracts is recognized based on the appropriate estimated total cost of construction. However, if reviews and adjustments to the estimated total cost of construction become necessary due to unexpected reasons, the amount of provision for losses on construction contracts to be recognized in the consolidated financial statements for the next fiscal year may be affected.

## 2. Changes in Presentation

(Consolidated statement of cash flows)

“Removal expenses of non-current assets” included in “Other, net” under “Cash flows from operating activities” for the previous fiscal year has been separately presented from the fiscal year ended March 31, 2023, as the amount became significant. The consolidated financial statements for the previous fiscal year have been reclassified in order to reflect this change in the presentation method.

As a result, ¥(27) million presented in “Other, net” under “Cash flows from operating activities” in the consolidated statement of cash flows for the previous fiscal year has been reclassified as “Removal expenses of non-current assets” of ¥28 million and “Other, net” of ¥(56) million.

### 3. Changes in Accounting Estimates

(Change in the number of years for amortization of actuarial gain or loss and past service cost in accounting for retirement benefits) Although the Company and certain of its consolidated subsidiaries had previously set the number of years for amortization of actuarial gain or loss and past service cost at 11 to 13 years and 13 years, respectively, the number of years for amortization was changed to 9 to 12 years from the fiscal year ended March 31, 2023 due to the shortening of the average remaining years of service of employees.

The impact of this change on profit or loss for the fiscal year ended March 31, 2023 was immaterial.

### 4. Additional Information

(Partial amendment of retirement benefit plans)

The Company and its certain consolidated subsidiaries partially amended their retirement benefit plans on October 1, 2022.

Due to this amendment, the Company and its certain consolidated subsidiaries introduced a point system for the lump-sum payment plans and the defined benefit plans.

In addition, the Company and its certain consolidated subsidiaries lowered the payment level of the lump-sum payment plans, changed the entitlement period of benefits in the defined benefit plans from a life annuity with 20-year fixed term to 20-year fixed term, and changed the benefit rate to a cash balance plan that fluctuates in accordance with market interest rates.

Due to the introduction of the point system, the lowering of the payment level of the lump-sum payment plans, the change in the entitlement period of benefits in the defined benefit plans, and the change in the benefit rate, past service cost of ¥(1,825) million (\$ (13,674) thousand) for the year ended March 31, 2023 was incurred.

### 5. U.S. Dollar Amounts

The accompanying consolidated financial statements are expressed in Japanese yen, and solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥133.53=U.S.\$1, the approximate rate of exchange prevailing at March 31, 2023. This translation should not be construed as a representation that all amounts shown could be converted into U.S. dollars at such rate.

### 6. Accumulated Depreciation

Accumulated depreciation of property, plant and equipment as of March 31, 2023 and 2022 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Accumulated depreciation	¥12,257	¥12,132	\$91,798

### 7. Long-Term Debt

At March 31, 2023 and 2022, long-term debt and the current portion of long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2023	2022	2023
Debt with collateral	¥3,300	¥500	\$24,713
Debt without collateral	—	2,800	—

	¥3,300	¥3,300	\$24,713
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Note: The weighted-average interest rate on long-term borrowings was 0.9%.

The assets pledged as collateral for long-term debt at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2023	2022	2023
Property, plant and equipment	¥1,243	¥1,259	\$9,315
Investment securities	4,929	6,629	36,914
	¥6,173	¥7,889	\$46,230

### 8. Investment Securities of Non-consolidated Subsidiaries and Affiliates

Investment securities of non-consolidated subsidiaries and affiliates are as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2023	2022	2023
Investment securities (shares of or capital contributions to non-consolidated subsidiaries and affiliates)	¥178	¥178	\$1,333

### 9. Overdrafts and Commitments

The Company has concluded overdraft agreements and loan commitment line agreements with seven banks in order to ensure efficient procurement of operating funds. The balances of unused commitment under these agreements as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2023	2022	2023
Total overdrafts and loan commitment lines	¥5,300	¥5,300	\$39,691
Amount utilized	—	—	—
Balance available	¥5,300	¥5,300	\$39,691

### 10. Selling, General and Administrative Expenses

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31	2023	2022	2023
Sales commissions	¥215	¥158	\$1,610
Estimated design expenses	1,113	1,027	8,335
Advertising expenses	56	52	421
Bad debts loss	0	1	2
Provision of allowance for doubtful accounts	0	26	6
Directors' compensations	296	340	2,220
Provision for Management Board Incentive Plan Trust	39	37	297
Employees' salaries and allowances	1,620	1,403	12,138
Provision of accrued bonuses	250	209	1,872
Provision of accrued bonuses to directors	18	13	139
Retirement benefit expenses	155	126	1,161
Traveling and transportation expenses	185	118	1,389
Rent expenses	169	204	1,271
Depreciation	143	106	1,072

Research and development costs	276	230	2,073
Other	1,611	1,484	12,067
Total selling, general and administrative expenses	¥6,153	¥5,545	\$46,080

### 11.Provision for Losses on Construction Contracts Included in Cost of Sales

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31	2023	2022	2023
	¥15	¥(64)	\$116

### 12.Loss on Valuation of Inventories Included in Cost of Sales

The carrying value of inventories was written down due to a deterioration in profitability. The following loss on valuation of inventories was included in cost of sales for the years ended March 31, 2023 and 2022.

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31	2023	2022	2023
	¥88	¥(44)	\$663

### 13.Impairment Loss

In the fiscal year ended March 31, 2023, the Group recorded an impairment loss on the asset group shown below.

Location	Name	Use	Type
Kitakyushu, Fukuoka Pref.	Kitakyushu works	Machinery business	Property, plant and equipment

In assessing impairment losses, the Group classifies business assets into groups based on business segments for management accounting purposes in which income and expense are managed on an ongoing basis, while classifying idle assets by individual property.

In the fiscal year ended March 31, 2023, the Group recorded an impairment loss on the asset group of the Kitakyushu Works (Kitakyushu, Fukuoka) of Mitsubishi Kakoki Advance, Ltd., one of consolidated subsidiaries in the Group, recognized an impairment loss on the asset group shown below due to the significant decline in profitability of the asset group. Accordingly, the book value of the asset group has been reduced to the recoverable amount, and the amount of reduction is recorded as “impairment loss” (¥263 million, \$1,976 thousand) in the consolidated statement of operations. The recoverable amount of the asset group for measuring impairment loss is measured based on fair value less costs to sell, and real estates are determined based on their appraisal values while other assets are based on their memorandum prices.

The impairment loss consists of land (¥243 million, \$1,821 thousand), buildings and structures (¥3 million, \$25 thousand), machinery, equipment and vehicles (¥13 million, \$103 thousand) and other (¥3 million, \$26 thousand).

In the fiscal year ended March 31, 2022, the Group recorded an impairment loss on the asset group shown below.

Location	Name	Use	Type
Yokkaichi, Mie Pref.	Yokkaichi works	Machinery business	Property, plant and equipment

The Company has resolved to terminate the plant function of the Yokkaichi Works (Yokkaichi, Mie) and to rebuild the warehouse and administrative wing within the Works. Accordingly, the book value of non-current assets with no prospective use has been reduced to the recoverable amount, and the amount of reduction is recorded as “impairment loss” (¥92 million) in the consolidated statement of operations.

The recoverable amount is measured at its value in use, which is calculated at an amount equivalent to the depreciation up to the scheduled date of relocation to the new warehouse and

administrative wing.

### 14.Gain on Sales of Investment Securities

Details of the gain on sales of investment securities are as follows.

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31	2023	2022	2023
Other securities	¥1,906	¥437	\$14,280

### 15.Consolidated Statement of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31	2023	2022	2023
Reclassification adjustment and tax effect on other comprehensive income			
Unrealized gain (loss) on available-for-sale securities:			
Amount accrued during the year	¥535	¥361	\$4,013
Amount due to reclassification adjustment	(1,894)	(437)	(14,187)
Before adjustment for tax effect	(1,358)	(75)	(10,174)
Amount of tax effect	414	22	3,102
Unrealized gain (loss) on available-for-sale securities	(944)	(52)	(7,071)
Deferred gain (loss) on hedges:			
Amount accrued during the year	23	3	176
Amount due to reclassification adjustment	—	—	—
Before adjustment for tax effect	23	3	176
Amount of tax effect	(7)	(1)	(54)
Deferred gain (loss) on hedges	16	2	122
Foreign currency translation adjustments:			
Amount accrued during the year	41	(51)	311
Remeasurements of defined benefit plans:			
Amount accrued during the year	1,805	(3)	13,518
Amount due to reclassification adjustment	191	211	1,431
Before adjustment for tax effect	1,996	207	14,950
Amount of tax effect	(610)	(63)	(4,571)
Remeasurements of defined benefit plans	1,385	143	10,378
Total other comprehensive income	¥499	¥41	\$3,741

### 16.Net Assets

Information regarding changes in net assets for the years ended March 31, 2023 and 2022 is as follows:

#### (1)Shares issued and outstanding / Treasury stock

For the year ended March 31, 2023

	Thousands of shares			
Types of shares	Number of shares at March 31, 2022	Increase	Decrease	Number of shares at March 31, 2023
Shares issued:				
Common stock	7,913	—	—	7,913
Treasury stock:				
Common stock (Notes)	306	24	33	297

Notes:

- The increase of 24,600 shares of treasury stock was due to the acquisition of the Company's shares through the executive

- compensation BIP Trust.
- The decrease of 33,095 shares of treasury stock was due to the delivery and sale of the Company's shares through the executive compensation BIP Trust.
  - The number of common shares of treasury stock includes the Company's shares held by the executive compensation BIP Trust (77,129 shares as of the beginning of the fiscal year and 68,634 shares as of the end of the fiscal year).

For the year ended March 31, 2022

Types of shares	Thousands of shares			Number of shares at March 31,
	Number of shares at March 31, 2021	Increase	Decrease	

## (2) Dividends

### 1) Dividends paid

For the year ended March 31, 2023

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars)	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 29, 2022	<b>Common stock</b>	<b>¥537</b>	<b>\$4,028</b>	<b>Retained earnings</b>	<b>¥70.0</b>	<b>\$0.52</b>	<b>March 31, 2022</b>	<b>June 30, 2022</b>

Note: In accordance with a resolution passed at the annual general meeting of shareholders on June 29, 2022, total dividends include ¥5 million (\$40 thousand) in dividends on the Company's shares held by the executive compensation BIP Trust.

### 2) Dividends paid with the cut-off date in the year ended March 31, 2023 and the effective date in the year ending March 31, 2024

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars)	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 29, 2023	<b>Common stock</b>	<b>¥614</b>	<b>\$4,604</b>	<b>Retained earnings</b>	<b>¥80.0</b>	<b>\$0.59</b>	<b>March 31, 2023</b>	<b>June 30, 2023</b>

Note: In accordance with a resolution passed at the annual general meeting of shareholders on June 29, 2023, total dividends include ¥5 million (\$41 thousand) in dividends on the Company's shares held by the executive compensation BIP Trust.

## (3) Shareholder's equity

The Corporation Act of Japan (the "Act") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus and retained earnings be transferred to the capital reserve and the legal reserve, respectively until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders, or by the board of directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

## 17. Supplementary Cash Flow Information

Cash and cash equivalents as of March 31, 2023 and 2022 are reconciled to the accounts reported in the consolidated balance sheet as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
As of March 31			
Cash and bank deposits	<b>¥13,115</b>	¥11,227	<b>\$98,220</b>
Time deposits with maturities of more than three months	(1)	(1)	(7)
Cash and cash equivalents	<b>¥13,114</b>	¥11,226	<b>\$98,213</b>

2022			
Shares issued:			
Common stock	<b>7,913</b>	—	<b>7,913</b>
Treasury stock:			
Common stock (Notes)	<b>325</b>	<b>0</b>	<b>19 306</b>

Notes:

- The increase in common shares of treasury stock was due to the acquisition of 124 shares of less than one trading unit.
- The decrease of 19,379 shares of treasury stock was due to the delivery and sale of the Company's shares through the executive compensation BIP Trust.
- The number of common shares of treasury stock includes the Company's shares held by the executive compensation BIP Trust (96,508 shares as of the beginning of the fiscal year and 77,129 shares as of the end of the fiscal year).

## 18. Financial Instruments

### (1) Overview

#### 1) Policies for financial instruments

The Mitsubishi Kakoki Group manages surplus funds through short-term deposits. The Group relies on borrowings from banks and other financial institutions for fund procurement. The Group uses derivative transactions for the purpose of mitigating the risks of interest rate fluctuations and currency fluctuations and does not enter into derivative transactions for speculative purposes.

#### 2) Types of financial instruments and related risks

As trade receivables, notes, electronically recorded monetary claims and accounts receivable are exposed to credit risks of customers.

Shares classified as investment securities are principally the shares of companies with which the Company has business relationships, and are subject to the risk of market fluctuations.

Notes and accounts payable and electronically recorded obligations, which are trade payables of the Group, have payment due dates within one year.

Trade receivables and payables denominated in foreign currencies are subject to the risk of fluctuations in exchange rates.

Borrowings consist mainly of funds procured as its working capital. The Company has signed a loan commitment agreement with six banks and an overdraft agreement with one bank for procuring working capital efficiently in the form of short-term borrowings. Borrowings with variable interest rates are exposed to the risks of interest rate fluctuations. The trade payables and loans payable mentioned above are subject to liquidity risk.

### 3) Risk management for financial instruments

- a) Management of credit risk (risk of contractual default or similar by business partners)

The Group applies due date management and outstanding balance management on an individual contract/order basis. Also, in accordance with the Group's credit management regulations, the Group protects against credit risk by investigating the creditworthiness of customers, both on the occasion of initial transactions with a new customer and in relation to continuous transactions.

As the Group limits its choice of partners for derivative transactions to financial institutions with high credit ratings, the Group believes that credit risk of derivatives is insignificant.

- b) Management of market risk (risk of fluctuations in exchange rates, interest rates, etc.)

The Group enters into forward foreign exchange contracts to hedge against the risk of losses on trade receivables and payables denominated in foreign currencies as a result of fluctuations in exchange rates. In addition, for certain long-term borrowings (loans payable), the Company uses interest-rate swaps to hedge against the risk of fluctuations in interest rates by locking-in the interest expenses.

For investment securities, the Group conducts regular assessments of their market value and the financial position of the issuers.

In conducting and managing derivative transactions, in accordance with the internal regulations specifying the authority to conduct such transactions, the head of the unit responsible for handling such transactions must first obtain approval from the officer responsible for handling settlements.

- c) Liquidity risk (risk of inability to make payment on the due date)

The Group makes provisions against liquidity risk by various means, including ensuring that all Group companies prepare cash flow plans on a monthly basis.

### 4) Supplemental explanation of the estimated fair value of financial instruments

The notional amounts of derivatives in Note 20 are not necessarily indicative of the actual market risk involved in derivative transactions.

#### (2) Estimated fair value of financial instruments

The carrying value of financial instruments, acquisition cost, and unrealized gain (loss) are as presented below.

(2) Current portion of long-term debt	500	499	(0)
(3) Long-term debt	2,800	2,797	(2)
Total liabilities	3,300	3,297	(2)
(4) Derivative transactions	¥ 34	¥ 34	¥ —

As of March 31, 2023	Thousands of U.S. dollars		
	Carrying value	Fair value	Difference
(1) Investment securities			
Held-to-maturity securities	\$374	\$372	\$(1)
Other securities	45,653	45,653	—
Total assets	46,028	46,027	(1)
(2) Current portion of long-term debt	3,744	3,743	(1)
(3) Long-term debt	20,969	20,951	(17)
Total liabilities	24,713	24,694	(19)
(4) Derivative transactions	\$261	\$261	\$ —

As of March 31, 2023	Millions of yen		
	Carrying value	Fair value	Difference
(1) Investment securities			
Held-to-maturity securities	¥ 50	¥ 49	¥(0)
Other securities	6,096	6,096	—
Total assets	6,146	6,146	(0)

As of March 31, 2022	Millions of yen		
	Carrying value	Fair value	Difference
(1) Investment securities			
Held-to-maturity securities	¥20	¥19	¥(0)
Other securities	8,150	8,150	—
Total assets	8,170	8,170	(0)
(2) Current portion of long-term debt	1,000	1,000	0
(3) Long-term debt	2,300	2,300	0
Total liabilities	3,300	3,301	1
(4) Derivative transactions	¥11	¥11	¥—

(\*1) Notes for cash have not been included in the table above.

Also, fair values of deposits, notes receivable, trade, electronically recorded monetary claims, accounts receivable, trade, notes and accounts payable, trade, and electronically recorded obligations are not included in the table above, as they are settled over the short term, and their fair values approximate their book values.

(\*2) Carrying value of shares, etc. that do not have a market price  
Because no quoted market price is available and it is extremely difficult to determine the fair value, these unlisted stocks, shares of subsidiaries and affiliates, equity certificates and investments in limited liability partnerships, are not included in “(1) Investment securities.”  
Investments in limited liability partnerships, in which the net amount of equity interest is recorded in the consolidated balance sheet, are not subject to fair value disclosure, in accordance with the treatment stipulated in Paragraph 24-16 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021). In addition, the total carrying value of such financial instruments at the end of the current fiscal year was ¥86 million (\$647 thousand).

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unlisted stocks	¥124	¥23	\$931
Shares of subsidiaries and affiliates	178	178	1,333
Equity certificates	0	0	0
Investments in limited liability partnerships	¥86	¥—	\$647

(\*3) The amounts of claims and obligations accrued from derivative transactions are presented on a net basis.

#### (Note 1) Explanation regarding the valuation techniques and inputs used for fair value measurement

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

Level 1 fair value: Fair value measured using quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 fair value: Fair value measured using directly or indirectly observable inputs other than those classified in Level 1

Level 3 fair value: Fair value measured by material but unobservable inputs

If multiple inputs with significant impact are used in the calculation of fair value, the financial instrument is classified into the lowest priority level in the calculation of fair value in which each input belongs. If multiple inputs are used that are significant

to the fair value measurement, such measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

#### (1) Financial instruments stated at fair value in the Consolidated Balance Sheet

As of March 31, 2023	Fair Value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities	¥6,096	¥—	¥—	¥6,096
Derivative transactions				
Currency-related	—	34	—	34
Total assets	¥6,096	¥34	¥—	¥6,131

As of March 31, 2023	Fair Value (Thousands of U.S. dollars)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities	\$45,653	\$—	\$—	\$45,653
Derivative transactions				
Currency-related	—	261	—	261
Total assets	\$45,653	\$261	\$—	\$45,915

As of March 31, 2022	Fair Value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities	¥8,150	¥—	¥—	¥8,150
Derivative transactions				
Currency-related	—	11	—	11
Total assets	¥8,150	¥11	¥—	¥8,161

#### (2) Financial instruments other than those stated at fair value in the Consolidated Balance Sheet

As of March 31, 2023	Fair Value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity securities				
Bonds	¥—	¥49	¥—	¥49
Total assets	—	49	—	49
Current portion of long-term debt	—	499	—	499
Long-term debt	—	2,797	—	2,797
Total liabilities	¥—	¥3,297	¥—	¥3,297

As of March 31, 2023	Fair Value (Thousands of U.S. dollars)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity securities				
Bonds	\$—	\$372	\$—	\$372
Total assets	—	372	—	372
Current portion of long-term debt	—	3,743	—	3,743
Long-term debt	—	20,951	—	20,951
Total liabilities	\$—	\$24,694	\$—	\$24,694

As of March 31, 2022	Fair Value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity securities				
Bonds	¥—	¥19	¥—	¥19
Total assets	—	19	—	19
Current portion of long-term debt	—	1,000	—	1,000
Long-term debt	—	2,300	—	2,300
Total liabilities	¥—	¥3,301	¥—	¥3,301

Note: A description of the valuation techniques and inputs used in the fair value measurements



### Investment securities

Listed stocks and local government bonds are valued using quoted prices. As listed stocks are traded in active markets, their fair value is classified as Level 1. On the other hand, the fair value of local government bonds held by the Company is classified as Level 2, because they are traded among vendors and are not considered to have quoted prices in active markets.

### Derivative transactions

The fair values of interest rate swaps and forward foreign exchange contracts are classified into Level 2, as they are calculated based on the prices indicated by financial institutions. Because interest rate swaps subject to the special accounting treatment are accounted for with the long-term debt, which is the hedged item, the fair value is included with that of the long-term debt (see “Long-term debt” below). In addition, forward foreign exchange contracts subject to the allocation treatment are accounted for with accounts receivable, trade or accounts payable, trade, which is hedged; hence, their fair value is not included in the fair value of derivative transactions.

### Long-term debt (including the current portion of long-term debt)

The fair value of long-term debt is measured using the discounted cash flow method based on the sum of principal and interest, remaining maturities, and an interest rate reflecting credit risk, and is classified as Level 2. Note that long-term debt with a variable interest rate is subject to the special accounting treatment for interest rate swaps (see “Derivative transactions” above), and hence is measured using the sum of principal and interest that are accounted for with such interest rate swap.

### (Note 2)

#### Redemption schedule for monetary claims and securities with maturity dates as of March 31, 2023 and 2022

Years ending March 31,	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
1 year or less	¥ —	¥ —	\$ —
More than 1 year, but within 5 years	20	10	149
More than 5 years, but within 10 years	30	10	224
More than 10 years	—	—	—
	¥50	¥20	\$374

### (Note 3)

#### The maturities of long-term debt are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2024	¥500	\$3,744
2025	—	—
2026	1,600	11,982
2027	200	1,497
2028 and thereafter	1,000	7,488
	¥3,300	\$24,713

## 19. Securities

### (1) Information regarding securities classified as Held-to-maturity securities

#### Held-to-maturity securities

As of March 31, 2023	Millions of yen		
	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Stock	¥20	¥20	¥0
Securities whose fair value does not exceed their carrying value:			
Stock	30	29	(0)
<b>Total</b>	<b>¥50</b>	<b>¥49</b>	<b>¥(0)</b>

  

As of March 31, 2022	Thousands of U.S. dollars		
	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Stock	\$149	\$150	\$0
Securities whose fair value does not exceed their carrying value:			
Stock	224	221	(2)
<b>Total</b>	<b>\$374</b>	<b>\$372</b>	<b>\$ (1)</b>

As of March 31, 2022	Millions of yen		
	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Stock	¥ —	¥ —	¥ —
Securities whose fair value does not exceed their carrying value:			
Stock	20	19	(0)
<b>Total</b>	<b>¥20</b>	<b>¥19</b>	<b>¥ (0)</b>

### (2) Information regarding securities classified as other securities

#### Other securities

As of March 31, 2023	Millions of yen		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥5,819	¥1,662	¥4,156
Securities whose carrying value does not exceed their acquisition cost:			
Stock	276	287	(10)
<b>Total</b>	<b>¥6,096</b>	<b>¥1,949</b>	<b>¥4,146</b>

Note: Unlisted stocks and investments in limited liability partnerships (carrying value of ¥210 million) are not included in the above table because there were no quoted market prices available and it is extremely difficult to determine their fair value.

As of March 31, 2023	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	\$43,582	\$12,451	\$31,131
Securities whose carrying value does not exceed their acquisition cost:			
Stock	2,070	2,150	(79)
<b>Total</b>	<b>\$45,653</b>	<b>\$14,601</b>	<b>\$31,051</b>

Note: Unlisted stocks and investments in limited liability partnerships (carrying value of \$1,579 thousand) are not included in the above table because there were no quoted market prices available and it is extremely difficult to determine their fair value.

As of March 31, 2022	Millions of yen		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥7,632	¥2,072	¥5,560
Securities whose carrying value does not exceed their acquisition cost:			
Stock	518	573	(55)
<b>Total</b>	<b>¥8,150</b>	<b>¥2,645</b>	<b>¥5,504</b>

Note: Unlisted stocks (carrying value of ¥23 million) are not included in the above table because there were no quoted market prices available and it is extremely difficult to determine their fair value.

### (3) Sales of securities classified as other securities and the aggregate gain and loss for the years ended March 31, 2023 and 2022

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Aggregate gain – Stock	¥1,906	¥437	\$14,280
Aggregate loss – Stock	12	—	92
<b>Sales proceeds</b>	<b>¥2,809</b>	<b>¥682</b>	<b>\$21,039</b>

## 20. Derivative Transactions

Summarized below are the notional amounts and the estimated fair value of the derivative instruments outstanding at March 31, 2023 and 2022.

### Derivatives to which hedge accounting is applied

#### Currency-related transactions

As of March 31, 2023	Millions of yen			
	Notional amount		Fair value	Unrealized gain (loss)
	Maturing within one year	Maturing after one year		
Principal Method				
Forward foreign exchange contracts, accounted for as part of accounts receivable				
Sell USD	¥508	¥ —	¥5	¥5
Forward foreign exchange contracts, accounted for as part of accounts payable				
Buy SGD	172	—	29	29
<b>Total</b>	<b>¥681</b>	<b>¥ —</b>	<b>¥34</b>	<b>¥34</b>

Note: Calculation of fair value  
Fair value is calculated based on the prices presented by financial institutions.

As of March 31, 2023	Thousands of U.S. dollars			
	Notional amount		Fair value	Unrealized gain (loss)
	Maturing within one year	Maturing after one year		
Principal Method				
Forward foreign exchange contracts, accounted for as part of accounts receivable				
Sell				
USD	\$3,808	\$ —	\$40	\$40
Forward foreign exchange contracts, accounted for as part of accounts payable				
Buy				
SGD	1,295	—	220	220
Total	\$5,103	\$ —	\$261	\$261

As of March 31, 2022	Millions of yen			
	Notional amount		Fair value	Unrealized gain (loss)
	Maturing within one year	Maturing after one year		
Principal Method				
Forward foreign exchange contracts, accounted for as part of accounts payable				
Buy				
USD	¥6	¥ —	¥1	¥1
Buy				
SGD	211	12	10	10
Total	¥218	¥12	¥11	¥11

Note: Calculation of fair value

Fair value is calculated based on the prices presented by financial institutions.

## Interest-related transactions

As of March 31, 2023	Millions of yen			
	Notional amount		Fair value	Unrealized gain (loss)
	Maturing within one year	Maturing after one year		
Interest rate swaps hedging long-term borrowings, accounted for by the special accounting treatment:				
Receive/floating and pay/fixed	¥500	¥ —	¥ —	¥ —

Note: Because interest rate swaps subject to the special accounting treatment are accounted for with the long-term debts, which is the hedged item, the fair value is included with that of the long-term debt.

As of March 31, 2023	Thousands of U.S. dollars			
	Notional amount		Fair value	Unrealized gain (loss)
	Maturing within one year	Maturing after one year		
Interest rate swaps hedging long-term borrowings, accounted for by the special accounting treatment:				
Receive/floating and pay/fixed	\$3,744	\$ —	\$ —	\$ —

As of March 31, 2022	Millions of yen			
	Notional amount		Fair value	Unrealized gain (loss)
	Maturing within one year	Maturing after one year		
Interest rate swaps hedging long-term				

borrowings, accounted for by the special accounting treatment:				
Receive/floating and pay/fixed	¥1,000	¥500	¥ —	¥ —

Note: Because interest rate swaps subject to the special accounting treatment are accounted for with the long-term debts, which is the hedged item, the fair value is included with that of the long-term debt.

## 21. Retirement Benefit Plans

For the year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

### (1) Summary of the Retirement Benefit Plans Adopted

The Company and its consolidated subsidiaries maintain corporate pension fund plans and lump-sum payment plans as defined benefit plans, and defined contribution pension plans as contribution benefit plans.

In addition, there are instances when supplemental severance payments are made at the time of employee retirement.

The savings-type corporate pension fund plans as defined benefit plans provide a lump-sum payment or annuity according to the participation period.

The non-savings-type lump-sum payment plans provide a salary as a retirement benefit and a lump-sum payment according to the grade (role) and the position in the human resources system.

### (2) Defined Benefit Plans

#### 1) The changes in the retirement benefit obligation for the years ended March 31, 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Beginning balance of retirement benefit obligation	¥13,224	¥13,484	\$99,036
Service cost	434	499	3,250
Interest cost	61	43	463
Past service cost incurred	(1,825)	—	(13,674)
Actuarial gain or loss	(306)	(191)	(2,294)
Payment of retirement benefit	(635)	(623)	(4,761)
Other	2	12	17
Ending balance of retirement benefit obligation	¥10,954	¥13,224	\$82,037

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Beginning balance of pension plan assets	¥8,193	¥8,054	\$61,362
Expected return on plan assets	163	281	1,227
Realized actuarial gain or loss	(327)	(183)	(2,450)
Contributions from employer	510	500	3,822
Payment of retirement benefit	(449)	(459)	(3,362)
Ending balance of pension plan assets	¥8,091	¥8,193	\$60,599

**3) Statement of reconciliation between the funded status of the plans and the amounts recognized in the consolidated balance sheets for the Company's and the consolidated subsidiaries' defined benefit plans**

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Funded retirement benefit obligations	¥7,181	¥8,435	\$53,781
Pension plan assets	(8,091)	(8,193)	(60,599)
	(910)	241	(6,817)
Unfunded retirement benefit obligations under the non-savings type	3,773	4,788	28,256
Net liability for retirement benefits in the consolidated balance sheet	2,862	5,030	21,438
Liability for retirement benefits	3,760	5,030	28,163
Asset for retirement benefits	(897)	—	(6,724)
Net liability for retirement benefits in the consolidated balance sheet	¥2,862	¥5,030	\$21,438

**4) Retirement benefit expenses and breakdown**

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Service cost	¥434	¥499	\$3,250
Interest cost	61	43	463
Expected return on plan assets	(163)	(281)	(1,227)
Amortization of actuarial gain or loss	246	194	1,846
Amortization of past service cost	(55)	16	(415)
Retirement benefit expenses for the defined benefit plans	¥523	¥471	\$3,918

**5) Remeasurements of defined benefit plans**

The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2023 and 2022 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Actuarial gain or loss	¥225	¥190	\$1,690
Past service cost	1,770	16	13,259
Total	¥1,996	¥207	\$14,950

**6) Accumulated remeasurements of defined benefit plans**

The components of accumulated remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2023 and 2022 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unrecognized actuarial gain or loss	¥936	¥1,162	\$7,013
Unrecognized past service cost	(1,605)	164	(12,027)
Total	¥(669)	¥1,326	\$(5,013)

**7) Items related to pension plan assets**

a) The ratio of major categories to the aggregate plan assets is as follows.

	2023	2022
Bond	37.7%	41.9%
Stock	20.3%	21.1%
General account	16.2%	13.8%
Other	25.8%	23.2%
Total	100.0%	100.0%

b) Method of determination of the rate of the long-term expected return on plan assets

In the determination of the rate of the long-term expected return on pension plan assets, the current and expected allocation of pension plan assets is considered in addition to the rate of the current and future expected long-term return on various assets constituting the pension plan assets.

**8) Items related to basis of actuarial calculation**

Basis of major actuarial calculation as of the end of the fiscal years ended March 31, 2023 and 2022.

	2023	2022
Discount rate	0.4%-0.6%	0.2%-0.4%
Long-term expected return on plan assets	2.0%	3.5%
Expected rate of salary increase	2.7%	7.7%
Expected rate of election of lump-sum payment	27.0%	27.0%

Note: Certain subsidiaries adopted a simplified method in the calculation of their retirement benefit obligations.

**(3) Defined Contribution Pension Plan**

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
The amount of contributions required to the defined contribution plans	¥70	¥56	\$529

## 22. Income Taxes

Deferred tax assets and liabilities have been recognized in the consolidated financial statements with respect to the differences between financial reporting and the tax bases of the assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are realized or settled.

(1) The significant components of deferred tax assets and liabilities at March 31, 2023 and 2022

As of March 31	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets			
Liability for retirement benefits	¥1,145	¥1,788	\$8,576
Provision for warranties on completed construction	441	348	3,308
Accrued expenses	280	364	2,103
Accrued bonuses	269	263	2,014
Cost of sales	149	—	1,122
Loss carry forward	105	66	788
Impairment loss	99	21	747
Asset retirement obligations	91	94	687
Accrued business tax	73	45	548
Loss on valuation of inventories	59	32	445
Provision for losses on construction contracts	45	34	337
Accrued social insurance premiums for bonuses	44	43	336
Loss on devaluation of investment securities	24	24	179
Provision for executive compensation BIP Trust	19	27	144
Other	36	45	272
Total	2,885	3,199	21,612
Valuation allowance	(575)	(202)	(4,313)
Offsets deferred tax liabilities	(1,579)	(1,971)	(11,829)
Total	¥730	¥1,026	\$5,469
Deferred tax liabilities			
Unrealized gain on available-	(1,243)	(1,657)	(9,312)

As of March 31	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
for-sale securities			
Prepaid pension costs	(273)	(253)	(2,047)
Asset retirement obligations	(51)	(56)	(384)
Deferred gain (loss) on hedges	(10)	(3)	(79)
Other	(0)	—	(5)
Total	(1,579)	(1,971)	(11,829)
Set-off against deferred tax assets	1,579	1,971	11,829
Total	—	—	—
Deferred tax assets, net	¥730	¥1,026	\$5,469

(2) Breakdown of major items that caused the difference where a significant difference existed between the statutory effective tax rate and the burden rate of corporate taxes, etc., after applying tax effect accounting

For the years ended March 31, 2023 and 2022

The difference between the statutory and effective tax rate for the years ended March 31, 2023 and 2022 was less than 5% of statutory tax rate.

## 23. Revenue Recognition

### 1. Disaggregation of revenue from contracts with customers

For the years ended March 31, 2023 (from April 1, 2022 to March 31, 2023) and 2022 (from April 1, 2021 to March 31, 2022)

For the year ended March 31, 2023

	Millions of yen		Total
	Reportable segments		
	Engineering	Machinery	
By geographical areas			
Japan	¥21,185	¥9,782	¥30,968
Asia	10,062	2,228	12,290
Other	—	1,331	1,331
Revenue from contracts with customers	31,247	13,342	44,590
Timing of transfer of goods or services			
At a point in time	5,545	11,848	17,393
Over time (Note)	25,702	1,494	27,196
Revenue from contracts with customers	31,247	13,342	44,590
Other revenue	—	—	—
Net sales to third parties	¥31,247	¥13,342	¥44,590

	Thousands of U.S. dollars		
	Reportable segments		Total
	Engineering	Machinery	
By geographical areas			
Japan	\$158,657	\$73,262	\$231,920
Asia	75,354	16,689	92,044
Other	—	9,968	9,968
Revenue from contracts with customers	234,012	99,920	333,932
Timing of transfer of goods or services			
At a point in time	41,529	88,729	130,258
Over time (Note)	192,482	11,190	203,673
Revenue from contracts with customers	234,012	99,920	333,932
Other revenue	—	—	—
Net sales to third parties	\$234,012	\$99,920	\$333,932

Note: Revenue recognized over time by the Company for the current fiscal year was ¥23,732 million (\$177,731 thousand).

For the year ended March 31, 2022

	Millions of yen		Total
	Reportable segments		
	Engineering	Machinery	
By geographical areas			
Japan	¥23,524	¥9,576	¥33,101
Asia	9,688	1,759	11,447
Other	—	889	889
Revenue from contracts with customers	33,212	12,225	45,438
Timing of transfer of goods or services			
At a point in time	6,000	10,833	16,834
Over time (Note)	27,212	1,392	28,604
Revenue from contracts with customers	33,212	12,225	45,438
Other revenue	—	—	—
Net sales to third parties	¥33,212	¥12,225	¥45,438

Note: Revenue recognized over time by the Company for the current fiscal year was ¥22,599 million.

- Basic information for understanding revenue from contracts with customers  
Basic information in understanding revenue is as stated in “1. Summary of Significant Accounting Policies (n) Methods for recognizing revenue and expenses.”
- Information on the amount and timing of revenue expected to be recognized in and after the next fiscal year according to relations between satisfaction of performance obligations based on contracts with customers and cash flows arising from such contracts, as well as contracts with customers that exist as of the end of the current fiscal year.

#### (1) Balance of contract assets and contract liabilities, etc.

	Millions of yen		Thousands of U.S. dollars	
	Balance at April 1, 2022	Balance at March 31, 2023	Balance at April 1, 2022	Balance at March 31, 2023
Receivables from contracts with customers	¥15,376	<b>¥14,408</b>	\$115,156	<b>\$107,908</b>
Contract assets	3,768	<b>6,047</b>	28,221	<b>45,286</b>
Contract liabilities	1,066	<b>1,074</b>	7,984	<b>8,049</b>

	Millions of yen	
	Balance at April 1, 2021	Balance at March 31, 2022
Receivables from contracts with customers	¥17,667	¥15,376
Contract assets	7,067	3,768
Contract liabilities	1,072	1,066

Contract assets primarily relate to rights to unclaimed consideration for revenue recognized over time in accordance with the progress of satisfaction of performance obligations under construction contracts.

Once the Company has an unconditional right to consideration it receives, it reclassifies contract assets to receivables from contracts with customers (accounts receivable, notes receivable, and electronically recorded monetary claims).

Contract liabilities primarily relate to advances received from customers under construction contracts. Contract liabilities are reversed as revenue is recognized.

The amount of revenue recognized for the current fiscal year from performance obligations that were satisfied (or partially satisfied) during previous periods is insignificant.

#### (2) Transaction prices allocated to the remaining performance obligations

	Millions of yen	Thousands of U.S. dollars
	2023	2023
Engineering	<b>¥43,122</b>	<b>\$322,943</b>
Machinery	<b>7,466</b>	<b>55,919</b>
Total	<b>¥50,589</b>	<b>\$378,862</b>

The total transaction price allocated to the remaining performance obligations at the end of the current fiscal year was ¥50,589 million (¥43,122 million for the Engineering business and ¥7,466 million for the Machinery business). The performance obligations are mainly related to construction contracts, and the Company expects to recognize revenues approximately within two years upon satisfaction of the performance obligations.

There are no significant amounts of consideration from contracts with customers that are not included in the transaction price.

	Millions of yen
	2022
Engineering	¥36,026
Machinery	5,959
Total	¥41,985

The total transaction price allocated to the remaining performance obligations at the end of the previous fiscal year was ¥41,985 million (¥36,026 million for the Engineering business and ¥5,959 million for the Machinery business). The performance obligations are mainly related to construction contracts, and the Company expects to recognize revenues approximately within two years upon satisfaction of the performance obligations.

There are no significant amounts of consideration from contracts with customers that are not included in the transaction price.

#### 24. Segment Information

For the year ended March 31, 2023

##### (1) Overview of reportable segments

The reportable segments of the Group are the “Engineering” business and the “Machinery” business for which discrete financial information is available, and whose operating results are regularly reviewed by the Board of Directors to make decisions regarding the allocation of management resources and to assess performance.

Reportable segments constitute business segments classified by products. Business segments handling the same types of products are combined into a single reportable segment.

The “Engineering” business includes: City gas and petroleum-related plants, a variety of chemical engineering plants, hydrogen generation plants, sewage treatment equipment, industrial effluent treatment equipment, diverse water treatment equipment and related products.

The “Machinery” business includes: oil purifiers, a variety of separators and filtration machinery, seawater screening facility, mixers and related products.

## (2) Calculation method for net sales, income or loss, assets and other items by reportable segment

The accounting policies used for reportable business segments are the same as the accounting policies stated in Note 1.

Segment income is measured according to operating income.

## (3) Information on net sales, income or loss, assets and other items by reportable segment

For the year ended March 31, 2023

	Millions of yen		
	Reportable segments		Total
	Engineering	Machinery	
Net sales			
(1) Sales to third parties	¥31,247	¥13,342	¥44,590
(2) Inter-segment sales and transfers	—	—	—
Total	31,247	13,342	44,590
Segment income (Operating income)	308	2,212	2,521
Segment assets	17,055	14,354	31,409
Other items			
Depreciation and amortization	221	421	643
Increase in property, plant and equipment and intangible assets	¥ 113	¥ 719	¥ 833

	Thousands of U.S. dollars		
	Reportable segments		Total
	Engineering	Machinery	
Net sales			
(1) Sales to third parties	\$234,012	\$99,920	\$333,932
(2) Inter-segment sales and transfers	—	—	—
Total	234,012	99,920	333,932
Segment income (Operating income)	2,312	16,569	18,881
Segment assets	127,726	107,500	235,227
Other items			
Depreciation and amortization	1,662	3,154	4,817
Increase in property, plant and equipment and intangible assets	\$ 847	\$ 5,391	\$ 6,238

For the year ended March 31, 2022

	Millions of yen		
	Reportable segments		Total
	Engineering	Machinery	
Net sales			
(1) Sales to third parties	¥33,212	¥12,225	¥45,438
(2) Inter-segment sales and transfers	—	—	—
Total	33,212	12,225	45,438
Segment income (Operating income)	1,436	1,334	2,770
Segment assets	17,167	12,485	29,652
Other items			
Depreciation and amortization	159	434	593
Increase in property, plant and equipment and intangible assets	¥ 563	¥ 454	¥ 1,017

## (4) Adjustments for segment assets

As of March 31	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Total segment assets	¥31,409	¥29,652	\$235,227
Corporate assets (Note)	21,489	20,868	160,935
Total assets reported on consolidated balance sheets	¥52,899	¥50,521	\$396,162

Note: Corporate assets mainly represent cash and bank deposits, investment securities and other assets not allocable to the reportable segments.

## [Related Information]

### 1. Information by products and services

For the year ended March 31, 2023

	Millions of yen		
	Engineering	Machinery	Total
Sales to third parties	¥31,247	¥13,342	¥44,590

  

	Thousands of U.S. dollars		
	Engineering	Machinery	Total
Sales to third parties	\$234,012	\$99,920	\$333,932

For the year ended March 31, 2022

	Millions of yen		
	Engineering	Machinery	Total
Sales to third parties	¥33,212	¥12,225	¥45,438

### 2. Information by geographical areas

#### (1) Net sales

For the year ended March 31, 2023

	Millions of yen		
	Japan	Asia	Other areas
Total	¥30,968	¥12,290	¥1,331
Total	¥44,590		

  

	Thousands of U.S. dollars		
	Japan	Asia	Other areas
Total	\$231,920	\$92,044	\$9,968
Total	\$333,932		

For the year ended March 31, 2022

	Millions of yen		
	Japan	Asia	Other areas
Total	¥33,101	¥11,447	¥889
Total	¥45,438		

Note: Net sales data is based on the location of customers and classified into country or region.

#### (2) Property, plant and equipment

The amount of property, plant and equipment in Japan exceeds 90% of the amount of property, plant and equipment recorded in the consolidated balance sheet.



### 3. Information on major customers

For the year ended March 31, 2023

Customer Name	Sales (Millions of yen)	Segment
<b>MGC PURE CHEMICALS TAIWAN INC.</b>	<b>¥4,665</b>	<b>Engineering</b>
<b>RESONAC SEMICONDUCTOR MATERIALS (TAIWAN) CO., LTD.</b>	<b>¥4,565</b>	<b>Engineering</b>

Customer Name	Sales (Thousands of U.S. dollars)	Segment
<b>MGC PURE CHEMICALS TAIWAN INC.</b>	<b>\$34,941</b>	<b>Engineering</b>
<b>RESONAC SEMICONDUCTOR MATERIALS (TAIWAN) CO., LTD.</b>	<b>\$34,190</b>	<b>Engineering</b>

For the year ended March 31, 2022

Customer Name	Sales (Millions of yen)	Segment
<b>MGC PURE CHEMICALS TAIWAN INC.</b>	<b>¥6,404</b>	<b>Engineering</b>

### 4. Information related to impairment losses on non-current assets for each reportable segment

For the year ended March 31, 2023

	Millions of yen				
	Engineering	Machinery	Total	corporate	Total
Impairment	¥ —	¥263	¥263	¥ —	¥263

In the fiscal year ended March 31, 2023, Mitsubishi Kakoki Advance, Ltd., one of consolidated subsidiaries in the Group, recognized an impairment loss on the asset group of the Kitakyushu Works (Kitakyushu, Fukuoka) due to the significant decline in profitability of the asset group. Accordingly, the book value of the asset group has been reduced to the recoverable amount, and the amount of reduction is recorded as “impairment loss” (¥263 million, \$1,976 thousand) in the consolidated statement of operations. The recoverable amount of the asset group for measuring impairment loss is measured based on fair value less costs to sell, and real estates are determined based on their appraisal values while other assets are based on their memorandum prices.

The impairment loss consists of land (¥243 million, \$1,821 thousand), buildings and structures (¥3 million, \$25 thousand), machinery, equipment and vehicles (¥13 million, \$103 thousand) and other (¥3 million, \$26 thousand).

	Thousands of U.S. dollars				
	Engineering	Machinery	Total	corporate	Total
Impairment	\$ —	\$1,976	\$1,976	\$ —	\$1,976

For the year ended March 31, 2022

	Millions of yen				
	Engineering	Machinery	Total	corporate	Total
Impairment	¥ —	¥92	¥92	¥ —	¥92

In the previous fiscal year, the Company has resolved to terminate the plant function of the Yokkaichi Works (Yokkaichi, Mie) and to rebuild the warehouse and administrative wing within the Yokkaichi Works. Accordingly, the book value of non-current assets with no prospective use has been reduced to the recoverable amount, and the amount of reduction is recorded as “impairment loss” (¥92 million) in the consolidated statement of operations.

### 25.Amounts Per Share

	Yen		U.S. dollars
For the years ended March 31	2023	2022	2023
Net income			
Basic	¥399.66	¥335.07	\$2.99
	Yen		U.S. dollars
As of March 31	2023	2022	2023
Net assets	¥3,981.53	¥3,589.31	\$29.81

Notes:

1. Diluted adjusted net income per share is not indicated, as no potentially dilutive shares exist.
2. The Company introduced a performance-linked compensation plan for Directors and Executive Officers. When calculating net assets per share, the Company's shares held by the executive compensation BIP Trust are included in treasury stock, which is excluded from the number of shares outstanding at the end of the fiscal year. When calculating net income per share, these shares are included in treasury stock, which is excluded from calculations of the average number of shares during the fiscal year. As of March 31, 2022 the number of shares of treasury stock held by the trust at fiscal year-end was 77,129 shares and as of March 31, 2023 it was 68,634 shares and the average number of shares of treasury stock held by the trust was 82,609 shares during the fiscal year ended March 31, 2022, and it was 69,783 shares during the fiscal year ended March 31, 2023.
3. The bases for calculation are as follows:

#### (1)Basic net income per share

	Thousands of shares	
For the years ended March 31	2023	2022
Weighted average number of shares for basic net income	7,615	7,602
	Thousands of U.S. dollars	
	Millions of yen	
As of March 31	2023	2022
Profit attributable to owners of parent	¥3,043	¥2,547
Profit attributable to owners of parent attributable to shares of common stock	¥3,043	¥2,547

#### (2)Net assets per share

	Thousands of shares	
As of March 31	2023	2022
The number of shares of common stock used for the calculation of net assets per share	7,616	7,607

	Thousands of U.S. dollars	
	Millions of yen	
As of March 31	2023	2022
Total net assets	¥30,325	¥27,307
Amount deducted from total net assets	—	—
Net assets attributable to shares of common stock	¥30,325	¥27,307

# Board of Directors and Executive Officers

(As of June 29, 2023)

## Board of Directors

### President

Toshikazu Tanaka

### Managing Director

Masahiko Saito

*Assistant to the President and*

*In charge of Sustainability and*

*In charge of Planning & Administrative Division*

### Directors

Koichi Hayashi

*In charge of Plant Project Business Division*

*and In charge of Environmental & Hydrogen & Energy*  
*Business Division*

Shiro Yajima

*In charge of Technology Development & Production*  
*Division and In charge of Machinery Business Division*

Masaaki Kusunoki

Hiroshi Kanki

Yasuhide Hayashi

*Director, Audit and Supervisory Committee Member*  
*(Full-time)*

Kazuya Yamaguchi

*Director, Audit and Supervisory Committee Member*  
*(Full-time)*

Tomohiro Kikkawa

*Director, Audit and Supervisory Committee Member*

Junko Kamei

*Director, Audit and Supervisory Committee Member*

## Executive Officers

Shigeyuki Masaki

Shinichi Sakemi

Satoki Nakashima

Takashi Inoue

Masaharu Misawa

Koji Nagane

## Corporate Information

**Mitsubishi Kakoki Kaisha, Ltd.**

### Registered Office

2-1, Ohkawa-cho, Kawasaki-ku,

Kawasaki 210-8560, Japan

Telephone: +81-44-333-5354

Telefax: +81-44-577-7751

URL: <https://www.kakoki.co.jp>

### Head Office

Solid Square East tower 580 Horikawa-cho,

Saiwai-ku, Kawasaki 212-0013, Japan

Telephone: +81-44-333-5354

Telefax: +81-44-577-7751

### Branch Offices

Osaka

Yokkaichi

Fukuoka

Naha

### Works

Kawasaki

Kashima

### Overseas Branch

Taiwan

### Overseas Offices

Malaysia

Indonesia

### Subsidiaries

Mitsubishi Kakoki Advance, Ltd.

Kakoki Trading Co., Ltd.

MKK Asia Co., Ltd. (Kingdom of Thailand)

MKK Europe B.V. (Kingdom of the Netherlands)

Ryoka Mechanical Technology (Shanghai) Co., Ltd.  
(People's Republic of China)

**Established:** May 1, 1935

**Capital:** ¥3,956,975,000

**Stock issued:** 7,913,950 shares

**Number of stockholders:** 10,495

**Employees:** 537



**MITSUBISHI KAKOKI KAISHA, LTD.**

2-1, Ohkawa-cho, Kawasaki-ku, Kawasaki 210-8560, Japan