ANNUAL REPORT 2023

Contents

CORPORATE PROFILE

KEYENCE CORPORATION has steadily grown since 1974 to become a leading company in factory automation. It accomplished this by delivering the quality sensors that automation needs. Today, KEYENCE serves 300,000 customers in some 110 countries around the world, where its name stands for innovation and excellence.

Sensors, found in millions of applications, provide the positioning information essential for factory automation. There could be no automation of assembly lines without sensors. KEYENCE has consistently aided the automation revolution by developing superior sensor solutions.

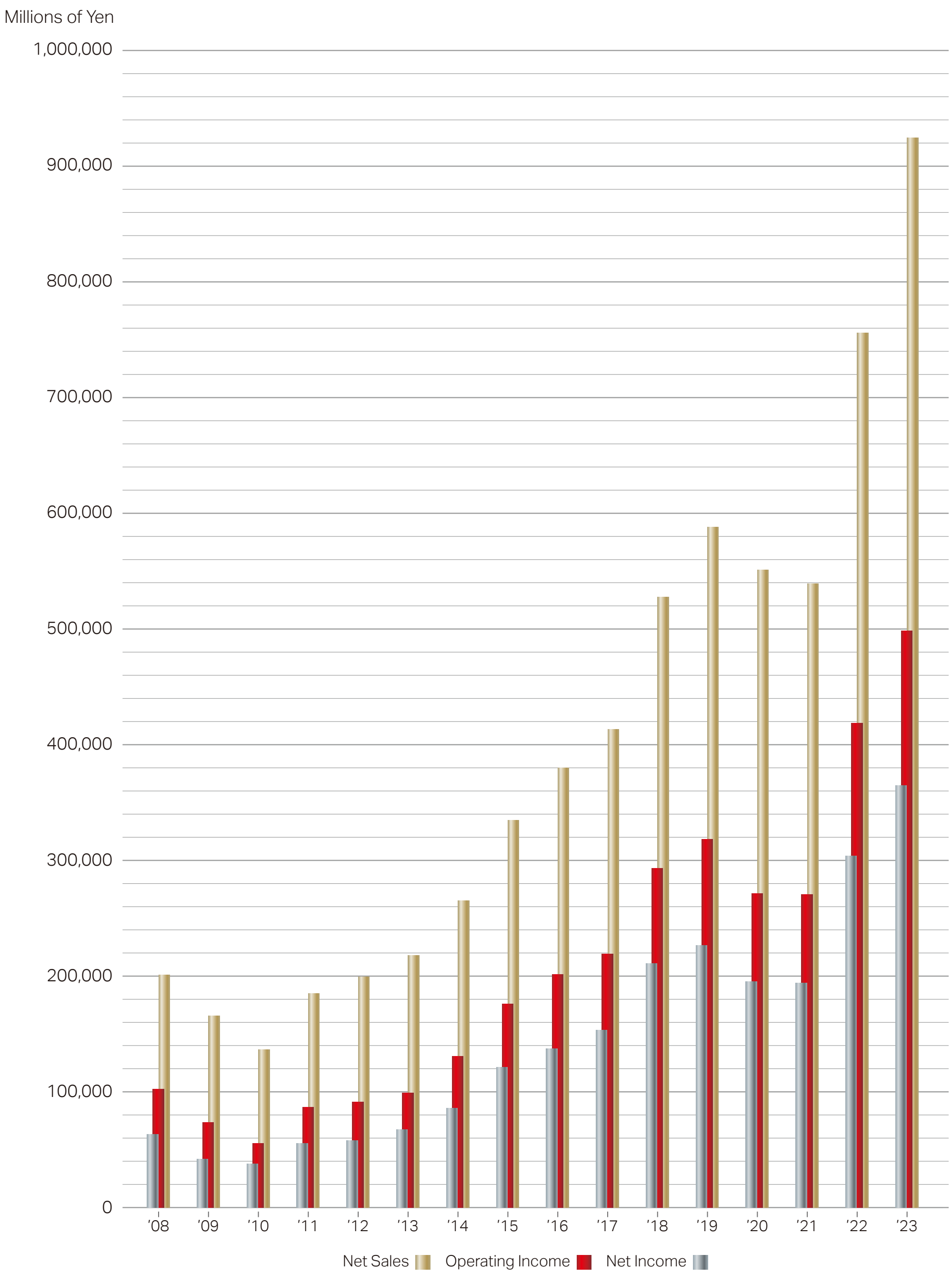
KEYENCE CORPORATION AND SUBSIDIARIES

FINANCIAL HIGHLIGHTS

YEAR ENDED MARCH 20, 2023

	Millions of Yen		Thousands of U.S. Dollars*1
	2023	2022	2023
Net Sales	**¥922,422**	¥755,174	**$6,935,506**
Operating Income	**498,914**	418,045	**3,751,239**
Net Income	**362,963**	303,360	**2,729,051**
Amounts Per Common Share (in Yen and U.S. Dollars)			
Net Income	**1,496.60**	1,250.83	**11.25**
Cash Dividends Applicable to the Year	**300.00**	200.00	**2.25**
Total Assets	**2,650,429**	2,324,037	**19,928,044**

*1. All dollar figures herein refer to U.S. dollars. Dollar amounts are translated from Japanese yen, for convenience only, at ¥133= US$1, the approximate exchange rate on March 20, 2023.



TO OUR SHAREHOLDERS

Business results

During this consolidated fiscal year, despite signs of weakness in some areas, the world economy has continued its trend of moderate recovery. Consumption and capital investment in the United States have continued to expand gradually, while some areas of Asia have shown signs of economic weakness. Capital investment in Europe has remained strong, and in Japan, capital investment has continued its trend of recovery.

Under these economic conditions, the KEYENCE Group worked to enhance planning and development and strengthen sales capabilities to sustain mid-to-long term growth. We have also developed new products including a Multisensor Measurement System and a new series of Safety Interlock Switches. In sales, we have made efforts to expand our overseas sales offices.
As a result of these activities, in this consolidated fiscal year we recorded sales of JPY 922,422 million, operating income of JPY 498,914 million, income before taxes of JPY 512,380 million, and net income of JPY 362,963 million.

TO OUR SHAREHOLDERS

Performance by region

1) Japan
Capital investment showed signs of improvement in Japan.

Under these conditions, we worked to release new products and enhance our sales capabilities, resulting in sales of JPY 348,079 million.

2) Overseas
Overseas, despite signs of weakness in some areas, the trend of moderate recovery has continued.
Under these economic conditions, we worked to enhance our sales capabilities, with a focus on recruitment and personnel training, resulting in sales of JPY 574,342 million.

Looking to the future of the global economy, we need to keep a close eye on the economic impact of each country's policies. The market environment surrounding the KEYENCE Group is expected to see not only various technological innovations, but also a growing demand for automation, quality improvement, R&D, and energy-saving initiatives.

The market environment surrounding KEYENCE Group businesses is expected to see not only growing demand for automation, quality improvement, and R&D investment, but also various technological innovations. We recognize the need to strengthen the KEYENCE Group's planning and development capabilities while also expanding overseas business operations. In addition, furthering human resource development to take advantage of these changes and demands for continued sustainable growth is critical. We view these global trends as having great potential for expanding our business, and to realize this potential, we will focus on applying the powers that we have cultivated over the years to achieve sustained growth.

Yu Nakata
President
June 2023

NEW PRODUCT HIGHLIGHTS

Multisensor Measurement System

In addition to an ultra-high-resolution camera and low-pressure measurement touch probe, this product is also equipped with a multi-color laser for height measurement. With these three different measurement methods, anyone can achieve high-accuracy dimensional measurements. Simply place the target for measurement on the stage and press the button. It is possible to measure up to 5000 locations with 1000 parts, all at once. This helps to reduce the time taken to do dimensional inspections.

UV Laser Coder

UV laser coders are changing the common conceptions about packaging marking, such as best-before dates and lot numbers. UV laser coders use a UV laser to mark only the marking layer of a film. This product has unprecedented high added value, such as no stoppage of the production line to replace the ink ribbon, and no need for costly consumables. Also, unlike conventional thermal printers that transfer ink to the surface of the film, with UV laser coders, the markings will not disappear even when there is rubbing and friction.

NEW PRODUCT HIGHLIGHTS

3D Scanner CMM

Simply scan the target to obtain three-dimensional data of its shape and color. Place the target for measurement on the stage, and with the click of a button, the scanner automatically converts the 3D scanned data to 3D-CAD data. The integrated camera and body structure combined with KEYENCE's proprietary positioning algorithm successfully minimizes the distortion occurring within the scanning envelope. This enables highly reliable measurement.

Safety Interlock Switches

Safety interlock switches are safety devices used for checking whether safety fence doors and covers are closed and locked. The door is locked securely using electromagnetic force. A flat electromagnet and actuator absorb any door misalignments, eliminating the need for fitting design. Also, with its ultra-compact design, this product can be installed anywhere. The safety interlock switch offers superior safety and usability that are required for manufacturing sites.

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte Touche Tohmatsu LLC
Yodoyabashi Mitsui Building
4-1-1 Imabashi, Chuo-ku
Osaka-shi, Osaka 541-0042
Japan

Tel: +81 (6) 4560 6000
Fax: +81 (6) 4560 6001
www.deloitte.com/jp

To the Board of Directors of Keyence Corporation:

Opinion

We have audited the consolidated financial statements of Keyence Corporation and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 20, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 20, 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.

Convenience Translation

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

Basis for Opinion

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

Key Audit Matter

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

INDEPENDENT AUDITOR'S REPORT

Revenue recognition for product sales transactions	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
The Group is engaged in a single segment business of the manufacture and sale of electronic application equipment, with sales of JPY 922,422 million recorded in the consolidated statements of income for the current fiscal year. Revenue primarily consisted of sales transactions of products at KEYENCE CO., LTD., and significant subsidiaries, which are KEYENCE CORPORATION OF AMERICA and KEYENCE (CHINA) CO., LTD. Although the Group runs a single segment business, range of electronic equipment includes sensors, measuring instruments, imaging systems equipment and laser markers for factory automation, as well as microscopes for research and development, code readers for logistics and retail. The Group's sales consist of sales transactions involving a wide variety of products with relatively low sales prices. The Group recognizes sales primarily when products are shipped to customers from domestic or overseas warehouses. As an internal control over product sales transactions, the Group ensures the accuracy of sales by matching shipping instruction information registered in the system with actual shipment information. In the consolidated financial statements, sales of JPY 922,422 million are quantitatively significant, and because net sales represent the scale of the Group's business activities and are considered to be a key performance indicator for management and investors, we have determined revenue as a key audit matter.	For revenue recognition of product sales transactions, we performed the following audit procedures, among others: • We understood the revenue recognition process for the Group's product sales transactions and evaluated the effectiveness of the design and operation of internal controls. In particular, the design and operation of internal controls below were evaluated with the assistance of IT specialists. · IT application controls to match shipping instructions information registered in the system with actual shipment information · General IT controls to support the reliability of processing of the aforementioned systems • We performed risk assessment procedures, including analyses of monthly sales by business office and transaction type. • We examined the validity of the occurrence, accuracy and cut-off of product sales transactions selected based on sampling method by matching the purchase order from the customers with shipping records with receipt stamp of transport companies. • In addition, for transactions exceeding a certain amount, we matched the vouchers for cash receipt if cash had already been collected. In case where cash had not been collected by the end of the fiscal year, confirmation procedures were carried out with the counterparties. • With respect to the sales of KEYENCE CORPORATION OF AMERICA and KEYENCE (CHINA) CO., LTD. which are significant components, we instructed the component auditors to perform the same procedures as us, and evaluated the results of the audits performed by the component auditors.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor’s report thereon.
Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

Deloitte Touche Tohmatsu LLC

June 14, 2023

Member of
Deloitte Touche Tohmatsu Limited

KEYENCE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

YEAR ENDED MARCH 20, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS:	**2023**	2022	**2023**
CURRENT ASSETS:			
Cash and cash equivalents (Note 10)	**¥344,002**	¥396,165	**$2,586,487**
Time deposits (Note 10)	**89,653**	68,130	**674,089**
Marketable securities (Notes 5 and 10)	**506,802**	540,276	**3,810,548**
Notes and accounts receivable (Note 10)	**297,785**	247,901	**2,238,986**
Allowance for doubtful receivables	**(1,155)**	(538)	**(8,687)**
Inventories (Note 6)	**87,389**	62,072	**657,062**
Other	**11,619**	8,561	**87,365**
Total current assets	**1,336,098**	1,322,569	**10,045,852**
PROPERTY, PLANT AND EQUIPMENT:			
Land	**35,662**	7,060	**268,136**
Buildings and structures	**26,660**	23,983	**200,452**
Furniture and fixtures	**54,100**	46,640	**406,769**
Other	**22,014**	11,228	**165,522**
Total property, plant and equipment	**138,437**	88,913	**1,040,880**
Accumulated depreciation	**(71,131)**	(62,531)	**(534,823)**
Net property, plant and equipment	**67,305**	26,382	**506,056**
INVESTMENTS AND OTHER ASSETS:			
Investments in associated companies (Note 10)	**34,634**	29,470	**260,412**
Investment securities (Notes 5 and 10)	**1,172,095**	910,278	**8,812,747**
Long-term time deposits (Note 10)	**15,907**	14,227	**119,602**
Deferred tax assets (Note 9)	**12,562**	12,005	**94,453**
Other	**11,826**	9,104	**88,919**
Total investments and other assets	**1,247,026**	975,085	**9,376,135**
TOTAL	**¥2,650,429**	¥2,324,037	**$19,928,044**

LIABILITIES AND EQUITY:	**2023**	2022	**2023**
CURRENT LIABILITIES:			
Notes and accounts payable (Note 10)	**¥18,381**	¥15,911	**$138,209**
Income taxes payable (Note 10)	**81,713**	89,667	**614,389**
Accrued bonuses	**15,697**	14,360	**118,024**
Other	**33,468**	26,613	**251,644**
Total current liabilities	**149,261**	146,552	**1,122,268**
LONG-TERM LIABILITIES:			
Other	**9,533**	3,901	**71,682**
Total long-term liabilities	**9,533**	3,901	**71,682**
EQUITY (Note 8):			
Common stock, authorized, 600,000,000 shares; issued, 243,207,684 shares in 2023 and 243,207,684 shares in 2022	**30,637**	30,637	**230,357**
Capital surplus	**30,541**	30,541	**229,631**
Retained earnings	**2,403,814**	2,101,779	**18,073,794**
Treasury stock at cost, 681,707 shares in 2023 and 681,511 shares in 2022	**(3,796)**	(3,785)	**(28,544)**
Accumulated other comprehensive income			
Unrealized gain (loss) on available-for-sale securities	**2,278**	3,428	**17,131**
Foreign currency translation adjustments	**28,161**	10,986	**211,743**
Defined retirement benefit plan	**(2)**	(3)	**(19)**
Total equity	**2,491,634**	2,173,583	**18,734,093**
TOTAL	**¥2,650,429**	¥2,324,037	**$19,928,044**

See notes to consolidated financial statements.

KEYENCE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED MARCH 20, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
NET SALES (Note 11)	**¥922,422**	¥755,174	**$6,935,506**
COSTS AND EXPENSES:			
Cost of Sales	**167,690**	133,984	**1,260,827**
Selling, general and administrative	**234,156**	185,273	**1,760,575**
Research and development	**21,660**	17,872	**162,863**
Total costs and expenses	**423,507**	337,129	**3,184,267**
OPERATING INCOME	**498,914**	418,045	**3,751,239**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**2,129**	646	**16,010**
Foreign exchange gain (loss)	**5,262**	6,695	**39,566**
Equity in earnings of associated companies	**5,624**	4,983	**42,289**
Other - net	**899**	869	**6,761**
Other income (expenses) - net	**13,915**	13,195	**104,628**
INCOME BEFORE INCOME TAXES	**512,830**	431,240	**3,855,868**
INCOME TAXES (Note 9):			
Current	**149,682**	132,405	**1,125,434**
Deferred	**183**	(4,524)	**1,381**
Total income tax	**149,866**	127,880	**1,126,816**
NET INCOME	**362,963**	303,360	**2,729,051**
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	**¥362,963**	¥303,360	**$2,729,051**

PER SHARE OF COMMON STOCK (Notes 13 and 15)

	Yen		U.S. Dollars (Note 1)
	2023	2022	2023
Basic net income	**¥1,496.60**	¥1,250.83	**$11.25**
Cash dividends applicable to the year	**300.00**	200.00	**2.25**

See notes to consolidated financial statements.

KEYENCE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED MARCH 20, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	**2023**
NET INCOME	**¥362,963**	¥303,360	**$2,729,051**
OTHER COMPREHENSIVE INCOME (LOSS) (Note 12):			
Unrealized gain (loss) on available-for-sale securities	**(1,150)**	(1,989)	**(8,648)**
Foreign currency translation adjustments	**17,182**	7,911	**129,193**
Share of other comprehensive income (loss) in associates	**(6)**	(15)	**(47)**
Total other comprehensive income (loss)	**16,026**	5,905	**120,498**
COMPREHENSIVE INCOME	**¥378,990**	¥309,265	**$2,849,549**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**¥378,990**	¥309,265	**$2,849,549**

See notes to consolidated financial statements.

KEYENCE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED MARCH 20, 2023

Millions of Yen

						Accumulated other comprehensive income			
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain (loss) on available-for-sale-securities	Foreign currency translation adjustment	Defined retirement benefit plan	Total Equity
BALANCE, MARCH 20, 2021	**242,526,537**	**¥30,637**	**¥30,541**	**¥1,846,924**	**(¥3,763)**	**¥5,418**	**¥3,085**	**¥2**	**¥1,912,844**
Cumulative effects of changes in accounting policies									
Adjusted balance	242,526,537	30,637	30,541	1,846,924	(3,763)	5,418	3,085	2	1,912,844
Net income attributable to owners of the parent				303,360					303,360
Cash dividends, ¥200 per share (Note 13)				(48,505)					(48,505)
Purchase of treasury stock	(364)				(22)				(22)
Net change in the year						(1,989)	7,900	(5)	5,905
BALANCE, MARCH 20, 2022	**242,526,173**	**¥30,637**	**¥30,541**	**¥2,101,779**	**(¥3,785)**	**¥3,428**	**¥10,986**	**(¥3)**	**¥2,173,583**
Cumulative effects of changes in accounting policies				(296)					(296)
Adjusted balance	242,526,173	30,637	30,541	2,101,482	(3,785)	3,428	10,986	(3)	2,173,286
Net income attributable to owners of the parent				362,963					362,963
Cash dividends, ¥300 per share (Note 13)				(60,631)					(60,631)
Purchase of treasury stock	(196)				(10)				(10)
Net change in the year						(1,150)	17,175	0	16,026
BALANCE, MARCH 20, 2023	**242,525,977**	**¥30,637**	**¥30,541**	**¥2,403,814**	**(¥3,796)**	**¥2,278**	**¥28,161**	**(¥2)**	**¥2,491,634**

Thousands of U.S. Dollars (Note 1)

						Accumulated other comprehensive income			
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain (loss) on available-for-sale-securities	Foreign currency translation adjustment	Defined retirement benefit plan	Total Equity
BALANCE, MARCH 20, 2022	**242,526,173**	**$230,357**	**$229,631**	**$15,802,849**	**($28,464)**	**$25,778**	**$82,603**	**($24)**	**$16,342,730**
Cumulative effects of changes in accounting policies				(2,230)					(2,230)
Adjusted balance	242,526,173	230,357	229,631	15,800,619	(28,464)	25,778	82,603	(24)	16,340,499
Net income attributable to owners of the parent				2,729,051					2,729,051
Cash dividends, $2.25 per share (Note 13)				(455,876)					(455,876)
Purchase of treasury stock	(196)				(79)				(79)
Net change in the year						(8,646)	129,140	4	120,498
BALANCE, MARCH 20, 2023	**242,525,977**	**$230,357**	**$229,631**	**$18,073,794**	**($28,544)**	**$17,131**	**$211,743**	**($19)**	**$18,734,093**

See notes to consolidated financial statements.

KEYENCE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 20, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2022	2023
OPERATING ACTIVITIES:			
Income before income taxes	**¥512,830**	¥431,240	**$3,855,868**
Adjustments for:			
Income taxes paid	**(156,884)**	(97,210)	**(1,179,582)**
Depreciation and amortization	**11,523**	8,621	**86,645**
Equity in earnings of associated companies	**(5,624)**	(4,983)	**(42,289)**
Profit on sale of securities	**(16)**	0	**(123)**
Changes in assets and liabilities:			
Decrease (Increase) in notes and accounts receivable	**(36,742)**	(53,099)	**(276,258)**
Decrease (Increase) in inventories	**(23,961)**	(26,257)	**(180,164)**
Decrease (Increase) in interest and dividend receivable	**361**	1,158	**2,718**
Increase (Decrease) in notes and accounts payable	**2,358**	5,334	**17,732**
Increase (Decrease) in accrued bonuses	**638**	2,773	**4,797**
Other - net	**(1,854)**	3,898	**(13,942)**
Total adjustments	**(210,202)**	(159,764)	**(1,580,467)**
Net cash provided by operating activities	**302,628**	271,476	**2,275,400**
INVESTING ACTIVITIES:			
Net decrease (increase) in time deposits	**(12,659)**	132,567	**(95,186)**
Capital expenditures	**(39,345)**	(6,162)	**(295,827)**
Net decrease (increase) in marketable and investment securities and other	**(229,974)**	(136,490)	**(1,729,133)**
Other - net	**(1,507)**	(1,049)	**(11,337)**
Net cash used in investing activities	**(283,487)**	(11,134)	**(2,131,485)**
FINANCING ACTIVITIES:			
Cash dividends paid	**(60,631)**	(48,505)	**(455,876)**
Net decrease (increase) in treasury stock	**(10)**	(22)	**(79)**
Other - net	**(3,024)**	(1,290)	**(22,741)**
Net cash used in financing activities	**(63,666)**	(49,817)	**(478,697)**
EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(7,636)**	(4,233)	**(57,419)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(52,162)**	206,290	**(392,201)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**396,165**	189,875	**2,978,689**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥344,002**	¥396,165	**$2,586,487**

See notes to consolidated financial statements.

KEYENCE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 20, 2023

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside of Japan. In addition, certain reclassifications have been made in the 2022 consolidated financial statements to conform to the classifications used in 2023. Amounts less than one million yen and one thousand U.S. dollars are rounded down, except for per share data. Therefore, total or subtotal amounts may not correspond with the aggregation of such account balances.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which KEYENCE CORPORATION (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside of Japan and have been made at the rate of ¥133 to $1, the approximate rate of exchange at March 20, 2023. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. **Consolidation** —— The consolidated financial statements include the accounts of the Company and its 28 significant subsidiaries (together, the "Group"). Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. **Cash Equivalents** —— Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, all of which mature or become due within three months of the date of acquisition.

c. **Inventories** —— Inventories of the Company and its domestic subsidiaries are principally stated at the lower of cost, determined by the average cost method or net selling value. Inventories of foreign subsidiaries are principally stated at the lower of cost, determined by the average cost method or market value.

d. **Marketable and Investment Securities** —— All of the Group's securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

e. **Allowance for Doubtful Receivables** —— The Company and its domestic subsidiaries have provided an allowance for doubtful receivables stated in an amount considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding. Foreign subsidiaries have provided an allowance for doubtful receivables at the estimated amount of probable bad debts.

f. **Property, Plant and Equipment** —— Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic subsidiaries is principally computed by the declining-balance method based on the estimated useful lives of the assets. Depreciation of property, plant and equipment of foreign subsidiaries is principally computed by the straight-line method based on the estimated useful lives of the assets.

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

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

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

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

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

l. **Per Share Information** —— Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. The Company did not have securities or contingent stock agreements that could potentially dilute net income per common share in the year ended March 20, 2023 and 2022.
Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

KEYENCE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 20, 2023

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

ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign associate elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

n. **Accounting Changes and Error Corrections** —— In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

1) Changes in Accounting Policies
When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively, unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

2) Changes in Presentation
When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

3) Changes in Accounting Estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

4) Corrections of Prior-Period Errors
When an error in prior-period financial statements is discovered, those statements are restated.

o. **Significant standards of accounting for revenue and expenses**

The Group is engaged in the manufacture and sale of electronic applied equipment.

The main performance obligations of the Group is to sell products, and as such, the Group considers control and risk of the products to have transferred to the customer at the time of shipment or delivery based on the contract.

Note that, in accordance with the alternative treatment prescribed in Paragraph 98 of ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition" (the "Implementation Guidance on Accounting Standard of Revenue Recognition"), revenue is recognized at the time of shipment in case the term from the shipping to the customers' obtaining of control of the goods and products is normal.

Transactions such as maintenance contracts regarding electronic applied equipment are deemed to be progressively fulfilled as services are provided throughout the contract period.

Therefore, the Group recognizes revenue equally throughout the contract period.

3. SIGNIFICANT ACCOUNTING ESTIMATES

Accounting estimates in the consolidated financial statements for the year ended March 20, 2023 are not identified as having a significant impact on the consolidated financial statements for annual periods beginning on March 21, 2023.

4. CHANGES IN ACCOUNTING POLICIES

I. Application of the Accounting Standard for Revenue Recognition

Effective from the beginning of the current fiscal year, the Group has adopted the "Implementation Guidance on Accounting Standard of Revenue Recognition".

Under this standard, revenue is recognized at the amount expected to be received for the goods or services and at the time when control of the promised goods or services is transferred to the customer.

The Group applies the "Implementation Guidance on Accounting Standard of Revenue Recognition", etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the "Implementation Guidance on Accounting Standard of Revenue Recognition".

The cumulative impact of retrospectively applying the new accounting policies to prior periods is reflected as an adjustment to retained earnings at the beginning of the fiscal year under review, with the new accounting policies applied from the beginning balance.
However, in accordance with the method provided for in paragraph 86 of the "Implementation Guidance on Accounting Standard of Revenue Recognition", the new accounting policy was not retrospectively applied to contracts wherein almost all revenues were recognized before the beginning of the fiscal year under review according to the former treatment.
As a result of this change, the impact on the consolidated financial statements concerning the application of the "Implementation Guidance on Accounting Standard of Revenue Recognition" is immaterial.
Note that, in accordance with the transitional measures prescribed in paragraph 89-2 of the "Implementation Guidance on Accounting Standard of Revenue Recognition", the Group did not implement a reclassification that reflects the new method of presenting the results of the previous fiscal year.
Furthermore, in accordance with the transitional treatment prescribed in Paragraph 89-3 of the "Implementation Guidance on Accounting Standard of Revenue Recognition", notes for the previous fiscal year are not presented in "Revenue recognition".

II. Application of the Accounting Standard for Fair Value Measurement
Effective from the beginning of the current fiscal year, the Group has adopted ASBJ Statement No. 30 "Accounting Standard for Fair Value Measurement". Requirements of this accounting standard will be applied prospectively, subject to the transitional treatment stipulated in Paragraph 19 of the standard as well as Article 44-2 of ASBJ Statement No. 10 "Accounting Standards for Financial Instruments".
There is no impact on the consolidated financial statements.
In addition, the Group has decided to provide notes on items including the breakdown of the fair value of financial instruments by level in the notes on "Financial Instruments". However, in accordance with the transitional treatment prescribed in Paragraph 7-4 of ASBJ Guidance No. 19 "Guidance on Disclosures about Fair Value of Financial Instruments", notes for the previous fiscal year are not presented.

5. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 20, 2023 and 2022 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Current:			
Government and corporate bonds	**¥71,502**	¥69,976	**$537,616**
Negotiable certificate of deposits	**435,300**	470,300	**3,272,932**
Total	**¥506,802**	¥540,276	**$3,810,548**

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Non-current:			
Equity securities	**¥5,659**	¥7,159	**$42,554**
Government and corporate bonds	**663,935**	475,619	**4,991,997**
Negotiable certificate of deposits	**502,500**	427,500	**3,778,195**
Total	**¥1,172,095**	¥910,278	**$8,812,747**

The carrying amounts and aggregate fair values of marketable and investment securities at March 20, 2023 and 2022 were as follows:

	Millions of Yen			
	2023			
Securities classified as:	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale:				
Equity securities	**¥1,327**	**¥4,332**		**¥5,659**
Government and corporate bonds	**736,493**	**337**	**¥1,392**	**735,438**
Negotiable certificate of deposits	**937,800**			**937,800**

	Thousands of U.S. Dollars			
	2023			
Securities classified as:	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale:				
Equity securities	**$9,983**	**$32,571**		**$42,554**
Government and corporate bonds	**5,537,546**	**2,537**	**$10,469**	**5,529,614**
Negotiable certificate of deposits	**7,051,127**			**7,051,127**

	Millions of Yen			
	2022			
Securities classified as:	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale:				
Equity securities	¥1,334	¥5,827	¥2	¥7,159
Government and corporate bonds	546,487	45	938	545,595
Negotiable certificate of deposits	897,800			897,800

6. INVENTORIES

Inventories at March 20, 2023 and 2022, consisted of following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	**2023**
Finished products	**¥39,952**	¥27,223	**$300,397**
Work in process	**10,348**	9,168	**77,807**
Raw materials	**37,088**	25,680	**278,857**
Total	**¥87,389**	¥62,072	**$657,062**

KEYENCE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 20, 2023

7. EMPLOYEES' RETIREMENT BENEFITS

The Company and certain subsidiaries have prepayment retirement benefits and defined contribution pension plans. The net periodic benefit costs for the years ended March 20, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Contribution to defined contribution pension plans and prepayment retirement benefits	¥2,423	¥1,949	$18,220

8. EQUITY

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

a. **Dividends**——Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) having a term of service for the directors prescribed as one year rather than the two years of normal terms per its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.
The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to certain limitations and additional requirements.
Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

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

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

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.5% for the years ended March 20, 2023 and 2022.
The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 20, 2023 and 2022, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Deferred tax assets:			
Accrued bonuses	¥3,337	¥3,146	$25,094
Inventories	14,730	12,536	110,754
Accrued enterprise tax	4,014	4,290	30,185
Other	6,057	3,768	45,544
Deferred tax assets	28,139	23,741	211,578
Deferred tax liabilities:			
Undistributed earnings	(11,453)	(9,038)	(86,119)
Investment securities	(1,322)	(1,777)	(9,942)
Other	(2,801)	(920)	(21,066)
Deferred tax liabilities	(15,578)	(11,736)	(117,128)
Net deferred tax assets (liabilities)	¥12,561	¥12,004	$94,449

There was no significant difference between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 20, 2023 and 2022.

KEYENCE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 20, 2023

10. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

a. **Group Policy for Financial Instruments** —— The Group invests in financial instruments and in low-risk financial assets, including bonds.

b. **Nature of Financial Instruments, Extent of Risks Arising from Financial Instruments and Risk Management for Financial Instruments**—— Notes and accounts receivable are exposed to customer credit risk. In order to reduce risk, the Group monitors the financial status and transaction history to detect the default risk of customers at an early stage. Since marketable securities and investment securities are mainly composed of high credit-rated bonds, the credit risk associated with the investments is not considered to be significant. However, since they are exposed to the risk of market price fluctuations, the Group monitors the market value and reviews the validity of continued possession on a regular basis. Notes and accounts payable and income taxes payable are all due within less than one year.

c. **Supplementary explanation regarding fair values of financial instruments** —— Because calculations of financial instruments involve variable inputs, the results of calculations may vary depending on what premises and assumptions are used.

I. Fair value of financial instruments

	Millions of Yen			Thousands of U.S. Dollars		
			2023			2023
Assets:	Carrying amount	Fair value	Unrealized gain (loss)	Carrying amount	Fair value	Unrealized gain (loss)
Marketable securities and investment securities and investment in associated company, Long-term time deposits	**¥1,728,771**	**¥1,787,310**	**¥58,538**	**$12,998,284**	**$13,438,422**	**$440,137**

	Millions of Yen		
			2022
Assets:	Carrying amount	Fair value	Unrealized gain (loss)
Marketable securities and investment securities and investment in associated company, Long-term time deposits	¥1,493,651	¥1,614,389	¥120,738

i. Cash and cash equivalents, time deposits, notes and accounts receivable, notes and accounts payable, and income taxes payable are omitted, because their fair value approximates their carrying value due to their short maturities.

II. Carrying amount of financial instruments that do not have a market price

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unlisted equity instruments	**¥668**	¥600	**$5,026**

d. **Maturity analysis for financial assets and securities with contractual maturities**

	Millions of Yen				Thousands of U.S. Dollars			
				2023				2023
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents and Time deposits	**¥433,656**				**$3,260,576**			
Notes and accounts receivables	**297,785**				**2,238,986**			
Marketable securities and Investment securities-Available-for-sale securities with contractual maturities	**71,500**	**¥665,000**			**537,593**	**$5,000,000**		
Negotiable certificate of deposits	**435,300**	**502,500**			**3,272,932**	**3,778,195**		
Long-term time deposits			**¥15,907**				**$119,602**	
Total	**¥1,238,241**	**¥1,167,500**	**¥15,907**		**$9,310,089**	**$8,778,195**	**$119,602**	

	Millions of Yen			
				2022
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents and Time deposits	¥464,296			
Notes and accounts receivables	247,901			
Marketable securities and Investment securities-Available-for-sale securities with contractual maturities	70,000	¥476,500		
Negotiable certificate of deposits	470,300	427,500		
Long-term time deposits			¥14,227	
Total	¥1,252,497	¥904,000	¥14,227	

KEYENCE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 20, 2023

e. Breakdown of financial instruments by level of fair value

The fair value of financial instruments is categorized into the following three levels based upon the observability and significance of inputs used to measure their fair value.

Level 1: Fair value measured using quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: Fair value measured using inputs, other than those included within Level 1, that are either directly or indirectly observable
Level 3: Fair value measured using significant unobservable inputs

If the Group uses multiple inputs that are significant to the fair value measurement, the fair value measurement is categorized entirely in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

I. Financial instruments presented at fair value on the consolidated balance sheets

	Millions of Yen			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Category:				
Marketable and investment securities				
Equity securities	¥4,991			¥4,991
Government and corporate bonds		¥735,438		735,438
Negotiable certificate of deposits		937,800		937,800
Long-term time deposits		15,907		15,907
Total	¥4,991	¥1,689,145		¥1,694,137

	Thousands of U.S. Dollars			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Category:				
Marketable and investment securities				
Equity securities	$37,528			$37,528
Government and corporate bonds		$5,529,614		5,529,614
Negotiable certificate of deposits		7,051,127		7,051,127
Long-term time deposits		119,602		119,602
Total	$37,528	$12,700,344		$12,737,872

II. Financial instruments other than those presented at fair value on the consolidated balance sheets

	Millions of Yen			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in associated companies	¥93,173			¥93,173

	Thousands of U.S. Dollars			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investments in associated companies	$700,550			$700,550

Note: The description of valuation techniques and inputs used for the fair value measurement is as follows:

Marketable and investment securities

Listed stocks are valued using quoted prices. As listed stocks are traded in active markets, their fair value is categorized as Level 1. The fair value of government and corporate bonds is measured using prices provided by counterparty financial institutions, and is categorized as Level 2. The fair values of negotiable certificates of deposits are deemed to be the acquisition price because the current price approximates the acquisition price, and their value is categorized as Level 2.

Long-term time deposits

The fair values of long term time deposits are deemed to be the acquisition price because the current price approximates the acquisition price, and their value is categorized as Level 2.

KEYENCE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 20, 2023

11. REVENUE RECOGNITION

a. Breakdown of revenue arising from contracts with customers

	Millions of Yen	Thousands of U.S. Dollars
	2023	2023
Sales by geographical area		
Japan	¥348,079	$2,617,140
Other areas	574,342	4,318,365
Revenue arising from contracts with customers	922,422	6,935,506
Other revenue		
Sales to customers	¥922,422	$6,935,506

b. Information fundamental for an understanding of revenue arising from contracts with customer

Information fundamental for an understanding of revenue arising from contracts with customers is as presented in Significant matters forming the basis of preparing the consolidated financial statements, 2. Summary of significant Accounting policies, o. Important standards of accounting for revenue and expenses.

c. Information for an understanding of revenue amount

I. Balance of contract assets and liabilities from March 21, 2022 to March 20, 2023 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Receivables arising from contracts with customers as of March 20, 2023	¥297,785	$2,238,986
Receivables arising from contracts with customers as of March 21, 2022	247,901	1,863,918

Note: There is no balance of contract assets as of March 21, 2022 and March 20, 2023.
Balance of contract liabilities as of March 21, 2022 and March 20, 2023 were negligible.
Contract liabilities are included in other of current liabilities on the balance sheet.

II. Transaction price allocated to remaining performance obligations

In the Group, there were no significant transactions for which an estimated contract period exceeds one year.

12. COMPREHENSIVE INCOME

The component of other comprehensive income for the years ended March 20, 2023 and 2022, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Unrealized gain (loss) on available-for-sale securities			
Gains (losses) arising during the year (Amount before income tax effect)	(¥1,638)	(¥2,863)	($12,321)
Reclassification adjustments to profit or loss	(16)		(123)
Income tax effect	504	873	3,796
Total	(¥1,150)	(¥1,989)	($8,648)
Foreign currency translation adjustments			
Adjustments arising during the year	¥17,182	¥7,911	$129,193
Share of other comprehensive income (loss) in associates			
Gains (losses) arising during the year	(¥6)	(¥15)	($47)
Total other comprehensive income (loss)	¥16,026	¥5,905	$120,498

KEYENCE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 20, 2023

13. AMOUNT PER COMMON SHARE

The computation of net income per common share is based on the weighted-average number of common shares outstanding.
The average number of common shares used in the computations was 242,526,077 and 242,526,325 shares for 2023 and 2022, respectively.
Cash dividends per common share represent amounts applicable to the respective periods including dividends to be paid after the end of the period.

14. SEGMENT INFORMATION

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

I. Reportable Segments
Information about reportable segments is not disclosed because the Company has one operating segment.

II. Related Information

- **Information by product and service**
  As the Sales of one product group account for more than 90% of the Group's total consolidated sales, the disclosure for the years ended March 20, 2023 and 2022, has been omitted.

- **Information by geographical area**

	Millions of Yen		Thousands of U.S. Dollars
Revenue	**2023**	2022	**2023**
Japan	**¥348,079**	¥310,180	**$2,617,140**
Other areas			
USA	**152,190**	110,480	**1,144,287**
China	**153,475**	128,511	**1,153,950**
Other	**268,676**	206,002	**2,020,127**
Total	**574,342**	444,994	**4,318,365**
Total	**¥922,422**	¥755,174	**$6,935,506**

	Millions of Yen		Thousands of U.S. Dollars
Property, plant and equipment	**2023**	2022	**2023**
Japan	**¥46,221**	¥16,718	**$347,529**
Other areas	**21,084**	9,663	**158,527**
Total	**¥67,305**	¥26,382	**$506,056**

- **Information on principal customers**
  There is no customer, whose sales exceed 10% of the total consolidated sales for the years ended March 20, 2023 and 2022.

15. SUBSEQUENT EVENT

At the Shareholder's General Meeting held on June 14, 2023, the shareholders approved payment of ¥150.00 ($1.12) per share or total of ¥36,378 million ($273,525 thousand), to shareholders of record on March 20, 2023.

BOARD OF DIRECTORS/AUDIT & SUPERVISORY BOARD MEMBERS/ CORPORATE DATA/DIRECTORY

BOARD OF DIRECTORS

As of June 14, 2023

Takemitsu Takizaki
Honorary Chairman and Director

Yu Nakata
President and Representative Director

Akiji Yamaguchi
Director

Hiroaki Yamamoto
Director

Tetsuya Nakano
Director

Akinori Yamamoto
Director

Seiichi Taniguchi
Outside Director

Kumiko Suenaga
Outside Director

Michifumi Yoshioka
Outside Director

AUDIT & SUPERVISORY BOARD MEMBERS

As of June 14, 2023

Koichiro Komura
Outside Auditor

Hidehiko Takeda
Outside Auditor

Hiroji Indoh
Outside Auditor

CORPORATE DATA

As of March 20, 2023

Established:	March 1972
Incorporated:	May 1974
Capital:	30,637 million yen
Number of Employees:	10,580 (consolidated)
Common Stock:	600,000,000 shares Authorized 243,207,684 shares Issued
Number of Shareholders:	20,417
Stock Listing:	Tokyo Stock Exchange, Inc.
Share Registrar:	Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo 100-8212, JAPAN

DIRECTORY

As of March 20, 2023

KEYENCE CORPORATION
Osaka, Japan Tel: +81-6-6379-1111

AFFILIATES:

KEYENCE CORPORATION OF AMERICA
Chicago, U.S.A. Tel: +1-201-930-0100
New Jersey, U.S.A. Tel: +1-201-930-0100

KEYENCE CANADA INC.
Toronto, Canada Tel: +1-905-366-7655

KEYENCE MEXICO S.A. DE C.V.
Mexico City, Mexico Tel: +52-55-8850-0100

KEYENCE BRASIL COMERCIO DE PRODUTOS ELETRONICOS LTDA.
Sao Paulo, Brasil Tel: +55-11-3045-4011

KEYENCE DEUTSCHLAND GmbH
Frankfurt, Germany Tel: +49-6102-3656-0

KEYENCE INTERNATIONAL (BELGIUM) NV/SA
Mechelen, Belgium Tel: +32-15-281-222

KEYENCE (UK) LIMITED
Milton Keynes, U.K. Tel: +44-1908-696-900

KEYENCE FRANCE SAS
Paris, France Tel: +33-1-56-37-78-00

KEYENCE ITALIA S.p.A.
Milan, Italy Tel: +39-02-6688220

KEYENCE (CHINA) CO., LTD.
Shanghai, China Tel: +86-21-5058-6228

KEYENCE (HONG KONG) CO., LTD.
Kowloon, Hong Kong Tel: +852-3104-1010

KEYENCE TAIWAN CO., LTD.
Taipei, Taiwan Tel: +886-2-2721-1080

KOREA KEYENCE CO., LTD.
Seoul, Korea Tel: +82-31-789-4300

KEYENCE SINGAPORE PTE LTD.
Singapore Tel: +65-6392-1011

KEYENCE INDIA PVT. LTD.
Chennai, India Tel: +91-44-4963-0900

PT. KEYENCE INDONESIA
Jakarta, Indonesia Tel: +62-21-2966-0120

KEYENCE VIETNAM CO., LTD.
Hanoi, Vietnam Tel: +84-24-3772-5555

KEYENCE PHILIPPINES INC.
Manila, Philippines Tel: +63-2-8981-5000

KEYENCE (MALAYSIA) SDN BHD
Petaling Jaya, Malaysia Tel: +60-3-7883-2211

KEYENCE (THAILAND) CO., LTD.
Bangkok, Thailand Tel: +66-2-078-1090

ADDRESSING SOCIETAL CHALLENGES USING OUR PRODUCTS

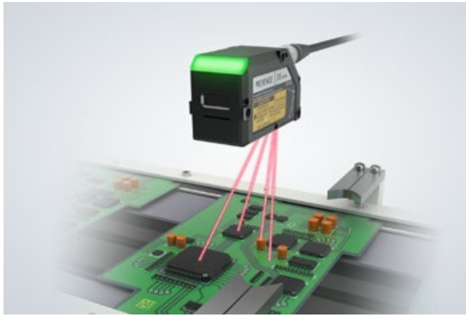
Improving Productivity

We are working to streamline the manufacturing process in various industries and countries to improve productivity and efficiency.
By proposing solutions that lead to improved productivity, product quality can be ensured, while production time and waste can be minimized.

Image-Based Laser Sensor

IX Series

Conventionally, objects were moved to measure multiple points, or processes were detected separately. The IX Series identifies measurement targets through imaging and measures specified points with a laser to detect multiple heights at the same time. This helps reduce production time.



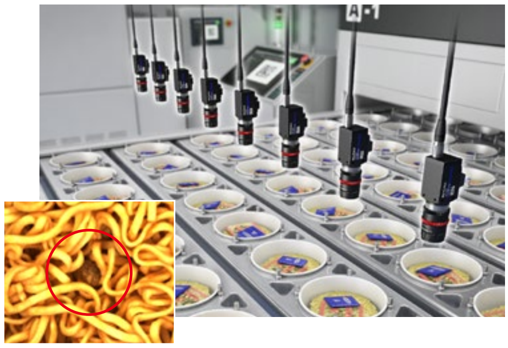
Improving Product Quality

As the functionality and sophistication of products advance, product quality has become more important.
KEYENCE products can be used to stably produce high quality products.

Image Processing System

XG-X Series

This system uses multi-spectrum lighting with eight wavelength LEDs and the industry's fastest 14-core image processing system to accurately identify subtle color differences that cannot be identified with a regular color camera. It helps improve food safety by quickly inspecting food for foreign matter, or other defects.



Ensuring the Safety of the Working Environment

We provide products that help improve safety at production sites. This also reduces the load on health and safety management.
Specifically, we are promoting the improvement of on-site safety by developing safety equipment that maintains productivity while securing the safety of workers from hazardous elements, such as machinery and robots used at production sites.

Safety Laser Scanner

SZ-V Series

Safety measures are necessary at manufacturing sites, but these can lower productivity. With KEYENCE’s SZ-V Series, new technologies and concepts are combined to ensure both safety and productivity.

ADDRESSING SOCIETAL CHALLENGES USING OUR PRODUCTS

Improving the Working Environment

KEYENCE inkjet printers are equipped with various features to prevent health risks.

In the past, separate equipment was required to safely perform maintenance on inkjet printing equipment.

Daily maintenance is required to use an inkjet printer.
Examples of measures taken to prevent the release of chemical substances are shown.

Glovebox

Workers must use this box, which provides airflow intake and exhaust to reduce exposure to chemical substances.

Respiratory Protective Gear

Workers are recommended to use a respiratory mask to prevent inhalation of chemical substances.

Occupational Health Protective Gear

Workers are recommended to wear protective glasses and solvent-resistant gloves to protect the skin and eyes.

The MK-U Series enables anyone to perform maintenance safely.

The MK-U Series has a new design to prevent exposure to ink and solvents and associated vapors.
No special measures or additional cost is required as is the case with conventional inkjet printers.

HUMAN RESOURCES DEVELOPMENT

Basic Guideline on Human Resources Development

KEYENCE prioritizes efforts to train its employees in order to contribute to the added value of the Company, while aiming to create a workplace with a positive impact on society.

Basic Policy on Training Personnel

- Give employees ownership and accountability for both their actions and results
- On-the-job training as a core component of the training program
- Promote comprehensive skill development through continuous training programs

On-the-job Training Program Examples

Sales

Joint action

1. New employees accompany senior employees on sales visits in order to learn sales techniques and industry knowledge.
2. Senior employees accompany new employees during sales visits and offer tangible business advice.

Development

Project lead

New employees participate in development projects two months after joining the Company.
We promote growth and development by giving significant project ownership to new employees.

Programs for Promoting On-the-job Training

Personal coach program

This program promotes growth by allowing new employees to receive general work advice directly from senior employees.

Mentoring program

This program differs from the personal coach system in that it allows experienced employees to mentor new employees and address their detailed questions and concerns.

HUMAN RESOURCES DEVELOPMENT

Development Timeline

• Training by career

New employees
- New employee
- Follow-up training after joining the company

Young employees
- Training in business principles

Mid-level employees
- Training to become candidates for people/project management

Business leaders
- Training in group/division management

Training Programs

Management Development Program (MDP)

This training program cultivates next-generation leaders by granting trial management responsibilities for a certain period of time. This program not only encourages growth, but is also effective in developing leadership candidates and helps to maintain an active organization.

Career Development Program (CDP)

This program allows employees to move to another section of the Company for a certain period of time to work in a new role. Experiencing various types of work outside of their specialties cultivates broad skill set and promotes development of new capacities. Recently, there has been an increase in "overseas CDP", in which Japanese workers are assigned to overseas subsidiaries to further this goal.

Multi assessment

To foster the development of managers, this program gives employees the opportunity to complete an evaluation (survey) of management. The purpose is to periodically and openly share strengths and improvement areas to improve management quality.

PROVIDING RESPONSIBLE PRODUCTS

Procurement Guidelines

To ensure a workplace that shows respect for human rights, we have established procurement guidelines for our supply chain, and request that our suppliers follow these guidelines. In addition, as part of our basic business agreement, we ask that these businesses make efforts to reduce their environmental impact and prevent environmental pollution to protect our planet.

Green Procurement

In order to promote green procurement, we are implementing the following initiatives.

- Formulate environmental control substance management regulations, and request suppliers' compliance with these regulations.
- Confirm and provide guidance on suppliers' environmental management systems through on-site guidance and interviews with questionnaires.
- For each part, request that suppliers submit non-inclusion certificates as well as information on substances contained therein in industry-standard formats.
- Implement training for employees in the form of environmental education seminars.
- Put in place an environmental management system based on ISO 14001.

Supply Chain Management

We share and confirm our basic policy and rules with each subcontractor prior to outsourcing the manufacture of products, and request that they comply with the following items. In addition, we conduct on-site inspection at subcontractors annually to check the status of compliance with the following items, and engage to ascertain the circumstances of manufacturing site and the improvements.

- Fair trade in compliance with the law
- Prohibiting forced labor (prohibition of forced labor against the will of workers, prohibition of collecting money (fee, deposit, etc.) when concluding a labor contract, etc.)
- Prohibiting child labor (No hiring and working child)
- Prohibiting discriminatory treatment and harassment using one's status or position
- Protection of the right of workers to organize and collective bargaining
- Maintaining confidentiality
- Protecting the work environment
- Safety management
- Complying with local rules and regulations
- Complying with and maintaining standards and making efforts to achieve environmental policies
- Creating a workplace environment that ensure the greatest respect for human rights

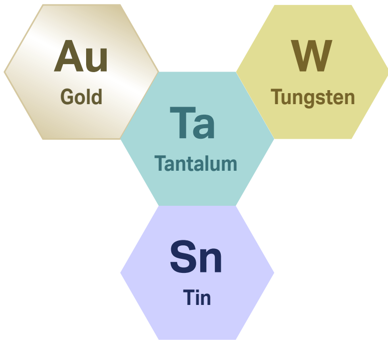
We require our subcontractors to respect the human rights and monitor their suppliers for compliance therewith. We may terminate the transaction if they breach it and does not cure them within a reasonable period.

COMPLIANCE

Conflict Minerals

Conflict minerals originating in the Democratic Republic of the Congo (DRC) or an adjoining country (hereinafter called "the covered countries") have become a source of funding for armed groups, leading to human rights violations and environmental destruction while threatening to promote further conflict. The four minerals in question (tin, tantalum, tungsten, and gold) are widely used in electric and electronic products.

It is KEYENCE's policy to refrain from purchasing of any parts, components, or materials that are recognized as containing conflict minerals. Furthermore, KEYENCE has no intention to benefit from or finance the armed groups responsible for human-rights violations in the covered countries. KEYENCE is engaging in efforts to eliminate conflict minerals while cooperating with suppliers, such as investigating supply chains using tools provided by the Responsible Minerals Initiative (RMI, formerly CFSI), an organization that promotes the responsible procurement of minerals.



Management of Chemical Substances in Products

Restrictions of chemical substances in electric and electronic products are spreading worldwide.

KEYENCE shares the procedures/rules with our suppliers, for management of chemical substances in products.

KEYENCE defines and shares a set of restricted substances in addition to the chemical substances that are regulated by the RoHS Directive and the REACH regulation in the European Union. KEYENCE promotes Green Procurement of the components and materials that we use in our products. KEYENCE is actively engaged in efforts to abide by all regulations set against using harmful chemical substances in our products.

KEYENCE contributes to a green initiative through the use of our products.

Pb Lead	**Hg** Mercury	**Cd** Cadmium	+	**DEHP***1 Bis (2-ethylhexyl) phthalate	**BBP***1 Butyl benzyl phthalate
Cr^{6+} Hexavalent chromium	**PBB** Polybrominated biphenyls	**PBDE** Polybrominated diphenyl ethers		**DBP***1 Dibutyl phthalate	**DIBP***1 Diisobutyl phthalate

*1 The specific phthalates which added by (EU) 2015/863. Most KEYENCE products are subject to the regulation from July 22, 2021.

Compliance with the UK Modern Slavery Act 2015

KEYENCE CORPORATION has issued the statement in accordance with Section 54 of the UK Modern Slavery Act 2015.

ENVIRONMENTAL POLICY

KEYENCE will continue to fulfill its social responsibilities including efforts to protect the environment through its business activities and products.

Basic Principle

We recognize that efforts to protect the global environment, including the prevention of global warming, are of the utmost importance for the entire world.

Environmental Policy

Based on the fact that we develop, manufacture, and sell automatic control equipment, measuring equipment, related electronic/optoelectronics equipment, etc. and these systems, we are working on reducing the environmental burden based on the following policy.

1. We will comply with environmental laws, regulations, and other requirements, and work on environmental conservation by establishing voluntary management standards.
2. In order to reduce our environmental burden, we will establish and maintain an environmental management system to continuously improve and promote the prevention of environmental pollution.
3. Among the environmental impacts related to our activities, products, and services, we will address the following items as priority items.
   - i) Establish and maintain a chemical substance management system that includes the absence of harmful chemical substances from our products.
   - ii) Establish and promote a management system for electricity consumption for suppressing/reducing CO_2 emissions.
   - iii) In order to make effective use of resources, we will reduce waste emission, promote energy conservation activities, and promote recycling.
   - iv) Promote the design and development of products that take into consideration customers' environmental load reduction activities.
   - v) Promote activities that take into account the conservation of biodiversity.

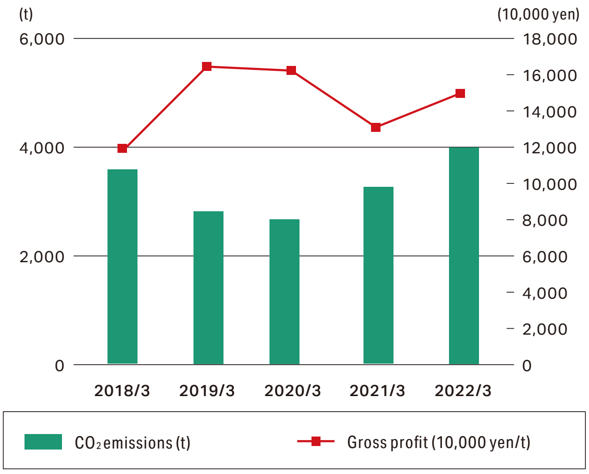
ENVIRONMENTAL NUMERICAL DATA

We are consciously working to create maximum added value with minimum environmental load.

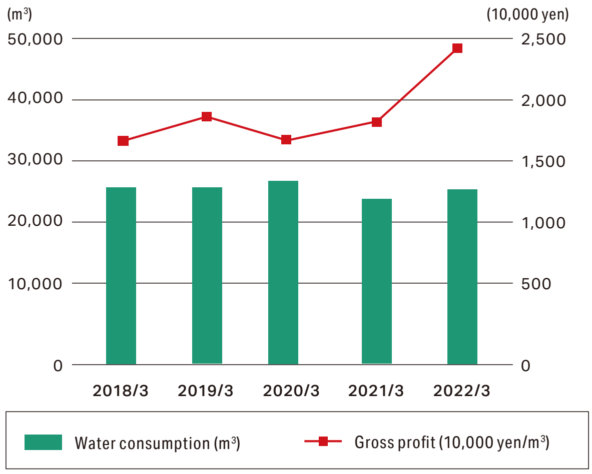
	Mar. 2018	Mar. 2019	Mar. 2020	Mar. 2021	Mar. 2022
CO_2 emissions (t)*	3,592	2,821	2,671	3,268	4,000
Gross profit per t (10,000 yen)	12,047	17,140	16,900	13,493	15,530
Water consumption (m^3)*	26,102	26,091	27,084	24,364	25,835
Gross profit per m^3 (10,000 yen)	1,658	1,853	1,667	1,810	2,404
Electricity consumption (MWh)*	7,910	7,596	7,431	7,610	7,910
Gross profit per MWh (10,000 yen)	5,470	6,365	6,075	5,793	7,853
Industrial waste (t)*	170	153	171	136	141
Gross profit per t (million yen)	2,548	3,162	2,643	3,237	4,393

*Scope 1, 2 (Target range: Head office building, Quality Lab, Takatsuki Logistics Center, production control center, Takatsuki office)

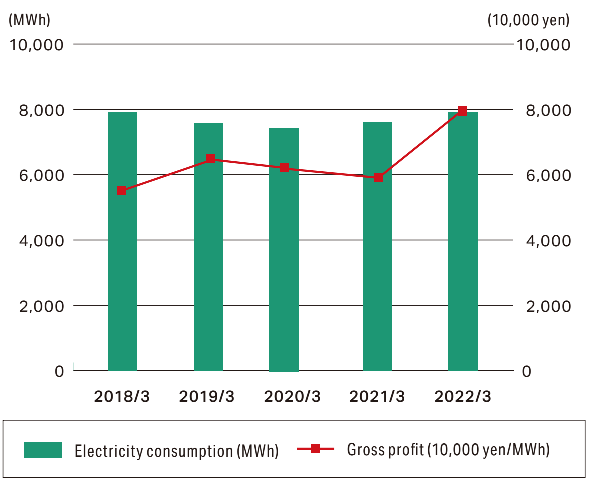
CO_2 emissions (t)



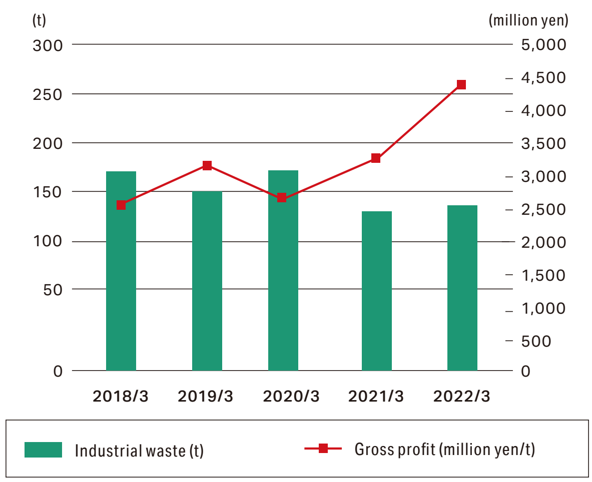
Water consumption (m^3)



Electricity consumption (MWh)



Industrial waste (t)



REDUCING OUR ENVIRONMENTAL IMPACT THROUGH OUR PRODUCTS

Contributing to the Global Environment Through Our Products

KEYENCE contributes to environmental conservation not only by creating products with the environment in mind, but we are also reducing the environmental impact at locations where customers use our products, which benefits society as a whole. That is to say, we create products with large added value using less resources and energy, and these products improve manufacturing productivity and reduce environmental impact. Pursuing greater added value always leads to environmental contribution.

Climate change measures

Reducing our carbon footprint and saving energy

Global environmental protection

Reducing hazardous substances and achieving zero emissions

- Environmental contributions using our products
- Reducing our environmental impact during manufacturing

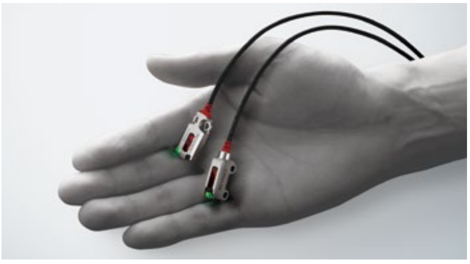
Further contribute to reducing costs and improving profit for customers

Developing Products with Low Environmental Impact

Smaller: Reduction of parts used

Photoelectric Sensor
PR Series

By using our own hybrid construction, we have increased shock resistance by five times while reducing the size by 81% over conventional models. The result is a photoelectric sensor that is the smallest in its class with significantly improved sensor functionality.



Stronger: Using longer lasting materials

Safety Light Curtain
GL-R Series

We achieved an overall durable design that minimizes the need for replacement parts in response to damage. In addition to protecting the optical surface, which is subject to the most damage, the design uses a twin bumper construction to protect the display, achieving a robustness with high shock resistance even for the mounting bracket.

More efficient: Using less energy

Handheld Mobile Computer
BT Series

Using a battery degradation control algorithm extends battery life. The battery degradation control algorithm improves battery life drastically, resulting in less-frequent battery replacement.

REDUCING OUR ENVIRONMENTAL IMPACT THROUGH OUR PRODUCTS

Reducing Environmental Impact at Customer Locations

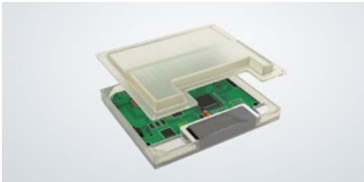
Contributing to the Reduction of Material Waste

The introduction of 3D printers has significantly reduced the time required to produce samples and waste generated during rework.

Examples of Modeled Objects

Connectors

Fine connectors can be scaled up and verified in detail.



On-board control units

It is possible to check the fit of and the interference between the circuit board and components while viewing the internal state.

Managing the Amount of Water Used

Flow sensors that were difficult to retrofit in the past now incorporate proprietary technology that enables easy installation simply by clamping, without having to cut into piping. This enables management of a variety of fluids, including water, thereby helping reduce environmental impact at customer locations. In addition, this technology can record usage for a certain period of time using only the main unit, without the need for a recording device, for easy usage management.

Data recorded on the main unit

Cause analysis

Data is output using RS-232C communication and analyzed using a computer

Usage management

Can be checked on the main unit screen

REDUCING OUR ENVIRONMENTAL IMPACT THROUGH BUSINESS ACTIVITIES

Recycling Efforts

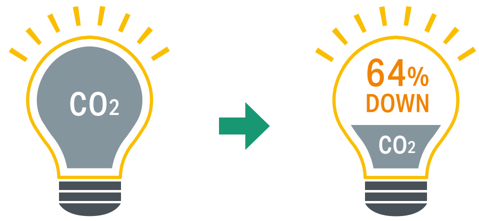
Paper Recycling

KEYENCE is also working hard to manage paper recycling. In addition to efforts to digitize application forms that used paper in the past, we have installed recycling containers on each floor of our office, and paper is collected by a used paper company for delivery to a paper company. This paper goes through a recycling process and is recycled into cardboard.

Reducing Our Carbon Footprint

Making the Switch to LED Lighting

As part of our efforts to reduce our environmental impact, we are reducing our carbon footprint by switching to LED lighting at our head office building and all distribution locations. The switch to LED lighting is reducing our carbon footprint by approximately 64%.



Carbon footprint with conventional lighting

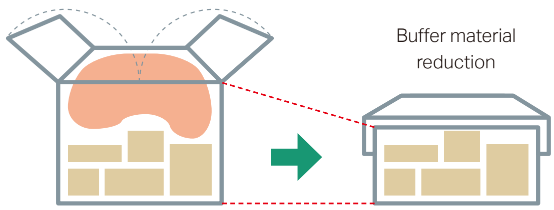
Carbon footprint with LED lighting

Updating to High Efficiency Air Conditioners

By switching to energy-saving air conditioner models with lower power consumption and compact models that use less resources, KEYENCE is using environmentally friendly technology that will reduce its carbon footprint.

Reducing Waste at Distribution Centers

In the past, it was necessary to prepare packaging boxes for each product size and use cushioning material to fill the extra space. With the installation of automated packing equipment, the space inside the packaging box can be utilized more efficiently. As a result, the amount of cushioning material can be reduced. In addition, integrating new types of packaging boxes used has helped to reduce the use of resources and reduce wasted space in packaging boxes.



Before introduction

After introduction

ISO 9001/14001 Certification

KEYENCE has received ISO 9001/14001 certification for its efforts to contribute to the environment through business activities and products.

ISO 9001

ISO 14001

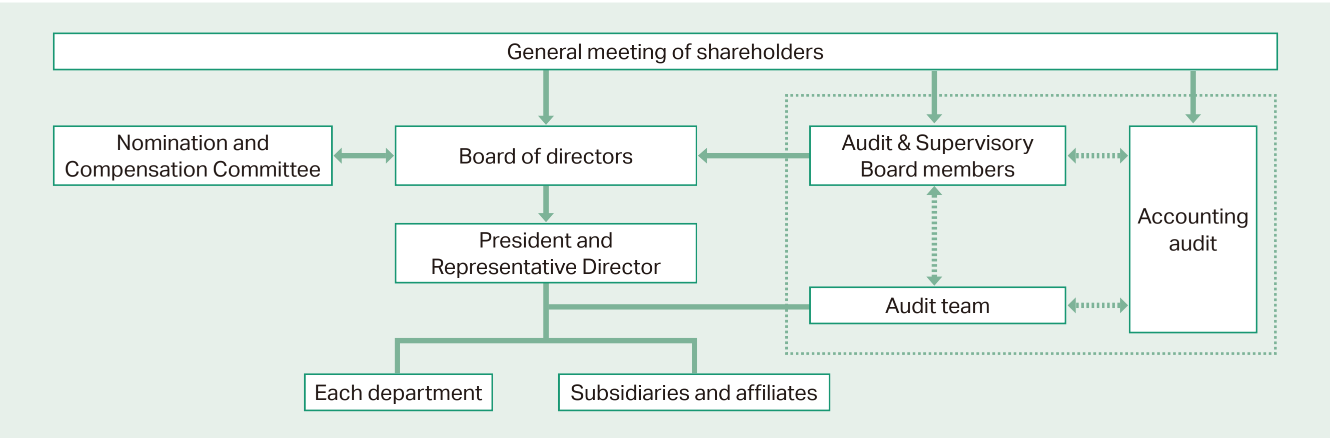
GOVERNANCE

Basic Guideline on Corporate Governance

To ensure lasting and sustainable growth of the company, the Group places importance on making swift and appropriate management decisions based on the corporate management philosophy and action guidelines, and strives to further enhance corporate governance.

Corporate Governance System

Our corporate governance system uses an auditor system with three outside auditors. Audit & Supervisory Board members do not have any full-time KEYENCE staff. The audit team works together and Audit & Supervisory Board members attend various important company meetings. Meanwhile, the number of directors is nine, including three outside directors, which enables quick and thorough information exchange to achieve both supervision and execution. We are building an internal control system where on-site audits are performed by a special department, information is quickly transmitted and a check function is implemented. The following is an overview of the corporate governance system and the business management organization for management decision-making, execution and supervision. The Company intends to strengthen the independence, objectivity, and accountability of the Board of Directors' functions with regard to the Directors and Executive Officers' nomination, remuneration, etc., and further enhance corporate governance systems. In addition, the Company established a Nomination and Remuneration Committee as a voluntary advisory body to the Board of Directors on March 6, 2023. The majority of the committee are consisted by independent outside Directors. The Company intends to strengthen the independence, and objectivity of the Board of Directors' functions with regard to the Directors and Executive Officers' nomination, remuneration, etc., and further enhance corporate governance systems.



Internal Audit Team

An appointed audit team has been formed to conduct internal audits. The audit team conducts internal audits focusing on the appropriateness and effectiveness of business operations at locations in Japan and overseas, and the audit results and other information are reported regularly and as required by the President of KEYENCE Corporation.

Employee Code of Behavior

To maintain an organization that is less prone to fraud and harassment, we are building a system where all employees regularly review the corporate policies and business guidelines that form our code of behavior. In addition, by actively using this code of behavior as judgment criteria in our daily business, we are working to ensure thorough compliance and improve compliance awareness. We also make efforts to create a workplace where everyone can freely voice their opinion. We focus on "what was said" as opposed to "who said it". For example, so as not to encourage awareness of the hierarchical relationship, it is important that employees address each other not by their job titles but by their names and be allowed to sit anywhere in meetings, thereby creating a culture where employees can speak their minds freely regardless of job title, age, career or gender.
In addition, to eliminate gaps between groups, we have created an environment that facilitates open discussions by eliminating partitions in the office space as much as possible. This type of culture and environment enables even new employees to share their opinions without hesitation. Rational ideas will be realized with the support of coworkers; therefore, a culture with logical discussion will further enhance the logical thinking of the employee and increase their work success rate.

RISK FACTORS

Risk factors that investors may regard as potentially having a significant impact on the businesses of the Company and the Group are stated below. The statements with regard to the future are based on projections made by the Company based on information available as of March 20, 2023.

(1) Economic Trends

The Group is involved in developing business in Japan, North America, Latin America, Europe, and Asia. As such, fluctuations in both domestic and international economic trends tend to affect Group operations. While paying close attention to global economic trends, the Group also takes risk diversification measures that do not depend on any specific product, customer, or region. However, in the event of sudden domestic and global economic changes, the Group's business performance and finances may nevertheless be affected.

(2) Exchange Rate Fluctuations

The costs and prices of Group products and services traded in foreign currencies tend to be affected by exchange rates. The Group is working to create a business environment that does not depend on the value of any specific currency by promoting development of overseas businesses and by diversifying trading bases and trading currencies. However, when preparing consolidated financial statements, all assets, liabilities, incomes, expenses, and other factors counted in local currencies are converted into yen. Exchange rate fluctuations also influence corporate R&D investment and manufacturing equipment investment trends in various industries, not limited to only manufacturing. In this way, fluctuations in exchange rates can affect Group finances and business performance.

(3) Information Security

In the course of business, the Group gains sensitive business and personal information as well as confidential information from business partners and other sources. To prevent unauthorized use by a third party due to theft or loss of such information, the Group is working to improve information literacy and to strengthen IT governance of employees and contractors. Measures to prevent intrusion into the Company's information systems are also being implemented. Nevertheless, unforeseen circumstances make it difficult to completely prevent the possibility of information leaking or such incidents from occurring, and there is always the risk of leakage or internal system disruption following a cyberattack or the application of other malicious technology that breaches our security defenses, resulting in information being destroyed or tampered with. Should any such situation occur, costs associated with taking appropriate measures will be incurred, and such costs could affect the finances and business performance of the Group.

(4) International Business Development

Overseas business development tends to be affected by changes in a variety of factors, including local political situations, economic situations, and social situations as well as foreign currency/import/export regulations and regional characteristics. The Group is also active in North America, Latin America, Europe, and Asia, which means careful consideration of profitability, market expansion potential, foreign exchange fluctuation risks, geopolitical risks, and the risks of various laws and regulations (including import/export regulations, environmental regulations, and taxes)—followed by a comprehensive judgment—are essential for overseas expansion. However, sudden changes in any of these factors may affect the Group's business performance and finances.

RISK FACTORS

(5) Product Quality

Because the Group is focused on expanding business activities in Japan, North America, Latin America, Europe, and Asia, compliance with laws and regulations within the applicable countries is necessary regardless of whether a product will be sold domestically or internationally. In its commitment to providing products responsibly, the Group will continue efforts to improve quality by implementing Group quality management systems and environmental management systems with ISO standard certification, and will continue to focus intensively on production such as by linking KEYENCE's quality control departments to cooperating factories where production is performed, even if fabless systems are in place. However, in the event of a large-scale recall following a serious quality issue caused by use of a product in an unexpectedly diverse environment or an accident that exceeds the current technological and management levels, or if an applicable law or regulation is significantly strengthened or changed, the costs of dealing with such an issue may affect the performance and finances of the Group.

(6) Disasters, Accidents, etc.

The Group is focused on expanding business activities in Japan, North America, Latin America, Europe, and Asia. As such, any natural disasters (including those caused by climate change) or accidents—such as earthquakes, tsunamis, floods, heavy rains, lightning, industrial accidents, fire/explosion, wars, acts of terrorism, and infectious disease epidemics—in those locations may seriously harm Group employees and property. This may interrupt operations, affect production and shipping, and incur recovery costs in the event of damage. Moreover, disasters or accidents that occur in the Group supply chain, such as those that affect suppliers or product delivery destinations, may cause a shortage or supply interruption of parts and the like, or a suspension of production at product delivery destinations. Such declines may also affect the business performance and finances of the Group.

The Group strives to diversify risks by promoting a management system that does not depend on any specific activity base, specific supplier, specific product, specific customer, or specific industry. Nevertheless, avoiding all such risks is difficult, and a disaster or accident that occurs on an unexpected scale may affect the business performance and finances of the Group.

(7) Accounting and Tax Systems

The Group is focused on expanding business activities in Japan, North America, Latin America, Europe, and Asia, and those activities will invariably be affected by the accounting standards and tax systems of the particular country or region. The Group conducts business activities based on current accounting systems and tax systems, but if major changes, enhancements, or additions to a country's system affecting customer purchasing behaviors are introduced, or if a disagreement with the relevant authorities arises, additional response and compliance costs may be incurred, additional taxes may be levied, and double taxation may result, which may affect the performance and finances of the Group.

(8) Conservation of the Global Environment

Because the Group is involved with the development, manufacture, and sale of automatic control equipment, measuring equipment, information and related electronic application equipment, optoelectronic equipment, and the systems associated with these devices, compliance with a variety of national and international regulations is necessary. In addition to complying with the requirements of environment-related regulations, the Group complies with voluntary management standards and has established environmental policies that contribute to environmental conservation, thereby fulfilling social responsibilities including environmental protection through our business activities and products. As part of these efforts, the Group has established a chemical substance management system that excludes the use of harmful chemical substances, and a management system that controls the amount of electricity used in order to control/reduce CO_2 emissions. The Group is also striving to use resources effectively to reduce waste emissions, promote energy-saving activities, and promote recycling. Moreover, the Group is also working toward building an environmental management system that allows for a reduced environmental load such as by promoting product design and development that considers the environmental load reduction activities of our customers. Such continuous improvements will allow the Group to better promote the protection of the global environment and the prevention of environmental pollution. However, in the event various applicable laws and regulations are changed or newly established, compliance costs may be incurred, which may in turn affect the business performance and finances of the Group.

CREATING A FULFILLING WORKPLACE

Creating high added value starts with our employees.
We are putting effort into creating a workplace culture of mutual respect and an environment that facilitates independent work.

Creating a Workplace with Respect

Our policy is to create a fulfilling workplace in which people respect one another and a workplace that encourages both physical and mental productivity. We are engaged in corporate activities with a strong sense of ethics in which we follow rules and regulations; do not discriminate or slander each other based on race, gender, nationality, creed, age or disability; do not harm each other and do not use our role or position in a coercive manner.

Counseling Area

We created a counseling area where employees can receive direct counseling if they have concerns about inappropriate language or action in the workplace. If counseling is required, an investigation is performed and action is taken immediately while maintaining privacy.

WORLD NETWORK

WWL1_1037

The Americas

KEYENCE CORPORATION OF AMERICA

Chicago	New Jersey	Atlanta
Austin	Birmingham	Boston
Charlotte	Cincinnati	Cleveland
Dallas	Denver	Detroit
Fort Lauderdale	Grand Rapids	Greenville
Houston	Indianapolis	Iowa
Irvine	Kansas City	Knoxville
Little Rock	Los Angeles	Louisville
Milwaukee	Minneapolis	Nashville
Philadelphia	Phoenix	Pittsburgh
Portland	Raleigh	Rochester
Salt Lake City	San Francisco	San Jose
Seattle	St. Louis	Tampa

KEYENCE CANADA INC.

Toronto Montreal Windsor

KEYENCE MEXICO S.A. DE C.V.

Mexico City	Bajio (Leon)	Ciudad Juarez
Guadalajara	Monterrey East	Monterrey West
Queretaro	Tijuana	

KEYENCE BRASIL COMERCIO DE PRODUTOS ELETRONICOS LTDA.

Sao Paulo Campinas Curitiba

Europe

KEYENCE DEUTSCHLAND GmbH

Frankfurt	Berlin	Bielefeld
Cologne	Dusseldorf	Erfurt
Essen	Hamburg	Hanover
Karlsruhe	Leipzig	Mannheim
Montabaur	Munich	Nuremberg
Regensburg	Stuttgart	Ulm

KEYENCE INTERNATIONAL (BELGIUM) NV/SA

Mechelen	AUSTRIA	CZECH REPUBLIC
HUNGARY	NETHERLANDS	POLAND
ROMANIA	SLOVAKIA	SLOVENIA
SWITZERLAND		

KEYENCE (UK) LIMITED

Milton Keynes	Birmingham	London
Manchester	Newcastle	IRELAND

KEYENCE FRANCE SAS

Paris	Besançon	Lille
Lyon	Nantes	Paris South
Strasbourg	Toulouse	

KEYENCE ITALIA S.p.A.

Milan	Bologna	Padua
Pescara	Rome	Turin

Asia

KEYENCE (CHINA) CO., LTD.

Shanghai	Beijing	Changchun	Changsha
Chengdu	Chongqing	Dalian	Dongguan
Guangzhou	Hangzhou	Hefei	Jinan
Kunshan	Nanjing	Ningbo	Qingdao

Shanghai Hongqiao North Shanghai Hongqiao South
Shanghai Qiantan Shenzhen East Shenzhen West
Suzhou Tianjin Wuhan Wuxi Xiamen Zhongshan

KEYENCE (HONG KONG) CO., LTD.

Hong Kong

KEYENCE TAIWAN CO., LTD.

Taipei Hsinchu Kaohsiung Taichung Tainan

KOREA KEYENCE CO., LTD.

Seoul Busan Cheonan Daegu Dongtan

KEYENCE SINGAPORE PTE LTD.

Singapore

KEYENCE INDIA PVT. LTD.

Chennai Ahmedabad Bangalore Delhi Pune

PT. KEYENCE INDONESIA

Jakarta Cikarang

KEYENCE VIETNAM CO., LTD.

Hanoi Ho Chi Minh

KEYENCE PHILIPPINES INC.

Manila

KEYENCE (MALAYSIA) SDN BHD

Kuala Lumpur Penang

KEYENCE (THAILAND) CO., LTD.

Bangkok Chachoengsao Chiang Mai Chonburi
Pathumthani Rayong

www.keyence.com

KEYENCE CORPORATION
1-3-14 Higashinakajima, Higashiyodogawa-ku, Osaka, 533-8555, Japan
TEL: +81-6-6379-1111 FAX: +81-6-6379-2222

2063-1 202490