

**2022**

**INABATA**

Financial  
Statements



# Independent Auditor's Report

Inabata & Co., Ltd. and consolidated subsidiaries

For the Years ended March 31,  
2022 and 2021

KPMG AZSA LLC  
July 2022

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# Independent auditor's report

To the Board of Directors of Inabata & Co., Ltd.:

## Opinion

We have audited the accompanying consolidated financial statements of Inabata & Co., Ltd. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2022 and 2021, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

## Basis for Opinion

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

## Key Audit Matters

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

### Valuation of allowance for doubtful accounts for trade receivables

The key audit matter	How the matter was addressed in our audit
Notes receivable - trade and Accounts receivable - trade (hereinafter referred to as “trade receivables”) of ¥184,698 million were recognized in the consolidated balance sheet of Inabata & Co., Ltd. (the “Company”) and its consolidated subsidiaries (collectively referred to as the “Group”), representing	The primary procedures we performed to assess the reasonableness of the valuation of allowance for doubtful accounts on trade receivables included the following: <b>(1) Internal control testing</b>

approximately 47% of total assets. Allowance for doubtful accounts of ¥389 million included in current assets was mostly on trade receivables. In addition, other assets of ¥7,380 million and allowance for doubtful accounts of ¥5,035 million included in investments and other assets were mostly attributed to trade receivables.

As described in Note 2 “Summary of significant accounting policies (c) Allowance for doubtful accounts” to the consolidated financial statements, with respect to normal accounts receivable – trade, the allowance is stated at an amount based on the actual rate of bad debts in the past, and for certain doubtful receivables, the uncollectible amount is individually estimated. As for doubtful receivables of foreign consolidated subsidiaries, management determines the estimate of the allowance.

Account receivables of the Group include receivables of a large number of domestic and overseas customers. Each group company performs credit management including the establishment of credit classifications and preservation of claims. The Company also performs credit management for customers with receivables that are material.

In the valuation of allowance for doubtful accounts related to trade receivables, each group company and the Company need to identify the status of receivables, particularly defaults on receivables and their subsequent status in a timely and comprehensive manner, and reasonably estimate future uncollectible amounts using the debtor's financial evaluation approach. The estimates involve a certain level of uncertainty because changes in the economic environment and other factors affect the credit risk of customers. Accordingly, management's judgment thereon may have a significant effect on the estimates.

We, therefore, determined that the valuation of allowance for doubtful accounts on trade

We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the process of recognizing an allowance for doubtful accounts on trade receivables with a main focus on the following:

- IT controls related to the preparation of a list of past due receivables used for accurate and complete identification of past due receivables; and
- Controls to obtain necessary information of customers that are delinquent in payments and approve credit classifications assigned to them as well as the calculated the amount of allowance for doubtful accounts.

## **(2) Assessment of the reasonableness of the estimated future uncollectible amounts**

In order to assess the reasonableness of the estimated future uncollectible amounts of past due receivables, we:

- inquired of the personnel responsible for credit management about the bases on which credit classifications are assigned to customers and estimated future uncollectible amounts are calculated, and obtained related information including external credit information to evaluate the reasonableness of those bases; and
- examined the recent collection status including status after the end of the period, and when the status indicated increased credit risk, assessed whether the increase in the risk was appropriately reflected in the estimated future uncollectible amounts.

With respect to the valuation of allowance for doubtful accounts on trade receivables of significant consolidated subsidiaries, we requested the component auditors of those subsidiaries to perform part of the above audit procedures, and evaluated the report of the component auditors on the results of the procedures and concluded as to whether sufficient and appropriate audit evidence was obtained.

receivables was one most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	
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## Other Information

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

We do not perform any work on the other information as we determine such information does not exist.

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

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

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

The audit and supervisory committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of 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 our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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 an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express 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 presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, 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.

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

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

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

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

### **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We 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.

Koji Yasui

Designated Engagement Partner

Certified Public Accountant

Kazushi Chiba

Designated Other Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

July 8, 2022

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
<u>ASSETS</u>			
Current assets:			
Cash and time deposits (Notes 11 and 15)	¥ 35,403	¥ 31,462	\$ 289,267
Notes and accounts receivable - trade (Note 15):	—	162,736	—
Notes receivable - trade (Note 15)	22,548	—	184,235
Accounts receivable - trade (Note 15)	162,149	—	1,324,862
Merchandise and finished goods	72,145	49,210	589,470
Work in Process	860	597	7,031
Raw materials and supplies	6,059	4,322	49,506
Other current assets	12,728	9,266	103,997
Allowance for doubtful accounts (Note 15)	(389)	(613)	(3,183)
Total current assets	311,505	256,983	2,545,188
Property, plant and equipment:			
Land	3,043	2,911	24,865
Buildings and structures	17,184	16,039	140,408
Machinery and equipment	18,648	16,871	152,372
Construction in progress	205	294	1,675
Other property, plant and equipment	6,382	5,224	52,148
	45,464	41,341	371,470
Less accumulated depreciation	(30,151)	(26,946)	(246,357)
Property, plant and equipment, net	15,312	14,395	125,112
Investments and other assets:			
Investment securities (Notes 4, 7 and 15):	48,303	71,592	394,671
Long-term loans receivable (Note 15):	1,448	1,212	11,833
Intangible assets	2,647	2,918	21,672
Net defined benefit asset (Note 10)	6,390	3,472	52,211
Deferred tax assets (Note 6)	1,105	990	9,033
Other assets	7,380	6,209	60,306
Allowance for doubtful accounts (Note 15)	(5,035)	(4,545)	(41,141)
Total investments and other assets	62,241	81,849	508,548
Total assets	¥ 389,059	¥ 353,228	\$ 3,178,849

See accompanying Notes to Consolidated Financial Statements.



INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS (CONTINUED)  
March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
<u>LIABILITIES AND NET ASSETS</u>			
Current liabilities:			
Notes and accounts payable - trade (Note 15):	¥ 115,959	¥ 104,113	\$ 947,458
Short-term loans payable (Notes 9 and 15)	58,657	33,731	479,267
Income taxes payable	4,093	3,155	33,446
Accrued expenses	1,367	1,080	11,172
Provision for bonuses	1,608	1,279	13,144
Other current liabilities	11,498	7,229	93,948
Total current liabilities	193,185	150,591	1,578,438
Non-current liabilities:			
Long-term loans payable (Notes 9 and 15)	5,880	7,475	48,046
Deferred tax liabilities (Note 6)	8,761	14,842	71,585
Provision for directors' retirement benefits	33	29	270
Provision for management board incentive plan trust	159	131	1,303
Provision for loss on guarantees	18	18	151
Net defined benefit liability (Note 10)	1,624	2,144	13,275
Other non-current liabilities	2,481	2,190	20,279
Total non-current liabilities	18,959	26,833	154,912
Contingent liabilities (Note 19)			
Net assets			
Shareholders' equity (Note 16)			
Common stock:			
Authorized - 200,000,000 shares			
Issued - 60,799,227 shares in 2022 and 63,499,227 shares in 2021	9,364	9,364	76,514
Capital surplus	7,044	7,184	57,558
Retained earnings (Note 20)	130,540	116,794	1,066,593
Treasury stock, at cost: (Note 17)			
3,682,139 shares in 2022 and 3,302,651 shares in 2021	(7,398)	(4,155)	(60,449)
Total shareholders' equity	139,550	129,188	1,140,215
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	22,667	39,316	185,204
Deferred gains (losses) on hedges	398	187	3,258
Foreign currency translation adjustments	11,793	4,536	96,358
Remeasurements of defined benefit plans	508	576	4,152
Total accumulated other comprehensive income	35,367	44,616	288,974
Non-controlling interests	1,996	1,999	16,308
Total net assets	176,914	175,803	1,445,498
Total liabilities and net assets	¥ 389,059	¥ 353,228	\$ 3,178,849

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
	¥	¥	\$
Net sales (Notes 3 and 13)	680,962	577,583	5,563,871
Cost of sales	623,591	531,543	5,095,121
Gross profit	57,370	46,040	468,749
Selling, general and administrative expenses (Note 8)	37,317	31,066	304,908
Operating income	20,052	14,973	163,840
Other income (expenses):			
Interest and dividend income	1,673	1,541	13,675
Interest expenses (Note 9)	(674)	(698)	(5,512)
Foreign exchange gains (losses)	53	(151)	436
Provision of allowance for doubtful accounts	(151)	(7)	(1,234)
Commission for purchase of treasury shares	(129)	—	(1,055)
Share of profit of entities accounted for using equity method	370	270	3,026
Impairment loss	(168)	—	(1,375)
Gain on sales of investment securities	8,975	2,984	73,331
Other, net	453	587	3,704
Income before income taxes	30,455	19,499	248,837
Income taxes (Note 6)			
Income taxes - current	7,294	5,337	59,603
Income taxes - deferred	685	(43)	5,599
Net income	22,475	14,204	183,635
Net income attributable to non-controlling interests	124	411	1,014
Net income attributable to owners of parent	¥ 22,351	¥ 13,792	\$ 182,621
Amounts per share:			U.S. dollars (Note 1)
	Yen		2022
	2022	2021	
Basic net income per share	¥ 374.23	¥ 229.13	\$ 3.06
Cash dividends per share applicable to the year	110.00	63.00	0.90

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Net income	¥ 22,475	¥ 14,204	\$ 183,635
Other comprehensive income (Note 12):			
Valuation difference on available-for-sale securities	(16,560)	12,968	(135,312)
Deferred gains (losses) on hedges	206	55	1,691
Foreign currency translation adjustment	7,276	3,155	59,456
Remeasurements of defined benefit plans, net of tax	(68)	1,593	(557)
Share of other comprehensive income of entities accounted for using equity method	(127)	164	(1,045)
Total other comprehensive income	<u>(9,273)</u>	<u>17,935</u>	<u>(75,766)</u>
Comprehensive income	<u>¥ 13,202</u>	<u>¥ 32,140</u>	<u>\$ 107,868</u>
Comprehensive income attributable to:			
Owners of parent	¥ 13,102	¥ 31,644	\$ 107,052
Non-controlling interests	99	496	815

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
Years ended March 31, 2022 and 2021

	Millions of yen				
	2022				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance at April 1, 2021	¥ 9,364	¥ 7,184	¥ 116,794	¥ (4,155)	
Cumulative effects of changes in accounting policies	—	—	—	—	
Restated balance at April 1, 2021	¥ 9,364	¥ 7,184	¥ 116,794	¥ (4,155)	
Net income attributable to owners of parent	—	—	22,351	—	
Dividends of surplus	—	—	(4,401)	—	
Purchase of treasury stock	—	—	—	(7,500)	
Cancellation of treasury stock	—	(43)	(4,203)	4,247	
Treasury stock transfer of stock ownership trust	—	—	—	9	
Purchase of shares of consolidated subsidiaries	—	(96)	—	—	
Net changes in items other than shareholders' equity	—	—	—	—	
Balance at March 31, 2022	¥ 9,364	¥ 7,044	¥ 130,540	¥ (7,398)	

	Millions of yen						Total
	2022						
	Accumulated other comprehensive income						
	Valuation difference on available- for-sale	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests		
Balance at April 1, 2021	¥ 39,316	¥ 187	¥ 4,536	¥ 576	¥ 1,999	¥ 175,803	
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	
Restated balance at April 1, 2021	¥ 39,316	¥ 187	¥ 4,536	¥ 576	¥ 1,999	¥ 175,803	
Net income attributable to owners of parent	—	—	—	—	—	22,351	
Dividends of surplus	—	—	—	—	—	(4,401)	
Purchase of treasury stock	—	—	—	—	—	(7,500)	
Cancellation of treasury stock	—	—	—	—	—	—	
Treasury stock transfer of stock ownership trust	—	—	—	—	—	9	
Purchase of shares of consolidated subsidiaries	—	—	—	—	—	(96)	
Net changes in items other than shareholders' equity	(16,649)	211	7,257	(68)	(3)	(9,251)	
Balance at March 31, 2022	¥ 22,667	¥ 398	¥ 11,793	¥ 508	¥ 1,996	¥ 176,914	

Millions of yen					
2021					
Shareholders' equity					
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance at April 1, 2020	¥ 9,364	¥ 7,752	¥ 106,197	¥ (4,155)	
Cumulative effects of changes in accounting policies	—	—	—	—	
Restated balance at April 1, 2020	¥ 9,364	¥ 7,752	¥ 106,197	¥ (4,155)	
Net income attributable to owners of parent	—	—	13,792	—	
Dividends of surplus	—	—	(3,195)	—	
Purchase of treasury stock	—	—	—	(0)	
Cancellation of treasury stock	—	—	—	—	
Treasury stock transfer of stock ownership trust	—	—	—	—	
Purchase of shares of consolidated subsidiaries	—	(567)	—	—	
Net changes in items other than shareholders' equity	—	—	—	—	
Balance at March 31, 2021	¥ 9,364	¥ 7,184	¥ 116,794	¥ (4,155)	

Millions of yen							
2021							
Accumulated other comprehensive income							
	Valuation difference on available-for-sale	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total	
Balance at April 1, 2020	¥ 26,196	¥ 148	¥ 1,436	¥ (1,016)	¥ 1,802	¥ 147,726	
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	
Restated balance at April 1, 2020	¥ 26,196	¥ 148	¥ 1,436	¥ (1,016)	¥ 1,802	¥ 147,726	
Net income attributable to owners of parent	—	—	—	—	—	13,792	
Dividends of surplus	—	—	—	—	—	(3,195)	
Purchase of treasury stock	—	—	—	—	—	(0)	
Cancellation of treasury stock	—	—	—	—	—	—	
Treasury stock transfer of stock ownership trust	—	—	—	—	—	—	
Purchase of shares of consolidated subsidiaries	—	—	—	—	—	(567)	
Net changes in items other than shareholders' equity	13,119	38	3,100	1,593	196	18,048	
Balance at March 31, 2021	¥ 39,316	¥ 187	¥ 4,536	¥ 576	¥ 1,999	¥ 175,803	

See accompanying Notes to Consolidated Financial Statements.

Thousands of U.S. dollars (Note 1)				
2022				
Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock
Balance at April 1, 2021	\$ 76,514	\$ 58,702	\$ 954,280	\$ (33,949)
Cumulative effects of changes in accounting policies	—	—	—	—
Restated balance at April 1, 2021	\$ 76,514	\$ 58,702	\$ 954,280	\$ (33,949)
Net income attributable to owners of parent	—	—	182,621	—
Dividends of surplus	—	—	(35,964)	—
Purchase of treasury stock	—	—	—	(61,280)
Cancellation of treasury stock	—	(358)	(34,344)	34,703
Treasury stock transfer of stock ownership trust	—	—	—	76
Purchase of shares of consolidated subsidiaries	—	(785)	—	—
Net changes in items other than shareholders' equity	—	—	—	—
Balance at March 31, 2022	<u>\$ 76,514</u>	<u>\$ 57,558</u>	<u>\$ 1,066,593</u>	<u>\$ (60,449)</u>

Thousands of U.S. dollars (Note 1)						
2022						
Accumulated other comprehensive income						
	Valuation difference on available- for-sale	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total
Balance at April 1, 2021	\$ 321,241	\$ 1,528	\$ 37,063	\$ 4,709	\$ 16,333	\$ 1,436,423
Cumulative effects of changes in accounting policies	—	—	—	—	—	—
Restated balance at April 1, 2021	\$ 321,241	\$ 1,528	\$ 37,063	\$ 4,709	\$ 16,333	\$ 1,436,423
Net income attributable to owners of parent	—	—	—	—	—	182,621
Dividends of surplus	—	—	—	—	—	(35,964)
Purchase of treasury stock	—	—	—	—	—	(61,280)
Cancellation of treasury stock	—	—	—	—	—	—
Treasury stock transfer of stock ownership trust	—	—	—	—	—	76
Purchase of shares of consolidated subsidiaries	—	—	—	—	—	(785)
Net changes in items other than shareholders' equity	(136,036)	1,730	59,294	(557)	(25)	(75,593)
Balance at March 31, 2022	<u>\$ 185,204</u>	<u>\$ 3,258</u>	<u>\$ 96,358</u>	<u>\$ 4,152</u>	<u>\$ 16,308</u>	<u>\$ 1,445,498</u>

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Cash flows from operating activities:			
Income before income taxes	¥ 30,455	¥ 19,499	\$ 248,837
Adjustments to reconcile income before income taxes to cash provided by operating activities:			
Depreciation and amortization	3,160	2,874	25,819
Impairment loss	168	—	1,375
Increase (decrease) in allowance for doubtful accounts	22	(3,646)	180
Interest and dividend income	(1,673)	(1,541)	(13,675)
Interest expenses	674	698	5,512
Share of (profit) loss of entities accounted for using equity method	(370)	(270)	(3,026)
Increase (decrease) in provision for loss on business liquidation	—	(246)	—
Loss (gain) on sales of investment securities	(8,975)	(2,984)	(73,331)
Decrease (increase) in notes and accounts receivable - trade	(11,227)	(5,924)	(91,734)
Decrease (increase) in inventories	(20,037)	3,127	(163,716)
Decrease (increase) in other current assets	(3,188)	(884)	(26,050)
Decrease (increase) in other non-current assets	(60)	4,071	(497)
Increase (decrease) in notes and accounts payable - trade	4,363	4,261	35,655
Increase (decrease) in other current liabilities	3,864	491	31,578
Increase (decrease) in retirement benefit liability	(601)	360	(4,917)
Decrease (increase) in retirement benefit asset	(3,035)	196	(24,798)
Other, net	407	393	3,332
Subtotal	(6,053)	20,476	(49,457)
Interest and dividend income received	1,793	1,733	14,656
Interest expenses paid	(666)	(705)	(5,449)
Income taxes paid	(6,521)	(3,891)	(53,287)
Net cash provided by (used in) operating activities	(11,448)	17,613	(93,537)
Cash flows from investing activities:			
Payments into time deposits	(6,780)	(5,162)	(55,397)
Proceeds from withdrawal of time deposits	5,742	3,992	46,922
Purchase of property, plant and equipment	(1,669)	(1,864)	(13,639)
Proceeds from sales of property, plant and equipment	15	149	123
Purchase of intangible assets	(317)	(648)	(2,592)
Purchase of investment securities	(197)	(95)	(1,613)
Proceeds from sales of investment securities	9,645	3,128	78,811
Purchase of shares of subsidiaries	(554)	—	(4,534)
Net decrease (increase) in short-term loans receivable	(35)	101	(291)
Payments of long-term loans receivable	(151)	(219)	(1,239)
Collection of long-term loans receivable	347	91	2,835
Other, net	(597)	104	(4,883)
Net cash provided by (used in) investing activities	5,446	(423)	44,501

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)  
Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	¥ 21,488	¥ (9,276)	\$ 175,574
Proceeds from long-term loans payable	438	729	3,579
Repayments of long-term loans payable	(3,041)	(4,357)	(24,852)
Purchase of treasury stock	(7,629)	(0)	(62,336)
Cash dividends paid	(4,415)	(3,205)	(36,078)
Dividends paid to non-controlling interests	(107)	(312)	(880)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(96)	(557)	(785)
Other - net	(636)	(602)	(5,199)
Net cash provided by (used in) financing activities	5,999	(17,582)	49,021
Effect of exchange rate change on cash and cash equivalents	2,270	894	18,549
Net increase (decrease) in cash and cash equivalents	2,268	502	18,534
Cash and cash equivalents at beginning of year	25,983	25,480	212,301
Cash and cash equivalents at end of year (Note 11)	¥ 28,251	¥ 25,983	\$ 230,835

See accompanying Notes to Consolidated Financial Statements.



INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of INABATA & CO., LTD. (“the Company”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of consolidated foreign subsidiaries are prepared in accordance with mainly either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified five items as applicable in compliance with ASBJ Practical Solution No. 18, “Tentative Treatment of Accounting for Foreign Subsidiaries in Preparing Consolidated Financial Statements.”

The accompanying consolidated financial statements have been reformatted and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2022, which was ¥122.39 to US\$1.00. These translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

As permitted, amounts of less than one million Japanese yen are omitted in the presentation for 2021 and 2022. As a result, the totals shown in the accompanying consolidated financial statements, both in Japanese yen and in U.S. dollars, do not necessarily agree with the sum of the individual amounts.

## 2. Summary of significant accounting policies

### (a) Consolidation

The consolidated financial statements include the accounts of the Company and its 43 (44 in 2021) significant domestic and foreign subsidiaries (together “the Companies”), the management of which is controlled by the Company. Investments in unconsolidated subsidiaries and affiliates are, with minor exceptions, accounted for by the equity method. The Company has 5 affiliates (5 in 2021) accounted for by the equity method. Intercompany transactions and accounts are eliminated.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary.

For 7 consolidated subsidiaries, including SHANGHAI INABATA TRADING CO., LTD., the consolidation method under which tentative financial statements as of March 31 (the consolidated balance sheet date) were prepared in the same manner as the regular year-end financial statements are used for consolidation purposes due to the regulations regarding the accounting period in the respective countries.

### (b) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

### (c) Allowance for doubtful accounts

An allowance for doubtful accounts is provided to cover possible losses on collection. With respect to normal accounts receivable - trade, the allowance is stated at an amount based on the actual rate of bad debts in the past. For certain doubtful receivables, the uncollectible amount is individually estimated. With respect to doubtful receivables of foreign consolidated subsidiaries, the allowance is determined by estimates of management.

### (d) Securities

Equity securities issued by subsidiaries and affiliates which are not consolidated or accounted for using the equity method are stated at moving average cost.

Available-for-sale equity securities with fair market values are stated at the fair market value on the last day of the year. Non-equity available-for-sale securities with fair market values are stated at fair market value on the last day of the year. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving average cost. Other securities with no available fair market values are also stated at moving average cost.

(e) Derivative transactions and hedge accounting

Derivative transactions are measured at fair value. Hedging instruments which meet the criteria for hedge accounting are accounted for using deferral hedge accounting, which requires that the unrealized gain or loss to be deferred as a component of net assets until the loss or gain on the related hedged item is recognized.

Certain forward foreign exchange contracts, certain currency swap transactions and certain interest rate swap transactions are accounted for using the allocation method and the special method. The allocation method requires that foreign currency monetary receivables and payables covered by forward foreign exchange contracts are translated at contract rates. Under the special method, interest rate swap transactions are accounted for as if the interest rates under those transactions were originally applied to the underlying loans.

With regard to forward foreign exchange contracts and currency swap transactions, the evaluation of the hedge effectiveness is omitted if the significant terms of the hedging instruments and those of the hedged items are the same and the risk of change in foreign exchange rates is effectively hedged. With regard to interest rate swap transactions which meet the criteria for the special method, the evaluation of hedge effectiveness is omitted.

The Companies enter into forward foreign exchange contracts, interest rate swap transactions and currency swap transactions to control risks related to fluctuations in the exchange rates of foreign currencies and interest rates. Forward foreign exchange contracts and currency swap transactions are used to hedge the risk of fluctuations in foreign currency exchange rates with respect to monetary receivables, payables and forecasted transactions denominated in foreign currencies. Interest rate swap transactions are used to hedge the risk of fluctuations in interest rates with respect to long-term loans payable.

The Companies use these derivative transactions in connection with managing their market risk and not for speculation or dealing purposes. The Companies minimize the credit risk exposure of these derivative transactions by using only highly rated financial institutions as counterparties. The derivative transactions are entered into in accordance with risk management policies.

(f) Inventories

Inventories are stated mainly at the lower of cost determined by the moving average method or net realizable value.

(g) Property, plant and equipment

Property, plant and equipment are carried at cost and depreciated by the straight-line method.

(h) Leased assets

Property and equipment capitalized under finance leases are depreciated by the straight-line method over the term of the respective lease.

(i) Intangible assets

Intangible assets are depreciated by the straight-line method. Software is depreciated by the straight-line method over its estimated useful life.

(j) Goodwill

Goodwill is depreciated by the straight-line method over five years.

(k) Income taxes

Income taxes comprise corporation tax, prefectural and municipal inhabitants' taxes and enterprise tax. The Companies recognize the tax effects of temporary differences between the carrying amounts of assets and liabilities for tax purposes and financial reporting purposes. The asset-liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(l) Translation of foreign currencies

Receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end exchange rates. Assets and liabilities of foreign subsidiaries are translated into Japanese yen at year-end exchange rates, except for net asset accounts, which are translated at historical exchange rates. Revenue and expense accounts are translated into Japanese yen at the average exchange rates during the year. The resulting translation adjustments are presented separately in the consolidated financial statements as foreign currency translation adjustments and in non-controlling interests.

(m) Retirement benefits

The Companies provide retirement payment plans and funded non-contributory pension plans under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors. The Companies sometime make additional payments that are not based on the amounts obtained by actuarial calculations. The Company has employee retirement benefit trusts for both plans.

The Companies provide for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of plan assets at the end of the year. Actuarial differences and prior service costs are recognized mainly in expenses using the straight-line method within the average of the estimated remaining service years of employees commencing with the following period.

The estimated amount of all retirement benefits to be paid at future retirement dates is attributed to each period using a benefit formula basis.

Actuarial differences are recognized in the income statement using the straight-line method over mainly 13 years.

Prior service cost is recognized in the income statement using the straight-line method over mainly 14 years.

Unrecognized actuarial differences and unrecognized prior service cost are recognized as remeasurements of defined benefit plans within the net asset section after adjusting for tax effects.

Directors, corporate auditors and executive officers of certain subsidiaries receive retirement payments based on established guidelines similar to the employees' retirement benefit plan, subject to shareholders' approval. Retirement benefits provided for directors and corporate auditors are sufficient to cover stipulated benefits arising from services performed as of the balance sheet date.

Directors' retirement benefits for officers of the Company's subsidiaries had been made at an estimated amount based on the Company's internal rules for retirement allowances.

(n) Recognition of revenues and expenses

The Companies' main businesses are the sale of goods, the manufacture and sale of various products, and the provision of services in Japan and overseas in the four business areas of IT & Electronics, Chemicals, Life Industry, and Plastics.

Sales of goods or products are recognized as revenue when the goods or products are delivered to customers. However, for domestic sales, revenue is recognized at the time of shipment if the period from the time of shipment to the time when control of the product or product is transferred to the customer is a normal period. In export sales, revenue is recognized when the risk is transferred to the customer based on the trade terms mainly stipulated in Incoterms.

If the commitment with the customer is a performance obligation to arrange for goods or services to be provided by another party, the Company does not control the goods or services to be transferred to the customer and only provides the services to arrange them, and therefore, the Company recognizes the net amount of fees or consideration as revenue as an agent.

(o) Provision for bonuses

The Company and certain subsidiaries accrue amounts for employees' bonuses based on estimated amounts to be paid in the subsequent period.

(p) Provision for management board incentive plan trust

To prepare for the payment of the Company's shares, etc., to the director, allowance for board benefit trust is recorded by the Company's executive share benefit provision at the expected amount of obligations on stock-based compensation to Directors.

(q) Provision for loss on guarantees

To cover possible losses associated with guarantees that the Companies provide to third parties, the Companies assess the financial condition of each guaranteed party and record an estimated allowance for such losses based on the estimated exposure.

(r) Amounts per share

Computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period.

Diluted net income per share is omitted because there are no dilutive shares at March 31, 2022 and 2021.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective fiscal years together with the interim cash dividends paid.

### 3. Accounting changes

#### (Significant accounting estimates)

##### (a) Carrying amounts in the current year's financial statements

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Equity securities:			
Allowance for doubtful accounts (current assets)	¥ (389)	¥ (613)	\$ (3,183)
Allowance for doubtful accounts (non-current assets)	(5,035)	(4,545)	(41,141)

##### (b) Information on the nature of significant accounting estimates for identified items

In calculating the allowance for doubtful accounts, the Company reasonably estimates the estimated uncollectible amount of subject receivables based on credit classifications, etc., established in consideration of past receivables and the actual conditions of customers' external credit information, etc., in accordance with the policy stated in "(2. Summary of significant accounting policies) (c) Allowance for doubtful accounts" and determines that such amount is appropriated. However, unforeseeable changes in assumptions, such as changes in the economic environment and other factors, may cause the credit risks of customers to fluctuate from the initial estimates, and lead to loan loss losses and an increase or decrease in the amount of allowance for loan losses. In addition, there is a possibility that an additional allowance for doubtful accounts may be provided for general receivables due to an increase in the historical rate of bad debt.

With regard to the outlook for the future, we expect that uncertainty will continue as the end of the COVID-19 is still uncertain and the situation in Ukraine and other factors are having an impact on the world economy.

#### (Changes in accounting policies)

##### (Accounting Standard for Revenue Recognition)

The Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020. hereinafter referred to as "Accounting Standard for Revenue Recognition".) from the beginning of the current consolidated fiscal year and has decided to recognize revenue in the amount expected to be received in exchange for promised goods or services when control of those goods or services is transferred to customers.

Sales of goods or products are recognized as revenue when the goods or products are delivered to customers. However, for domestic sales, the Company applies the alternative treatment set forth in Paragraph 98 of the "Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021) and recognizes revenue at the time of shipment if the period from the time of shipment to the time when control of the product or product is transferred to the customer is an ordinary period. In export sales, revenue is recognized when the risk is transferred to the customer based on the trade terms stipulated mainly in Incoterms.

If the commitment with the customer is a performance obligation to arrange for goods or services to be provided by another party, the Company does not control the goods or services to be transferred to the customer and only provides the services to arrange them. Therefore, the Company recognizes the net amount of fees or consideration received as revenue as an agent.

The application of the new accounting policy is in accordance with the transitional treatment stipulated in Paragraph 84 of ASBJ Statement No. 29, and although the new accounting policy has been applied from the beginning balance of the current consolidated fiscal year, there has been no impact on the beginning balance of retained earnings.

In the consolidated balance sheet for the previous fiscal year, "Notes and accounts receivable" presented under "Current assets" has been classified into "Notes and accounts receivable" and "Accounts receivable" from the current fiscal year. However, in accordance with the transitional treatment set forth in Article 89-2 of the Accounting Standard for Revenue Recognition, no reclassifications have been made for the previous fiscal year using the new presentation method.

As a result, net sales and cost of sales for the fiscal year under review each decreased by ¥25,279 million (\$206,544 thousand).

In accordance with the transitional treatment set forth in Article 89, Paragraph 3 of the Accounting Standard for Revenue Recognition, notes to "Revenue Recognition" for the previous consolidated fiscal year are not provided.

(Accounting Standard for Fair Value Measurement)

The Company applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, the “ASBJ Statement No. 30”) from the beginning of the consolidated fiscal year ended March 31, 2022. In accordance with the transitional treatment stipulated in Paragraph 19 of ASBJ Statement No. 30 and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company has decided to apply the new accounting standard described by ASBJ Statement No. 30 to transactions taking place on and after the application date.

In accordance with this, the Company has changed the measurement of fair value method based on the market price at the end of the period from the average market price one month before the end of the period to the method based on the market price at the end of the period including foreign stocks. hereinafter the same.

In addition, fair value information for financial instruments categorized by level is disclosed in the notes of “Financial Instruments.” However, following the transitional treatment in Paragraph 7-4 of the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No.19, July 4, 2019), relevant information for the previous consolidated fiscal year is not provided.

(Changes in presentation method)

(Consolidated Profit and Loss Statement)

“Provision of allowance for doubtful accounts,” which was included in “Miscellaneous losses” under “Non-operating expenses” in the previous fiscal year, is presented as an independent item from the current fiscal year due to its increased financial materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, ¥7 million, which was presented in “Miscellaneous losses ” under“ Non-operating expenses ” in the consolidated profit and loss statement for the previous fiscal year, has been reclassified into “Provision for allowance for doubtful accounts ” of ¥7 million.

(Consolidated Cash Flow Statement)

In the previous fiscal year, “Increase (decrease) in net defined benefit liability” included in “Other” under “Cash flows from operating activities” and “Increase (increase) in net defined benefit asset” included in “Increase (increase) in other fixed assets” are presented separately from the current fiscal year due to their increased financial materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the consolidated cash flow statement for the previous fiscal year, ¥360 million presented in “Others ” of“ Cash flows from operating activities ” and ¥196 million presented in “Changes in other fixed assets (increases) ” have been reclassified into“ Changes in retirement benefit liabilities (decreases) ” of ¥360 million and “Changes in retirement benefit assets (increases) ” of ¥196 million, respectively.

(Additional information)

- Performance-based Stock Compensation Plan for Directors

The Company has introduced a performance-based stock compensation plan, “Board Benefit Trust,” (the “Plan”) for Directors with a view to increase their consciousness to contribute to performance improvement and corporate value increase in the medium- and long-term by clarifying the linkage between compensation for Directors and the Company’s financial performance and stock value and sharing not only benefits of an increase in the Company’s equity value but risks of its decline.

(a) Overview of Transaction

The Plan is a performance-based stock compensation plan where a trust (a trust established under the Plan is referred to as the “Trust”) acquired the Company’s stock using money contributed by the Company and provides Directors with the Company’s stock and money equivalent to the amount of the Company’s stock as converted using fair value (the “Company’s Stock, etc.”) in accordance with the Rules for Stock Compensation Granted to Directors established by the Company. The timing of Directors receiving the Company’s Stock, etc. is at their retirement from Directors in principle.

(b) Company’s Stock Remaining in Trust

The Company has recorded the Company’s stock remaining in the Trust at carrying value in the Trust (excluding the amount of ancillary expenses) as treasury stock under net assets section. The carrying value of such treasury stock was ¥164 million and the number of such treasury stock was 100,000 shares at March 31, 2021, while the carrying value of such treasury stock was ¥155 million (\$1,268 thousand) and the number of such treasury stock was 94,300 shares at March 31, 2022.

#### 4. Securities

(a) The following summarizes information on securities with fair values at March 31, 2022 and 2021.

(1) Trading securities:

At March 31, 2022 and 2021, there were no trading securities with fair market values.

(2) Available-for-sale securities at March 31, 2022 and 2021:

Securities with book values (fair values) exceeding acquisition costs:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Equity securities:			
Acquisition costs	¥ 5,145	¥ 5,685	\$ 42,041
Book values	35,505	59,707	290,099
Differences	¥ 30,359	¥ 54,021	\$ 248,058
Bonds:			
Acquisition costs	¥ —	¥ 10	\$ —
Book values	—	10	—
Differences	¥ —	¥ 0	\$ —

Securities with book values (fair values) not exceeding acquisition costs:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Equity securities:			
Acquisition costs	¥ 852	¥ 850	\$ 6,965
Book values	628	694	5,132
Differences	¥ (224)	¥ (156)	\$ (1,832)
Bonds:			
Acquisition costs	¥ —	¥ —	\$ —
Book values	—	—	—
Differences	¥ —	¥ —	\$ —

Unlisted equity securities in amount of ¥6,783 million (\$55,427 thousand) and ¥6,450 million at March 31, 2022 and 2021, respectively, are excluded from available-for-sale securities in the above table as they are stocks with no market price and the difficulty in estimating future cash flows.

(b) The following table summarizes information on available-for-sale securities sold in the years ended March 31, 2022 and 2021:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Total sales of available-for-sale securities:	¥ 9,616	¥ 3,118	\$ 78,571
Amount of related gains	8,975	2,984	73,331
Amount of related losses	28	—	230

(c) The loss on valuation of investment securities at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Loss on valuation of investment securities	¥ 69	¥ 67	\$ 567

The Companies recognize impairment loss when, at the end of the period, the fair value of marketable and investment securities is reduced to less than 50% of the acquisition cost. A loss may also be recognized when the fair market value declines less than 50% but more than 30%, if necessary, considering the possibility of market value recovery and other factors.

## 5. Derivatives

### (a) Derivative transactions for which hedge accounting is not applied

#### (1) Currency related

		Millions of yen			
		March 31, 2022			
Classification	Type of derivative transaction	Contracted amount	Contracted amount over 1 year	Fair Value	Recognized gains (losses)
	Forward foreign exchange contracts:				
	Selling:				
Non-market transaction	U.S. dollars	¥ 83	¥ —	¥ (0)	¥ (0)
	Buying:				
	Japanese yen	321	—	(13)	(13)
	Total	<u>¥ 404</u>	<u>¥ —</u>	<u>¥ (14)</u>	<u>¥ (14)</u>
		Millions of yen			
		March 31, 2021			
Classification	Type of derivative transaction	Contracted amount	Contracted amount over 1 year	Fair Value	Recognized gains (losses)
	Forward foreign exchange contracts:				
	Selling:				
Non-market transaction	U.S. dollars	¥ 22	¥ —	¥ (0)	¥ (0)
	Buying:				
	U.S. dollars	4	—	0	0
	Japanese yen	158	—	(1)	(1)
	S.G. dollars	65	—	(0)	(0)
	Total	<u>¥ 250</u>	<u>¥ —</u>	<u>¥ (1)</u>	<u>¥ (1)</u>
		Thousands of U.S. dollars			
		March 31, 2022			
Classification	Type of derivative transaction	Contracted amount	Contracted amount over 1 year	Fair Value	Recognized gains (losses)
	Forward foreign exchange contracts:				
	Selling:				
Non-market transaction	U.S. dollars	\$ 679	\$ —	\$ (7)	\$ (7)
	Buying:				
	Japanese yen	2,627	—	(112)	(112)
	Total	<u>\$ 3,306</u>	<u>\$ —</u>	<u>\$ (119)</u>	<u>\$ (119)</u>



(2) Interest rate related

There were no interest rate related derivative transactions at March 31, 2022 and 2021.

(3) Stock related

There were no stock related derivative transactions at March 31, 2022 and 2021.

(b) Derivative transactions for which hedge accounting is applied

(1) Currency related

		Millions of yen			
		March 31, 2022			
Method for hedge accounting	Type of derivative transaction	Major hedged item	Contracted amount	Contracted amount over 1 year	Fair value
	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars		¥ 1,944	¥ —	¥ (106)
	G.B. pound		1	—	0
	Euro	Accounts receivable	74	—	(5)
	China yuan	- trade	33	—	(0)
Deferral hedge accounting (*1)	Thai baht		75	—	(5)
	Swiss franc		0	—	(0)
	Buying:				
	U.S. dollars		5,346	3,100	550
	Euro	Accounts payable	1,102	—	73
	China yuan		34	—	(0)
	Thai baht	- trade	657	—	42
	Japanese yen		795	—	53
	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars		¥ 5,079	¥ —	
	G.B. pound	Accounts receivable	65	—	
Allocation method for forward foreign exchange contracts, etc.	Euro	- trade	357	—	
	China yuan		222	—	
	Thai baht		26	—	(*2)
	Buying:				
	U.S. dollars		3,149	—	
	G.B. pound	Accounts payable	33	—	
	Euro	- trade	188	—	
	China yuan		34	—	
	Thai baht		60	—	
	Total		¥ 19,286	¥ 3,100	¥ 601

		Millions of yen			
		March 31, 2021			
Method for hedge accounting	Type of derivative transaction	Major hedged item	Contracted amount	Contracted amount over 1 year	Fair value
	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars		¥ 2,284	¥ —	¥ (61)
	G.B. pound	Accounts	0	—	(0)
	Euro	receivable	92	—	(2)
	China yuan	- trade	80	—	(0)
Deferral hedge accounting	Thai baht		82	—	(2)
	Buying:				
	U.S. dollars		6,483	3,590	353
	Euro	Accounts	625	—	6
	China yuan	payable	45	—	7
	Thai baht	- trade	352	—	4
	Japanese yen		122	—	(2)
	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars		¥ 7,780	¥ —	
	G.B. pound	Accounts	24	—	
	Euro	receivable	301	—	
	Swiss franc	- trade	2	—	
	China yuan		204	—	
	Thai baht		107	—	(*1)
	Buying:				
	U.S. dollars		3,385	—	
	G.B. pound	Accounts	54	—	
	Euro	payable	82	—	
	Thai baht	- trade	91	—	
	Total		¥ 22,202	¥ 3,590	¥ 301

		Thousands of U.S. dollars			
		March 31, 2022			
Method for hedge accounting	Type of derivative transaction	Major hedged item	Contracted amount	Contracted amount over 1 year	Fair value
	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars		\$ 15,890	\$ —	\$ (873)
	G.B. pound		13	—	0
	Euro	Accounts receivable	611	—	(45)
	China yuan	- trade	277	—	(7)
Deferral hedge accounting	Thai baht		620	—	(46)
	Swiss franc		6	—	0
	Buying:				
	U.S. dollars		43,682	25,333	4,500
	Euro	Accounts payable	9,006	—	597
	China yuan	- trade	282	—	(0)
	Thai baht		5,369	—	349
	Japanese yen		6,496	—	436
	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars		\$ 41,506	\$ —	
	G.B. pound	Accounts receivable	538	—	
	Euro	- trade	2,917	—	
	China yuan		1,821	—	
	Thai baht		219	—	(*1)
	Buying:				
	U.S. dollars		25,734	—	
	G.B. pound	Accounts payable	275	—	
	Euro	- trade	1,543	—	
	China yuan		279	—	
	Thai baht		491	—	
	Total		<u>\$ 157,585</u>	<u>\$ 25,333</u>	<u>\$ 4,911</u>

(\*1) Foreign exchange forward contracts are accounted for as hedged items together with accounts receivable and accounts payable, which are settled in a short period of time, and their fair values are close to their book values, so notes are omitted.

## (2) Interest rate related

		Millions of yen			
		March 31, 2022			
Method for hedge accounting	Type of derivative transaction	Major hedged item	Contracted amount	Contracted amount over 1 year	Fair value
	Interest rate swaps:				
Special method	(Pay fixed rate, receive floating rate)	Long-term loans payable	1,500	1,000	(*1)
	Total		<u>¥ 1,500</u>	<u>1,000</u>	<u>—</u>
Millions of yen					
March 31, 2021					
Method for hedge accounting	Type of derivative transaction	Major hedged item	Contracted amount	Contracted amount over 1 year	Fair value
	Interest rate swaps:				
Special method	(Pay fixed rate, receive floating rate)	Long-term loans payable	1,500	1,500	(*1)
	Total		<u>¥ 1,500</u>	<u>1,500</u>	<u>—</u>
Thousands of U.S. dollars					
March 31, 2022					
Method for hedge accounting	Type of derivative transaction	Major hedged item	Contracted amount	Contracted amount over 1 year	Fair value
	Interest rate swaps:				
Special method	(Pay fixed rate, receive floating rate)	Long-term loans payable	12,255	8,170	(*1)
	Total		<u>\$ 12,255</u>	<u>8,170</u>	<u>—</u>

(\*1) Since interest rate swaps are accounted for by the special method (refer to Note 2(e)), the fair value of long-term loans payable and long-term loans payable due within one year are included in that of the long-term loans payable and short-term loans payable disclosed in Note 15, "Financial instruments" respectively.

## 6. Income taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which, in the aggregate, indicate a statutory income tax rate in Japan of approximately 30.6% and 30.6% for the years ended March 31, 2022 and 2021, respectively.

- (a) The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for financial statement purposes:

	2022	2021
Statutory tax rate	30.6%	30.6%
Share of (profit) loss of entities accounted for using equity method	(0.4)	(0.4)
Expenses not deductible for income tax purposes	0.9	0.7
Dividends and other income deductible for income tax purposes	(2.0)	(2.6)
Net adjustment resulting from elimination of dividend income	1.8	2.5
Unrealized tax benefits, such as those on prior losses of consolidated subsidiaries	(0.6)	(0.8)
Unrealized tax benefits related to allowance for doubtful accounts	0.1	0.0
Different tax rates applied at foreign subsidiaries	(4.1)	(3.5)
Income taxes for prior periods	(0.4)	0.2
Foreign source taxes	0.3	0.3
Decrease in deferred tax assets (liabilities) resulting from changes in statutory tax rates	0.0	0.0
Other, net	0.0	0.2
Effective tax rate	<u>26.2%</u>	<u>27.2%</u>

- (b) Significant components of the Companies' deferred tax assets and liabilities at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred tax assets:			
Allowance for doubtful accounts	¥ 366	¥ 390	\$ 2,991
Loss carryforwards	2,549	3,276	20,831
Net defined benefit liability	936	888	7,651
Directors' retirement benefits	72	62	592
Unrealized profit on inventories	384	271	3,138
Unrealized profit on property, plant and equipment	328	377	2,687
Depreciation	284	158	2,326
Write-down of golf club memberships	12	12	98
Write-down of investment securities	312	380	2,555
Write-down of inventories	150	118	1,225
Provision for bonuses	378	321	3,092
Enterprise taxes payable	186	157	1,523
Provision for loss on guarantees	5	5	46
Other	1,070	873	8,747
Total deferred tax assets	<u>7,038</u>	<u>7,295</u>	<u>57,509</u>
Valuation allowance	<u>(3,811)</u>	<u>(4,454)</u>	<u>(31,138)</u>
Net deferred tax assets	<u>3,227</u>	<u>2,841</u>	<u>26,370</u>
Deferred tax liabilities:			
Gain on securities contributed to employee retirement benefit trust	(661)	(661)	(5,405)
Net defined benefit asset	(1,410)	(521)	(11,523)
Valuation difference on available-for-sale securities	(8,404)	(15,275)	(68,666)
Other	(407)	(234)	(3,326)
Total deferred tax liabilities	<u>(10,883)</u>	<u>(16,693)</u>	<u>(88,921)</u>
Net deferred tax liabilities	<u>¥ (7,655)</u>	<u>¥ (13,852)</u>	<u>\$ (62,551)</u>

7. Pledged assets

At March 31, 2022 and 2021, the following assets were pledged as security for trading transactions:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Investment securities	¥ 7,952	¥ 12,508	\$ 64,976

8. Research and development expenses

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Research and development expenses	¥ 36	¥ 37	\$ 296

9. Short-term loans payable and long-term loans payable

Short-term loans payable at March 31, 2022 and 2021 consisted of bank loans bearing interest at average annual rates of 1.13% and 1.11%, respectively. Long-term loans payable due within one year at March 31, 2022 and 2021 consisted of bank loans bearing interest at average annual rates of 0.57% and 0.71%, respectively.

(a) Long-term loans payable at March 31, 2022 and 2021 consisted of the follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unsecured loans from banks and insurance companies	¥ 8,025	¥ 10,513	\$ 65,573
Less amounts due within one year	(2,145)	(3,037)	(17,527)
Total	¥ 5,880	¥ 7,475	\$ 48,046

(b) The aggregate annual maturities of long-term loans payable at March 31, 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2022	2022
2024	¥ 2,346		\$ 19,168
2025		2,378	19,436
2026		1,011	8,265
2027		11	95
2028 and thereafter		132	1,080
Total	¥ 5,880		\$ 48,046

(c) In order to achieve more efficient and flexible financing, the Company has concluded multi currency lines of credit agreements with four banks. The status of these lines of credit at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Multi currency lines of credit	¥ 24,478	¥ 22,142	\$ 200,000
Credit utilized	—	—	—

10. Retirement and pension plans

(a) Defined benefit pension plans

(1) The change in the retirement benefit obligation for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at the beginning of the year	¥ 9,516	¥ 9,369	\$ 77,752
Service cost	493	518	4,035
Interest cost	71	64	582
Actuarial differences	(36)	(176)	(300)
Retirement benefits paid	(480)	(367)	(3,924)
Others	111	106	911
Balance at the end of the year	<u>¥ 9,675</u>	<u>¥ 9,516</u>	<u>\$ 79,055</u>

(2) The change in plan assets for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at the beginning of the year	¥ 10,843	¥ 9,006	\$ 88,599
Expected return on plan assets	262	232	2,142
Actuarial differences	(170)	1,750	(1,392)
Contributions by the Company and its consolidated subsidiaries	3,830	168	31,298
Retirement benefits paid	(327)	(319)	(2,672)
Others	2	4	17
Balance at the end of the year	<u>¥ 14,441</u>	<u>¥ 10,843</u>	<u>\$ 117,991</u>

(3) The following table sets forth the funded status of the plans and the amounts recognized in the Company's and its consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Funded projected benefit obligations	¥ 8,124	¥ 8,124	\$ 66,381
Plan assets	(14,441)	(10,843)	(117,991)
Subtotal	(6,316)	(2,718)	(51,609)
Unfunded projected benefit obligations	1,551	1,391	12,673
Net amount of liability and asset in consolidated balance sheet	<u>(4,765)</u>	<u>(1,327)</u>	<u>(38,936)</u>
Liabilities (net defined benefit liability)	1,624	2,144	13,275
Assets (net defined benefit asset)	(6,390)	(3,472)	(52,211)
Net amount of liability and asset in consolidated balance sheet	<u>¥ (4,765)</u>	<u>¥ (1,327)</u>	<u>\$ (38,936)</u>



(4) The components of retirement benefit expense for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Service cost	¥ 493	¥ 518	\$ 4,035
Interest cost	71	64	582
Expected return on plan assets	(262)	(232)	(2,142)
Amortization of actuarial differences	41	387	340
Amortization of prior service cost	(6)	(18)	(50)
Retirement benefit expense	<u>¥ 338</u>	<u>¥ 719</u>	<u>\$ 2,764</u>

Actuarial differences and prior service cost included in other comprehensive income for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Prior service cost	¥ (6)	¥ (18)	\$ (50)
Actuarial differences	(92)	2,314	(752)
Total	<u>¥ (98)</u>	<u>¥ 2,295</u>	<u>\$ (802)</u>

(5) Unrecognized actuarial differences and unrecognized prior service cost included in accumulated other comprehensive income at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unrecognized prior service cost	¥ —	¥ (6)	\$ —
Unrecognized actuarial differences	(732)	(824)	(5,983)
Total	<u>¥ (732)</u>	<u>¥ (830)</u>	<u>\$ (5,983)</u>

(6) The allocation of plan assets by major category as a percentage of total plan assets at the fair value at March 31, 2022 and 2021 were as follows:

	2022	2021
Bonds	35.4%	47.1%
Equity securities	38.0	49.9
Cash and time deposits	26.3	1.5
Others	0.3	1.5
Total	<u>100.0%</u>	<u>100.0%</u>

Notes: 1. The expected long-term rate of return on plan assets is determined with consideration for both the present and future portfolio allocation and the expected long-term rate of return on multiple plan assets at present and in the future.

2. Total plan assets include securities contributed to the retirement benefit trust (26.4% at March 31, 2022 and 28.7% at March 31, 2021).

(7) The assumptions used in accounting for the above plans were as follows:

	2022	2021
Discount rate (mainly)	0.4%	0.4%
Expected long-term rate of return on plan assets (mainly)	3.0%	3.0%

(b) Defined contribution pension plans

The required contribution to the defined contribution pension plans for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Contribution to defined contribution pension plans by the Company and its consolidated subsidiaries	¥ 81	¥ 79	\$ 665

11. Cash and time deposits

The reconciliation of cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Cash and time deposits	¥ 35,403	¥ 31,462	\$ 289,267
Time deposits with maturities of more three months	(7,151)	(5,479)	(58,431)
Cash and cash equivalents	¥ 28,251	¥ 25,983	\$ 230,835

## 12. Other comprehensive income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	¥ (14,525)	¥ 20,242	\$ (118,679)
Reclassification adjustments	(8,907)	(2,984)	(72,777)
Amount before tax effect	(23,432)	17,257	(191,456)
Tax effect	6,871	(4,289)	56,144
Subtotal, net of tax effect	(16,560)	12,968	(135,312)
Deferred gains (losses) on hedges:			
Increase (decrease) during the year	372	80	3,046
Reclassification adjustments	(75)	—	(615)
Amount before tax effect	297	80	2,430
Tax effect	(90)	(25)	(739)
Subtotal, net of tax effect	206	55	1,691
Foreign currency translation adjustment:			
Increase (decrease) during the year	7,189	3,155	58,738
Reclassification adjustments	87	—	717
Amount before tax effect	7,276	3,155	59,456
Tax effect	—	—	—
Subtotal, net of tax effect	7,276	3,155	59,456
Remeasurements of defined benefit plans, net of tax:			
Increase (decrease) during the year	(151)	1,911	(1,238)
Reclassification adjustments	53	384	435
Amount before tax effect	(98)	2,295	(802)
Tax effect	30	(702)	245
Subtotal, net of tax effect	(68)	1,593	(557)
Share of other comprehensive income of entities accounted for using equity method:			
Increase (decrease) during the year	(127)	164	(1,045)
Reclassification adjustments	—	—	—
Subtotal	(127)	164	(1,045)
Total other comprehensive income	¥ (9,273)	¥ 17,935	\$ (75,766)

### 13. Revenue recognition

#### (a) Breakdown of revenue from contracts with customers

Millions of yen							
Year ended March 31, 2022							
	IT & Electronics	Chemicals	Life Industry	Plastics	Total	Others (*1)	Consolidated
Japan	¥ 96,788	54,166	26,263	103,149	280,368	—	280,368
Southeast Asia	17,136	9,943	182	134,531	161,794	—	161,794
Northeast Asia	117,932	7,286	929	65,102	191,250	—	191,250
The Americas	9,843	4,222	8,906	11,738	34,710	—	34,710
Europe	6,012	3,025	1,922	1,703	12,664	—	12,664
Revenue from Contracts with Customers (*2)	247,713	78,644	38,203	316,226	680,788	—	680,788
Other income (loss)	—	—	—	—	—	174	174
Sales to external customers	¥ 247,713	78,644	38,203	316,226	680,788	174	680,962

  

Thousands of U.S. dollars							
Year ended March 31, 2022							
	IT & Electronics	Chemicals	Life Industry	Plastics	Total	Others (*1)	Consolidated
Japan	\$ 790,823	442,573	214,585	842,797	2,290,779	—	2,290,779
Southeast Asia	140,013	81,248	1,487	1,099,207	1,321,956	—	1,321,956
Northeast Asia	963,577	59,532	7,593	531,925	1,562,628	—	1,562,628
The Americas	80,427	34,497	72,771	95,914	283,609	—	283,609
Europe	49,127	24,724	15,707	13,914	103,473	—	103,473
Revenue from Contracts with Customers (*2)	2,023,968	642,575	312,145	2,583,758	5,562,448	—	5,562,448
Other income (loss)	—	—	—	—	—	1,423	1,423
Sales to external customers	\$ 2,023,968	642,575	312,145	2,583,758	5,562,448	1,423	5,563,871

(\*1) "Others" include businesses, such as real estate rental services, not included in reportable segments.

(\*2) "Revenue from Contracts with Customers" is classified into countries or regions based on the location of the distributor.

#### (b) The basic information for understanding revenue from contracts with customer

The basic information for understanding revenue from contracts with customer is as described in Note 2. (n), "Recognition of revenues and expenses."

(c) Information regarding the relationship between satisfaction of performance obligations under contracts with customers and cash flows arising from such contracts and the amount and timing of revenue expected to be recognized from contracts with customers existing at the end of the current consolidated fiscal year in the following consolidated fiscal year

(1) Contract assets and contract liabilities

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Accounts receivables arising from contracts with customers (Beginning balance)	¥ 162,736	\$ 1,329,653
Accounts receivables arising from contracts with customers (Ending balance)	184,698	1,509,097
Contract liabilities (Beginning balance)	2,100	17,163
Contract liabilities (Ending balance)	3,818	31,196

Contract liabilities are mainly the consideration received from customers before delivery of goods and are included in "Other" under "Current liabilities" in the consolidated balance sheets. The amount of revenue recognized in the consolidated fiscal year under review that was included in contract liabilities at the beginning of the consolidated fiscal year under review was ¥1,746 million.

(2) Transaction price allocated to remaining performance obligations

There are no significant transactions in the Companies with an expected term of more than one year. In addition, there is no material amount of consideration arising from contracts with customers that is not included in the transaction price.

## 14. Segment information

### (a) General information about reportable segments

Inabata Group's reportable segments represent the group's component divisions for which separate financial information is available. This information is regularly evaluated by the Board of Directors in deciding how to allocate management resources and in assessing performance. Inabata Group is primarily engaged in the trading of merchandise, the manufacture and sale of various products and the provision of services in Japan and abroad and operates its business in line with a comprehensive strategy regarding merchandise, products and services for domestic and international markets. For effective business management purposes, Inabata Group has segmented its corporate sales and marketing functions into four divisions (reportable segments) based on merchandise, products and target markets/industries, namely: IT & Electronics, Chemicals, Life Industry and Plastics.

The major merchandise, products and services covered by each reportable segment are as follows:

IT & Electronics:	Semiconductor manufacturing equipment Electronic materials, including parts Dyes for printing Raw materials for copying
Chemicals:	Motor parts and raw materials Raw materials for plastic resin Dyestuffs Lumber Composite materials Wooden building materials Residential housing equipment
Life Industry:	Pharmaceutical and agricultural chemicals and bulk raw materials Raw materials for insecticides Raw materials for toiletries Raw and processed agricultural products Raw and processed marine products
Plastics:	General purpose plastics Engineering plastics

### (b) Basis of measurement for reportable segment profit and loss, segment assets, segment liabilities and other material items

Accounting methods applied to the reportable business segments are generally the same as those described in Note 2, "Summary of significant accounting policies." Segment income derives from operating income. Inter-segment profits and transfers are based on prevailing market prices.

As described in "Changes in accounting policies", the Company adopted the Accounting Standard for Revenue Recognition, etc. from the beginning of the current consolidated fiscal year, and then, changed the accounting treatment for revenue recognition.

As a result, compared with the previous method, sales to external customers in the current consolidated fiscal year decreased by ¥13,801 million (\$112,765 thousand) in the IT & Electronics segment, ¥5,718 million (\$46,725 thousand) in the Chemicals segment, ¥3,254 million (\$26,588 thousand) in the Life Industry segment and ¥2,504 million (\$20,465 thousand) in the Plastics segment, but there was no impact on segment profit.

(c) Information about reportable segment profit and loss, segment assets, segment liabilities and other material items for the years ended March 31, 2022 and 2021 were as follows:

		Millions of yen						
		Year ended March 31, 2022						
		IT & Electronics	Chemicals	Life Industry	Plastics	Others	Elimination & Corporate	Consolidated
Net sales:								
Outside customers	¥	247,713	78,644	38,203	316,226	174	—	680,962
Intersegment		—	—	—	—	—	—	—
Total		247,713	78,644	38,203	316,226	174	—	680,962
Segment income	¥	6,422	2,207	2,618	8,677	127	—	20,052
Total assets	¥	113,181	49,033	21,145	164,811	348	40,539	389,059
Depreciation and amortization								
Depreciation and amortization	¥	592	333	260	1,973	—	—	3,160
Amortization of goodwill		—	—	—	2	—	—	2
Investments in equity method affiliates		2,174	1,382	—	905	—	—	4,462
Increases in tangible and intangible assets								
Increases in tangible and intangible assets	¥	160	220	140	1,254	—	210	1,986

		Millions of yen						
		Year ended March 31, 2021						
		IT & Electronics	Chemicals	Life Industry	Plastics	Others	Elimination & Corporate	Consolidated
Net sales:								
Outside customers	¥	224,534	66,626	37,361	248,888	172	—	577,583
Intersegment		—	—	—	—	—	—	—
Total		224,534	66,626	37,361	248,888	172	—	577,583
Segment income	¥	6,327	1,320	1,563	5,631	130	—	14,973
Total assets	¥	99,533	46,626	20,498	129,592	433	56,542	353,228
Depreciation and amortization								
Depreciation and amortization	¥	506	299	239	1,828	—	—	2,874
Amortization of goodwill		—	—	—	2	—	—	2
Investments in equity method subsidiary and affiliates		2,099	1,410	—	850	—	—	4,360
Increases in tangible and intangible assets								
Increases in tangible and intangible assets	¥	80	193	227	1,241	—	770	2,512

## Thousands of U.S. dollars

	Year ended March 31, 2022						
	IT & Electronics	Chemicals	Life Industry	Plastics	Others	Elimination & Corporate	Consolidated
Net sales:							
Outside customers	\$ 2,023,968	642,575	312,145	2,583,758	1,423	—	5,563,871
Intersegment	—	—	—	—	—	—	—
Total	2,023,968	642,575	312,145	2,583,758	1,423	—	5,563,871
Segment income	\$ 52,476	18,033	21,396	70,896	1,037	—	163,840
Total assets	\$ 924,757	400,635	172,769	1,346,607	2,850	331,228	3,178,849
Depreciation and amortization	\$ 4,841	2,728	2,128	16,121	—	—	25,819
Amortization of goodwill	—	—	—	17	—	—	17
Investments in equity method affiliates	17,763	11,298	—	7,400	—	—	36,463
Increases in tangible and intangible assets	\$ 1,314	1,805	1,148	10,246	—	1,718	16,231

Notes: 1. "Others" includes business, such as real estate rental services, not included in reportable segments.

2. Corporate assets included in the Elimination & Corporate column in the amount of ¥40,539 million (\$331,228 thousand) and ¥56,542 million for the years ended March 31, 2022 and 2021, respectively, are mainly surplus funds (cash and deposits), long-term investment funds (investment securities, etc.) and assets pertaining to administrative functions of the Company.

3. Increases in tangible and intangible assets stated in the Elimination & Corporate column in the amount of ¥210 million (\$1,718 thousand) and ¥770 million for the years ended March 31, 2022 and 2021, respectively, are attributable to the Company's administrative functions.

4. Segment income has been adjusted to be consistent with operating income in the consolidated financial statements.



[Related information]

(a) Geographic information

(1) Net sales

Millions of yen						
Year ended March 31, 2022						
Japan	Southeast Asia	Northeast Asia	The Americas	Europe	Consolidated	
¥ 240,775	¥ 170,471	¥ 227,595	¥ 29,935	¥ 12,182	¥ 680,962	

  

Millions of yen						
Year ended March 31, 2021						
Japan	Southeast Asia	Northeast Asia	The Americas	Europe	Consolidated	
¥ 221,593	¥ 126,530	¥ 202,631	¥ 18,505	¥ 8,323	¥ 577,583	

  

Thousands of U.S. dollars						
Year ended March 31, 2022						
Japan	Southeast Asia	Northeast Asia	The Americas	Europe	Consolidated	
\$ 1,967,281	\$ 1,392,858	\$ 1,859,596	\$ 244,594	\$ 99,540	\$ 5,563,871	

Note: Sales amounts are based on customer locations and divided into countries and regions.

(2) Property, plant and equipment

Millions of yen						
Year ended March 31, 2022						
Japan	Southeast Asia	Northeast Asia	The Americas	Europe	Consolidated	
¥ 4,809	¥ 6,705	¥ 1,635	¥ 1,298	¥ 863	¥ 15,312	

  

Millions of yen						
Year ended March 31, 2021						
Japan	Southeast Asia	Northeast Asia	The Americas	Europe	Consolidated	
¥ 5,005	¥ 6,091	¥ 1,252	¥ 1,156	¥ 889	¥ 14,395	

  

Thousands of U.S. dollars						
Year ended March 31, 2022						
Japan	Southeast Asia	Northeast Asia	The Americas	Europe	Consolidated	
\$ 39,294	\$ 54,791	\$ 13,362	\$ 10,612	\$ 7,052	\$ 125,112	

(b) Information on the amount of impairment loss on non-current assets by reportable segment

There was no impairment loss on non-current assets for the year ended March 31, 2021.

Millions of yen							
Year ended March 31, 2022							
	IT & Electronics	Chemicals	Life Industry	Plastics	Others	Elimination & Corporate	Consolidated
Impairment loss	¥ 19	¥ —	¥ —	¥ 149	¥ —	¥ —	¥ 168

  

Thousands of U.S. dollars							
Year ended March 31, 2022							
	IT & Electronics	Chemicals	Life Industry	Plastics	Others	Elimination & Corporate	Consolidated
Impairment loss	\$ 156	\$ —	\$ —	\$ 1,218	\$ —	\$ —	\$ 1,375

## (c) Information on the amount of amortization and the unamortized balance of goodwill by reportable segment

		Millions of yen						
		Year ended March 31, 2022						
	IT & Electronics	Chemicals	Life Industry	Plastics	Others	Elimination & Corporate	Consolidated	
Amortization	¥ —	¥ —	¥ —	¥ 2	¥ —	¥ —	¥ 2	
Unamortized balance	—	—	—	—	—	—	—	
		Millions of yen						
		Year ended March 31, 2021						
	IT & Electronics	Chemicals	Life Industry	Plastics	Others	Elimination & Corporate	Consolidated	
Amortization	¥ —	¥ —	¥ —	¥ 2	¥ —	¥ —	¥ 2	
Unamortized balance	—	—	—	2	—	—	2	
		Thousands of U.S. dollars						
		Year ended March 31, 2022						
	IT & Electronics	Chemicals	Life Industry	Plastics	Others	Elimination & Corporate	Consolidated	
Amortization	\$ —	\$ —	\$ —	\$ 17	\$ —	\$ —	\$ 17	
Unamortized balance	—	—	—	—	—	—	—	

## 15. Financial Instruments

(Fair values of financial instruments)

Book values and fair values of the financial instruments on the consolidated balance sheet at March 31, 2022 and 2021 were as follows:

	Millions of yen		
	March 31, 2022		
	Book values	Fair values	Differences
Securities and investment securities (*3)			
Available-for-sale securities	36,133	36,133	—
Long-term loans receivable	1,448		
Allowance for doubtful accounts (*4)	(151)		
	<u>1,297</u>	<u>1,284</u>	<u>(12)</u>
Total Assets	<u>¥ 37,430</u>	<u>¥ 37,418</u>	<u>¥ (12)</u>
Long-term loans payable (*2)	<u>8,025</u>	<u>7,949</u>	<u>76</u>
Total Liabilities	<u>¥ 8,025</u>	<u>¥ 7,949</u>	<u>¥ 76</u>
Derivative transactions (*5)			
Derivative transactions for which hedge accounting is not applied	¥ (14)	¥ (14)	¥ —
Derivative transactions for which hedge accounting is applied	601	601	—
Total Derivative Transactions	<u>¥ 586</u>	<u>¥ 586</u>	<u>¥ —</u>
	Millions of yen		
	March 31, 2021		
	Book values	Fair values	Differences
Securities and investment securities (*3)			
Available-for-sale securities	60,411	60,411	—
Long-term loans receivable	1,212	1,207	(4)
Total Assets	<u>¥ 61,623</u>	<u>¥ 61,619</u>	<u>¥ (4)</u>
Long-term loans payable (*2)	<u>10,513</u>	<u>10,563</u>	<u>(50)</u>
Total Liabilities	<u>¥ 10,513</u>	<u>¥ 10,563</u>	<u>¥ (50)</u>
Derivative transactions (*5)			
Derivative transactions for which hedge accounting is not applied	¥ (1)	¥ (1)	¥ —
Derivative transactions for which hedge accounting is applied	301	301	—
Total Derivative Transactions	<u>¥ 299</u>	<u>¥ 299</u>	<u>¥ —</u>

	Thousands of U.S. dollars		
	March 31, 2022		
	Book values	Fair values	Differences
Securities and investment securities (*3)			
Available-for-sale securities	295,232	295,232	—
Long-term loans receivable	11,833		
Allowance for doubtful accounts (*4)	(1,234)		
	<u>10,599</u>	<u>10,497</u>	<u>(102)</u>
Total Assets	<u>\$ 305,832</u>	<u>\$ 305,730</u>	<u>\$ (102)</u>
Long-term loans payable (*2)	<u>65,573</u>	<u>64,952</u>	<u>621</u>
Total Liabilities	<u>\$ 65,573</u>	<u>\$ 64,952</u>	<u>\$ 621</u>
Derivative transactions (*5)			
Derivative transactions for which hedge accounting is not applied	\$ (119)	\$ (119)	\$ —
Derivative transactions for which hedge accounting is applied	<u>4,911</u>	<u>4,911</u>	<u>—</u>
Total Derivative Transactions	<u>\$ 4,791</u>	<u>\$ 4,791</u>	<u>\$ —</u>

(\*1) "Cash and time deposits," "Notes receivable - trade," "Accounts receivable - trade," "Notes and accounts payable - trade" and "Short-term loans payable" are omitted because cash and time deposits, notes receivable - trade, accounts receivable - trade, notes and accounts payable - trade, and short-term loans payable are close to their book values because they are settled in a short period of time.

(\*2) Long-term loans payable include ¥2,145 million (\$17,527 thousand) and ¥3,037 million of long-term loans payable within 1 year for the years ended March 31, 2022 and 2021.

(\*3) Stocks with no fair values are not included in "Securities and investment securities." The amounts recorded on the consolidated balance sheet for these financial instruments at March 31, 2022 and 2021 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
	Shares of subsidiaries and associates	¥ 5,038	¥ 4,740
Investments in capital of subsidiaries and associates	347	—	2,840
Unlisted equity securities	6,762	6,450	55,250
Investments in capital	<u>21</u>	<u>0</u>	<u>177</u>

(\*4) The balance of "Allowance for doubtful accounts" is deducted individually from the balances of "Long-term loans receivable."

(\*5) Net receivables and payables generated from derivative transactions are shown above. Items that represent net payables are shown in parentheses.

(a) Financial instruments with maturities at March 31, 2022 and 2021 were as follows:

	Millions of yen			
	March 31, 2022			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and time deposits	¥ 35,403	¥ —	¥ —	¥ —
Notes receivable - trade	22,548	—	—	—
Accounts receivable - trade	162,010	139	—	—
Available-for-sale securities				
Bonds	—	—	—	—
Others	—	—	—	—
Long-term loans receivable	—	1,133	314	0
Total	<u>¥ 219,962</u>	<u>¥ 1,272</u>	<u>¥ 314</u>	<u>¥ 0</u>

Millions of yen				
March 31, 2021				
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and time deposits	¥ 31,462	¥ —	¥ —	¥ —
Notes and accounts receivable - trade	162,258	477	—	—
Available-for-sale securities				
Bonds	10	—	—	—
Others	—	—	—	—
Long-term loans receivable	—	814	397	0
Total	¥ 193,731	¥ 1,292	¥ 397	¥ 0

Thousands of U.S. dollars				
March 31, 2022				
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and time deposits	\$ 289,267	\$ —	\$ —	\$ —
Notes receivable - trade	184,235	—	—	—
Accounts receivable - trade	1,323,725	1,137	—	—
Available-for-sale securities				
Bonds	—	—	—	—
Others	—	—	—	—
Long-term loans receivable	—	9,262	2,568	2
Total	\$ 1,797,228	\$ 10,399	\$ 2,568	\$ 2

(b) Short-term loans payable and long-term loans payable with maturities at March 31, 2022 and 2021 were as follows:

Millions of yen				
March 31, 2022				
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Short-term loans payable	¥ 56,512	¥ —	¥ —	¥ —
Long-term loans payable	2,145	5,748	132	—
Total	¥ 58,657	¥ 5,748	¥ 132	¥ —

Millions of yen				
March 31, 2021				
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Short-term loans payable	¥ 30,693	¥ —	¥ —	¥ —
Long-term loans payable	3,037	7,439	35	—
Total	¥ 33,731	¥ 7,439	¥ 35	¥ —

Thousands of U.S. dollars				
March 31, 2022				
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Short-term loans payable	\$ 461,740	\$ —	\$ —	\$ —
Long-term loans payable	17,527	46,966	1,080	—
Total	\$ 479,267	\$ 46,966	\$ 1,080	\$ —

(Fair value information for financial instruments by level of inputs)

Based on the observability and the significance of the inputs used to determine fair values, fair value information for financial instruments is presented by categorizing measurements into the following three levels:

Level 1 fair value: The fair value measured by quoted prices of identical assets or liabilities in active markets.

Level 2 fair value: The fair value measured using observable inputs other than Level 1.

Level 3 fair value: The fair values measured using unobservable inputs.

When multiple inputs of different categories are used in measuring fair value, the Company and its subsidiaries classify fair values into a category to which the lowest priority is assigned.

Millions of yen				
March 31, 2022				
	Level 1	Level 2	Level 3	Total
Securities and investment securities	¥	¥	¥	¥
Available-for-sale securities	36,133	—	—	36,133
Derivative transactions				
Derivative transactions for which hedge accounting is not applied	—	(14)	—	(14)
Derivative transactions for which hedge accounting is applied	—	601	—	601
Total	¥ 36,133	¥ 586	¥ —	¥ 36,720

Thousands of U.S. dollars				
March 31, 2022				
	Level 1	Level 2	Level 3	Total
Securities and investment securities	\$	\$	\$	\$
Available-for-sale securities	295,232	—	—	295,232
Derivative transactions				
Derivative transactions for which hedge accounting is not applied	—	(119)	—	(119)
Derivative transactions for which hedge accounting is applied	—	4,911	—	4,911
Total	\$ 295,232	\$ 4,791	\$ —	\$ 300,024

Millions of yen				
March 31, 2022				
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	¥ —	¥ 1,284	¥ —	¥ 1,284
Long-term loans payable	—	—	7,949	7,949

Thousands of U.S. dollars				
March 31, 2022				
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	\$ —	\$ 10,497	\$ —	\$ 10,497
Long-term loans payable	—	—	64,952	64,952

(a) Valuation techniques and inputs used in measuring fair values

(1) Securities and investment securities

Listed equity securities are measured using quoted prices. Fair values of listed equity securities are classified as Level 1 because they are exchanged in active markets.

(2) Long-term loans receivable

Long-term loans receivable are classified as Level 2 because the fair value at fixed interest rates is the present value of future cash flows of the receivables. The receivables are categorized into certain periods and divided into groups according to credit risk. In calculating the fair values, the allowance for doubtful accounts, which is separately provided for in long-term loans receivable, is deducted.

(3) Long-term loans payable

Long-term loans payable are classified as Level 3 because the fair value is measured using the discounted present value method based on the interest rates that reflect the total amount of payment obligations of principal and interests, when a similar loan is newly borrowed. As the fair value of some long-term loans payable is subject to currency swaps and interest rate swaps, the fair value is calculated using the discounted present value method using future cash flows which are treated together with the currency swaps and interest rate swaps and are based on the interest rate that would be assumed if a similar new payable was made.

(4) Derivative Transactions

Derivative Transactions are classified as Level 2 because, the fair value is based on the prices presented by financial institutions. The special treatment of interest rate swaps is treated as an integral part of the long-term loans payable that are hedged, and, therefore, the fair values are included in the fair values of such long-term loans payable.

## 16. Shareholders' equity

The Japanese Corporate Law (the "Law") became effective on May 1, 2006, replacing the Japanese Commercial Code (the "Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

The change in common stock for the years ended March 31, 2022 and 2021 were as follows:

	Number of shares			
	Year ended March 31, 2022			
	April 1, 2021	Increase	Decrease	March 31, 2022
Common stock	63,499,227	—	2,700,000	60,799,227

1. The decrease in common stock related with the cancellation of treasury stock by resolution of the Board of Directors for the year ended March 31, 2022.

	Number of shares			
	Year ended March 31, 2021			
	April 1, 2020	Increase	Decrease	March 31, 2021
Common stock	63,499,227	—	—	63,499,227



17. Treasury stock

The change in treasury stock for the years ended March 31, 2022 and 2021 were as follows:

	Number of shares			
	Year ended March 31, 2022			
	April 1, 2021	Increase	Decrease	March 31, 2022
Treasury stock	3,302,651	3,085,188	2,705,700	3,682,139

1. Treasury stock at the end of the current consolidated fiscal year included 94,300 shares of the Company owned by the Board Benefit Trust (BBT trust account) for the year ended March 31, 2022.
2. The increase in treasury stock consists of 3,085,100 shares from the purchase of shares by resolution of the Board of Directors and 88 shares from the purchase of shares of less than one voting unit for the year ended March 31, 2022.
3. The decrease in treasury stock consists of 2,700,000 shares from the cancellation of treasury stock by resolution of the Board of Directors and 5,700 shares from the transfer of stock ownership trust for the year ended March 31, 2022.

	Number of shares			
	Year ended March 31, 2021			
	April 1, 2020	Increase	Decrease	March 31, 2021
Treasury stock	3,302,640	11	—	3,302,651

1. Treasury stock at the end of the current consolidated fiscal year included 100,000 shares of the Company owned by the Board Benefit Trust (BBT trust account) for the year ended March 31, 2021.
2. The increase in treasury stock is related with the purchase of shares of less than one voting unit for the year ended March 31, 2021.

## 18. Related party disclosures

The Company is an affiliate of SUMITOMO CHEMICAL COMPANY, LIMITED, which owned 24.5% and 22.9% of the Company's voting shares at March 31, 2022 and 2021, respectively.

SUMIKA TECHNOLOGY CO., LTD. is the subsidiary of SUMITOMO CHEMICAL COMPANY, LIMITED.

The Company controlled 15% and 15% of the voting shares of SUMIKA TECHNOLOGY CO., LTD. at March 31, 2022 and 2021, respectively.

(a) Significant transactions with related parties for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
<b>SUMITOMO CHEMICAL COMPANY, LIMITED</b>			
Net sales	¥ 8,933	¥ 9,138	\$ 72,990
Purchases	14,752	9,921	120,538
Notes and accounts receivable - trade	—	4,914	—
Accounts receivable - trade	3,482	—	28,453
Notes and accounts payable - trade	3,610	2,510	29,502
Pledges of investment securities	6,849	10,981	55,963
<b>SUMIKA TECHNOLOGY CO., LTD.</b>			
Net sales	¥ 14,802	¥ 15,001	\$ 120,945
Notes and accounts receivable - trade	—	7,604	—
Accounts receivable - trade	5,514	—	45,053

(b) The consolidated subsidiaries' significant transactions with related parties for the years ended March 31, 2022 and 2021 were as follows:

TAIWAN INABATA SANGYO CO., LTD.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
<b>SUMIKA TECHNOLOGY CO., LTD.</b>			
Purchases	¥ —	¥ 16,201	\$ —
Notes and accounts payable - trade	—	3,509	—

## 19. Contingent liabilities

At March 31, 2022 and 2021, the Company and its consolidated subsidiaries were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Discounted notes receivables	¥ 368	¥ 343	\$ 3,014
Guarantees for loans of customers and others	572	703	4,678
Total	¥ 941	¥ 1,046	\$ 7,693

## 20. Subsequent events

### (Cash dividends)

At the meeting of the Board of Directors of the Company held on May 10, 2022 and May 11, 2021, an appropriation of nonconsolidated retained earnings for the years ended March 31, 2022 and 2021 were duly approved as follows:

	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Cash dividends - ¥80.00 (\$0.65) per share	¥ 4,592	¥ 2,601	\$ 37,521

Note: Total dividends of ¥4,592 million (\$37,521 thousand) and ¥2,601 million for the years ended March 31, 2022 and 2021, respectively, by the resolution at the Board of Directors include dividends on the Company's stock held by the Board Benefit Trust (BBT trust account) of ¥7 million (\$61 thousand) and ¥4 million.

### (Sales of investment securities)

The Company resolved to sell part of the investment securities held by the Company at the Board of Directors' meeting held on May 26, 2022.

#### (1) Reason for sale of investment securities

In order to pursue greater efficiency of owned assets.

#### (2) Details of sales of investment securities

- ① Investment securities to be sold: Marketable securities of two listed companies owned by the Company
- ② Time of recognition of gain on sales of investment securities: In the current fiscal year ending March 31, 2023
- ③ Gain on sales of investment securities: Approximately ¥6,200 million (\$50,657 thousand) (estimate)