

**2023**

**INABATA**

Financial  
Statements



# Consolidated Financial Statements

INABATA & CO., LTD. and Subsidiaries

For the Years ended March 31,  
2022 and 2023  
Together with Independent  
Auditors' Report

KPMG AZSA LLC  
July 2023

This report contains 5 pages  
Appendices comprise 45 pages



# 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, 2023 and 2022, 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, 2023 and 2022, 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 ¥176,887 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 46% of total assets. Allowance for doubtful accounts of ¥382 million included in current assets was mostly on trade receivables. In addition, other assets of ¥7,779 million and allowance for doubtful accounts of ¥5,300 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, 2023 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

Yoshinori Nishi  
Designated Other Partner  
Certified Public Accountant

KPMG AZSA LLC  
Osaka Office, Japan  
July 20, 2023

**Notes to the Reader of Independent Auditor's Report:**

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
<u>ASSETS</u>			
Current assets:			
Cash and time deposits (Notes 11 and 15)	¥ 36,353	¥ 35,403	\$ 272,251
Notes receivable - trade (Note 15)	23,247	22,548	174,099
Accounts receivable - trade (Note 15)	153,640	162,149	1,150,603
Merchandise and finished goods	83,097	72,145	622,312
Work in Process	802	860	6,010
Raw materials and supplies	4,990	6,059	37,374
Other current assets	13,623	12,728	102,028
Allowance for doubtful accounts (Note 15)	(382)	(389)	(2,861)
Total current assets	315,373	311,505	2,361,818
Property, plant and equipment:			
Land	3,295	3,043	24,681
Buildings and structures	18,491	17,184	138,482
Machinery and equipment	20,351	18,648	152,414
Construction in progress	210	205	1,579
Other property, plant and equipment	7,753	6,382	58,068
	50,104	45,464	375,226
Less accumulated depreciation	(33,497)	(30,151)	(250,863)
Property, plant and equipment, net	16,606	15,312	124,363
Investments and other assets:			
Investment securities (Notes 4, 7 and 15):	32,840	48,303	245,940
Long-term loans receivable (Note 15):	1,323	1,448	9,909
Intangible assets	2,403	2,647	18,000
Net defined benefit asset (Note 10)	8,215	6,390	61,523
Deferred tax assets (Note 6)	1,202	1,105	9,008
Other assets	7,779	7,380	58,257
Allowance for doubtful accounts (Note 15)	(5,300)	(5,035)	(39,694)
Total investments and other assets	48,464	62,241	362,945
Total assets	¥ 380,443	¥ 389,059	\$ 2,849,126

See accompanying Notes to Consolidated Financial Statements.



INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS (CONTINUED)  
March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
<u>LIABILITIES AND NET ASSETS</u>			
Current liabilities:			
Notes and accounts payable - trade (Note 15):	¥ 105,730	¥ 115,959	\$ 791,813
Short-term loans payable (Notes 9 and 15)	49,474	58,657	370,510
Income taxes payable	3,589	4,093	26,879
Accrued expenses	1,859	1,367	13,926
Provision for bonuses	1,606	1,608	12,032
Other current liabilities	11,273	11,498	84,428
Total current liabilities	173,534	193,185	1,299,590
Non-current liabilities:			
Bonds payable (Note 15)	7,500	—	56,167
Long-term loans payable (Notes 9 and 15)	7,795	5,880	58,379
Deferred tax liabilities (Note 6)	5,176	8,761	38,769
Provision for directors' retirement benefits	37	33	277
Provision for management board incentive plan trust	206	159	1,544
Provision for loss on guarantees	—	18	—
Net defined benefit liability (Note 10)	1,713	1,624	12,835
Other non-current liabilities	2,972	2,481	22,263
Total non-current liabilities	25,402	18,959	190,236
Contingent liabilities (Note 19)			
Net assets			
Shareholders' equity (Note 16)			
Common stock:			
Authorized - 200,000,000 shares			
Issued - 57,114,127 shares in 2023 and 60,799,227 shares in 2022	9,364	9,364	70,130
Capital surplus	6,718	7,044	50,311
Retained earnings (Note 20)	134,684	130,540	1,008,642
Treasury stock, at cost: (Note 17)			
1,284,045 shares in 2023 and 3,682,139 shares in 2022	(2,220)	(7,398)	(16,628)
Total shareholders' equity	148,546	139,550	1,112,457
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	12,805	22,667	95,899
Deferred gains (losses) on hedges	395	398	2,959
Foreign currency translation adjustments	17,187	11,793	128,719
Remeasurements of defined benefit plans	526	508	3,940
Total accumulated other comprehensive income	30,914	35,367	231,518
Non-controlling interests	2,046	1,996	15,322
Total net assets	181,507	176,914	1,359,298
Total liabilities and net assets	¥ 380,443	¥ 389,059	\$ 2,849,126

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
	¥	¥	\$
Net sales (Notes 3 and 13)	735,620	680,962	5,509,024
Cost of sales	672,745	623,591	5,038,157
Gross profit	62,874	57,370	470,866
Selling, general and administrative expenses (Note 8)	42,560	37,317	318,735
Operating income	20,314	20,052	152,131
Other income (expenses):			
Interest and dividend income	2,187	1,673	16,380
Interest expenses (Note 9)	(1,823)	(674)	(13,659)
Foreign exchange gains (losses)	(703)	53	(5,265)
Provision of allowance for doubtful accounts	(71)	(151)	(535)
Commission for purchase of treasury shares	(13)	(129)	(101)
Share of profit of entities accounted for using equity method	(1,065)	370	(7,976)
Impairment loss	—	(168)	—
Gain on sales of investment securities	8,661	8,975	64,868
Loss on valuation of investment securities	(250)	—	(1,877)
Other, net	286	453	2,146
Income before income taxes	27,522	30,455	206,112
Income taxes (Note 6)			
Income taxes - current	7,569	7,294	56,689
Income taxes - deferred	405	685	3,035
Net income	19,547	22,475	146,387
Net income attributable to non-controlling interests	69	124	517
Net income attributable to owners of parent	¥ 19,478	¥ 22,351	\$ 145,870
Amounts per share:			
	Yen		U.S. dollars (Note 1)
	2023	2022	2023
Basic net income per share	¥ 343.31	¥ 374.23	\$ 2.57
Cash dividends per share applicable to the year	115.00	110.00	0.86

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Net income	¥ 19,547	¥ 22,475	\$ 146,387
Other comprehensive income (Note 12):			
Valuation difference on available-for-sale securities	(9,873)	(16,560)	(73,940)
Deferred gains (losses) on hedges	(12)	206	(96)
Foreign currency translation adjustment	5,351	7,276	40,076
Remeasurements of defined benefit plans, net of tax	14	(68)	110
Share of other comprehensive income of entities accounted for using equity method	102	(127)	768
Total other comprehensive income	(4,417)	(9,273)	(33,081)
Comprehensive income	¥ 15,129	¥ 13,202	\$ 113,305
Comprehensive income attributable to:			
Owners of parent	¥ 15,025	¥ 13,102	\$ 112,522
Non-controlling interests	104	99	783

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
Years ended March 31, 2023 and 2022

	Millions of yen			
	2023			
	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Treasury stock
Balance at April 1, 2022	¥ 9,364	¥ 7,044	¥ 130,540	¥ (7,398)
Net income attributable to owners of parent	—	—	19,478	—
Dividends of surplus	—	—	(7,425)	—
Purchase of treasury stock	—	—	—	(2,635)
Retirement of treasury stock	—	(40)	(7,908)	7,949
Disposal of treasury stock	—	40	—	379
Treasury stock purchase of stock ownership trust	—	—	—	(419)
Treasury stock transfer of stock ownership trust	—	—	—	13
Purchase of shares of consolidated subsidiaries	—	(326)	—	—
Change in treasury shares arising from change in equity in entities accounted for using equity method	—	—	—	(108)
Net changes in items other than shareholders' equity	—	—	—	—
Balance at March 31, 2023	¥ 9,364	¥ 6,718	¥ 134,684	¥ (2,220)

See accompanying Notes to Consolidated Financial Statements.

## Millions of yen

	2023					
	Accumulated other comprehensive income					Total
	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, 2022	¥ 22,667	¥ 398	¥ 11,793	¥ 508	¥ 1,996	¥ 176,914
Net income attributable to owners of parent	—	—	—	—	—	19,478
Dividends of surplus	—	—	—	—	—	(7,425)
Purchase of treasury stock	—	—	—	—	—	(2,635)
Retirement of treasury stock	—	—	—	—	—	—
Disposal of treasury stock	—	—	—	—	—	419
Treasury stock purchase of stock ownership trust	—	—	—	—	—	(419)
Treasury stock transfer of stock ownership trust	—	—	—	—	—	13
Purchase of shares of consolidated subsidiaries	—	—	—	—	—	(326)
Change in treasury shares arising from change in equity in entities accounted for using equity method	—	—	—	—	—	(108)
Net changes in items other than shareholders' equity	(9,861)	(3)	5,394	17	49	(4,402)
Balance at March 31, 2023	¥ 12,805	¥ 395	¥ 17,187	¥ 526	¥ 2,046	¥ 181,507

See accompanying Notes to Consolidated Financial Statements.

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)	
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						
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	¥ 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

See accompanying Notes to Consolidated Financial Statements.

Thousands of U.S. dollars (Note 1)

	2023			
	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Treasury stock
Balance at April 1, 2022	\$ 70,130	\$ 52,756	\$ 977,610	\$ (55,406)
Net income attributable to owners of parent	—	—	145,870	—
Dividends of surplus	—	—	(55,609)	—
Purchase of treasury stock	—	—	—	(19,738)
Retirement of treasury stock	—	(301)	(59,228)	59,530
Disposal of treasury stock	—	301	—	2,842
Treasury stock purchase of stock ownership trust	—	—	—	(3,144)
Treasury stock transfer of stock ownership trust	—	—	—	97
Purchase of shares of consolidated subsidiaries	—	(2,444)	—	—
Change in treasury shares arising from change in equity in entities accounted for using equity method	—	—	—	(809)
Net changes in items other than shareholders' equity	—	—	—	—
Balance at March 31, 2023	\$ 70,130	\$ 50,311	\$ 1,008,642	\$ (16,628)

See accompanying Notes to Consolidated Financial Statements.

## Thousands of U.S. dollars (Note 1)

	2023					
	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, 2022	\$ 169,753	\$ 2,987	\$ 88,319	\$ 3,805	\$ 14,948	\$ 1,324,905
Net income attributable to owners of parent	—	—	—	—	—	145,870
Dividends of surplus	—	—	—	—	—	(55,609)
Purchase of treasury stock	—	—	—	—	—	(19,738)
Retirement of treasury stock	—	—	—	—	—	—
Disposal of treasury stock	—	—	—	—	—	3,144
Treasury stock purchase of stock ownership trust	—	—	—	—	—	(3,144)
Treasury stock transfer of stock ownership trust	—	—	—	—	—	97
Purchase of shares of consolidated subsidiaries	—	—	—	—	—	(2,444)
Change in treasury shares arising from change in equity in entities accounted for using equity method	—	—	—	—	—	(809)
Net changes in items other than shareholders' equity	(73,853)	(28)	40,399	134	374	(32,973)
Balance at March 31, 2023	\$ 95,899	\$ 2,959	\$ 128,719	\$ 3,940	\$ 15,322	\$ 1,359,298

See accompanying Notes to Consolidated Financial Statements.



INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Cash flows from operating activities:			
Income before income taxes	¥ 27,522	¥ 30,455	\$ 206,112
Adjustments to reconcile income before income taxes to cash provided by operating activities:			
Depreciation and amortization	3,532	3,160	26,452
Impairment loss	—	168	—
Increase (decrease) in allowance for doubtful accounts	(42)	22	(316)
Interest and dividend income	(2,187)	(1,673)	(16,380)
Interest expenses	1,823	674	13,659
Share of (profit) loss of entities accounted for using equity method	1,065	(370)	7,976
Increase (decrease) in provision for loss on guarantees	(18)	—	(138)
Loss (gain) on valuation of investment securities	250	—	1,877
Loss (gain) on sales of investment securities	(8,661)	(8,975)	(64,868)
Decrease (increase) in notes and accounts receivable - trade	15,661	(11,227)	117,284
Decrease (increase) in inventories	(5,512)	(20,037)	(41,286)
Decrease (increase) in other current assets	2,004	(3,188)	15,015
Decrease (increase) in other non-current assets	115	(60)	862
Increase (decrease) in notes and accounts payable - trade	(15,328)	4,363	(114,795)
Increase (decrease) in other current liabilities	(1,242)	3,864	(9,302)
Increase (decrease) in retirement benefit liability	(8)	(601)	(66)
Decrease (increase) in retirement benefit asset	(1,795)	(3,035)	(13,448)
Other, net	446	407	3,343
Subtotal	17,623	(6,053)	131,980
Interest and dividend income received	2,203	1,793	16,504
Interest expenses paid	(1,800)	(666)	(13,481)
Income taxes paid	(8,111)	(6,521)	(60,748)
Net cash provided by (used in) operating activities	9,915	(11,448)	74,255
Cash flows from investing activities:			
Payments into time deposits	(6,681)	(6,780)	(50,039)
Proceeds from withdrawal of time deposits	7,545	5,742	56,506
Purchase of property, plant and equipment	(2,527)	(1,669)	(18,924)
Proceeds from sales of property, plant and equipment	34	15	262
Purchase of intangible assets	(423)	(317)	(3,173)
Purchase of investment securities	(1,424)	(197)	(10,669)
Proceeds from sales of investment securities	12,111	9,645	90,698
Purchase of shares of subsidiaries	(445)	(554)	(3,338)
Net decrease (increase) in short-term loans receivable	146	(35)	1,093
Payments of long-term loans receivable	(167)	(151)	(1,257)
Collection of long-term loans receivable	171	347	1,281
Other, net	(58)	(597)	(440)
Net cash provided by (used in) investing activities	8,278	5,446	61,999

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)  
Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	¥ (13,072)	¥ 21,488	\$ (97,902)
Proceeds from long-term loans payable	4,266	438	31,948
Repayments of long-term loans payable	(2,158)	(3,041)	(16,167)
Proceeds from issuance of bonds	7,454	—	55,825
Purchase of treasury stock	(3,069)	(7,629)	(22,984)
Proceeds from disposal of treasury shares	419	—	3,144
Increase/decrease in money held in trust for acquisition of treasury stock	(2,837)	—	(21,252)
Cash dividends paid	(7,450)	(4,415)	(55,796)
Dividends paid to non-controlling interests	(35)	(107)	(265)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(326)	(96)	(2,444)
Other - net	(757)	(636)	(5,676)
Net cash provided by (used in) financing activities	<u>(17,568)</u>	<u>5,999</u>	<u>(131,571)</u>
Effect of exchange rate change on cash and cash equivalents	912	2,270	6,836
Net increase (decrease) in cash and cash equivalents	<u>1,538</u>	<u>2,268</u>	<u>11,519</u>
Cash and cash equivalents at beginning of year	<u>28,251</u>	<u>25,983</u>	<u>211,577</u>
Cash and cash equivalents at end of year (Note 11)	<u>¥ 29,790</u>	<u>¥ 28,251</u>	<u>\$ 223,097</u>

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, 2023, which was ¥133.53 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 2022 and 2023. 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 42 (43 in 2022) 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 4 affiliates (5 in 2022) 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, 2023 and 2022.

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
	2023	2022	2023
Equity securities:			
Allowance for doubtful accounts (current assets)	¥ (382)	¥ (389)	\$ (2,861)
Allowance for doubtful accounts (non-current assets)	(5,300)	(5,035)	(39,694)

##### (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 are concerned about a downturn in the economy amid continued monetary tightening in response to global inflation. In addition, uncertainty is expected to continue due to supply constraints, fluctuations in financial and capital markets and other factors, as well as heightened geopolitical risks such as the situation in Ukraine.

#### (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 ¥155 million and the number of such treasury stock was 94,300 shares at March 31, 2022, while the carrying value of such treasury stock was ¥562 million (\$4,210 thousand) and the number of such treasury stock was 266,400 shares at March 31, 2023.

#### 4. Securities

(a) The following summarizes information on securities with fair values at March 31, 2023 and 2022.

(1) Trading securities:

At March 31, 2023 and 2022, there were no trading securities with fair market values.

(2) Available-for-sale securities at March 31, 2023 and 2022:

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Equity securities:			
Acquisition costs	¥ 4,227	¥ 5,145	\$ 31,657
Book values	20,529	35,505	153,742
Differences	¥ 16,301	¥ 30,359	\$ 122,084
Bonds:			
Acquisition costs	¥ —	¥ —	\$ —
Book values	—	—	—
Differences	¥ —	¥ —	\$ —

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Equity securities:			
Acquisition costs	¥ 378	¥ 852	\$ 2,835
Book values	225	628	1,686
Differences	¥ (153)	¥ (224)	\$ (1,149)
Bonds:			
Acquisition costs	¥ 20	¥ —	\$ 149
Book values	19	—	148
Differences	¥ (0)	¥ —	\$ (1)

Unlisted equity securities in amount of ¥5,268 million (\$39,455 thousand) and ¥6,783 million at March 31, 2023 and 2022, 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, 2023 and 2022:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Total sales of available-for-sale securities:	¥ 11,946	¥ 9,616	\$ 89,465
Amount of related gains	8,661	8,975	64,868
Amount of related losses	35	28	264

(c) The loss on valuation of investment securities at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Loss on valuation of investment securities	¥ 250	¥ 69	\$ 1,877



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, 2023			
Classification	Type of derivative transaction	Contracted amount	Contracted amount over 1 year	Fair Value	Recognized gains (losses)
Non-market transaction	Forward foreign exchange contracts:				
	Buying:				
		405	—	(4)	(4)
	Total	¥ 405	¥ —	¥ (4)	¥ (4)

		Millions of yen			
		March 31, 2022			
Classification	Type of derivative transaction	Contracted amount	Contracted amount over 1 year	Fair Value	Recognized gains (losses)
Non-market transaction	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars	¥ 83	¥ —	¥ (0)	¥ (0)
	Buying:				
	Japanese yen	321	—	(13)	(13)
Total	¥ 404	¥ —	¥ (14)	¥ (14)	

		Thousands of U.S. dollars			
		March 31, 2023			
Classification	Type of derivative transaction	Contracted amount	Contracted amount over 1 year	Fair Value	Recognized gains (losses)
Non-market transaction	Forward foreign exchange contracts:				
	Buying:				
	Japanese yen	3,033	—	(30)	(30)
	Total	\$ 3,033	\$ —	\$ (30)	\$ (30)

(2) Interest rate related

There were no interest rate related derivative transactions at March 31, 2023 and 2022.

(3) Stock related

There were no stock related derivative transactions at March 31, 2023 and 2022.

(b) Derivative transactions for which hedge accounting is applied

(1) Currency related

		Millions of yen			
		March 31, 2023			
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		¥ 2,303	¥ —	¥ (2)
	Euro	Accounts receivable	441	—	(7)
	China yuan		165	—	(1)
Deferral hedge accounting (*1)	Thai baht	- trade	52	—	(0)
	New Zealand dollars		0	—	—
	Buying:				
	U.S. dollars		7,403	2,610	580
	Euro	Accounts payable	279	—	7
	China yuan		64	—	(0)
	Thai baht	- trade	822	—	6
	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars		¥ 4,774	¥ —	
	G.B. pound	Accounts receivable	72	—	
Allocation method for forward foreign exchange contracts, etc.	Euro		697	—	
	China yuan	- trade	150	—	
	Thai baht		54	—	(*1)
	Buying:				
	U.S. dollars		2,244	—	
	G.B. pound	Accounts payable	57	—	
	Euro		105	—	
	China yuan	- trade	19	—	
	Thai baht		124	—	
	Total		¥ 19,834	¥ 2,610	¥ 581

		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	74	—	(5)
	China yuan	receivable	33	—	(0)
Deferral hedge accounting	Thai baht	- trade	75	—	(5)
	Swiss franc		0	—	(0)
	Buying:				
	U.S. dollars		5,346	3,100	550
	Euro	Accounts	1,102	—	73
	China yuan	payable	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	65	—	
	Euro	receivable	357	—	
	China yuan	- trade	222	—	
	Thai baht		26	—	
Allocation method for forward foreign exchange contracts, etc.					(*1)
	Buying:				
	U.S. dollars		3,149	—	
	G.B. pound	Accounts	33	—	
	Euro	payable	188	—	
	China yuan	- trade	34	—	
	Thai baht		60	—	
	Total		<u>¥ 19,286</u>	<u>¥ 3,100</u>	<u>¥ 601</u>

		Thousands of U.S. dollars			
		March 31, 2023			
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		\$ 17,251	\$ —	\$ (21)
	Euro	Accounts	3,306	—	(59)
	China yuan	receivable	1,237	—	(13)
Deferral hedge accounting	Thai baht	- trade	396	—	(1)
	New Zealand dollars		0	—	—
	Buying:				
	U.S. dollars		55,445	19,553	4,349
	Euro	Accounts	2,096	—	52
	China yuan	payable	485	—	(1)
	Thai baht	- trade	6,162	—	47
	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars		\$ 35,754	\$ —	
	G.B. pound	Accounts	539	—	
	Euro	receivable	5,219	—	
Allocation method for forward foreign exchange contracts, etc.	China yuan	- trade	1,130	—	
	Thai baht		410	—	(*1)
	Buying:				
	U.S. dollars		16,805	—	
	G.B. pound	Accounts	427	—	
	Euro	payable	787	—	
	China yuan	- trade	148	—	
	Thai baht		935	—	
	Total		<u>\$ 148,540</u>	<u>\$ 19,553</u>	<u>\$ 4,353</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, 2023			
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	1,000	1,000	(*1)
	Total		<u>¥ 1,000</u>	<u>1,000</u>	<u>—</u>
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>
Thousands of U.S. dollars					
March 31, 2023					
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	7,488	7,488	(*1)
	Total		<u>\$ 7,488</u>	<u>7,488</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, 2023 and 2022, respectively.

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

	2023	2022
Statutory tax rate	30.6%	30.6%
Share of (profit) loss of entities accounted for using equity method	1.2	(0.4)
Expenses not deductible for income tax purposes	1.3	0.9
Dividends and other income deductible for income tax purposes	(3.9)	(2.0)
Net adjustment resulting from elimination of dividend income	3.7	1.8
Unrealized tax benefits, such as those on prior losses of consolidated subsidiaries	(0.2)	(0.6)
Unrealized tax benefits related to allowance for doubtful accounts	(0.1)	0.1
Different tax rates applied at foreign subsidiaries	(3.9)	(4.1)
Income taxes for prior periods	0.0	(0.4)
Foreign source taxes	0.4	0.3
Decrease in deferred tax assets (liabilities) resulting from changes in statutory tax rates	0.0	0.0
Other, net	(0.1)	0.0
Effective tax rate	<u>29.0%</u>	<u>26.2%</u>

- (b) Significant components of the Companies' deferred tax assets and liabilities at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets:			
Allowance for doubtful accounts	¥ 438	¥ 366	\$ 3,282
Loss carryforwards	2,718	2,549	20,356
Net defined benefit liability	971	936	7,274
Directors' retirement benefits	87	72	657
Unrealized profit on inventories	405	384	3,037
Unrealized profit on property, plant and equipment	277	328	2,077
Depreciation	307	284	2,301
Write-down of golf club memberships	11	12	88
Write-down of investment securities	360	312	2,696
Write-down of inventories	115	150	867
Provision for bonuses	389	378	2,913
Enterprise taxes payable	155	186	1,163
Provision for loss on guarantees	—	5	—
Other	1,070	1,070	8,019
Total deferred tax assets	<u>7,309</u>	<u>7,038</u>	<u>54,738</u>
Valuation allowance	(3,843)	(3,811)	(28,781)
Net deferred tax assets	<u>3,465</u>	<u>3,227</u>	<u>25,956</u>
Deferred tax liabilities:			
Gain on securities contributed to employee retirement benefit trust	(661)	(661)	(4,954)
Net defined benefit asset	(1,967)	(1,410)	(14,732)
Valuation difference on available-for-sale securities	(4,378)	(8,404)	(32,793)
Other	(432)	(407)	(3,236)
Total deferred tax liabilities	<u>(7,439)</u>	<u>(10,883)</u>	<u>(55,717)</u>
Net deferred tax liabilities	<u>¥ (3,974)</u>	<u>¥ (7,655)</u>	<u>\$ (29,761)</u>

7. Pledged assets

At March 31, 2023 and 2022, the following assets were pledged as security for trading transactions:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Investment securities	¥ 4,634	¥ 7,952	\$ 34,705

8. Research and development expenses

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Research and development expenses	¥ 55	¥ 36	\$ 414

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

Short-term loans payable at March 31, 2023 and 2022 consisted of bank loans bearing interest at average annual rates of 3.61% and 1.13%, respectively. Long-term loans payable due within one year at March 31, 2023 and 2022 consisted of bank loans bearing interest at average annual rates of 0.87% and 0.57%, respectively.

(a) Long-term loans payable at March 31, 2023 and 2022 consisted of the follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unsecured loans from banks and insurance companies	¥ 10,234	¥ 8,025	\$ 76,648
Less amounts due within one year	(2,439)	(2,145)	(18,269)
Total	¥ 7,795	¥ 5,880	\$ 58,379

(b) The aggregate annual maturities of long-term loans payable at March 31, 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2023	2023
2024	¥ 2,438		\$ 18,264
2025		1,038	7,775
2026		38	286
2027		106	800
2028 and thereafter		4,173	31,251
Total	¥ 7,795		\$ 58,379

(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, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Multi currency lines of credit	¥ 26,706	¥ 24,478	\$ 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, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Balance at the beginning of the year	¥ 9,675	¥ 9,516	\$ 72,460
Service cost	369	493	2,763
Interest cost	65	71	488
Actuarial differences	(1,129)	(36)	(8,462)
Prior service cost	(211)	—	(1,586)
Retirement benefits paid	(349)	(480)	(2,614)
Others	73	111	550
Balance at the end of the year	¥ 8,492	¥ 9,675	\$ 63,600

(2) The change in plan assets for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Balance at the beginning of the year	¥ 14,441	¥ 10,843	\$ 108,148
Expected return on plan assets	356	262	2,668
Actuarial differences	(1,220)	(170)	(9,136)
Contributions by the Company and its consolidated subsidiaries	1,674	3,830	12,542
Retirement benefits paid	(260)	(327)	(1,950)
Others	2	2	16
Balance at the end of the year	¥ 14,993	¥ 14,441	\$ 112,288

(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
	2023	2022	2023
Funded projected benefit obligations	¥ 6,907	¥ 8,124	\$ 51,727
Plan assets	(14,993)	(14,441)	(112,288)
Subtotal	(8,086)	(6,316)	(60,560)
Unfunded projected benefit obligations	1,585	1,551	11,872
Net amount of liability and asset in consolidated balance sheet	(6,501)	(4,765)	(48,688)
Liabilities (net defined benefit liability)	1,713	1,624	12,835
Assets (net defined benefit asset)	(8,215)	(6,390)	(61,523)
Net amount of liability and asset in consolidated balance sheet	¥ (6,501)	¥ (4,765)	\$ (48,688)

(4) The components of retirement benefit expense for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Service cost	¥ 369	¥ 493	\$ 2,763
Interest cost	65	71	488
Expected return on plan assets	(356)	(262)	(2,668)
Amortization of actuarial differences	(89)	41	(668)
Amortization of prior service cost	(11)	(6)	(84)
Retirement benefit expense	¥ (22)	¥ 338	\$ (169)

Actuarial differences and prior service cost included in other comprehensive income for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Prior service cost	¥ 200	¥ (6)	\$ 1,501
Actuarial differences	(179)	(92)	(1,342)
Total	¥ 21	¥ (98)	\$ 158

(5) Unrecognized actuarial differences and unrecognized prior service cost included in accumulated other comprehensive income at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unrecognized prior service cost	¥ (200)	¥ —	\$ (1,501)
Unrecognized actuarial differences	(552)	(732)	(4,140)
Total	¥ (753)	¥ (732)	\$ (5,642)

(6) The allocation of plan assets by major category as a percentage of total plan assets at the fair value at March 31, 2023 and 2022 were as follows:

	2023	2022
Bonds	42.4%	35.4%
Equity securities	33.1	38.0
Cash and time deposits	11.7	26.3
Alternative	12.5	—
Others	0.3	0.3
Total	100.0%	100.0%

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 (21.6% at March 31, 2023 and 26.4% at March 31, 2022).

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

	2023	2022
Discount rate (mainly)	1.0%	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, 2023 and 2022 were as follows:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Contribution to defined contribution pension plans by the Company and its consolidated subsidiaries	¥ 102	¥ 81	\$ 766

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, 2023 and 2022 were as follows:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Cash and time deposits	¥ 36,353	¥ 35,403	\$ 272,251
Time deposits with maturities of more three months	(6,563)	(7,151)	(49,153)
Cash and cash equivalents	¥ 29,790	¥ 28,251	\$ 223,097

## 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, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	¥ (5,236)	¥ (14,525)	\$ (39,215)
Reclassification adjustments	(8,661)	(8,907)	(64,868)
Amount before tax effect	(13,898)	(23,432)	(104,084)
Tax effect	4,025	6,871	30,143
Subtotal, net of tax effect	(9,873)	(16,560)	(73,940)
Deferred gains (losses) on hedges:			
Increase (decrease) during the year	214	372	1,609
Reclassification adjustments	(234)	(75)	(1,758)
Amount before tax effect	(19)	297	(148)
Tax effect	6	(90)	51
Subtotal, net of tax effect	(12)	206	(96)
Foreign currency translation adjustment:			
Increase (decrease) during the year	5,166	7,189	38,692
Reclassification adjustments	184	87	1,383
Amount before tax effect	5,351	7,276	40,076
Tax effect	—	—	—
Subtotal, net of tax effect	5,351	7,276	40,076
Remeasurements of defined benefit plans, net of tax:			
Increase (decrease) during the year	161	(151)	1,208
Reclassification adjustments	(140)	53	(1,049)
Amount before tax effect	21	(98)	158
Tax effect	(6)	30	(48)
Subtotal, net of tax effect	14	(68)	110
Share of other comprehensive income of entities accounted for using equity method:			
Increase (decrease) during the year	102	(127)	768
Reclassification adjustments	—	—	—
Subtotal	102	(127)	768
Total other comprehensive income	¥ (4,417)	¥ (9,273)	\$ (33,081)

### 13. Revenue recognition

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

Millions of yen							
Year ended March 31, 2023							
	IT & Electronics	Chemicals	Life Industry	Plastics	Total	Others (*1)	Consolidated
Japan	¥ 86,128	61,474	29,840	119,305	296,749	—	296,749
Southeast Asia	19,144	11,931	309	164,558	195,944	—	195,944
Northeast Asia	111,650	5,854	1,179	62,333	181,018	—	181,018
The Americas	11,462	5,859	10,069	14,378	41,770	—	41,770
Europe	9,616	4,700	2,263	3,378	19,959	—	19,959
Revenue from Contracts with Customers (*2)	238,003	89,820	43,662	363,955	735,441	—	735,441
Other income (loss)	—	—	—	—	—	178	178
Sales to external customers	¥ 238,003	89,820	43,662	363,955	735,441	178	735,620

  

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, 2023							
	IT & Electronics	Chemicals	Life Industry	Plastics	Total	Others (*1)	Consolidated
Japan	\$ 645,015	460,379	223,474	893,476	2,222,346	—	2,222,346
Southeast Asia	143,372	89,353	2,316	1,232,373	1,467,416	—	1,467,416
Northeast Asia	836,143	43,845	8,833	466,813	1,355,635	—	1,355,635
The Americas	85,844	43,883	75,406	107,681	312,816	—	312,816
Europe	72,019	35,198	16,953	25,303	149,475	—	149,475
Revenue from Contracts with Customers (*2)	1,782,396	672,661	326,984	2,725,648	5,507,690	—	5,507,690
Other income (loss)	—	—	—	—	—	1,333	1,333
Sales to external customers	\$ 1,782,396	672,661	326,984	2,725,648	5,507,690	1,333	5,509,024

(\*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		Millions of yen		Thousands of U.S. dollars
	2023		2022		2023
Accounts receivables arising from contracts with customers (Beginning balance)	¥	184,698	¥	162,736	\$ 1,383,199
Accounts receivables arising from contracts with customers (Ending balance)		176,887		184,698	1,324,702
Contract liabilities (Beginning balance)		3,818		2,100	28,593
Contract liabilities (Ending balance)		2,798		3,818	20,960

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 which was included in contract liabilities at the beginning of the consolidated fiscal year was ¥3,807 million (\$28,512 thousand) and ¥1,746 million at March 31, 2023, and 2022, respectively. .

(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.

(c) Information about reportable segment profit and loss, segment assets, segment liabilities and other material items for the years ended March 31, 2023 and 2022 were as follows:

		Millions of yen						
		Year ended March 31, 2023						
		IT & Electronics	Chemicals	Life Industry	Plastics	Others	Elimination & Corporate	Consolidated
Net sales:								
Outside customers	¥	238,003	89,820	43,662	363,955	178	—	735,620
Intersegment		—	—	—	—	—	—	—
Total		238,003	89,820	43,662	363,955	178	—	735,620
Segment income	¥	5,269	2,770	1,936	10,205	131	—	20,314
Total assets	¥	103,289	46,974	24,935	165,740	348	39,155	380,443
Depreciation and amortization								
Depreciation and amortization	¥	642	380	254	2,254	—	—	3,532
Amortization of goodwill								
Amortization of goodwill		—	—	—	—	—	—	—
Investments in equity method affiliates								
Investments in equity method affiliates		1,003	3,370	—	1,056	—	—	5,430
Increases in tangible and intangible assets								
Increases in tangible and intangible assets	¥	69	120	188	1,528	—	1,044	2,950

		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								
Amortization of goodwill		—	—	—	2	—	—	2
Investments in equity method subsidiary and affiliates								
Investments in equity method subsidiary and 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



## Thousands of U.S. dollars

	Year ended March 31, 2023						
	IT & Electronics	Chemicals	Life Industry	Plastics	Others	Elimination & Corporate	Consolidated
Net sales:							
Outside customers	\$ 1,782,396	672,661	326,984	2,725,648	1,333	—	5,509,024
Intersegment	—	—	—	—	—	—	—
Total	1,782,396	672,661	326,984	2,725,648	1,333	—	5,509,024
Segment income	\$ 39,459	20,749	14,505	76,430	985	—	152,131
Total assets	\$ 773,531	351,787	186,743	1,241,219	2,613	293,230	2,849,126
Depreciation and amortization	\$ 4,813	2,849	1,905	16,883	—	—	26,452
Amortization of goodwill	—	—	—	—	—	—	—
Investments in equity method affiliates	7,517	25,240	—	7,912	—	—	40,670
Increases in tangible and intangible assets	\$ 517	903	1,409	11,448	—	7,818	22,097

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 ¥39,155 million (\$293,230 thousand) and ¥40,539 million for the years ended March 31, 2023 and 2022, 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 ¥1,044 million (\$7,818 thousand) and ¥210 million for the years ended March 31, 2023 and 2022, 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, 2023						
Japan	Southeast Asia	Northeast Asia	The Americas	Europe	Consolidated	
¥ 262,966	¥ 201,375	¥ 213,640	¥ 38,881	¥ 18,755	¥ 735,620	

  

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	

  

Thousands of U.S. dollars						
Year ended March 31, 2023						
Japan	Southeast Asia	Northeast Asia	The Americas	Europe	Consolidated	
\$ 1,969,341	\$ 1,508,092	\$ 1,599,943	\$ 291,184	\$ 140,462	\$ 5,509,024	

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, 2023						
Japan	Southeast Asia	Northeast Asia	The Americas	Europe	Consolidated	
¥ 5,327	¥ 7,033	¥ 1,520	¥ 1,814	¥ 910	¥ 16,606	

  

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	

  

Thousands of U.S. dollars						
Year ended March 31, 2023						
Japan	Southeast Asia	Northeast Asia	The Americas	Europe	Consolidated	
\$ 39,896	\$ 52,674	\$ 11,389	\$ 13,585	\$ 6,817	\$ 124,363	

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

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

There was no impairment loss on non-current assets for the year ended March 31, 2023.

(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		—		—		—		—		—		—		—

There was no amount of amortization and the unamortized balance of goodwill for the year ended March 31, 2023.

## 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, 2023 and 2022 were as follows:

	Millions of yen		
	March 31, 2023		
	Book values	Fair values	Differences
Securities and investment securities (*3)			
Available-for-sale securities	20,754	20,754	—
Bonds	19	19	—
Long-term loans receivable	1,323		
Allowance for doubtful accounts (*4)	(222)		
	<u>1,100</u>	<u>1,157</u>	<u>56</u>
Total Assets	<u>¥ 21,874</u>	<u>¥ 21,931</u>	<u>¥ 56</u>
Long-term loans payable (*2)	10,234	10,219	15
Bonds payable	7,500	7,522	(22)
Total Liabilities	<u>¥ 17,734</u>	<u>¥ 17,741</u>	<u>¥ (6)</u>
Derivative transactions (*5)			
Derivative transactions for which hedge accounting is not applied	¥ (4)	¥ (4)	¥ —
Derivative transactions for which hedge accounting is applied	581	581	—
Total Derivative Transactions	<u>¥ 577</u>	<u>¥ 577</u>	<u>¥ —</u>
	Millions of yen		
	March 31, 2022		
	Book values	Fair values	Differences
Securities and investment securities (*3)			
Available-for-sale securities	36,133	36,133	—
Bonds	—	—	—
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)	8,025	7,949	76
Bonds payable	—	—	—
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>

	Thousands of U.S. dollars		
	March 31, 2023		
	Book values	Fair values	Differences
Securities and investment securities (*3)			
Available-for-sale securities	155,428	155,428	—
Bonds	148	148	—
Long-term loans receivable	9,909		
Allowance for doubtful accounts (*4)	(1,667)		
	<u>8,242</u>	<u>8,665</u>	<u>422</u>
Total Assets	<u>\$ 163,819</u>	<u>\$ 164,242</u>	<u>\$ 422</u>
Long-term loans payable (*2)	76,648	76,535	113
Bonds payable	56,167	56,332	(165)
Total Liabilities	<u>\$ 132,815</u>	<u>\$ 132,868</u>	<u>\$ (52)</u>
Derivative transactions (*5)			
Derivative transactions for which hedge accounting is not applied	\$ (30)	\$ (30)	\$ —
Derivative transactions for which hedge accounting is applied	4,353	4,353	—
Total Derivative Transactions	<u>\$ 4,322</u>	<u>\$ 4,322</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 ¥2,439 million (\$18,269 thousand) and ¥2,145 million of long-term loans payable within 1 year for the years ended March 31, 2023 and 2022.

(\*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, 2023 and 2022 were as follows. The following "Investments in capital" is not subject to market value disclosure because they are investments in a partnership whose equity equivalent is recorded net on the consolidated balance sheet.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Shares of subsidiaries and associates	¥ 6,156	¥ 5,038	\$ 46,103
Investments in capital of subsidiaries and associates	641	347	4,804
Unlisted equity securities	5,249	6,762	39,311
Investments in capital	19	21	144

(\*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, 2023 and 2022 were as follows:

	Millions of yen			
	March 31, 2023			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and time deposits	¥ 36,353	¥ —	¥ —	¥ —
Notes receivable - trade	23,247	—	—	—
Accounts receivable - trade	153,481	158	—	—
Available-for-sale securities				
Bonds	—	19	—	—
Others	—	—	—	—
Long-term loans receivable	—	1,148	90	84
Total	<u>¥ 213,082</u>	<u>¥ 1,326</u>	<u>¥ 90</u>	<u>¥ 84</u>

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	¥ 219,962	¥ 1,272	¥ 314	¥ 0

Thousands of U.S. dollars				
March 31, 2023				
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and time deposits	\$ 272,251	\$ —	\$ —	\$ —
Notes receivable - trade	174,099	—	—	—
Accounts receivable - trade	1,149,415	1,188	—	—
Available-for-sale securities				
Bonds	—	148	—	—
Others	—	—	—	—
Long-term loans receivable	—	8,600	677	632
Total	\$ 1,595,765	\$ 9,937	\$ 677	\$ 632

(b) Short-term loans payable and long-term loans payable with maturities at March 31, 2023 and 2022 were as follows:

Millions of yen				
March 31, 2023				
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Short-term loans payable	¥ 47,034	¥ —	¥ —	¥ —
Long-term loans payable	2,439	3,622	4,173	—
Bonds payable	—	7,500	—	—
Total	¥ 49,474	¥ 11,122	¥ 4,173	¥ —

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	—
Bonds payable	—	—	—	—
Total	¥ 58,657	¥ 5,748	¥ 132	¥ —

Thousands of U.S. dollars				
March 31, 2023				
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Short-term loans payable	\$ 352,241	\$ —	\$ —	\$ —
Long-term loans payable	18,269	27,127	31,251	—
Bonds payable	—	56,167	—	—
Total	\$ 370,510	\$ 83,294	\$ 31,251	\$ —

(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, 2023			
	Level 1	Level 2	Level 3	Total
Securities and investment securities	¥	¥	¥	¥
Available-for-sale securities	20,754	—	—	20,754
Bonds	—	—	19	19
Derivative transactions				
Derivative transactions for which hedge accounting is not applied	—	(4)	—	(4)
Derivative transactions for which hedge accounting is applied	—	581	—	581
Total	¥ 20,754	¥ 577	¥ 19	¥ 21,351

	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
Bonds	—	—	—	—
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, 2023			
	Level 1	Level 2	Level 3	Total
Securities and investment securities	\$	\$	\$	\$
Available-for-sale securities	155,428	—	—	155,428
Bonds	—	—	148	148
Derivative transactions				
Derivative transactions for which hedge accounting is not applied	—	(30)	—	(30)
Derivative transactions for which hedge accounting is applied	—	4,353	—	4,353
Total	\$ 155,428	\$ 4,322	\$ 148	\$ 159,899

	Millions of yen			
	March 31, 2023			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	¥ —	¥ 1,157	¥ —	¥ 1,157
Long-term loans payable	—	—	10,219	10,219
Bonds payable	—	—	7,522	7,522

	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
Bonds payable	—	—	—	—

	Thousands of U.S. dollars			
	March 31, 2023			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	\$ —	\$ 8,665	\$ —	\$ 8,665
Long-term loans payable	—	—	76,535	76,535
Bonds payable	—	—	56,332	56,332

(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) Bonds payable

Bonds payable are classified as Level 3 because the fair value is measured using the discounted present value method based on the interest rates that would be assumed if similar new issues were made.

(5) 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.

(b) Level 3 fair value information for financial instruments whose fair values are recorded on the consolidated balance sheet

Notes omitted due to lack of significance.



## 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, 2023 and 2022 were as follows:

	Number of shares			
	Year ended March 31, 2023			
	April 1, 2022	Increase	Decrease	March 31, 2023
Common stock	60,799,227	—	3,685,100	57,114,127

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, 2023.

	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.

## 17. Treasury stock

The change in treasury stock for the years ended March 31, 2023 and 2022 were as follows:

	Number of shares			
	Year ended March 31, 2023			
	April 1, 2022	Increase	Decrease	March 31, 2023
Treasury stock	3,682,139	1,474,906	3,873,000	1,284,045

- Treasury stock at the end of the current consolidated fiscal year included 266,400 shares of the Company owned by the Board Benefit Trust (BBT) for the year ended March 31, 2023.
- The increase in treasury stock consists of 1,035,000 shares from the purchase of shares by resolution of the Board of Directors, 259,824 shares due to the ownership of an equity-method affiliate, 180,000 shares due to the additional contribution of Board Benefit Trust (BBT) pursuant to a resolution of the Board of Directors and an increase of 82 shares from the purchase of shares of less than one voting unit for the year ended March 31, 2023.
- The decrease in treasury stock consists of 3,685,100 shares from the cancellation of treasury stock by resolution of the Board of Directors, 180,000 shares from the disposal of treasury stock through a third-party allotment in accordance with the additional contribution of the Board Benefit Trust (BBT) pursuant to a resolution of the Board of Directors, 7,900 shares from the payment of due to the Board Benefit Trust (BBT) for the year ended March 31, 2023.

	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

- 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) for the year ended March 31, 2022.
- 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.
- 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.

## 18. Related party disclosures

The Company is an affiliate of SUMITOMO CHEMICAL COMPANY, LIMITED, which owned 25.0% and 24.5% of the Company's voting shares at March 31, 2023 and 2022, 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, 2023 and 2022, respectively.

(a) Significant transactions with related parties for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
<b>SUMITOMO CHEMICAL COMPANY, LIMITED</b>			
Net sales	¥ 4,879	¥ 8,933	\$ 36,545
Purchases	16,767	14,752	125,567
Notes and accounts receivable - trade	—	—	—
Accounts receivable - trade	1,604	3,482	12,015
Notes and accounts payable - trade	3,868	3,610	28,972
Pledges of investment securities	4,592	6,849	34,394
<b>SUMIKA TECHNOLOGY CO., LTD.</b>			
Net sales	¥ 11,485	¥ 14,802	\$ 86,012
Accounts receivable - trade	5,344	5,514	40,025

(b) The consolidated subsidiaries' significant transactions with related parties for the years ended March 31, 2023 and 2022 were as follows:

There were no significant transactions at March 31, 2023 and 2022.

## 19. Contingent liabilities

At March 31, 2023 and 2022, the Company and its consolidated subsidiaries were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Discounted notes receivables	¥ 328	¥ 368	\$ 2,459
Guarantees for loans of customers and others	972	572	7,283
Total	¥ 1,300	¥ 941	\$ 9,742

## 20. Subsequent events

### (Cash dividends)

At the meeting of the Board of Directors of the Company held on May 10, 2023 and May 10, 2022, an appropriation of nonconsolidated retained earnings for the years ended March 31, 2023 and 2022 were duly approved as follows:

	Millions of yen		Thousands of
	2023	2022	U.S. dollars
Cash dividends - ¥65.00 (\$0.49) per share	¥ 3,675	¥ 4,592	\$ 27,526

Note: Total dividends of ¥3,675 million (\$27,526 thousand) and ¥4,592 million for the years ended March 31, 2023 and 2022, 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 ¥17 million (\$129 thousand) and ¥7 million.