

2024

INABATA

Financial
Statements



Independent Auditor's Report

Inabata & Co., Ltd. and consolidated subsidiaries

For the Years ended March 31,
2024 and 2023

KPMG AZSA LLC
July 2024

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Independent auditor's report

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

Opinion

We have audited the accompanying consolidated financial statements of Inabata & Co., Ltd. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2024 and 2023, 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, 2024 and 2023, 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, Electronically recorded monetary claims – operating and Accounts receivable – trade (hereinafter referred to as “trade receivables”) of ¥206,463 million were recognized in the consolidated balance sheet of Inabata & Co., Ltd. (the “Company”) and its consolidated	The primary procedures we performed to assess the reasonableness of the valuation of allowance for doubtful accounts on trade receivables included the following: (1) Internal control testing

subsidiaries (collectively referred to as the “Group”), representing approximately 48% of total assets. Allowance for doubtful accounts of ¥475 million included in current assets was mostly on trade receivables. In addition, other assets of ¥9,169 million and allowance for doubtful accounts of ¥6,131 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 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.

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

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in “Audit remuneration” included in “4.Additional Information” of the Annual Report.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 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 29, 2024

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, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
<u>ASSETS</u>			
Current assets:			
Cash and time deposits (Notes 8, 12 and 17)	¥ 51,310	¥ 36,353	\$ 338,885
Notes receivable - trade (Note 17)	7,792	6,693	51,465
Electronically recorded monetary claims - operating (Note 17)	23,406	16,553	154,588
Accounts receivable - trade (Note 17)	175,264	153,640	1,157,550
Merchandise and finished goods	78,286	83,097	517,050
Work in Process	1,938	802	12,800
Raw materials and supplies	4,843	4,990	31,991
Other current assets	11,639	13,623	76,872
Allowance for doubtful accounts (Note 17)	(475)	(382)	(3,139)
Total current assets	354,006	315,373	2,338,065
Property, plant and equipment:			
Land (Note 8)	4,134	3,295	27,309
Buildings and structures (Note 8)	18,439	18,491	121,786
Machinery and equipment	22,887	20,351	151,162
Construction in progress	291	210	1,923
Other property, plant and equipment	8,666	7,753	57,237
	54,419	50,104	359,419
Less accumulated depreciation	(35,794)	(33,497)	(236,407)
Property, plant and equipment, net	18,625	16,606	123,012
Investments and other assets:			
Investment securities (Notes 5, 8 and 17)	34,872	32,840	230,318
Long-term loans receivable (Note 17)	2,262	1,323	14,940
Intangible assets	3,855	2,403	25,463
Net defined benefit asset (Note 11)	9,346	8,215	61,731
Deferred tax assets (Note 7)	1,313	1,202	8,675
Other assets	9,169	7,779	60,561
Allowance for doubtful accounts (Note 17)	(6,131)	(5,300)	(40,495)
Total investments and other assets	54,688	48,464	361,196
Total assets	¥ 427,320	¥ 380,443	\$ 2,822,274

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
<u>LIABILITIES AND NET ASSETS</u>			
Current liabilities:			
Notes and accounts payable - trade (Note 17)	¥ 127,702	¥ 105,730	\$ 843,424
Short-term loans payable (Notes 10 and 17)	42,946	49,474	283,640
Income taxes payable	2,498	3,589	16,503
Accrued expenses	1,911	1,859	12,624
Provision for bonuses	1,863	1,606	12,308
Other current liabilities (Note 15)	12,315	11,273	81,339
Total current liabilities	189,238	173,534	1,249,841
Non-current liabilities:			
Bonds payable (Note 17)	7,500	7,500	49,534
Long-term loans payable (Notes 10 and 17)	12,389	7,795	81,827
Deferred tax liabilities (Note 7)	5,952	5,176	39,316
Provision for directors' retirement benefits	42	37	282
Provision for management board incentive plan trust	262	206	1,735
Provision for loss on guarantees	—	—	—
Net defined benefit liability (Note 11)	2,343	1,713	15,475
Other non-current liabilities	2,836	2,972	18,731
Total non-current liabilities	31,327	25,402	206,903
Contingent liabilities (Note 21)			
Net assets			
Shareholders' equity (Note 18)			
Common stock:			
Authorized - 200,000,000 shares			
Issued - 55,914,127 shares in 2024 and 57,114,127 shares in 2023	9,364	9,364	61,848
Capital surplus	7,177	6,718	47,407
Retained earnings (Note 22)	144,689	134,684	955,611
Treasury stock, at cost: (Note 8 and 19)			
680,789 shares in 2024 and 1,284,045 shares in 2023	(904)	(2,220)	(5,974)
Total shareholders' equity	160,327	148,546	1,058,893
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	10,289	12,805	67,960
Deferred gains (losses) on hedges	595	395	3,930
Foreign currency translation adjustments	28,541	17,187	188,507
Remeasurements of defined benefit plans	412	526	2,721
Total accumulated other comprehensive income	39,838	30,914	263,119
Non-controlling interests	6,588	2,046	43,516
Total net assets	206,754	181,507	1,365,530
Total liabilities and net assets	¥ 427,320	¥ 380,443	\$ 2,822,274

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
	¥	¥	\$
Net sales (Notes 3 and 15)	766,022	735,620	5,059,259
Cost of sales	696,734	672,745	4,601,638
Gross profit	69,288	62,874	457,620
Selling, general and administrative expenses (Note 9)	48,097	42,560	317,664
Operating income	21,190	20,314	139,956
Other income (expenses):			
Interest and dividend income	1,498	2,187	9,898
Interest expenses (Note 10)	(1,873)	(1,823)	(12,371)
Foreign exchange gains (losses)	(204)	(703)	(1,350)
Provision of allowance for doubtful accounts	(101)	(71)	(672)
Share of profit of entities accounted for using equity method	311	(1,065)	2,054
Loss on retirement of non-current assets	(543)	—	(3,587)
Gain on sales of non-current assets	285	—	1,882
Gain on sales of investment securities	3,765	8,661	24,869
Loss on valuation of investment securities	(69)	(250)	(457)
Gain on bargain purchase (Note 14)	3,419	—	22,585
Loss on step acquisitions (Note 14)	(225)	—	(1,490)
Other, net	572	286	3,782
Income before income taxes	28,025	27,522	185,099
Income taxes (Note 7)			
Income taxes - current	6,883	7,569	45,460
Income taxes - deferred	450	405	2,976
Net income	20,692	19,547	136,662
Net income attributable to non-controlling interests	691	69	4,570
Net income attributable to owners of parent	¥ 20,000	¥ 19,478	\$ 132,092
Amounts per share:			
	Yen		U.S. dollars (Note 1)
	2024	2023	2024
Basic net income per share	¥ 362.17	¥ 343.31	\$ 2.39
Cash dividends per share applicable to the year	120.00	115.00	0.79

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Net income	¥ 20,692	¥ 19,547	\$ 136,662
Other comprehensive income (Note 13):			
Valuation difference on available-for-sale securities	(2,164)	(9,873)	(14,295)
Deferred gains (losses) on hedges	195	(12)	1,293
Foreign currency translation adjustment	11,313	5,351	74,718
Remeasurements of defined benefit plans, net of tax	(103)	14	(681)
Share of other comprehensive income of entities accounted for using equity method	88	102	581
Total other comprehensive income	<u>9,329</u>	<u>(4,417)</u>	<u>61,616</u>
Comprehensive income	<u>¥ 30,021</u>	<u>¥ 15,129</u>	<u>\$ 198,279</u>
Comprehensive income attributable to:			
Owners of parent	¥ 28,924	¥ 15,025	\$ 191,033
Non-controlling interests	1,097	104	7,245

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years ended March 31, 2024 and 2023

	Millions of yen			
	2024			
	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Treasury stock
Balance at April 1, 2023	¥ 9,364	¥ 6,718	¥ 134,684	¥ (2,220)
Net income attributable to owners of parent	—	—	20,000	—
Dividends of surplus	—	—	(6,658)	—
Purchase of treasury stock	—	—	—	(2,230)
Retirement of treasury stock	—	—	(3,337)	3,337
Disposal of treasury stock	—	584	—	304
Change in scope of consolidation	—	—	—	(283)
Change in scope of equity method	—	—	—	188
Purchase of shares of consolidated subsidiaries	—	(124)	—	—
Net changes in items other than shareholders' equity	—	—	—	—
Balance at March 31, 2024	¥ 9,364	¥ 7,177	¥ 144,689	¥ (904)

See accompanying Notes to Consolidated Financial Statements.

Millions of yen							
2024							
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, 2023	¥ 12,805	¥ 395	¥ 17,187	¥ 526	¥ 2,046	¥ 181,507	
Net income attributable to owners of parent	—	—	—	—	—	20,000	
Dividends of surplus	—	—	—	—	—	(6,658)	
Purchase of treasury stock	—	—	—	—	—	(2,230)	
Retirement of treasury stock	—	—	—	—	—	—	
Disposal of treasury stock	—	—	—	—	—	889	
Change in scope of consolidation	—	—	—	—	—	(283)	
Change in scope of equity method	—	—	—	—	—	188	
Purchase of shares of consolidated subsidiaries	—	—	—	—	—	(124)	
Net changes in items other than shareholders' equity	(2,515)	200	11,354	(114)	4,542	13,467	
Balance at March 31, 2024	¥ 10,289	¥ 595	¥ 28,541	¥ 412	¥ 6,588	¥ 206,754	

See accompanying Notes to Consolidated Financial Statements.

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)

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.

Thousands of U.S. dollars (Note 1)

	2024			
	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Treasury stock
Balance at April 1, 2023	\$ 61,848	\$ 44,370	\$ 889,532	\$ (14,664)
Net income attributable to owners of parent	—	—	132,092	—
Dividends of surplus	—	—	(43,973)	—
Purchase of treasury stock	—	—	—	(14,729)
Retirement of treasury stock	—	—	(22,039)	22,039
Disposal of treasury stock	—	3,859	—	2,013
Change in scope of consolidation	—	—	—	(1,875)
Change in scope of equity method	—	—	—	1,242
Purchase of shares of consolidated subsidiaries	—	(822)	—	—
Net changes in items other than shareholders' equity	—	—	—	—
Balance at March 31, 2024	\$ 61,848	\$ 47,407	\$ 955,611	\$ (5,974)

See accompanying Notes to Consolidated Financial Statements.

Thousands of U.S. dollars (Note 1)

	2024					
	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, 2023	\$ 84,575	\$ 2,609	\$ 113,518	\$ 3,475	\$ 13,513	\$ 1,198,778
Net income attributable to owners of parent	—	—	—	—	—	132,092
Dividends of surplus	—	—	—	—	—	(43,973)
Purchase of treasury stock	—	—	—	—	—	(14,729)
Retirement of treasury stock	—	—	—	—	—	—
Disposal of treasury stock	—	—	—	—	—	5,872
Change in scope of consolidation	—	—	—	—	—	(1,875)
Change in scope of equity method	—	—	—	—	—	1,242
Purchase of shares of consolidated subsidiaries	—	—	—	—	—	(822)
Net changes in items other than shareholders' equity	(16,614)	1,321	74,988	(753)	30,003	88,945
Balance at March 31, 2024	\$ 67,960	\$ 3,930	\$ 188,507	\$ 2,721	\$ 43,516	\$ 1,365,530

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Cash flows from operating activities:			
Income before income taxes	¥ 28,025	¥ 27,522	\$ 185,099
Adjustments to reconcile income before income taxes to cash provided by operating activities:			
Depreciation and amortization	3,743	3,532	24,725
Increase (decrease) in allowance for doubtful accounts	(139)	(42)	(921)
Interest and dividend income	(1,498)	(2,187)	(9,898)
Interest expenses	1,873	1,823	12,371
Share of (profit) loss of entities accounted for using equity method	(311)	1,065	(2,054)
Loss (gain) on step acquisitions	225	—	1,490
Gain on bargain purchase	(3,419)	—	(22,585)
Loss on retirement of non-current assets	42	—	283
Gain on sales of non-current assets	(285)	—	(1,882)
Loss (gain) on valuation of investment securities	69	250	457
Loss (gain) on sales of investment securities	(3,765)	(8,661)	(24,869)
Decrease (increase) in notes and accounts receivable - trade	(3,861)	15,661	(25,504)
Decrease (increase) in inventories	13,608	(5,512)	89,875
Decrease (increase) in other current assets	331	2,004	2,192
Decrease (increase) in other non-current assets	8	115	56
Increase (decrease) in notes and accounts payable - trade	4,184	(15,328)	27,634
Increase (decrease) in other current liabilities	1,374	(1,242)	9,080
Increase (decrease) in retirement benefit liability	278	(8)	1,837
Decrease (increase) in retirement benefit asset	(1,197)	(1,795)	(7,911)
Other, net	(277)	446	(1,835)
Subtotal	39,009	17,623	257,640
Interest and dividend income received	1,611	2,203	10,645
Interest expenses paid	(1,886)	(1,800)	(12,461)
Income taxes paid	(8,546)	(8,111)	(56,448)
Net cash provided by (used in) operating activities	30,187	9,915	199,375

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
Years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Cash flows from investing activities:			
Payments into time deposits	¥ (4,829)	¥ (6,681)	\$ (31,899)
Proceeds from withdrawal of time deposits	6,909	7,545	45,631
Purchase of property, plant and equipment	(2,595)	(2,527)	(17,143)
Proceeds from sales of property, plant and equipment	301	34	1,993
Purchase of intangible assets	(1,864)	(423)	(12,316)
Purchase of investment securities	(2,808)	(1,424)	(18,551)
Proceeds from sales of investment securities	4,213	12,111	27,825
Purchase of shares of subsidiaries	(548)	(445)	(3,622)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(852)	—	(5,627)
Net decrease (increase) in short-term loans receivable	50	146	335
Payments of long-term loans receivable	(1,052)	(167)	(6,950)
Collection of long-term loans receivable	781	171	5,159
Other, net	(90)	(58)	(595)
Net cash provided by (used in) investing activities	(2,386)	8,278	(15,761)

See accompanying Notes to Consolidated Financial Statements.

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
Years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	¥ (13,978)	¥ (13,072)	\$ (92,323)
Proceeds from long-term loans payable	7,099	4,266	46,889
Repayments of long-term loans payable	(2,558)	(2,158)	(16,900)
Proceeds from issuance of bonds	—	7,454	—
Purchase of treasury stock	(2,245)	(3,069)	(14,829)
Proceeds from disposal of treasury shares	—	419	—
Proceeds from sale of shares of parent held by subsidiaries	1,453	—	9,596
Increase/decrease in money held in trust for acquisition of treasury stock	2,837	(2,837)	18,743
Cash dividends paid	(6,658)	(7,450)	(43,973)
Dividends paid to non-controlling interests	(19)	(35)	(129)
Proceeds from share issuance to non-controlling shareholders	1,000	—	6,604
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(124)	(326)	(822)
Other - net	(786)	(757)	(5,196)
Net cash provided by (used in) financing activities	<u>(13,981)</u>	<u>(17,568)</u>	<u>(92,342)</u>
Effect of exchange rate change on cash and cash equivalents	2,691	912	17,778
Net increase (decrease) in cash and cash equivalents	<u>16,511</u>	<u>1,538</u>	<u>109,049</u>
Cash and cash equivalents at beginning of year	<u>29,790</u>	<u>28,251</u>	<u>196,752</u>
Cash and cash equivalents at end of year (Note 12)	<u>¥ 46,301</u>	<u>¥ 29,790</u>	<u>\$ 305,801</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, 2024, which was ¥151.41 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 2023 and 2024. 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 46 (42 in 2023) 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 3 affiliates (4 in 2023) 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 mainly stated at cost determined by the moving-average method and the first-in, first-out method (the book value of the inventories is written down due to a decline in profitability).

(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) 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, 2024 and 2023.

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
	2024	2023	2024
Equity securities:			
Allowance for doubtful accounts (current assets)	¥ (475)	¥ (382)	\$ (3,139)
Allowance for doubtful accounts (non-current assets)	(6,131)	(5,300)	(40,495)

(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 respect to the outlook, the global economy is expected to continue recovering, although weakness is seen in some regions. On the other hand, uncertainties are expected to remain due to price increases, fluctuations in financial and capital markets, concerns about the outlook of the Chinese economy, and geopolitical developments in the Middle East.

(Changes in presentation method)

- Consolidated balance sheets

"Electronically recorded monetary claims -operating," which was included in "Notes receivable - trade" under "Current assets" in the previous consolidated fiscal year, is presented separately from the current consolidated fiscal year due to its increased quantitative significance. The consolidated financial statements of the previous consolidated fiscal year have been reclassified to reflect this change in presentation method.

As a result, ¥16,553 million, which was presented as "Notes receivable - trade" under "Current assets" in the consolidated balance sheets of the previous fiscal year, has been reclassified to "Electronically recorded monetary claims -operating" of ¥16,553 million.

(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 ¥562 million and the number of such treasury stock was 266,400 shares at March 31, 2023, while the carrying value of such treasury stock was ¥562 million (\$3,713 thousand) and the number of such treasury stock was 266,400 shares at March 31, 2024.

4. Additional Information

(Audit remuneration)

(1) Remuneration of the Auditor

Category	Millions of yen				Thousands of U.S. dollars	
	2024		2023		2024	
	Remuneration for audit and attestation services	Remuneration for non-audit services	Remuneration for audit and attestation services	Remuneration for non-audit services	Remuneration for audit and attestation services	Remuneration for non-audit services
The Company	¥ 87	145	79	2	\$ 576	963
Consolidated subsidiaries	—	—	—	—	—	—
Total	87	145	79	2	576	963

Remuneration for non-audit services included preparation of comfort letters related to the issuance of corporate bonds and reports required for PE TAX filing in Thailand for the years ended March 31, 2023.

Remuneration for non-audit services mainly included financial due diligence for the years ended March 31, 2024.

(2) Remuneration of the network firms to which the Auditor belongs (KPMG LLP), excluding Remuneration of the Auditor

Category	Millions of yen				Thousands of U.S. dollars	
	2024		2023		2024	
	Remuneration for audit and attestation services	Remuneration for non-audit services	Remuneration for audit and attestation services	Remuneration for non-audit services	Remuneration for audit and attestation services	Remuneration for non-audit services
The Company	¥ —	1	—	1	\$ —	7
Consolidated subsidiaries	119	7	107	16	792	50
Total	119	8	107	17	792	58

Remuneration for non-audit services mainly include consulting services related to international taxation for the years ended March 31, 2024 and 2023.

(3) Remuneration for other significant audit and attestation services

TAIWAN INABATA SANGYO CO., LTD. and INABATA AMERICA CORPORATION, which are significant consolidated subsidiaries of the Company, paid compensation to PricewaterhouseCoopers Taiwan and MAYER HOFFMAN McCANN P.C. for audit and attestation services for the years ended March 31, 2024 and 2023

5. Securities

(a) The following summarizes information on securities with fair values at March 31, 2024 and 2023.

(1) Trading securities:

At March 31, 2024 and 2023, there were no trading securities with fair market values.

(2) Available-for-sale securities at March 31, 2024 and 2023:

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Equity securities:			
Acquisition costs	¥ 4,836	¥ 4,227	\$ 31,946
Book values	21,441	20,529	141,611
Differences	¥ 16,604	¥ 16,301	\$ 109,665
Bonds:			
Acquisition costs	¥ —	¥ —	\$ —
Book values	—	—	—
Differences	¥ —	¥ —	\$ —
Others:			
Acquisition costs	¥ 102	¥ —	\$ 675
Book values	114	—	758
Differences	¥ 12	¥ —	\$ 82

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Equity securities:			
Acquisition costs	¥ 640	¥ 378	\$ 4,231
Book values	425	225	2,813
Differences	¥ (214)	¥ (153)	\$ (1,418)
Bonds:			
Acquisition costs	¥ 20	¥ 20	\$ 132
Book values	19	19	131
Differences	¥ (0)	¥ (0)	\$ (0)
Others:			
Acquisition costs	¥ —	¥ —	\$ —
Book values	—	—	—
Differences	¥ —	¥ —	\$ —

Unlisted equity securities in amount of ¥8,121 million (\$53,637 thousand) and ¥5,268 million at March 31, 2024 and 2023, 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, 2024 and 2023:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Total sales of available-for-sale securities:	¥ 4,213	¥ 11,946	\$ 27,825
Amount of related gains	3,401	8,661	22,467
Amount of related losses	2	35	17

(c) The loss on valuation of investment securities at March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of
	2024	2023	U.S. dollars
Loss on valuation of investment securities	¥ 69	¥ 250	\$ 457

The Companies recognize impairment loss, at the end of the period, when 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.

6. Derivatives

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

(1) Currency related

		Millions of yen			
		March 31, 2024			
Classification	Type of derivative transaction	Contracted amount	Contracted amount over 1 year	Fair Value	Recognized gains (losses)
	Forward foreign exchange contracts:				
	Selling:				
Non-market transaction	U.S. dollars	12	—	(0)	(0)
	Buying:				
	Japanese yen	509	—	(24)	(24)
	Total	<u>¥ 522</u>	<u>¥ —</u>	<u>¥ (24)</u>	<u>¥ (24)</u>

		Millions of yen			
		March 31, 2023			
Classification	Type of derivative transaction	Contracted amount	Contracted amount over 1 year	Fair Value	Recognized gains (losses)
	Forward foreign exchange contracts:				
	Buying:				
Non-market transaction	Japanese yen	405	—	(4)	(4)
	Total	<u>¥ 405</u>	<u>¥ —</u>	<u>¥ (4)</u>	<u>¥ (4)</u>

		Thousands of U.S. dollars			
		March 31, 2024			
Classification	Type of derivative transaction	Contracted amount	Contracted amount over 1 year	Fair Value	Recognized gains (losses)
	Forward foreign exchange contracts:				
	Selling:				
Non-market transaction	U.S. dollars	85	—	(0)	(0)
	Buying:				
	Japanese yen	3,364	—	(162)	(162)
	Total	<u>\$ 3,450</u>	<u>\$ —</u>	<u>\$ (162)</u>	<u>\$ (162)</u>

(2) Interest rate related

There were no interest rate related derivative transactions at March 31, 2024 and 2023.

(3) Stock related

There were no stock related derivative transactions at March 31, 2024 and 2023.

(b) Derivative transactions for which hedge accounting is applied

(1) Currency related

		Millions of yen			
		March 31, 2024			
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		¥ 1,528	¥ —	¥ (35)
	Euro	Accounts receivable	168	—	(5)
	China yuan		363	—	(11)
Deferral hedge accounting (*1)	Thai baht	- trade	51	—	0
	Buying:				
	U.S. dollars		6,322	2,121	917
	Euro	Accounts payable	477	—	5
	China yuan		165	—	8
	Thai baht	- trade	616	—	6
	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars		¥ 3,773	¥ —	
	G.B. pound		146	—	
	Euro	Accounts receivable	231	—	
Allocation method for forward foreign exchange contracts, etc.	China yuan		581	—	
	Thai baht	- trade	68	—	
	New Zealand dollars		63	—	(*1)
	Buying:				
	U.S. dollars		2,934	—	
	G.B. pound	Accounts payable	42	—	
	Euro		200	—	
	China yuan	- trade	44	—	
	Thai baht		61	—	
	Total		<u>¥ 17,840</u>	<u>¥ 2,121</u>	<u>¥ 885</u>

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

		Thousands of U.S. dollars			
		March 31, 2024			
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		\$ 10,095	\$ —	\$ (237)
	Euro		1,111	—	(33)
	China yuan		2,399	—	(73)
Deferral hedge accounting	Thai baht		341	—	0
	Buying:				
	U.S. dollars		41,757	14,010	6,062
	Euro	Accounts payable	3,152	—	33
	China yuan		1,090	—	57
	Thai baht	- trade	4,072	—	40
	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars		\$ 24,923	\$ —	
	G.B. pound		969	—	
	Euro	Accounts receivable	1,529	—	
Allocation method for forward foreign exchange contracts, etc.	China yuan		3,839	—	
	Thai baht	- trade	449	—	
	New Zealand dollars		420	—	(*1)
	Buying:				
	U.S. dollars		19,379	—	
	G.B. pound	Accounts payable	278	—	
	Euro		1,323	—	
	China yuan	- trade	291	—	
	Thai baht		405	—	
	Total		<u>\$ 117,832</u>	<u>\$ 14,010</u>	<u>\$ 5,851</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, 2024			
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)
	Total		¥ 1,000	—	—
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		¥ 1,000	1,000	—
Thousands of U.S. dollars					
March 31, 2024					
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	6,604	—	(*1)
	Total		\$ 6,604	—	—

(*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 17, "Financial instruments" respectively.

7. 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, 2024 and 2023, respectively.

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

	2024	2023
Statutory tax rate	30.6%	30.6%
Share of (profit) loss of entities accounted for using equity method	(0.3)	1.2
Expenses not deductible for income tax purposes	0.7	1.3
Dividends and other income deductible for income tax purposes	(7.2)	(3.9)
Net adjustment resulting from elimination of dividend income	6.7	3.7
Unrealized tax benefits, such as those net operating losses carried forward for consolidated subsidiaries	0.1	(0.2)
Unrealized tax benefits related to allowance for doubtful accounts	0.0	(0.1)
Gain on bargain purchase	(3.7)	—
Loss on step acquisitions	0.2	—
Expenses related to stock acquisition	0.6	—
Different tax rates applied at foreign subsidiaries	(3.3)	(3.9)
Income taxes for prior periods	0.6	0.0
Foreign withholding tax	1.4	0.4
Other, net	(0.2)	(0.1)
Effective tax rate	<u>26.2%</u>	<u>29.0%</u>

- (b) Significant components of the Companies' deferred tax assets and liabilities at March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Deferred tax assets:			
Allowance for doubtful accounts	¥ 448	¥ 438	\$ 2,962
Loss carryforwards	3,096	2,718	20,452
Net defined benefit liability	1,122	971	7,414
Directors' retirement benefits	106	87	701
Unrealized profit on inventories	380	405	2,513
Unrealized profit on property, plant and equipment	240	277	1,587
Depreciation	288	307	1,906
Write-down of golf club memberships	12	11	81
Write-down of investment securities	331	360	2,189
Write-down of inventories	164	115	1,088
Provision for bonuses	461	389	3,046
Enterprise taxes payable	137	155	906
Other	1,186	1,070	7,838
Total deferred tax assets	<u>7,977</u>	<u>7,309</u>	<u>52,689</u>
Valuation allowance	(4,235)	(3,843)	(27,970)
Net deferred tax assets	<u>3,742</u>	<u>3,465</u>	<u>24,718</u>
Deferred tax liabilities:			
Gain on securities contributed to employee retirement benefit trust	(661)	(661)	(4,369)
Net defined benefit asset	(2,256)	(1,967)	(14,901)
Valuation difference on available-for-sale securities	(4,803)	(4,378)	(31,723)
Other	(660)	(432)	(4,364)
Total deferred tax liabilities	<u>(8,382)</u>	<u>(7,439)</u>	<u>(55,359)</u>
Net deferred tax liabilities	<u>¥ (4,639)</u>	<u>¥ (3,974)</u>	<u>\$ (30,641)</u>

8. Pledged assets

At March 31, 2024 and 2023, the following assets were pledged as security for trading transactions:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Investment securities	¥ 3,681	¥ 4,634	\$ 24,313
Treasury shares	44	—	295
Land	19	—	127
Cash and deposits	18	—	118
Buildings and structures	14	—	93
Total	¥ 3,777	¥ 4,634	\$ 24,949

9. Research and development expenses

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Research and development expenses	¥ 53	¥ 55	\$ 353

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

Short-term loans payable at March 31, 2024 and 2023 consisted of bank loans bearing interest at average annual rates of 2.09% and 3.61%, respectively. Long-term loans payable due within one year at March 31, 2024 and 2023 consisted of bank loans bearing interest at average annual rates of 0.92% and 0.87%, respectively.

(a) Long-term loans payable at March 31, 2024 and 2023 consisted of the follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Unsecured loans from banks and insurance companies	¥ 14,881	¥ 10,234	\$ 98,289
Less amounts due within one year	(2,492)	(2,439)	(16,462)
Total	¥ 12,389	¥ 7,795	\$ 81,827

(b) The aggregate annual maturities of long-term loans payable at March 31, 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024		2024
2025	¥ 1,038		\$ 6,857
2026		2,538	16,764
2027		38	252
2028		2,639	17,434
2029 and thereafter		6,134	40,517
Total	¥ 12,389		\$ 81,827

(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, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Multi currency lines of credit	¥ 30,282	¥ 26,706	\$ 200,000
Credit utilized	—	—	—

11. Retirement and pension plans

(a) Defined benefit pension plans

(1) The change in the retirement benefit obligation for the years ended March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Balance at the beginning of the year	¥ 8,492	¥ 9,675	\$ 56,089
Service cost	584	369	3,862
Interest cost	118	65	781
Actuarial differences	(47)	(1,129)	(312)
Prior service cost	—	(211)	—
Retirement benefits paid	(346)	(349)	(2,290)
Increase due to a change in the scope of consolidation	479	—	3,169
Others	106	73	703
Balance at the end of the year	¥ 9,387	¥ 8,492	\$ 62,002

(2) The change in plan assets for the years ended March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Balance at the beginning of the year	¥ 14,993	¥ 14,441	\$ 99,028
Expected return on plan assets	389	356	2,573
Actuarial differences	(82)	(1,220)	(543)
Contributions by the Company and its consolidated subsidiaries	959	1,674	6,335
Retirement benefits paid	(215)	(260)	(1,422)
Increase due to a change in the scope of consolidation	340	—	2,248
Others	5	2	38
Balance at the end of the year	¥ 16,391	¥ 14,993	\$ 108,258

(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
	2024	2023	2024
Funded projected benefit obligations	¥ 7,369	¥ 6,907	\$ 48,672
Plan assets	(16,391)	(14,993)	(108,258)
Subtotal	(9,021)	(8,086)	(59,585)
Unfunded projected benefit obligations	2,018	1,585	13,329
Net amount of liability and asset in consolidated balance sheet	(7,003)	(6,501)	(46,255)
Liabilities (net defined benefit liability)	2,343	1,713	15,475
Assets (net defined benefit asset)	(9,346)	(8,215)	(61,731)
Net amount of liability and asset in consolidated balance sheet	¥ (7,003)	¥ (6,501)	\$ (46,255)

(4) The components of retirement benefit expense for the years ended March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Service cost	¥ 584	¥ 369	\$ 3,862
Interest cost	118	65	781
Expected return on plan assets	(389)	(356)	(2,573)
Amortization of actuarial differences	(95)	(89)	(630)
Amortization of prior service cost	(15)	(11)	(99)
Retirement benefit expense	¥ 202	¥ (22)	\$ 1,339

Actuarial differences and prior service cost included in other comprehensive income for the years ended March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Prior service cost	¥ (15)	¥ 200	\$ (99)
Actuarial differences	(130)	(179)	(860)
Total	¥ (145)	¥ 21	\$ (960)

(5) Unrecognized actuarial differences and unrecognized prior service cost included in accumulated other comprehensive income at March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Unrecognized prior service cost	¥ (185)	¥ (200)	\$ (1,224)
Unrecognized actuarial differences	(422)	(552)	(2,791)
Total	¥ (607)	¥ (753)	\$ (4,015)

(6) The allocation of plan assets by major category as a percentage of total plan assets at the fair value at March 31, 2024 and 2023 were as follows:

	2024	2023
Bonds	48.0%	42.4%
Equity securities	33.0	33.1
Cash and time deposits	6.1	11.7
Alternative	12.5	12.5
Others	0.4	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 (17.1% at March 31, 2024 and 21.6% at March 31, 2023).

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

	2024	2023
Discount rate (mainly)	1.0%	1.0%
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, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Contribution to defined contribution pension plans by the Company and its consolidated subsidiaries	¥ 150	¥ 102	\$ 993

12. Cash and cash equivalents

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, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Cash and time deposits	¥ 51,310	¥ 36,353	\$ 338,885
Time deposits with maturities of more three months	(5,074)	(6,563)	(33,513)
Marketable Securities (MRF and MMF)	64	—	429
Cash and cash equivalents	¥ 46,301	¥ 29,790	\$ 305,801

Major breakdown of assets and liabilities of the companies that were newly consolidated in the current consolidated fiscal year due to the acquisition of its shares

Breakdown of assets and liabilities of Maruishi Chemical Trading Co., Ltd. and Maruishi Techno Co., Ltd. at the time of its consolidation due to the acquisition of their shares and the relationship between the acquisition cost and the expenditure for the acquisition of the shares (net amounts) are as follows.

	Millions of yen	Thousands of U.S. dollars
	2024	2024
Current assets	¥ 16,735	\$ 110,529
Non-current assets	6,700	44,251
Current liabilities	(13,058)	(86,244)
Non-current liabilities	(1,543)	(10,195)
Gain on bargain purchase	(3,047)	(20,128)
Minority interests	(2,563)	(16,930)
Acquisition cost of the shares	3,222	21,281
Equity method recognized at acquisition of control	(2,429)	(16,045)
Loss (gain) on step acquisitions	225	1,490
Cash and cash equivalents	(552)	(3,649)
Difference: purchase of shares	¥ 466	\$ 3,077

The breakdown of assets and liabilities of the other company that was newly consolidated in the current consolidated fiscal year due to the acquisition of shares is omitted due to its immateriality.

In addition, expenses of ¥386 million (\$2,549 thousand) related to the acquisition of shares of Daigo Tsusho Co., Ltd., which was newly consolidated in the current consolidated fiscal year, are included in the amount of “Payments for acquisition of shares of subsidiaries resulting in a change in the scope of consolidation” in the consolidated statements of cash flows.

13. 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, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	¥ 1,517	¥ (5,236)	\$ 10,019
Reclassification adjustments	(3,350)	(8,661)	(22,126)
Amount before tax effect	(1,833)	(13,898)	(12,106)
Tax effect	(331)	4,025	(2,189)
Subtotal, net of tax effect	(2,164)	(9,873)	(14,295)
Deferred gains (losses) on hedges:			
Increase (decrease) during the year	544	214	3,595
Reclassification adjustments	(255)	(234)	(1,685)
Amount before tax effect	289	(19)	1,910
Tax effect	(93)	6	(616)
Subtotal, net of tax effect	195	(12)	1,293
Foreign currency translation adjustment:			
Increase (decrease) during the year	11,313	5,166	74,718
Reclassification adjustments	—	184	—
Amount before tax effect	11,313	5,351	74,718
Tax effect	—	—	—
Subtotal, net of tax effect	11,313	5,351	74,718
Remeasurements of defined benefit plans, net of tax:			
Increase (decrease) during the year	(77)	161	(514)
Reclassification adjustments	(67)	(140)	(446)
Amount before tax effect	(145)	21	(960)
Tax effect	42	(6)	278
Subtotal, net of tax effect	(103)	14	(681)
Share of other comprehensive income of entities accounted for using equity method:			
Increase (decrease) during the year	88	102	581
Reclassification adjustments	—	—	—
Subtotal	88	102	581
Total other comprehensive income	¥ 9,329	¥ (4,417)	\$ 61,616

14. Business Combination

Business combination through acquisition

(1) Outline of the business combination

(i) Name and main business of the acquiree

Name of the acquiree

Maruishi Chemical Trading Co., Ltd.

Business description

Sales, import and export of industrial chemicals, synthetic resins, synthetic rubbers, rubber chemicals, paints, dyes, water treatment chemicals, other chemical products and machinery and equipment, and design and execution of construction, painting, waterproofing and machinery installation work

(ii) Main reason to the business combination

The Company aims to achieve its long-term vision "IK Vision 2030," the ideal vision by around 2030.

As a result, the Company is promoting "New Challenge 2023," a 3-year medium-term management plan ended on March 31, 2024. The Company is continuously upgrading the trading company function, which is the foundation of the Company.

At the same time, the Company is investing in business fields and domains where the Group's strengths can be leveraged.

By acquiring the shares of the company and making it a subsidiary, the Company believes that it will contribute to further strengthening the trading company function by incorporating personnel with advanced expertise, mainly in the chemicals field, into the Group. The Company's information gathering capabilities and excellent customer base, which it has cultivated over its more than 100 year history, will contribute to further strengthening of trading company function.

(iii) Date of business combination

April 1, 2023

(iv) Legal form of business combination

Share acquisition

(v) Name of the acquiree after the business combination

There is no change

(vi) Ratio of voting rights acquired

Immediately before acquisition: 47.03%

Additional acquisition: 23.95%

After acquisition: 70.98%

(vii) Main grounds for determining the acquirer

The Company acquired the shares in exchange for cash

(2) Period for which the operations of the acquiree are included in the consolidated financial statements

From April 1, 2023 to March 31, 2024

(3) Breakdown of acquisition cost and type of consideration for the acquiree

Market value of the acquiree's shares held immediately prior to the business combination as of the business combination date: ¥2,203 million (\$14,554 thousand)

Consideration for the acquisition of additional common shares acquired

On the date of the business combination (cash): ¥1,018 million (\$6,727 thousand)

Acquisition cost: ¥3,222 million (\$21,281 thousand)

(4) Description and amounts of major acquisition related expenses

Advisory fees and commissions, etc.: ¥52 million (\$344 thousand)

(5) Description and amounts of Loss (gain) on step acquisitions

Loss (gain) on step acquisitions: ¥225 million (\$1,490 thousand)

(6) Amount of Gain on bargain purchase, reason

(i) Amount of Gain on bargain purchase

¥3,047 million (\$20,128 thousand)

(ii) Reason

As the fair value of the net assets of the acquired company at the time of the business combination exceeded the acquisition cost, the difference is recognized as Gain on bargain purchase.

(7) Amounts of the assets acquired and the liabilities assumed on the business combination date and their major details

	Millions of yen	Thousands of U.S. dollars
	2024	2024
Current assets	¥ 16,735	\$ 110,529
Non-current assets	6,700	44,251
Total assets	23,435	154,781
Current liabilities	13,058	86,244
Non-current liabilities	1,543	10,195
Total liabilities	¥ 14,601	\$ 96,439

(8) Estimated impact on the consolidated statement of income for the year ended March 31, 2024 assuming the business combination had been completed at the beginning of the year ended March 31, 2024 and its method of calculation.

There was no impact because the acquisition date was the beginning of the current fiscal year.

15. Revenue recognition

(a) Breakdown of revenue from contracts with customers

Millions of yen							
Year ended March 31, 2024							
	IT & Electronics	Chemicals	Life Industry	Plastics	Total	Others (*1)	Consolidated
Japan	¥ 81,171	86,582	40,637	135,519	343,911	—	343,911
Southeast Asia	19,454	13,545	244	147,798	181,042	—	181,042
Northeast Asia	110,201	5,186	2,128	57,874	175,391	—	175,391
The Americas	15,164	5,130	8,252	17,075	45,623	—	45,623
Europe	13,122	2,212	2,334	2,202	19,871	—	19,871
Revenue from Contracts with Customers (*2)	239,114	112,657	53,597	360,471	765,840	—	765,840
Other income (loss)	—	—	—	—	—	181	181
Sales to external customers	¥ 239,114	112,657	53,597	360,471	765,840	181	766,022

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

Thousands of U.S. dollars							
Year ended March 31, 2024							
	IT & Electronics	Chemicals	Life Industry	Plastics	Total	Others (*1)	Consolidated
Japan	\$ 536,106	571,842	268,390	895,050	2,271,390	—	2,271,390
Southeast Asia	128,488	89,463	1,614	976,146	1,195,713	—	1,195,713
Northeast Asia	727,832	34,254	14,060	382,238	1,158,385	—	1,158,385
The Americas	100,156	33,888	54,505	112,776	301,326	—	301,326
Europe	86,665	14,609	15,419	14,549	131,243	—	131,243
Revenue from Contracts with Customers (*2)	1,579,249	744,058	353,989	2,380,761	5,058,058	—	5,058,058
Other income (loss)	—	—	—	—	—	1,200	1,200
Sales to external customers	\$ 1,579,249	744,058	353,989	2,380,761	5,058,058	1,200	5,059,259

(*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
	2024	2023	2024
Accounts receivables arising from contracts with customers (Beginning balance)	¥ 176,887	¥ 184,698	\$ 1,168,268
Accounts receivables arising from contracts with customers (Ending balance)	206,463	176,887	1,363,603
Contract liabilities (Beginning balance)	2,798	3,818	18,485
Contract liabilities (Ending balance)	3,455	2,798	22,824

Contract liabilities are mainly the consideration received from customers before delivery of goods and are included in "Other current liabilities" 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 ¥2,323 million (\$15,348 thousand) and ¥3,807 million at March 31, 2024, and 2023, 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.

16. 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, 2024 and 2023 were as follows:

		Millions of yen						
		Year ended March 31, 2024						
		IT & Electronics	Chemicals	Life Industry	Plastics	Others	Elimination & Corporate	Consolidated
Net sales:								
Outside customers	¥	239,114	112,657	53,597	360,471	181	—	766,022
Intersegment		—	—	—	—	—	—	—
Total		239,114	112,657	53,597	360,471	181	—	766,022
Segment income	¥	6,904	2,788	1,480	9,879	137	—	21,190
Total assets	¥	108,714	62,224	33,182	184,773	350	38,075	427,320
Depreciation and amortization								
Depreciation and amortization	¥	590	451	302	2,400	—	—	3,743
Amortization of goodwill								
Amortization of goodwill		—	—	—	1	—	—	1
Investments in equity method affiliates								
Investments in equity method affiliates		1,141	—	—	1,201	—	—	2,342
Increases in tangible and intangible assets								
Increases in tangible and intangible assets	¥	142	244	475	1,697	—	1,900	4,460
		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 subsidiary and affiliates								
Investments in equity method subsidiary and 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

Thousands of U.S. dollars

	Year ended March 31, 2024						
	IT & Electronics	Chemicals	Life Industry	Plastics	Others	Elimination & Corporate	Consolidated
Net sales:							
Outside customers	\$ 1,579,249	744,058	353,989	2,380,761	1,200	—	5,059,259
Intersegment	—	—	—	—	—	—	—
Total	1,579,249	744,058	353,989	2,380,761	1,200	—	5,059,259
Segment income	\$ 45,602	18,416	9,779	65,250	907	—	139,956
Total assets	\$ 718,011	410,965	219,158	1,220,352	2,315	251,470	2,822,274
Depreciation and amortization	\$ 3,899	2,979	1,994	15,851	—	—	24,725
Amortization of goodwill	—	—	—	8	—	—	8
Investments in equity method affiliates	7,536	—	—	7,935	—	—	15,471
Increases in tangible and intangible assets	\$ 941	1,612	3,140	11,213	—	12,552	29,459

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 ¥38,075 million (\$251,470 thousand) and ¥39,155 million for the years ended March 31, 2024 and 2023, 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 ¥1,900 million (\$12,552 thousand) and ¥1,044 million for the years ended March 31, 2024 and 2023, 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, 2024						
Japan	Southeast Asia	Northeast Asia	The Americas	Europe	Consolidated	
¥ 307,143	¥ 189,770	¥ 210,531	¥ 39,635	¥ 18,941	¥ 766,022	

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	

Thousands of U.S. dollars						
Year ended March 31, 2024						
Japan	Southeast Asia	Northeast Asia	The Americas	Europe	Consolidated	
\$ 2,028,554	\$ 1,253,352	\$ 1,390,474	\$ 261,777	\$ 125,101	\$ 5,059,259	

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, 2024						
Japan	Southeast Asia	Northeast Asia	The Americas	Europe	Consolidated	
¥ 6,537	¥ 7,522	¥ 1,521	¥ 2,011	¥ 1,032	¥ 18,625	

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	

Thousands of U.S. dollars						
Year ended March 31, 2024						
Japan	Southeast Asia	Northeast Asia	The Americas	Europe	Consolidated	
\$ 43,175	\$ 49,684	\$ 10,050	\$ 13,283	\$ 6,817	\$ 123,012	

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

There was no impairment loss on non-current assets for the year ended March 31, 2024 and 2023.

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

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

		Millions of yen						
		Year ended March 31, 2024						
		IT & Electronics	Chemicals	Life Industry	Plastics	Others	Elimination & Corporate	Consolidated
Amortization	¥	—	—	—	1	—	—	1
Unamortized balance		—	—	—	18	—	—	18

		Thousands of U.S. dollars						
		Year ended March 31, 2024						
		IT & Electronics	Chemicals	Life Industry	Plastics	Others	Elimination & Corporate	Consolidated
Amortization	\$	—	—	—	8	—	—	8
Unamortized balance		—	—	—	123	—	—	123

17. Financial Instruments

(Fair values of financial instruments)

Book values and fair values of the financial instruments on the consolidated balance sheet at March 31, 2024 and 2023 were as follows:

	Millions of yen		
	March 31, 2024		
	Book values	Fair values	Differences
Securities and investment securities (*4)			
Available-for-sale securities	21,982	21,982	—
Bonds	19	19	—
Long-term loans receivable	2,262		
Allowance for doubtful accounts (*5)	(243)		
	2,018	1,988	(29)
Total Assets	¥ 24,020	¥ 23,990	¥ (29)
Long-term loans payable (*3)	14,881	14,876	5
Bonds payable	7,500	7,459	41
Total Liabilities	¥ 22,381	¥ 22,335	¥ 46
Derivative transactions (*6)			
Derivative transactions for which hedge accounting is not applied	¥ (24)	¥ (24)	¥ —
Derivative transactions for which hedge accounting is applied	885	885	—
Total Derivative Transactions	¥ 861	¥ 861	¥ —
	Millions of yen		
	March 31, 2023		
	Book values	Fair values	Differences
Securities and investment securities (*4)			
Available-for-sale securities	20,754	20,754	—
Bonds	19	19	—
Long-term loans receivable	1,323		
Allowance for doubtful accounts (*5)	(222)		
	1,100	1,157	56
Total Assets	¥ 21,874	¥ 21,931	¥ 56
Long-term loans payable (*3)	10,234	10,219	15
Bonds payable	7,500	7,522	(22)
Total Liabilities	¥ 17,734	¥ 17,741	¥ (6)
Derivative transactions (*6)			
Derivative transactions for which hedge accounting is not applied	¥ (4)	¥ (4)	¥ —
Derivative transactions for which hedge accounting is applied	581	581	—
Total Derivative Transactions	¥ 577	¥ 577	¥ —

	Thousands of U.S. dollars		
	March 31, 2024		
	Book values	Fair values	Differences
Securities and investment securities (*4)			
Available-for-sale securities	145,182	145,182	—
Bonds	131	131	—
Long-term loans receivable	14,940		
Allowance for doubtful accounts (*5)	(1,608)		
	<u>13,332</u>	<u>13,134</u>	<u>(197)</u>
Total Assets	<u>\$ 158,646</u>	<u>\$ 158,448</u>	<u>\$ (197)</u>
Long-term loans payable (*3)	98,289	98,255	33
Bonds payable	49,534	49,262	271
Total Liabilities	<u>\$ 147,823</u>	<u>\$ 147,517</u>	<u>\$ 305</u>
Derivative transactions (*6)			
Derivative transactions for which hedge accounting is not applied	\$ (162)	\$ (162)	\$ —
Derivative transactions for which hedge accounting is applied	5,851	5,851	—
Total Derivative Transactions	<u>\$ 5,688</u>	<u>\$ 5,688</u>	<u>\$ —</u>

(*1) "Cash and time deposits," "Notes receivable - trade," "Electronically recorded monetary claims - operating," "Accounts receivable - trade," "Notes and accounts payable - trade" and "Short-term loans payable" are omitted because cash and time deposits, notes receivable - trade, electronically recorded monetary claims - operating, 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) There are balances of Accounts receivable - trade and Notes receivable - trade with settlement periods exceeding one year, which are omitted due to their immateriality.

(*3) Long-term loans payable include ¥2,492 million (\$16,462 thousand) and ¥2,439 million of long-term loans payable within 1 year for the years ended March 31, 2024 and 2023.

(*4) 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, 2024 and 2023 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
	2024	2023	2024
Shares of subsidiaries and associates	¥ 3,513	¥ 6,156	\$ 23,207
Investments in capital of subsidiaries and associates	1,235	641	8,160
Unlisted equity securities	7,978	5,249	52,694
Investments in capital	<u>142</u>	<u>19</u>	<u>942</u>

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

(*6) 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, 2024 and 2023 were as follows:

Millions of yen				
March 31, 2024				
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and time deposits	¥ 51,310	¥ —	¥ —	¥ —
Notes receivable - trade	7,785	6	—	—
Electronically recorded monetary claims - operating	23,406	—	—	—
Accounts receivable - trade	175,126	14	123	—
Available-for-sale securities				
Bonds	—	19	—	—
Others	—	—	—	—
Long-term loans receivable (*)	—	1,174	13	239
Total	¥ 257,629	¥ 1,216	¥ 137	¥ 239

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	6,693	—	—	—
Electronically recorded monetary claims - operating	16,553	—	—	—
Accounts receivable - trade	153,481	158	—	—
Available-for-sale securities				
Bonds	—	19	—	—
Others	—	—	—	—
Long-term loans receivable	—	1,148	90	84
Total	¥ 213,082	¥ 1,326	¥ 90	¥ 84

Thousands of U.S. dollars				
March 31, 2024				
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and time deposits	\$ 338,885	\$ —	\$ —	\$ —
Notes receivable - trade	51,420	45	—	—
Electronically recorded monetary claims - operating	154,588	—	—	—
Accounts receivable - trade	1,156,639	95	816	—
Available-for-sale securities				
Bonds	—	131	—	—
Others	—	—	—	—
Long-term loans receivable (*)	—	7,760	91	1,580
Total	\$ 1,701,532	\$ 8,033	\$ 907	\$ 1,580

(*) Long-term loans receivable does not include Long-term loans receivable to Group companies with no fixed repayment period of ¥834 million (\$5,508 thousand) for the years ended March 31, 2024.

(b) Short-term loans payable and long-term loans payable with maturities at March 31, 2024 and 2023 were as follows:

Millions of yen				
March 31, 2024				
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Short-term loans payable	¥ 40,453	¥ —	¥ —	¥ —
Long-term loans payable	2,492	6,254	6,134	—
Bonds payable	—	7,500	—	—
Total	¥ 42,946	¥ 13,754	¥ 6,134	¥ —

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	¥ —

Thousands of U.S. dollars				
March 31, 2024				
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Short-term loans payable	\$ 267,178	\$ —	\$ —	\$ —
Long-term loans payable	16,462	41,309	40,517	—
Bonds payable	—	49,534	—	—
Total	\$ 283,640	\$ 90,843	\$ 40,517	\$ —

(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, 2024				
	Level 1	Level 2	Level 3	Total
Securities and investment securities	¥	¥	¥	¥
Available-for-sale securities	21,867	—	—	21,867
Bonds	—	—	19	19
Investment trust	114	—	—	114
Derivative transactions				
Derivative transactions for which hedge accounting is not applied	—	(24)	—	(24)
Derivative transactions for which hedge accounting is applied	—	885	—	885
Total	¥ 21,982	¥ 861	¥ 19	¥ 22,863

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

Thousands of U.S. dollars				
March 31, 2024				
	Level 1	Level 2	Level 3	Total
Securities and investment securities	\$	\$	\$	\$
Available-for-sale securities	144,424	—	—	144,424
Bonds	—	—	131	131
Investment trust	758	—	—	758
Derivative transactions				
Derivative transactions for which hedge accounting is not applied	—	(162)	—	(162)
Derivative transactions for which hedge accounting is applied	—	5,851	—	5,851
Total	\$ 145,182	\$ 5,688	\$ 131	\$ 151,002

Millions of yen				
March 31, 2024				
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	¥ —	¥ 1,988	¥ —	¥ 1,988
Long-term loans payable	—	—	14,876	14,876
Bonds payable	—	—	7,458	7,458

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

Thousands of U.S. dollars				
March 31, 2024				
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	\$ —	\$ 13,134	\$ —	\$ 13,134
Long-term loans payable	—	—	98,255	98,255
Bonds payable	—	—	49,262	49,262

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

(1) Securities and investment securities

Listed equity securities and investment trusts are measured using quoted prices. Fair values of listed equity securities and investment trusts are classified as Level 1 fair value because they are traded in active markets.

(2) Long-term loans receivable

Long-term loans receivable is 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. For long-term loans to Group companies with no fixed repayment period, the book value is considered to approximate the fair value based on the expected repayment period and interest rate conditions. The fair value is classified as Level 2 fair value.

(3) Long-term loans payable

Long-term loans payable is 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.

18. 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, 2024 and 2023 were as follows:

	Number of shares			
	Year ended March 31, 2024			
	April 1, 2023	Increase	Decrease	March 31, 2024
Common stock	57,114,127	—	1,200,000	55,914,127

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, 2024.

	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.

19. Treasury stock

The change in treasury stock for the years ended March 31, 2024 and 2023 were as follows:

	Number of shares			
	Year ended March 31, 2024			
	April 1, 2023	Increase	Decrease	March 31, 2024
Treasury stock	1,284,045	996,403	1,599,659	680,789

1. 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, 2024.

2. The increase in treasury stock consists of 765,000 shares from the purchase of shares by resolution of the Board of Directors, 230,400 shares due to the ownership of an equity-method affiliate, 900 shares due to the Restricted Stock (RS) and an increase of 103 shares from the purchase of shares of less than one voting unit for the year ended March 31, 2024.

3. The decrease in treasury stock consists of 1,200,000 shares from the cancellation of treasury stock by resolution of the Board of Directors, 341,059 shares due to sale of shares of parent held by subsidiaries, 58,600 shares from the payment of due to the Restricted Stock (RS) for the year ended March 31, 2024.

	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

1. 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.

2. 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.

3. 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.

20. Related party disclosures

The Company is an affiliate of SUMITOMO CHEMICAL COMPANY, LIMITED, which owned 10.2% and 25.0% of the Company's voting shares at March 31, 2024 and 2023, 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, 2024 and 2023, respectively.

(a) Significant transactions with related parties for the years ended March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
SUMITOMO CHEMICAL COMPANY, LIMITED			
Net sales	¥ 4,497	¥ 4,879	\$ 29,707
Purchases	15,344	16,767	101,345
Accounts receivable - trade	1,918	1,604	12,672
Accounts payable - trade	4,037	3,868	26,664
Pledges of investment securities	2,256	4,592	14,904
SUMIKA TECHNOLOGY CO., LTD.			
Net sales	¥ 12,069	¥ 11,485	\$ 79,716
Accounts receivable - trade	4,053	5,344	26,774

(b) The consolidated subsidiaries' significant transactions with related parties for the years ended March 31, 2024 and 2023 were as follows:

There were no significant transactions at March 31, 2024 and 2023.

21. Contingent liabilities

At March 31, 2024 and 2023, the Company and its consolidated subsidiaries were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Discounted notes receivables	¥ 124	¥ 203	\$ 821
Discounts on electronically recorded monetary claim - operating	340	124	2,251
Guarantees for loans of customers and others	742	972	4,903
Total	¥ 1,207	¥ 1,300	\$ 7,976

22. Subsequent events

(Cash dividends)

At the meeting of the Board of Directors of the Company held on May 9, 2024 and May 10, 2023, an appropriation of nonconsolidated retained earnings for the years ended March 31, 2024 and 2023 were duly approved as follows:

	Millions of yen		Thousands of
	2024	2023	U.S. dollars
Cash dividends - ¥65.00 (\$0.43) per share	¥ 3,629	¥ 3,675	\$ 23,972

Note: Total dividends of ¥3,629 million (\$23,972 thousand) and ¥3,675 million for the years ended March 31, 2024 and 2023, 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 (\$114 thousand) and ¥17 million.