

FINANCIAL REPORT

(Report under Article 24, paragraph 1 of the Financial Instruments and Exchange Act)

Business Year from April 1, 2022 to March 31, 2023
(The 75th Term)

(TRANSLATION)

ARISAWA MFG. CO., LTD.

E01152

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PART I. INFORMATION ON THE BUSINESS

I. General Conditions of Business

1. Changes in Principal Management Indicators, etc.

(1) Consolidated Management Indicators, etc.

Term	71 st term	72 nd term	73 rd term	74 th term	75 th term
Closing month	March 2019	March 2020	March 2021	March 2022	March 2023
Net sales (Millions of yen)	44,728	45,970	46,439	43,089	42,722
Ordinary profit or loss (Δ) (Millions of yen)	4,297	2,783	3,578	4,204	2,717
Profit or loss (Δ) attributable to owners of parent (Millions of yen)	2,861	212	2,160	3,911	2,856
Comprehensive income (Millions of yen)	2,200	△117	3,808	4,530	2,578
Net assets (Millions of yen)	53,462	49,018	47,444	47,965	47,107
Total assets (Millions of yen)	73,096	71,709	67,257	68,689	67,659
Net assets per share (Yen)	1,397.78	1,387.76	1,388.50	1,434.46	1,422.43
Basic earnings or loss (Δ) per share (Yen)	79.15	6.14	64.94	117.40	86.46
Diluted earnings per share (Yen)	78.70	6.12	64.84	117.32	86.24
Equity ratio (%)	69.3	64.3	68.8	69.6	69.5
Return on equity (%)	5.7	0.4	4.7	8.3	6.0
Price earnings ratio (Times)	10.0	130.7	15.4	8.2	14.5
Cash flows from operating activities (Millions of yen)	2,893	4,837	610	5,901	3,471
Cash flows from investing activities (Millions of yen)	△3,304	6,580	1,567	2,869	508
Cash flows from financing activities (Millions of yen)	△576	△4,431	△5,703	△4,042	△2,572
Cash and cash equivalents at the end of period (Millions of yen)	7,718	14,725	11,488	16,893	18,535
Number of employees (Parenthesized figures indicate the average number of temporary employees not included in the total)	1,432 (313)	1,454 (294)	1,433 (290)	1,425 (316)	1,458 (282)

Note: "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Statement No.29, March 31, 2020), etc. have been applied from the beginning of the 74th term. Principal Management Indicators, etc. from the 74th term onward are shown after application of the said Accounting Standard, etc.

(2) Management Indicators, etc. of the Submitting Company

Term	71 st term	72 nd term	73 rd term	74 th term	75 th term
Closing month	March 2019	March 2020	March 2021	March 2022	March 2023
Net sales (Millions of yen)	29,269	31,635	31,668	26,648	25,752
Ordinary profit or loss (Δ) (Millions of yen)	2,602	2,365	1,932	2,852	2,365
Profit or loss (Δ) (Millions of yen)	1,947	6,792	1,396	2,348	2,673
Share capital (Millions of yen)	7,541	7,594	7,623	7,643	7,847
Number of shares issued and outstanding (Thousands of shares)	36,226	36,381	34,470	33,614	33,541
Net assets (Millions of yen)	36,571	38,931	40,484	41,016	39,573
Total assets (Millions of yen)	45,688	51,535	49,859	50,225	49,365
Net assets per share (Yen)	1,005.76	1,166.03	1,208.98	1,226.75	1,194.67
Dividend per share (Yen) (Parenthesized figures indicate the amount of interim dividend per share included in the total)	30.00 (—)	30.00 (—)	39.00 (—)	95.00 (5.00)	90.00 (—)
Basic earnings or loss (Δ) per share (Yen)	53.87	195.86	41.98	70.49	80.94
Diluted earnings per share (Yen)	53.56	195.28	41.91	70.44	80.73
Equity ratio (%)	79.7	75.2	80.8	81.4	80.1
Return on equity (%)	5.4	18.1	3.5	5.8	6.7
Price earnings ratio (Times)	14.7	4.1	23.8	13.6	15.5
Dividend payout ratio (%)	55.7	15.3	92.9	134.8	111.2
Number of employees (Parenthesized figures indicate the average number of temporary employees not included in the total)	602 (119)	614 (134)	606 (99)	599 (90)	599 (104)
Shareholders' gross yield (%) (Comparative Indicator: dividend-included TOPIX (Tokyo Stock Price Index))	83.5 (95.0)	87.4 (85.9)	111.5 (122.1)	116.7 (124.6)	156.0 (131.8)
Highest share price (Yen)	1,350	1,148	1,118	1,072	1,438
Lowest share price (Yen)	655	680	738	844	885

Note: 1. “Highest share price” and “Lowest share price” are recorded in Tokyo Stock Exchange (First section).
2. “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan Statement No.29, March 31, 2020), etc. have been applied from the beginning of the 74th term. Principal Management Indicators, etc. from the 74th term onward are shown after application of the said Accounting Standard, etc.

2. History

- July 1949
 - Incorporation of Arisawa Mfg. Co., Ltd. (hereinafter referred to as either the “Company” or the “Submitting Company”, as the case may be), succeeding the businesses of “Arisawa Manufacturing”, which was founded in 1909 and manufactured Battenburg lace, narrow woven fabrics, electrical insulating tapes and glass fiber fabrics, etc.
- April 1954
 - Established a resin processing division.
- June 1954
 - Relocated the Head Office from Ohmachi, Takada-shi (currently Joetsu-shi), Niigata to Minami-honcho, Takada-shi.
- May 1959
 - Opened Tokyo Sales Office and Osaka Sales Office.
- September 1960
 - OTC trading of the Company’s stock started at Tokyo Securities Dealers Association.
- October 1961
 - The Company’s stock was listed on the Second Section of Tokyo Stock Exchange.
- December 1966
 - Incorporated Arisawa Jushi Kogyo Co., Ltd. (currently a consolidated subsidiary), which conducts molding and processing of resin products related to industrial application structural materials.
- June 1968
 - Opened a factory in Oaza-Nakadahara, Takada-shi (currently Joetsu-shi), Niigata, establishing new resin processing facilities.
- August 1973
 - Incorporated Eagle Co., Ltd., which operates a driving range.
- March 1974
 - Incorporated Myoko Shinko Co., Ltd., which conducts processing of resin products related to electrical insulating materials.
- June 1974
 - Absorbed Arisawa Shoji Co., Ltd. and reorganized the sales division into Tokyo Branch Office and Osaka Branch Office (Osaka Branch Office was closed down in September 2015).
- April 1976
 - Incorporated Yuai Sangyo, Ltd., which manufactures glass fiber fabrics and special fiber fabrics related to electrical insulating materials.
- May 1987
 - Incorporated Arisawa Logistics, Ltd., which conducts warehouse management and logistics operations.
- July 1991
 - Incorporated Polatechno Co., Ltd. (which manufactures polarizing plates for use in liquid crystal displays) through joint capital investment with Nippon Kayaku Co., Ltd.
- December 1994
 - Opened Technological Development Center on the premises of Nakadahara Factory.
- October 1996
 - Acquired Arisawa Polywork Co., Ltd. (which conducts molding and processing of resin products related to industrial application structural materials) with capital contribution of Arisawa Logistics, Ltd.
- July 1999
 - Opened a factory in Oaza-Nakadahara (on the west side of the current Nakadahara Factory), Joetsu-shi, Niigata, establishing new resin processing facilities.
- April 2000
 - Incorporated ColorLink Japan, Ltd., which conducts manufacturing and sales of precision optics components (currently a consolidated subsidiary).
- July 2000
 - Incorporated Arisawa Fiber Glass Co., Ltd. (currently a consolidated subsidiary), spinning off the glass cloth manufacturing division of the Submitting Company (related to electronic materials and electrical insulating materials) and consigning manufacture of glass cloth to Arisawa Fiber Glass Co., Ltd.
- September 2002
 - The Company’s stock was listed on the First Section of Tokyo Stock Exchange.
- April 2003
 - Myoko Shinko Co., Ltd. absorbed Arisawa Polywork Co., Ltd., Yuai Sangyo, Ltd. and Arisawa Logistics, Ltd. and changed its corporate name to Arisawa Sogyo Co., Ltd. (currently a consolidated subsidiary).
- March 2006
 - Stock of Polatechno Co., Ltd. was listed on the JASDAQ Securities Exchange.
- October 2009
 - Acquired shares of ThinFlex Corporation (currently a consolidated subsidiary).
- December 2010
 - Howa Sangyo Ltd., a subsidiary, changed its corporate name to Protec International Holdings Co., Ltd. (currently a consolidated subsidiary) and acquired shares of Protec Arisawa Europe, S.A. and Protec Arisawa America, Inc. (both currently consolidated subsidiaries).
- July 2011
 - Arisawa Sogyo Co., Ltd. absorbed Eagle Co., Ltd.
- October 2015
 - Opened Kansai Sales Office in Kyoto-shi, Kyoto (relocated to Osaka-shi, Osaka in March 2018).
- November 2017
 - Acquired all shares of Satosen Co., Ltd., which conducts manufacturing and sales of electronic materials (currently a consolidated subsidiary).
- October 2019
 - Sold all shares of Polatechno Co., Ltd. excluding it from the affiliate companies accounted for under equity method.
- December 2021
 - Made ThinFlex Corporation a wholly owned subsidiary (currently a consolidated subsidiary).

April 2022

- Moved from the 1st Section to the Prime Market along with the market restructuring of the Tokyo Stock Exchange.

3. Description of Business

Our corporate group (hereinafter referred to as either “our Group” or the “Group”, as the case may be) is comprised of the Company, thirteen (13) subsidiaries and three (3) affiliated companies and is engaged in manufacturing and sales of electronic materials, industrial application structural materials, electrical insulating materials and display materials. It also develops business activities such as sales of goods related to each business segment as well as logistics and other services.

Description of business of our Group and the capacities of the Company and its associated companies with respect to each business segment are as follows.

The business segments shown below are categorized in the same manner as those shown in V. Status of Accounting – 1. Consolidated Financial Statements, etc. – (1) Consolidated Financial Statements – [Notes].

(1) Electronic Materials

The Company manufactures and sells materials for flexible and rigid printed circuit boards, etc. that are used as electronic materials, while Arisawa Fiber Glass Co., Ltd., a subsidiary, manufactures glass cloth for printed circuit boards. ThinFlex Corporation, a subsidiary, also manufactures and sells materials for flexible printed circuit boards, etc., while Satosen Co., Ltd., a subsidiary, manufactures and sells rigid printed circuit boards.

(2) Industrial Application Structural Materials

The Company and its subsidiaries, Protec Arisawa Europe, S.A. and Protec Arisawa America, Inc. manufacture and sell filament winding molded products for use as industrial application structural materials. The Company manufactures and sells honeycomb panels and prepregs, etc. for aircraft. Arisawa Sogyo Co., Ltd., a subsidiary, manufactures and sells pultrusion molded products and FRP ski sheets, etc.

Protec International Holdings Co., Ltd. conducts business management of the aforesaid Protec Arisawa companies as the holding company of these subsidiaries engaged in the water treatment business with their filament winding molded products.

(3) Electrical Insulating Materials

Arisawa Fiber Glass Co., Ltd., a subsidiary, manufactures glass cloth and glass tapes for use as electrical insulating materials, and the Company sells such glass cloth and glass tapes. The Company manufactures and sells prepregs, etc. for electrical insulation, while Arisawa Sogyo Co., Ltd., a subsidiary, and Arisawa Jushi Kogyo Co., Ltd., another subsidiary, manufacture these products.

(4) Display Materials

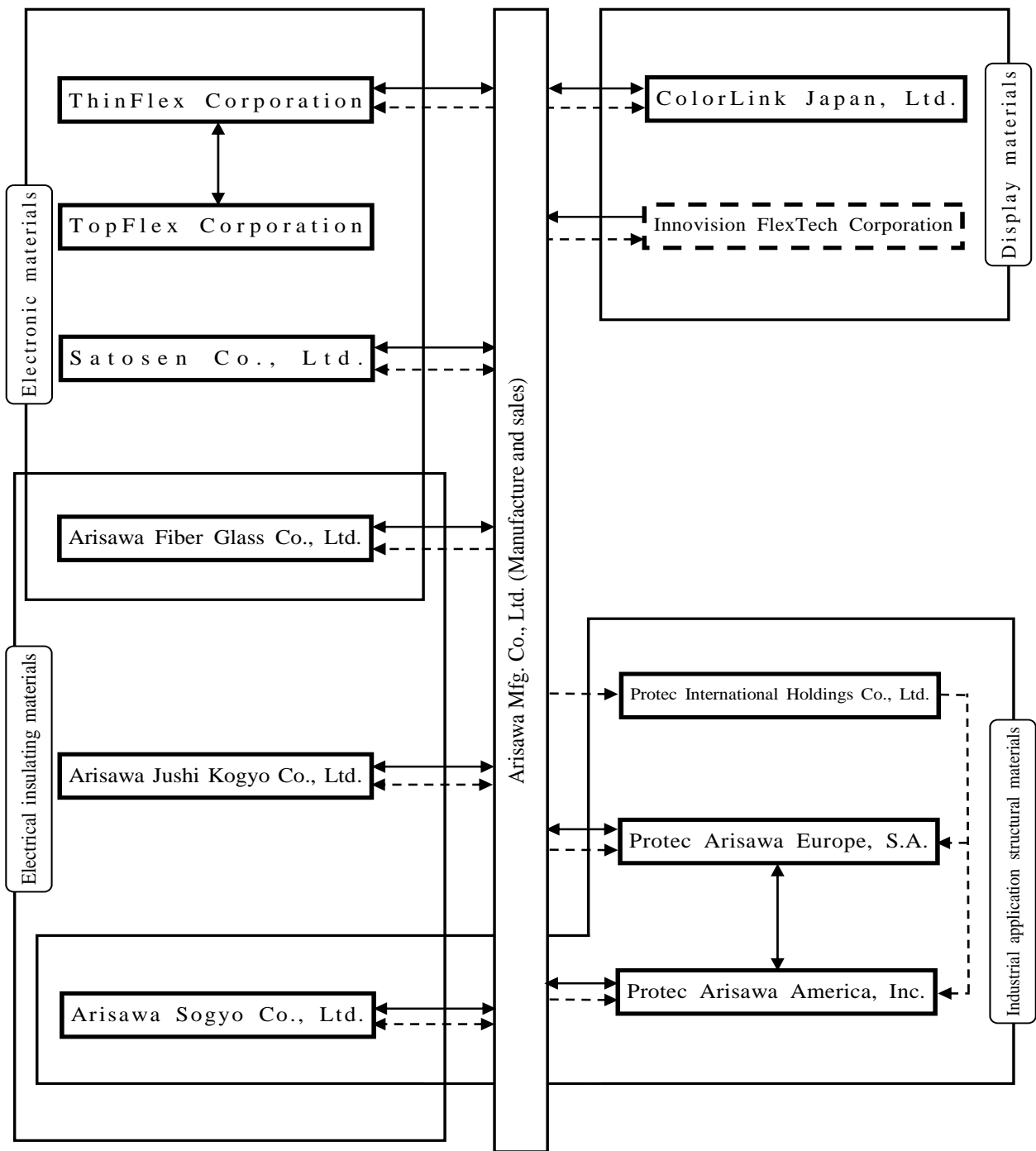
The Company manufactures and sells 3D display filters, etc. for use as display materials. ColorLink Japan, Ltd., a subsidiary, manufactures and sells special optical components. Innovision FlexTech Corporation manufactures and sells screens, etc.

(5) Other Businesses

The Company conducts sales of the related goods mentioned above in (2) and (3). In addition, Arisawa Sogyo Co., Ltd., a subsidiary, conducts logistics operations and also operates a driving range.

The above matters are abstracted in the following Business Activities Diagram.

(Business Activities Diagram)



———— Transactions of products, etc.

----- Other transactions

Consolidated subsidiary

Affiliated company accounted for under the equity method

(Note) Arisawa Sogyo Co., Ltd. is engaged in other businesses in addition to the manufacture of electrical insulating materials and the manufacture and sales of industrial application structural materials.

4. Status of Subsidiaries and Affiliated Companies

Name	Location	Share capital (Thousands of yen except as otherwise noted)	Description of core business	Voting interest held by the Company (%)	Relevant descriptions
(Consolidated subsidiaries) ThinFlex Corporation (See Note 2)	Kaohsiung County, Taiwan	1,576,377 (Thousands of Taiwan dollar)	Electronic materials	100.0	Supply of raw materials as well as sales of products related to electronic materials, Concurrent directorship
ThinFlex Technology Corporation (B.V.I.) (See Note 2)	British Virgin Islands	27,062 (Thousands of US dollar)	Electronic materials	100.0 (100.0)	---
TopFlex Corporation (See Note 2 and Note 4)	Kunshan City, P.R. China	168,334 (Thousands of Renminbi)	Electronic materials	100.0 (100.0)	Sales of electronic material products
Satosen Co., Ltd.	Osaka-shi, Osaka	99,540	Electronic materials	100.0	Leasing of land, Financial support, Concurrent directorship
Arisawa Fiber Glass Co., Ltd. (See Note 2)	Joetsu-shi, Niigata	100,000	Electronic materials, Electrical insulating materials	100.0	Consignment manufacture of glass fiber fabrics related to electronic materials and electrical insulating materials, Leasing of buildings and manufacturing equipment, Concurrent directorship
Protec International Holdings Co., Ltd.	Joetsu-shi, Niigata	101,830	Industrial application structural materials	100.0	Financial support, Concurrent directorship
Protec Arisawa Europe, S.A.	Munguia, Spain	1,670 (Thousands of euro)	Industrial application structural materials	100.0 (100.0)	Concurrent directorship
Protec Arisawa America, Inc.	Vista, CA, U.S.A.	3,200 (Thousands of US dollar)	Industrial application structural materials	100.0 (100.0)	Concurrent directorship, Technical support
Arisawa Sogyo Co., Ltd.	Joetsu-shi, Niigata	30,950	Electrical insulating materials, Industrial application structural materials, Other businesses	100.0	Consignment manufacture as well as consignment of warehousing and logistics operations of resin products related to electrical insulating materials and industrial application structural materials, Leasing of buildings, machinery and equipment
Arisawa Jushi Kogyo Co., Ltd.	Joetsu-shi, Niigata	10,000	Electrical insulating materials	100.0	Consignment manufacture of resin products related to electrical insulating materials, Leasing of land and buildings, Concurrent directorship
ColorLink Japan, Ltd.	Joetsu-shi, Niigata	198,201	Display materials	100.0	Leasing of buildings, machinery and equipment, Supply of raw materials, Financial support, Concurrent directorship

Name	Location	Share capital (Thousands of yen except as otherwise noted)	Description of core business	Voting interest held by the Company (%)	Relevant descriptions
(Affiliated companies accounted for under the equity method)					
Innovision FlexTech Corporation	Kaohsiung City, Taiwan	263,516 (Thousands of Taiwan dollar)	Display materials	35.4	Sales and purchase of products related to display materials, Concurrent directorship

- Note:
1. Segment names are stated in the column "Description of core business".
 2. The company falls under the category of specified subsidiary.
 3. Parenthesized figures in the column "Voting interest held by the Company" indicate the ratio of indirect ownership to the pertinent total.
 4. Net sales (excluding inter-company sales between the consolidated companies) of TopFlex Corporation account for more than ten hundredths (10/100) of the Group's consolidated net sales.

Key income and loss indices, etc. of TopFlex Corporation

(Thousands of yen)

(1) Net sales	6,080,538
(2) Ordinary profit	54,344
(3) Profit	129,234
(4) Net assets	4,716,786
(5) Total assets	8,775,712

5. Status of Employees

(1) Status of Consolidated Group

(As of March 31, 2023)

Segment name	Number of employees	
Electronic materials	865	(167)
Industrial application structural materials	269	(42)
Electrical insulating materials	116	(11)
Display materials	134	(28)
Total of reportable segments	1,384	(248)
Other	37	(23)
Unallocated (Common)	37	(11)
Total	1,458	(282)

Note: 1. The column “Number of employees” indicates the number of full-time employees (excluding persons on loan to companies outside our Group from those within our Group and including persons on loan to companies within our Group from those outside our Group), while the annual average number of temporary employees (including part-timers, employees dispatched from staffing agencies and seasonal workers) is stated in the parentheses.

2. The number of employees stated as that of “Unallocated (Common)” is the number of those who belong to the administrative departments of the Company.

(2) Status of Submitting Company

(As of March 31, 2023)

Number of employees	Average age (Years old)	Average length of service (Years)	Average annual salary (Thousands of yen)
599 (104)	44.8	20.9	5,957

Segment name	Number of employees	
Electronic materials	386	(75)
Industrial application structural materials	80	(5)
Electrical insulating materials	51	(7)
Display materials	45	(6)
Total of reportable segments	562	(93)
Unallocated (Common)	37	(11)
Total	599	(104)

Note: 1. The column “Number of employees” indicates the number of full-time employees (excluding persons on loan to other companies from the Company and including persons on loan to the Company from other companies), while the annual average number of temporary employees (including part-timers, employees dispatched from staffing agencies and seasonal workers) is stated in the parentheses.

2. “Average annual salary” includes bonuses and extra wages.

3. The number of employees stated as that of “Unallocated (Common)” is the number of those who belong to the administrative departments of the Company.

(3) Status of Labor Union

The labor union of the Submitting Company belongs to the local division of the Japanese Federation of Textile, Chemical, Food, Commercial, Service and General Workers’ Unions and has made sound development since its formation in 1946. The labor-management relations are harmonious, and efforts are made to develop the Company’s business through mutual cooperation. The union membership as of March 31, 2023 stands at 459 members.

(4) Ratio of female employees in managerial positions, ratio of male employees taking childcare leave, and wage differences between male and female employees

i) Submitting Company

Current business year				
Ratio of female employees in managerial positions (%) (See Note 1)	Ratio of male employees taking childcare leave (%) (See Note 2)	Wage differences between male and female employees (%) (See Note 1)		
		All employees	Regular employees	Part-time and fixed-term employees
8.5	44.4	73.9	74.3	72.9

- Note:
- The figures are calculated in accordance with the provisions of “Act on the Promotion of Women's Active Engagement in Professional Life” (Act No. 64 of 2015).
 - The ratio of childcare leave, etc. taken in Article 71-4, item (i) of “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ordinance of the Ministry of Labor No. 25 of 1991) is calculated in accordance with the provisions of “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991).
 - The ratio as of March, 31, 2023 is 78.3% (male) and 21.7% (female) of all employees. The ratio of female employees which include mid-career employees and new graduates as of their recruitment is 13.3% in FY2021 and 38.4% in FY2022 as we promote recruitment of women. We are proceeding with the promotion of employees with confidence and ability through leadership training for females, promotion of training for candidates in managerial positions without regard to gender, and personnel distribution that contributes to utilizing employees’ ability and characteristic without regard to gender.
 - Female employees also work late-night shifts with three-shift system at Manufacturing Department, and only male employees work 4 team fixed 8 hours shifts. We are promoting healthy and safe working environments and expanding work fields.

ii) Consolidated Subsidiaries

Statement is omitted with regard to the consolidated subsidiaries because they do not disclose data in accordance with the provisions of “Act on Promotion of Women's Participation and Advancement in the Workplace” (Act No. 64 of 2015) and “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991).

iii) Consolidated Group

Current consolidated fiscal year				
Ratio of female employees in managerial positions (%)	Ratio of male employees taking childcare leave (%)	Wage differences between male and female employees (%) (See Note 2 and Note 3)		
		All employees	Regular employees	Part-time and fixed-term employees
10.6	42.1	80.5	81.4	69.4

- Note:
- The figures are calculated in accordance with the provisions of “Act on the Promotion of Women's Active Engagement in Professional Life” (Act No. 64 of 2015).
 - The ratio of childcare leave, etc. taken in Article 71-4, item (i) of “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ordinance of the Ministry of Labor No. 25 of 1991) is calculated in accordance with the provisions of “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991).

II. Status of Business

1. Management Policy, Management Environment and Tasks to be Addressed

Management policy, management environment and tasks to be addressed of our corporate Group are as follows.

Note that matters stated concerning the future in the text are based on judgments made by our Group as of the end of the current consolidated fiscal year.

Our corporate Group, ever since its initiation, have been working on technological innovations and product development to build up unique technologies that integrate the “weaving, coating and molding” elements of its expertise while consistently fulfilling users’ needs, thereby increasing its corporate value. Along with the globalization of markets and the rapid diversification of needs, we will strive to further differentiate technologies as well as improve quality and productivity, thereby creating corporate value.

(1) Basic Policies of Corporate Management

Grounded in the motto “Create, Innovate and Challenge”, our Group makes it its management policy to:

- (i) create new values and enhance customer satisfaction;
- (ii) anticipate customer needs and create a new business with creative technology;
- (iii) improve quality and productivity, and strengthen business quality; and
- (iv) contribute to solving the social and environmental issues, and realize the sustainable growth.

Under such management policy, we aim to create corporate value and, along with the improvement of capital efficiency and contribution to society, enhance shareholder value of the Company by means of enhancing customer satisfaction, developing differentiated products with our unique technology and improving profitability through thorough cost reduction.

(2) Mid- to Long-Term Management Strategies

Our corporate group aims to work on technological innovation and product development while consistently fulfilling users’ needs and realize its sound survival and sustainable growth, thereby increasing its mid- to long-term corporate value. Specifically, to maintain and expand the revenue base of existing businesses, we implement strategic investments in a new business that maximizes the synergy effect with existing businesses and has a high profitability of capital besides improving and expanding productivity and investing in the development of new products that anticipate user’s needs. We also select themes that have impacts on society and environment and aim to address issues of the themes through business. Specifically, we place the following as important issues and are working on them, i.e. (i) contribution to a decarbonized society (achieving carbon neutrality, promotion of energy saving and resource saving, substituting with renewable energy, provision of environmental load reduction materials), (ii) development of diverse human resources and enhancement of descent work (development of next-generation human resources, a company where all employees work actively), (iii) promotion of a circular economy (reduction of emissions and establishment of a sustainable supply chain), and (iv) enhancement of governance. Particularly, we publicized “Initiatives on Climate Change (Disclosure in accordance with the framework of TCFD recommendations)” on our website because we especially recognize climate change as a pressing issue.

- In the electronic materials segment, we aim at the development of new products and the expansion of businesses, centering on mobile devices, semiconductors and in-vehicle devices. We also deepen partnerships with our group companies and work to strengthen our base of operations in Asian market.
- In the industrial application structural materials segment and electrical insulating materials segment, we develop unique products focusing on transportation infrastructure, water treatment and new energy fields, with a view to further growth.
- In the display materials segment, we work to further expand sales of new products utilizing our unique technology primarily in the fields of high-definition displays for medical use.
- We improve capital efficiency by making effective use of cash-flow, promoting change from non-business assets to business assets and implementing aggressive shareholder return.

The Group formulated the medium-term management plan that incorporates the above-mentioned contents. We aim to achieve ROIC of 6% or more for the fiscal year ending on the 77th term (March 31, 2025).

(3) Business and Financial Tasks to be Preferentially Addressed

Our Group promotes the following as the tasks to be addressed in order to ensure accelerated and thorough implementation of the aforesaid management strategies.

- Development of differentiated products with unique technology, improvement of profitability in existing businesses, and entry into fields where growth is expected
- Thorough cost reduction by means of improving management techniques and proprietary technologies in order to realize more competitive cost structure
- Promotion of enhanced cooperation among the manufacturing, sales and technical divisions in pursuit of more efficient business operations
- Development of new use and fields by strengthening cooperation with our group companies

With regards to the impact of COVID-19, while we expect the demand recovery for the industrial application structural materials segment that deals with the materials for aircrafts due to rebound in demand for them by the easing of movement restrictions, we expect that inventory adjustment will continue for a while but demand will recover in the mainstay electronic materials segment from the second half of the fiscal year. Our corporate group has an adequate liquid fund, but the impact may be greater than we expect if an infection-related situation worsens. We will implement each of the above measures in the medium-term management plan while paying close attention to market conditions and ensure our sound survival and sustainable growth.

(4) Objective Indicators, etc. for Judgement on the Status of Achievement of Managerial Goals

The Group sets ROIC as a target management indicator and aims at ROIC of 6% or more for the fiscal year ending on March 31, 2025 in the medium-term management plan for October, 2020.

The results for the fiscal year ending on March 31, 2023 were 2.8%.

(5) Climate Change Initiatives

Effects from climate change such as recent increase and increased severity of extreme weather events are becoming serious globally. The Group as a manufacturer that produces products from chemicals recognizes a climate change issue facing us as one of important business challenges.

The Group has been so far actively involved in environmental protection activities and consistently improved them by promoting the reduction, etc. of electricity and gas consumption, hazardous chemical substance, and industrial waste in accordance with our Environmental Policy, as the Environmental Protection and Management Committee deliberates on the activities. We publicized “Carbon Neutral Initiatives” on our website on June, 2021 with the aim to continuously contribute to a decarbonized society through business as mentioned in “(2) Mid- to Long-Term Management Strategies” above. As part of our initiatives on environmental issues, we proceeded with analysis and examination targeting at our main businesses in accordance with the framework of TCFD (Task Force on Climate-related Financial Disclosures) recommendations and disclosed the result on our website, based on our belief that the recommendations will contribute to the development of a decarbonized and sustainable society.

2. Views and Initiatives on Sustainability

Our views and initiatives on sustainability are as follows.

Note that matters stated concerning the future in the text are based on judgments made by our Group as of the end of the current consolidated fiscal year.

Under the management policy to “contribute to solving the social and environmental issues and realize the sustainable growth”, we understand that engaging proactively with the social and environmental issues is an essential condition for the existence and activities of companies. We also recognize that (i) Contribution to a decarbonized society, (ii) Development of diverse human resources and enhancement of descent work, (iii) Promotion of a circular economy, and (iv) Enhancement of governance are key issues (materiality), and set KGI including the accomplishment of carbon neutrality by FY2030 (Scope 1 and 2) and set forth them in the medium-term management plan, working on the resolution of climate change issues and human capital management. As part of this effort, we expressed our support to “Task Force on Climate-related Financial Disclosures (TCFD)” in June, 2022.

Materiality	KGI (Key Goal Indicator)
Contribution to a decarbonized society	Accomplishment of carbon neutrality by FY2030 Promotion of energy conservation and resource saving Substitution of alternative energy Provision of materials for environmental load reduction
Development of diverse human resources / Improvement of job satisfaction	Development of next-generation human resources Vigorous work environment for all employees
Promotion of a circular economy	Reduction of emissions Establishment of sustainable supply chain
Enhancement of governance	Organization with high ethical standards Organizational structure having good communication channels

(1) Governance

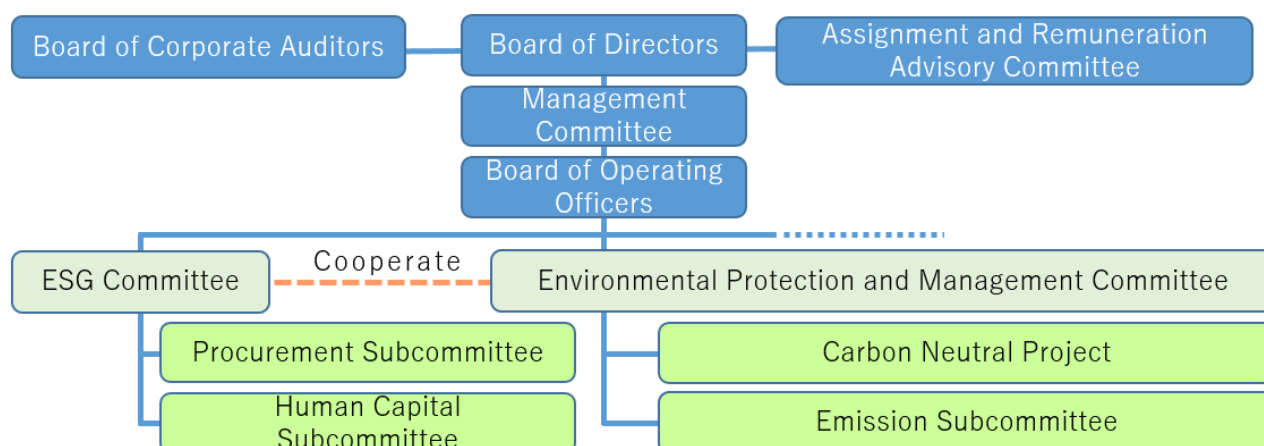
We established the ESG Committee in December 2021 in order to take the lead in addressing climate change issues. At the committee, directors and senior managing operating officers serve as chairpersons, and operating officers and general managers of each division serve as members, promoting the initiatives.

(Our ESG Policy: In all aspects of our business activities, Arisawa promotes environmental conservation and contributes to solving social and environmental issues, aiming to achieve sustainable growth.)

The ESG Committee deliberates four times a year on themes such as responding to climate change, realizing a decarbonized society, respecting for human rights, considering for working environment, and having fair and appropriate transactions with business partners, in addition to enlightening and promoting sustainability-conscious management. The Procurement Subcommittee establishes the CSR procurement policies based on supply chain management and promotes CSR activities together with suppliers. We established the Human Capital Subcommittee on March, 2023 for the purpose of linking management strategies with human resources strategies based on our belief that human capital management contributes to increasing corporate value, and the Subcommittee has discussions every month for developing human resources strategies. In addition, the Environmental Protection and Management Committee, the Carbon Neutrality Project, and the Emission Subcommittee, which work in cooperation with the ESG Committee, deliberate on the progress of environmental conservation activities in order to strive for continuous improvement.

Important matters to be deliberated and the status of the activities, etc. are regularly reported by each committee to the Board of Operating Officers, the Management Committee and the Board of Directors, and the Board of Directors makes the final decision.

The Board of Directors checks the progress of the publicized medium-term management plan and discusses issues and the implementation of countermeasures based on periodic reports, and the results are reflected in management strategies and risk management and evaluation. The Board of Directors supervises proposals related to climate change (target setting, progress of initiatives, etc.).



(2) Strategy

We have set the key issues (materiality) in the medium-term management plan. To achieve those, we established the ESG Committee and the Environmental Protection and Management Committee and the Subcommittees and

project team as their subordinate organizations, and those groups develop activity goals with each department for each fiscal year and are promoting the efforts.

With regard to a strategy on climate-related risks and opportunities, upon scenario analysis, the ESG Committee identifies significant risks and opportunities related to climate change and assesses the amount of financial impacts that those might have.

The scenario analysis we conducted this time analyzed and examined the effects as of 2030 by using two scenarios, the 4°C scenario and the 1.5°C scenario, targeting at our whole supply chain from purchase, development, production to sales of products and services.

i) The risks and opportunities presented by climate change

We believe that it is important to contribute to movements for limiting temperature increase because global warming due to climate change has a huge impact on society.

We also believe that climate change is likely to cause risks such as damage to us and our supply chain due to flood damage of typhoon, heavy rain, etc. and the increase of expenses such as the introduction of carbon taxes, credit purchase, the replacement of facilities, the purchase of renewable energy, etc. associated with the tightening of regulations.

On the other hand, we see the provision of products accommodating the increased environmental awareness of customers as an opportunity for our business. In particular, not only do we respond to climate change by supplying materials for FCV and EV, solar power generation, seawater desalination treatment, aircraft (weight reduction), and a decarbonized new energy development project, but we also contribute to the improvement of living environment by supplying materials for automated driving assist, medical devices, etc.

(Risks)

	Factors	Timeframes	Financial Impacts	Assessment	Responses
Transition	Carbon price (carbon taxes)	Medium-Long	· Increase in operating costs due to the implementation of carbon taxes	【1.5°C】 Large	<ul style="list-style-type: none"> · Set targets for energy saving and CO₂ emissions reduction in the company-wide environmental targets. · Set targets for achieving carbon neutrality by 2030. · Energy saving, purchase renewable energy. · Set targets for a recycling rate and reduce energy consumption by productivity improvement. · Consider renewing with energy-saving equipment in compliance with regulations. · Promote capital investment by introducing ICP. · Reduce usage. · Consider replacements. · Set targets for energy saving and CO₂ emissions reduction in the company-wide environmental targets. · Promote investment in energy saving. · Reduce energy consumption by productivity improvement. · Set targets for achieving carbon neutrality by 2030. · Reduce the usage of raw materials by improving yield. · Select suppliers based on risk assessment. · Introduce our initiatives by externally delivering the Environmental Policy and issuing environmental reports. · Publicize initiatives for ESG, TCFD, and carbon neutrality. · Issue integrated reports.
	Emissions trading	Medium-Long	· Additional costs incurred for credit purchases, etc.	【1.5°C】 Large	
	Response to GHG emissions regulations	Medium-Long	· Increase in costs for renewing equipment fixtures with high efficiency · Regulations on the use of chlorofluorocarbon	【1.5°C】 Large	
	Plastic regulations	Medium-Long	· Increase in costs due to regulations on plastic packaging materials and products	【1.5°C】 Medium	
	Renewable energy policy	Medium-Long	· Increase in energy costs due to higher renewable energy prices	【1.5°C】 Large	
	Change in raw material costs	Medium-Long	· Increase in procurement costs due to carbon taxes and other regulations · Increase in raw material costs due to soaring crude oil and copper prices	【1.5°C】 Large	
	Change in customer reputation	Short-Long	· Decrease in sales due to suspension in trading and market share loss when environmental friendliness cannot be addressed	【1.5°C】 Large	
	Change in investor reputation	Short-Long	· Avoidance of investment and loan from financial institutions and investors when disclosing climate change-related information is delayed	【1.5°C】 Large	

	Factors	Timeframes	Financial Impacts	Assessment	Responses
Physical	Increased severity of extreme weather events	Short-Long	· Increase in costs to deal with the suspension of operations and logistics functions · Delivery delay of procured materials · Increase in procurement (transportation) costs	【1.5°C】 Medium 【4°C】 Large	<ul style="list-style-type: none"> · Store inventory of four months' worth of raw materials whose replacements are not available in raw material procurement. · Require suppliers of BCP measures. · Dual vendor system. · Increase productive capacity with capital investment. · Renew aged buildings. · Set targets for energy saving and CO₂ emissions reduction in the company-wide environmental targets. · Promote investment in energy saving. · Paste heat-insulation sheets on windows directly exposed to sunlight.
	Rise in average temperature	Short-Long	· Increase in energy costs with increase in the frequency of the use of air-conditioners	【1.5°C】 Small 【4°C】 Medium	

(Opportunities)

	Factors	Timeframes	Financial Impacts	Assessment	Responses
Transition	Emissions trading	Medium-Long	<ul style="list-style-type: none"> Additional revenue when emission allowances are excess 	[1.5°C] Large	<ul style="list-style-type: none"> Set targets for energy saving and CO₂ emissions reduction in the company-wide environmental targets. Set targets for achieving carbon neutrality by 2030. Save energy and purchase renewable energy. Set targets for a recycling rate. Reduce energy consumption by productivity improvement. Consider renewing with energy-saving equipment in compliance with regulations. Promote capital investment by introducing ICP.
	Progress of low-carbon technologies	Short-Long	<ul style="list-style-type: none"> Increase in sales of materials for electronic parts due to the increased demand for EV Increase in sales of materials for fuel cell due to the increased demand for fuel-cell vehicles Increase in sales of materials for hydrogen generation devices due to the increased demand for hydrogen energy Increase in sales of carbon cloth prepreps and honeycomb materials due to the increased demand for the weight reduction of vehicles and aircrafts 	[1.5°C] Large	<ul style="list-style-type: none"> Develop and promote sales of high heat-resistant FPC materials for EV and high heat-dissipation/insulation adhesive sheets.
	Change in customer reputation	Short-Long	<ul style="list-style-type: none"> Increase in market share by receiving a high reputation in markets when environmental friendliness can be addressed 	[1.5°C] Large	<ul style="list-style-type: none"> Introduce our initiatives by externally delivering the Environmental Policy and issuing environmental reports. Publicize initiatives for ESG, TCFD, and carbon neutrality. Issue integrated reports.
	Change in investor reputation	Short-Long	<ul style="list-style-type: none"> Easiness to obtain investment and loan from financial institutions and investors when climate change-related information is disclosed more than other companies 	[1.5°C] Large	
Physical	Increased severity of extreme weather events	Short-Long	<ul style="list-style-type: none"> Increase in sales of seawater desalination treatment devices due to the impact of water stress Increase in demand for and sales of electronic devices due to lower human mobility 	[1.5°C] Medium [4°C] Large	<ul style="list-style-type: none"> Promote sales in the electronic materials field and of filament winding products.

ii) Initiatives on human capital management

With regard to the human resources development, our basic policy is to realize diversity and ensure equal opportunity. We adhere to meritocracy regardless of age, gender, or career in recruiting and promoting, and have introduced a system to encourage the growth of employees through multidimensional evaluation and feedback. We also aim to enhance job satisfaction for each and every employees and improve organizational power by striving to provide stratified education, self-development, and opportunities for a variety of experiences through a wide range of education and training inside and outside of the Company. Specifically, we are working on the development of human resources that think and act by themselves through communication, thorough implementation of meritocracy, promotion of delegation of authority, development of future leader candidates, and promotion of active participation of women and increase of male employees taking childcare leave. We also evaluate and treat our employees in accordance with their ability and achievement without regard to any differences of gender, nationality, education, time of joining the Company, etc. in each level of recruitment, job assignment, and promotion in order to ensure diversity and promote the active participation of women and foreigners. As a result, 70.5% of managerial positions are occupied by mid-career employees (42.3% for the Company). In addition, we promote the balance between work and personal life, and there is no difference in the average length of service between male and female employees.

(3) Risk Management

We recognize that climate change-related risks are important management issues. Therefore, the ESG Committee identifies and assesses the climate change-related risks, and reports to the Board of Operating Officers and the Board of Directors, thereby defining key issues. We improve our risk management system by managing these risks.

As for assessing the climate change-related risks, upon identifying climate change factors in businesses, we understand changes such as future regulations, societal, technological and climate conditions, etc. for each 1.5°C and 4°C scenarios.

We have also considered responding to the changes of external environments associated with environmental issues and contributing to international sustainable development goals, or SDGs. As a result, we have identified four items as key issues (materiality) to be addressed in the medium-term management plan, i.e. “Contribution to a decarbonized society”, “Development of diverse human resources and enhancement of descent work”, “Promotion of a circular economy”, and “Enhancement of governance”. We will address the issues for their resolution as a whole company.

As for identifying materiality, the ESG Committee narrowed down to four items from a perspective of

materiality to a sustainable society and our business, and the items were approved by the Board of Directors.

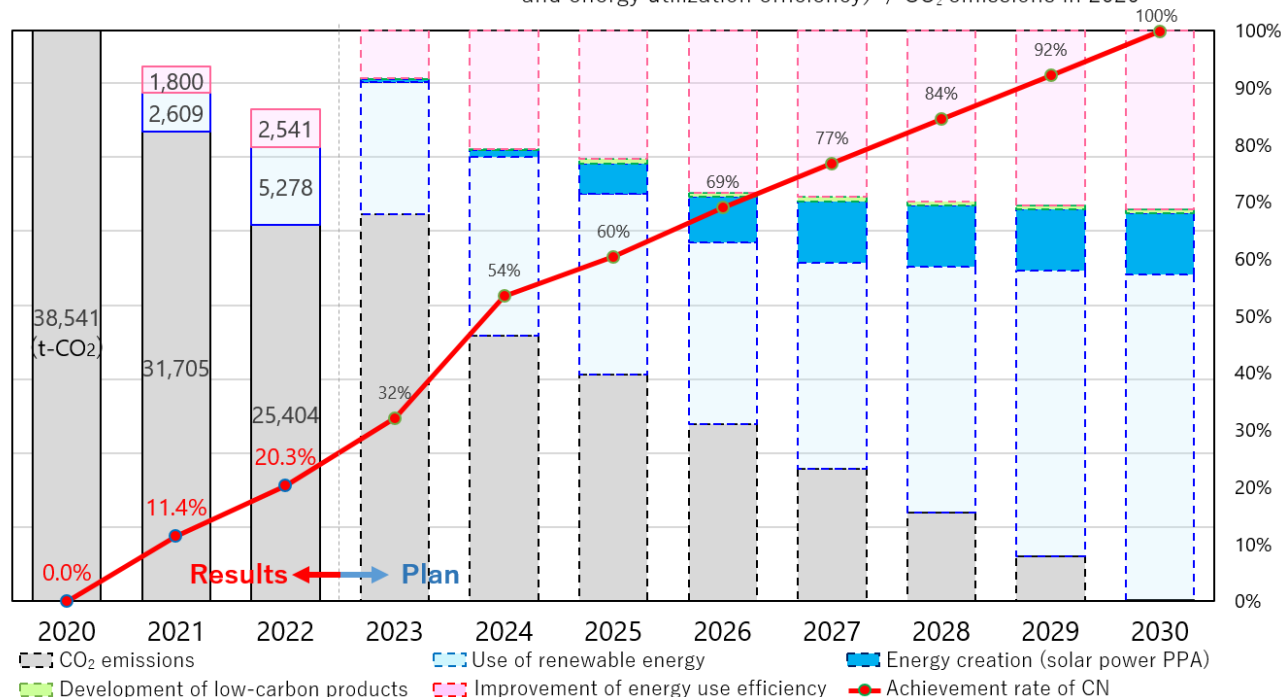
(4) Metrics and Goals

i) Climate change

We have implemented various measures to improve energy use efficiency. From now on, we will not only expand the deployment of the measures, but also aim to achieve carbon neutrality in FY2030 (compared to CO₂ emissions in FY2020)* in terms of direct emissions (Scope1) and indirect emissions (Scope2) by using renewable energy and purchasing carbon neutral gas as well as promoting the development of low-carbon products.

(Plan for achieving carbon neutrality)

Achievement rate of CN (carbon neutrality) = (Total of renewable energy, energy creation, low-carbon products, and energy utilization efficiency) / CO₂ emissions in 2020



ii) Human capital

With respect to the ratio of female employees in managerial positions, we will actively recruit and nurture candidates for the positions in the medium- and long-term to increase the ratio from 12.5% at the end of March, 2022 to around 20% at the end of March, 2025. The first female director was appointed on June, 2022, and two of the directors are female as of June, 2023. In addition, the first female operating officer was appointed on June, 2022 through internal promotion. We will continue to work on a variety of initiatives, such as providing opportunities for development and realization of ability, which respect employees' personality, and to recruit diverse employees and develop their ability.

	'22/3 (Actual)	'23/3 (Actual)	'25/3 (Target)
Ratio of women in managerial positions	12.5%	10.6%	20.0%
Ratio of mid-career employees in managerial positions	68.8%	70.5%	70.0%
Ratio of gender wage gaps between men and women	77.6%	80.5%	85.0%
Ratio of male employees taking childcare leave	29.4%	42.1%	60.0%
Percentage of annual paid leave taken	57.2%	65.6%	75.0%

3. Business Risks, etc.

Among the matters related to the status of business and the status of accounting, etc., which are stated in the Financial Report, the major risks that the corporate managers recognize may have a significant impact on the consolidated financial position, business results and cash flows of the consolidated companies are as follows.

The matters stated concerning the future in the text are based on judgments made by our Group as of the end of the current consolidated fiscal year.

(1) Fluctuations in Demand for Products

Major users of the products manufactured and sold by our Group are information equipment manufacturers, electronic component manufacturers, industrial electronic device manufacturers, etc., and fluctuations in demand for these electronic devices affect the results of operations of our Group.

(2) Dependence on Particular Products

Net sales of our Group depend largely on the electronic materials segment. A sales decline in this segment may affect the results of operations of our Group.

(3) Development of New Businesses

Our Group is making efforts to launch several new businesses, and the status of progress in such efforts may affect the results of operations of our Group.

(4) Procurement of Raw Materials

If purchase prices of the raw materials purchased by our Group rise sharply due to escalating price of crude oil and copper, such rise may affect the results of operations of our Group.

(5) Impact of Disasters

The vast majority of our Group's production bases are located in Joetsu-shi, Niigata, Japan. In the event of an earthquake or other disaster, the resultant disruption or interruption of production activities, etc. may affect the results of operations of our Group.

(6) Environmental Regulations

Businesses of our Group are subject to various legal regulations, including, but not limited to, those applicable to environmental protection. If any significant liability or obligation accrues to our Group in connection with compliance with any such environmental or other kind of regulation, such liability or obligation may affect the results of operations of our Group.

(7) Risks Related to Information Security

Our Group holds confidential information that includes technical and personal information for performing business, and various kinds of information system are used for business activities, such as production, sales, accounting, etc. If the information is leaked, unexpected failure happens to the information system, and businesses are suspended due to disasters, cyber attacks, unauthorized access, etc., the business activities and results of our Group may be affected.

(8) Risks Related to COVID-19

Although movement restrictions are easing, COVID-19 still has effects on economy and is prolonged. If the situation of the infection is worsened, the disruption of supply chain and production activities and the negative impact on the domestic economy and markets, etc. may affect the results of operation of our Group.

Furthermore, our Group gives first priority to the safety and health of all the stakeholders and implements the infection prevention measures thoroughly in accordance with the administrative guidelines. We also continue to implement measures, such as an effective utilization of teleconference system, implementation of telework (working from home), use of a satellite office, etc.

4. Analyses of Consolidated Financial Position, Business Results and Cash Flows by the Corporate Managers

(1) Overview of Operating Results, etc.

Overview of financial conditions, results of operations and status of cash flows (hereinafter referred to as operating results, etc.) of the Group (the Company, a consolidated subsidiary and companies accounted for under the equity method) in the consolidated fiscal year is as follows.

i) Financial Position and Operating Results

As for the Japanese economy in the current consolidated fiscal year, the economic activity was normalizing due to the relaxation of restrictions on activities from COVID-19 infections, etc. On the other hand, the future prospects still remain uncertain due to the persistent high energy and raw material prices caused by the prolonged situation in Ukraine, the rise in prices caused by global inflation in addition to a decrease in demand in the Chinese market. In particular, as for electronic materials, which is a main business field of our Company Group, inventory adjustments have continued since the second half of the fiscal year due to sluggish demand for personal computers, mobile devices, etc. Under such circumstances, the business results of our Group (the Company, its consolidated subsidiaries and the companies accounted for under the equity method) for the current consolidated fiscal year showed net sales of 42,722 million yen (representing a 0.9% decrease as compared with the previous consolidated fiscal year) due to a decrease in sales of electronic materials despite an increase in sales of industrial application structural materials and display materials. Operating profit was 2,228 million yen (representing a 32.9% decrease as compared with the previous consolidated fiscal year) due to soaring energy costs and raw material prices. Ordinary profit remained 2,717 million yen (representing a 35.4% decrease as compared with the previous consolidated fiscal year) due to a decrease in the operating profit and a contraction in foreign exchange gains. On the other hand, profit attributable to owners of parent was 2,856 million yen (representing a 27.0% decrease as compared with the previous consolidated fiscal year) due to an increase in gain on sale of investment securities, etc.

Business results with respect to each segment are as follows.

Electronic materials

In the electronic materials segment, net sales were 26,543 million yen (representing a 10.8% decrease as compared with the previous consolidated fiscal year) due to a decrease in sales of flexible printed circuit board materials (the amount of orders received decreased by 3.0% to 17,339 million yen, and the production output decreased by 9.5%, as compared with the previous consolidated fiscal year on a non-consolidated basis of the Submitting Company), while the segment profit or loss recorded an income of 1,223 million yen (representing a 57.9% decrease as compared with the previous consolidated fiscal year) caused by the impact from soaring energy costs and raw material prices in addition to a decrease in sales.

Industrial application structural materials

In the industrial application structural materials segment, net sales were 9,128 million yen (representing a 29.4% increase as compared with the previous consolidated fiscal year) due to an increase in sales of water treatment FRP pressure vessels, while the segment profit was 1,315 million yen (representing a 50.7% increase as compared with the previous consolidated fiscal year).

Electrical insulating materials

In the electrical insulating materials segment, net sales were 2,582 million yen (representing a 0.8% decrease as compared with the previous consolidated fiscal year) due to a decrease in infrastructure-related sales, while the segment profit or loss recorded an income of 184 million yen (representing a 39.2% decrease as compared with the previous consolidated fiscal year).

Display materials

In the display materials segment, net sales were 4,162 million yen (representing a 28.0% increase as compared with the previous consolidated fiscal year) due to an increase in sales of 3D-related materials and ColorLink Japan, Ltd.'s polarization control optical components, while the segment profit or loss recorded an income of 1,024 million yen (representing a 25.6% increase as compared with the previous consolidated fiscal year).

Other (other businesses)

In other businesses, net sales were 305 million yen (representing a 25.7% decrease as compared with the previous consolidated fiscal year), while the segment profit or loss recorded an income of 148 million yen (representing a 14.0% decrease as compared with the previous consolidated fiscal year).

ii) Cash Flows

Cash and cash equivalents (hereinafter referred to as the “Funds”) as of the end of the current consolidated fiscal year were 18,535 million yen, representing a year-on-year increase of 1,642 million yen, or 9.7%.

The following is the status of each cash flow category during the current consolidated fiscal year and the key factors of such status.

(Cash flows from operating activities)

Funds earned from operating activities were 3,471 million yen, representing a 41.2% decrease as compared with the previous consolidated fiscal year. This was due largely to an increase in the Funds comprising 3,902 million yen in profit before income taxes and 2,290 million yen in depreciation, etc. as well as a decrease in the Funds comprising 1,328 million yen in increase in inventories, etc.

(Cash flows from investing activities)

Funds disbursed for investing activities were 508 million yen, representing an 82.3% decrease as compared with the previous consolidated fiscal year. This was due largely to an increase of 6,783 million yen, etc. from sales of investment securities as well as a decrease in the Funds comprising the expenditure of 4,324 million yen for purchases of property, plant and equipment, etc.

(Cash flows from financing activities)

Funds disbursed from financing activities were 2,572 million yen, representing a 36.4% decrease as compared with the previous consolidated fiscal year. This was due largely to a decrease of 3,000 million yen for payment of dividends, etc.

iii) Status of Production, Receipt of Orders and Sales

1) Production Results and Status of Receipt of Orders

Our Group (the Company and its consolidated subsidiaries; the same shall apply hereinafter) manufactures and sells such an extensive and varied range of products that even the products of the same type are not necessarily uniform in capacity, construction, form or other respects. Also, quite a few of our products are not manufactured on a made-to-order basis. Such being the case, we do not indicate any segmentalized production volume and order volume in monetary amounts or quantities.

For this reason, we indicate the status of production, receipt of orders and sales in a correlation with the business results with respect to each of the segments shown in “(1) Overview of Operating Results, etc. - i) Financial Position and Operating Results”.

2) Sales Results

Net sales for the current consolidated fiscal year with respect to each reportable segment are as follows.

Segment name	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023) (Millions of yen)	Comparison with the previous consolidated fiscal year (%)
Electronic materials	26,543	△10.8
Industrial application structural materials	9,128	29.4
Electrical insulating materials	2,582	△0.8
Display materials	4,162	28.0
Total of reportable segments	42,417	△0.6
Other	305	△25.7
Total	42,722	△0.9

- Note: 1. Inter-segment transactions are eliminated by setoff.
2. Sales results with respect to each major customer and their respective ratios to the total sales amount for the last two consolidated fiscal years are as follows.

Customer name	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)		Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
Ajinomoto Fine-Techno Co., Inc.	—	—	4,327	10.1

(Statement is omitted as there is no customer who accounts for 10/100 or more of sales results in the previous consolidated fiscal year.)

(2) Details of analysis and study regarding the conditions of operating results etc. from the viewpoint of corporate managers

Details of perception, analysis and study regarding the conditions of operating results etc. of our Group from the viewpoint of corporate managers are as followings.

The matters regarding future in the following sentences were judged as of end of the current consolidated fiscal year.

i) Details of Perception, Analysis and Study regarding Financial Position and Conditions of Operating Results

In the current consolidated fiscal year, we worked for the continuous growth of existing businesses by making the capital expenditures for improvement and expansion of production capacity mainly related to our mainstay electronic materials. At the same time, we continued an aggressive effort for the market expansion and the growth of our Group by developing new products that anticipated changes in markets in each segment. Electronic materials, the core products of our Group, resulted in orders lower than the previous year due to inventory adjustment despite our effort (including our subsidiary, “ThinFlex Corporation”) to increase them for multifunctional mobile devices. Regarding industrial application structural materials, electrical insulating materials, and display materials, we look forward to further growth and we will continue to develop new products and to increase profitability.

Although movement restrictions are easing and the infection is being contained, the effects of COVID-19 are still prolonged. Its impact is described in “II. Status of Business 1. Management Policy, Management Environment and Tasks to be Addressed.” Also, factors that may give material impact to operating results of our Group are described in “II. Status of Business 3. Business Risks, etc.”, so please refer to it.

Analysis of financial position and operating results in the current consolidated fiscal year of our Group is as follows.

1) Analysis of Financial Conditions

(Assets)

Total assets as of the end of the current consolidated fiscal year were 67,659 million yen (68,689million yen as of the end of the previous consolidated fiscal year), representing a year-on-year decrease of 1,029 million yen, or 1.5%.

The main factor for this is an increase of 3,203 million yen in cash and deposits, an increase of 1,123 million yen in merchandise and finished goods, an increase of 2,671 million yen in property, plant and equipment, a decrease of 2,891 million yen in notes and accounts receivable-trade, and contract assets, a decrease of 940 million yen in securities and a decrease of 5,330 million yen in investment securities, respectively.

(Liabilities)

Total liabilities as of the end of the current consolidated fiscal year were 20,552 million yen (20,723 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year decrease of 171 million yen, or 0.8%.

The main factor for this is an increase of 1,257 million yen in short-term and long-term loans payable, a decrease of 429 million yen in income taxes payable, a decrease of 424 million yen in notes and accounts payable - trade, etc.

(Net assets)

Total net assets as of the end of the current consolidated fiscal year were 47,107 million yen (47,965 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year increase of 857 million yen, or 1.8%.

The main factor for this is an increase of 586 million yen in foreign currency translation adjustment, a decrease of 643 million yen in retained earnings, and a decrease of 762 million yen in valuation difference on available-for-sale securities, respectively.

2) Analysis of Results of Operations

(Net sales)

Net sales for the current consolidated fiscal year were 42,722 million yen (43,089 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 367 million yen, or 0.9%. Cost of sales was 34,913 million yen (34,422 million yen for the previous consolidated fiscal year) through our thorough cost-cutting efforts, representing a year-on-year increase of 490 million yen and signifying a 1.8 percentage point increase in the ratio of cost of sales to 81.7%.

As a result, gross profit was 7,809 million yen (8,667 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 858 million yen and signifying a 1.8 percentage point decrease in the ratio of gross profit to 18.3%.

(Operating profit or loss)

Total selling, general and administrative expenses for the current consolidated fiscal year were 5,581 million yen (5,346 million yen for the previous consolidated fiscal year) despite our thorough cost-cutting efforts, representing a year-on-year increase of 234 million yen and signifying a 0.7 percentage point increase in the ratio of selling, general and administrative expenses to 13.1%.

As a result, operating profit was 2,228 million yen (3,320 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 1,092 million yen and signifying a 2.5 percentage point decrease in the ratio of operating profit to 5.2%.

(Ordinary profit or loss)

Non-operating income and expenses for the current consolidated fiscal year was an income of 489 million yen (an income of 883 million yen for the previous consolidated fiscal year), representing a decrease of 394 million yen. A main factor for this is a decrease of 229 million yen in foreign exchange gains.

As a result, ordinary profit was 2,717 million yen (4,204 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 1,487 million yen and signifying a 3.4 percentage point decrease in the ratio of ordinary profit to 6.4%.

(Profit or loss before income taxes)

Extraordinary income or loss for the current consolidated fiscal year recorded an income of 1,185 million yen (an income of 761 million yen for the previous consolidated fiscal year), representing an increase of 423 million yen. The main factor for this was an increase of 495 million yen in gain or loss on sale of investment securities. As a result, profit before income taxes was 3,902 million yen (4,965 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 1,063 million yen and signifying a 2.4 percentage point decrease in the ratio of profit before income taxes to 9.1%.

(Profit or loss attributable to owners of the parent)

Total income taxes for the current consolidated fiscal year were 1,043 million yen (961 million yen for the previous consolidated fiscal year), representing a year-on-year increase of 82 million yen. As the bottom line, profit attributable to owners of parent for the current consolidated fiscal year was 2,856 million yen (3,911 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 1,054 million yen and signifying a 2.4 percentage point decrease in the ratio of profit attributable to owners of parent to 6.7%.

ii) Details of Analyses and Study Regarding Cash Flows and Information on Financial Resources for Capital and Liquidity of Funds

Status of each cash flow category during the current consolidated fiscal year and the factors behind such status are stated in II. Status of Business - 3. Analyses of Consolidated Financial Position, Business Results and Cash Flows by the Corporate Managers - (1) Overview of Operating Results, etc. - ii) Cash Flows.

(Cash flow indicators)

	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Equity ratio (%)	69.6	69.5
Equity ratio on a mark-to-market basis (%)	46.4	61.3
Ratio of interest-bearing liabilities to cash flows (Years)	1.5	3.0
Interest coverage ratio (Times)	43.6	23.2

Note: Equity ratio: Total shareholders' equity / Total assets

Equity ratio on a mark-to-market basis: Total market capitalization / Total assets

Ratio of interest-bearing liabilities to cash flows: Interest-bearing liabilities / Operating cash flows

Interest coverage ratio: Operating cash flows / Interest paid

1. All indicators above are calculated on the basis of the consolidated financial results.
2. Total market capitalization is calculated by multiplying the number of shares issued and outstanding at the end of the period (excluding treasury shares) by the closing price per share at the end of the period.
3. Interest-bearing liabilities represent all those liabilities (stated in the consolidated balance sheets) on which interest is paid.
4. For operating cash flows, the amount of "Net cash provided by (used in) operating activities" stated in the consolidated statements of cash flows is used. For the interest paid, the amount of "Interest expenses paid" stated in the consolidated statements of cash flows is used.

1) Financial resources for capital and liquidity of funds

Our Group makes it our basic policy to stably secure the liquidity of funds and the resources of capital required for business operations. Though we basically use our own capital for short-term working capital, we hold a contract for overdraft agreements with main financing banks so as to procure temporary working capital efficiently in time of insufficiency. Regarding the capital relating to capital formation such as business investments, we basically procure our own capital and long-term borrowings from financial institutions in view of financing cost and risk diversification. Additionally, for the purpose of efficient fund management, reducing of financial risk and saving of interest expenses, our Group started "Group Finance".

2) Objective Indicators etc. for Judgement on the Status of Achievement of Management Policy, Management Strategies and Managerial goals

Our Group's managerial and financial goals are described in II. Status of Business 1. Management Policy, Management Environment and Tasks to be Addressed.

iii) Significant Accounting Estimates and Assumptions Used in Making Such Estimates

The consolidated financial statements of our Group are made based upon the corporate accounting standards which are generally accepted in Japan. In preparing this consolidated financial statements, the management are required to estimate for accounting. With respect to such estimates, the management comprehensively considers and reasonably judges past results, present circumstances, etc.; nevertheless, actual results may become different from the said estimates due to uncertainty peculiar to estimating.

The critical accounting policies adopted for the preparation of financial statements are described in "Important Matters Underlying Preparation of Consolidated Financial Statements" of "V. Status of Accounting: 1. Consolidated Financial Statements, etc. (1) Consolidated Financial Statements Notes", among which the following critical accounting policies are considered to have a profound effect on the important judging and estimating in course of preparing consolidated financial statements.

1) Allowance for doubtful accounts

In our Group, as a reserve for potential loan losses, an estimated uncollectible amount is recorded based on the historical loan-loss ratio in the case of general accounts receivable, and in light of the collectability in each instance in the case of some specific accounts receivable, e.g. doubtful receivables. When a financial condition

of customers gets worse and their solvency declines, an additional allowance may need recording.

2) Assessment of recoverability of deferred tax assets

When applying tax effect accounting, our Group reasonably estimates recoverability of deferred tax assets and records such assets after deduction of valuation allowance. Recoverability of deferred tax assets depends on the possibility of future untaxable depreciation of taxable items and on the future taxable income estimated on the basis of future profitability; therefore, if such estimated amount vary, a profit may fluctuate due to reversal or additional recording of the deferred tax assets.

3) Impairment of securities and investment securities

Our Group holds securities and investment securities; we use, as valuation methods, the market method on securities other than stocks and others without a quoted market price and use the cost method on securities without a quoted market price. We conduct treatments for impairment on our owned securities according to reasonable standards, because we bear the risk of price fluctuation in the stock market (if such securities have a quoted market price) and investees' business results etc. may worsen (if such securities have no quoted market price).

Our Group has conducted necessary treatments for impairment on securities and investment securities. Additionally, if any loss which is not reflected on the current book value occurs or any book value becomes uncollectible due to deteriorating market conditions, worsening business results of investees, etc. in the future, further treatments for impairment may be required according to the said standards.

4) Impairment of non-current assets

Our Group applies Accounting Standard for Impairment of Fixed Assets, and is grouping non-current assets on the basis of business unit which generates cash flow independently. When the recoverable amount of an asset group falls below book amount, such different amount is perceived as an impairment loss. When the recoverable amount of an asset group further goes down in the future, further recording of an impairment loss may be required.

This application shows an impairment loss of 19,332 thousand yen as extraordinary losses in manufacturing facilities of the submitting company in the current consolidated fiscal year.

5) Valuation of inventories

Our Group reduces the book value of inventories when their net selling price falls below its book value. In addition, when inventories are recognized to be slow-moving more than a certain period of time, we assume that their realizability of sales is declining and promptly amortize them with a book value reduction method on a regular basis, depending on the elapse of the time. Furthermore, we individually reduce their book value when sales are recognized to be difficult. The net selling price may have a serious impact on loss on valuation of inventories depending on future changes of market environment and differences in sales forecasts because it is evaluated based on sales results, etc.

5. Agreements with Managerial Implications, etc.

No applicable matter.

6. Research and Development Activities

Major research and development activities of our Group are conducted by the Submitting Company as well as ThinFlex Corporation, Satosen Co., Ltd. Protec Arisawa Europe, S.A., Protec Arisawa America, Inc. and ColorLink Japan, Ltd., consolidated subsidiaries of the Submitting Company, and these companies are also disseminating technologies to other consolidated subsidiaries.

As a technology-oriented corporate group, we adopt a flexible organization as a basis for our research and development activities in order to match the increasingly diversified and sophisticated needs of the users. Centering on our core business fields, i.e. the electronic materials field, the industrial structural materials field, the electrical insulating material field and the display materials field, we vigorously pursue research and development of new technologies and new products, aiming at launching new products to the market, nurturing of next generation products, forward-looking promotion of technologies and expansion of fundamental technologies.

Examples of electronic materials include materials for FPCs (flexible printed circuit boards), glass cloth for printed circuit boards and prepregs for special printed circuit boards, etc. Examples of industrial structural materials include in-car materials, materials for use in water treatment equipment, materials for aircraft interiors. Examples of electrical insulating materials include prepregs for use in electrical insulating and various molded products, etc. Examples of display materials include 3D-filters, optical molded products, etc.

As of the end of the current consolidated fiscal year, we had 171 employees involved in research and development activities, and our total research and development expenses incurred in the current consolidated fiscal year amounted to 1,991 million yen.

Research and development achievements and the amount of research and development expenses incurred with respect to each field during the current consolidated fiscal year are as follows.

(1) Electronic Materials Field

- Materials for flexible printed circuit boards

As electronic devices typified by smart phones are becoming more advanced and sophisticated, miniaturization is causing the densification of electronic circuits. We developed and started selling flexible copper-clad boards using a new copper foil being excellent at forming fine circuit. A process that removes an unnecessary part of material from a copper foil and forms a circuit (subtractive process) is applied to the copper-clad boards. However, the subtractive process is close to a limit for more fining, and a substitute process that forms a copper circuit by electroplating (semi-additive process) is thought to be more effective. We are proceeding with the research and development of materials for circuits suitable for the semi-additive process, and the evaluation by our customers has begun.

- Heat dissipation materials

As IC (integrated circuit) power modules which are used for a wide range of applications from home electrical appliances to vehicles are becoming more miniaturized and energy-saving, high heat dissipating adhesive sheets are necessary to dissipate heat generated by IC effectively. We have a line-up of various adhesive sheets whose heat dissipation property is from 1 to 10W/mK, and those are available for sale to customers. We have been developing a 15W/mK product, which is an industry-leading level, since last year, and the evaluation of the product by our customers is going well for which we will acquire certification soon. We have already started to develop the next-generation materials with the properties of 20W/mK, looking into the future.

- Installation of an experimental small coating machine

An experimental small coating machine is operating from August 2023. We have used mass production machines to produce and evaluate prototypes in developing electronic materials, and there is a problem with the machines, which is that they are large so that it takes time and is costly to prepare materials for them. With the machine, we can solve the problem and shorten development time.

In addition, we will use the machine effectively to promote open innovation and work actively on joint development projects and new OEM projects.

Research and development expenses incurred with respect to electronic materials amounted to 1,249 million yen.

(2) Industrial Application Structural Materials Field and Electrical Insulating Materials Field

- Water treatment FRP pressure vessels

Our FRP pressure vessels are widely used for water treatment to desalinize seawater. Recently there is a growing demand for Zero Liquid Discharge (ZLD) system to minimize (or reduce to zero) general waste water and industrial liquid waste for environmental protection. High-pressure treatment is needed to treat concentrated wastewater for recovering and recycling wastewater in a variety of ways, thereby discharging no liquid effluent, and there is a growing need to make vessels high-pressure. The Company and our consolidated subsidiaries, Protec Arisawa Europe, S.A. and Protec Arisawa America, Inc., are in the process of designing and developing 1,800psi high pressure vessels and proceeding with the acquisition of ASME, and will start to provide the samples to our customers from 2023.

- Fuel cell

We started to mass-produce metallic separator material for in-vehicle fuel cell from 2020 toward the realization of a hydrogen energy society. Utilizing one of our feature technologies, “Coating”, the improvement of press workability is recognized by coating lubricant on the surface of metal foil thinly and uniformly. We newly developed an environmental load reducing lubricant, which receives a good evaluation from our customers. We will proceed with the development of lubricant which can be adapted to a variety of materials, and further expand the use applications. Moreover, we are developing resin separator as an alternative to metallic separator, and its customer evaluation is underway for putting it to the market from 2025.

Research and development expenses incurred with respect to composite materials amounted to 447 million yen.

(3) Display Materials Field

- Medical 3D display materials

The 3D display systems incorporating the Company’s “Xpol®” are being adopted in the medical field because of their high reliability and 3D performance. There is a need for increasing the size of a high-quality 4K resolution display from the mainstay 32-inch to the over 40-inch due to the diversification of operating rooms. We have completed developing the display and started to provide the samples to our customers. We plan to put it to the market from 2024 and three-dimensionalization is expected to accelerate in endoscopic surgery.

- Next-generation display materials

We developed a functional adhesive film used for display-related parts with our own resin compounding and laminating technique, and it has been decided to adopt it for LED backlight. We plan to put it to the market in the fall of 2023.

Research and development expenses incurred with respect to display materials amounted to 269 million yen.

III. Status of Facilities

1. Outline of Capital Investment

Our Group concentrates its capital investment in the expansive and growing fields in order to keep pace with the rapid technological innovation and the tough sales competition and made capital expenditures totaling 4,486 million yen in the current consolidated fiscal year.

The principal component of our capital investment in the current consolidated fiscal year was 3,121 million yen for production equipment related to electronic materials centering on materials for flexible printed circuit boards.

In this regard, no retirement or sale, etc. of facilities or equipment that may significantly affect our Group's production capacity was conducted in the current consolidated fiscal year.

2. Status of Major Facilities

(1) Submitting Company

As of March 31, 2023

Name of business place (Location)	Segment name	Nature of facilities	Book value					Number of employees	
			Buildings and structures (Thousands of yen)	Machinery, equipment and vehicles (Thousands of yen)	Land (Thousands of yen) (Area m ²)	Lease assets (Thousands of yen)	Other (Thousands of yen)		Total (Thousands of yen)
Minami-honcho Factory (Joetsu-shi, Niigata)	Electronic materials, Industrial application structural materials, Electrical insulating materials,	Electronic materials manufacturing facilities, Industrial application structural materials manufacturing facilities, Electrical insulating materials manufacturing facilities,	390,494	47,565	55,095 (18,204)	16,352	11,932	521,439	56 (10)
Nakahahara Factory (Joetsu-shi, Niigata)	Electronic materials, Industrial application structural materials, Electrical insulating materials, Display materials	Electronic materials manufacturing facilities, Industrial application structural materials manufacturing facilities, Electrical insulating materials manufacturing facilities, Display materials manufacturing facilities	2,204,191	781,581	290,654 (114,051)	222,642	1,545,774	5,044,844	398 (75)
Nakahahara-Nishi Factory (Joetsu-shi, Niigata)	Electronic materials, Industrial application structural materials, Display materials	Electronic materials manufacturing facilities, Industrial application structural materials, Display materials manufacturing facilities	198,387	463,420	433,174 (42,046)	12,411	11,842	1,119,236	75 (6)
Head Office (Joetsu-shi, Niigata)	Head office (Common)	Other facilities	571,087	1,816	103,084 (22,373)	—	49,836	725,826	31 (12)
Tokyo Branch Office (Taito-ku, Tokyo)	Electronic materials, Industrial application structural materials, Electrical insulating materials, Display materials, Other, Head office (Common)	Other facilities	129,478	4,930	299,125 (577)	—	22,130	455,664	38 (1)

(2) Domestic Subsidiaries

As of March 31, 2023

Company name	Name of business place (Location)	Segment name	Nature of facilities	Book value						Number of employees
				Buildings and structures (Thousands of yen)	Machinery, equipment and vehicles (Thousands of yen)	Land (Thousands of yen) (Area m ²)	Lease assets (Thousands of yen)	Other (Thousands of yen)	Total (Thousands of yen)	
Satosan Co., Ltd.	--- (Osaka-shi, Osaka)	Electronic materials,	Electronic materials manufacturing	130,905	58,531	291,900 (4,373)	—	6,624	487,960	88 (81)
Arisawa Fiber Glass Co., Ltd.	--- (Joetsu-shi, Niigata)	Electronic materials, Electrical insulating materials	Electronic materials manufacturing facilities, Electrical insulating materials manufacturing facilities	398,018	626,859	126,719 (37,612)	36,488	18,293	1,206,379	83 (11)
Arisawa Sogyo Co., Ltd.	--- (Joetsu-shi, Niigata)	Industrial application structural materials, Electrical insulating materials, Other	Industrial application structural materials manufacturing facilities, Electrical insulating materials manufacturing facilities	272,447	44,706	263,948 (49,550)	—	159,406	740,507	95 (28)
Arisawa Jushi Kogyo Co., Ltd.	--- (Kawaguchi-shi, Saitama)	Electrical insulating materials	Electrical insulating materials manufacturing facilities	46,825	34,726	31,561 (2,407)	—	3,126	116,240	16 (—)
ColorLink Japan, Ltd.	--- (Joetsu-shi, Niigata)	Display materials	Display materials manufacturing facilities	77,500	61,802	64,768 (6,287)	—	23,440	227,511	89 (22)

(3) Overseas Subsidiaries

As of March 31, 2023

Company name	Name of business place (Location)	Segment name	Nature of facilities	Book value						Number of employees
				Buildings and structures (Thousands of yen)	Machinery, equipment and vehicles (Thousands of yen)	Land (Thousands of yen) (Area m ²)	Lease assets (Thousands of yen)	Other (Thousands of yen)	Total (Thousands of yen)	
ThinFlex Corporation	--- (Kaohsiung County, Taiwan)	Electronic materials	Electronic materials manufacturing facilities	1,160,160	1,126,403	-	425,667 (See Note 4)	797,681	3,509,912	212 (—)
TopFlex Corporation	--- (Kunshan City, P.R. China)	Electronic materials	Electronic materials manufacturing facilities	240,824	144,275	-	45,475 (See Note 4)	1,220,105	1,650,680	133 (—)
Protec Arisawa Europe, S.A.	--- (Munguia, Spain)	Industrial application structural materials	Industrial application structural materials manufacturing facilities	241,809	252,187	33,668 (8,891)	-	10,127	537,793	86 (26)
Protec Arisawa America, Inc.	--- (Vista, CA, U.S.A.)	Industrial application structural materials	Industrial application structural materials manufacturing facilities	15,370	37,366	-	-	49,444	102,182	58 (10)

Note: 1. Among the columns under “Book value”, “Other” indicates the total of tools, furniture and fixtures and construction in progress.

2. Major facilities leased out by the Submitting Company to its domestic subsidiaries are included in the facilities of the pertinent subsidiaries respectively.
3. Facilities and employees in Kansai office are included in Satosen Co., Ltd.
4. The land-use rights, 322,297 thousand yen (39,265m²) and 45,475 thousand yen (30,136m²), are included in the lease assets of ThinFlex Corporation and TopFlex Corporation.
5. The parenthesized figures in the column “Number of employees” indicate the number of temporary employees not included in the pertinent total.

3. Plans for Installation and Retirement, etc. of Facilities

(1) Installation, etc. of Material Facilities

Name of business place or company	Location	Segment name	Nature of facilities	Investment amount		Source of funds	Scheduled start and completion months		Capacity increase upon completion
				Total amount to be invested (Thousands of yen)	Amount hitherto disbursed (Thousands of yen)		Start	Completion	
TopFlex Corporation	Kunshan City, P.R. China	Electronic materials	Electronic materials manufacturing facilities	902,400	270,720	Own funds	February 2022	December 2023	—
Arisawa Mfg. Co., Ltd.	Joetsu -shi, Niigata	Electronic materials	Electronic materials manufacturing facilities	381,400	99,449	Own funds	February 2022	August 2023	—

Note: No amount or value is shown in the column “Capacity increase upon completion” as it is difficult to reasonably determine any pertinent amount or value.

(2) Retirement, etc. of Material Facilities

There is no plan for retirement, etc. of material facilities.

IV. Status of the Submitting Company

1. Status of Shares, etc.

(1) Total Number of Shares, etc.

1) Total number of shares

Class	Total number of shares authorized to be issued
Common stock	130,000,000
Total	130,000,000

2) Shares issued and outstanding

Class	Number of shares issued and outstanding as of the end of the business year (As of March 31, 2023)	Number of shares issued and outstanding as of the filing date of the Financial Report (As of June 30, 2023)	Name of financial instruments exchange where the shares are listed or authorized financial instruments firms association where the shares are registered	Remarks
Common stock	33,541,124	33,547,924	Tokyo Stock Exchange Prime Market	Number of shares constituting one full unit: 100
Total	33,541,124	33,547,924	---	---

- Note:
1. The number of shares issued through the exercise of stock acquisition rights in the period from June 1, 2023 to the filing date of this Financial Report is not included in the column “Number of shares issued and outstanding as of the filing date of the Financial Report”.
 2. The Company disposed of 41,055 shares of treasury shares for restricted stock compensation as of July 27, 2022 upon a resolution by the Board of Directors on June 28, 2022.
 3. 64,490 shares out of shares issued and outstanding as of the filing date of this Quarterly Report are by contribution in kind (62,997 thousand yen of monetary compensation claims) when treasury shares was disposed of for restricted stock compensation.

(2) Status of Stock Acquisition Rights, etc.

1) Details of Stock Option Scheme

Stock acquisition rights issued under the Companies Act were as follows.

Date of resolution	June 28, 2018	June 27, 2019
Category and number of persons to whom stock acquisition rights shall be granted	5 directors of the Company, 211 employees of the Company, and 11 directors and employees of subsidiaries of the Company	4 directors of the Company, 208 employees of the Company, and 14 directors and employees of subsidiaries of the Company
Number of stock acquisition rights (Units) *	1,187 [1,157]	1,167 [1,147]
Class, contents and number of shares subject to stock acquisition rights	Common stock 118,700 [115,700]	Common stock 116,700 [114,700]
Amount to be paid per share at the time of exercising each stock acquisition right (Yen) *	1,104 (See Note 1)	922 (See Note 1)
Exercise period for stock acquisition rights *	July 1, 2020 through June 30, 2023	July 1, 2021 through June 30, 2024
Issuance price and amount credited to equity capital in the event of share issuance through the exercise of stock acquisition rights (Yen) *	Issuance price 1,272 Amount credited to equity capital 636	Issuance price 1,090 Amount credited to equity capital 545
Conditions for the exercise of stock acquisition rights *2	(See Note 2)	
Matters concerning the transfer of stock acquisition rights	Any transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.	
Matters concerning the grant of stock acquisition rights in connection with acts of reorganization	(See Note 3)	

Date of resolution	June 25, 2020
Category and number of persons to whom stock acquisition rights shall be granted	4 directors of the Company, 147 employees of the Company, and 13 directors and employees of subsidiaries of the Company
Number of stock acquisition rights (Units) *	684 [666]
Class, contents and number of shares subject to stock acquisition rights	Common stock 68,400 [66,600]
Amount to be paid per share at the time of exercising each stock acquisition right (Yen) *	890 (See Note 1)
Exercise period for stock acquisition rights *	July 1, 2022 through June 30, 2025
Issuance price and amount credited to equity capital in the event of share issuance through the exercise of stock acquisition rights (Yen) *	Issuance price 1,061 Amount credited to equity capital 530.5
Conditions for the exercise of stock acquisition rights *2	(See Note 2)
Matters concerning the transfer of stock acquisition rights	Any transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.
Matters concerning the grant of stock acquisition rights in connection with acts of reorganization	(See Note 3)

* The contents are described as of the end of the current business year (March 31, 2023). With respect to the items which changed during the period from the end of the current business year to the end of the month previous to the filing (May 31, 2023), the contents thereof are described in [] as of the end of the month previous to the filing. No other contents changed from the end of the current business year.

Note 1. If the Company conducts a stock split or a reverse stock split after the issuance of stock acquisition rights, the paid-in amount shall be adjusted in accordance with the following calculation formula, and any fraction less than 1 yen arising from such adjustment shall be rounded up to the nearest integer value.

$$\text{Paid-in amount after adjustment} = \text{Paid-in amount before adjustment} \times \frac{1}{\text{Ratio of stock split and reverse stock split}}$$

If the Company issues new shares (except in the case of the issuance of new shares through the exercise of stock options) or disposes of shares of treasury shares at a price less than the current market price of the Company's common stock, the paid-in amount shall be adjusted in accordance with the following calculation formula, and any fraction less than 1 yen arising from such adjustment shall be rounded up to the nearest integer value.

$$\text{Paid-in amount after adjustment} = \text{Paid-in amount before adjustment} \times \frac{\text{Number of shares issued \& outstanding} + \frac{\text{Number of new shares being issued} \times \text{Paid-in amount per share}}{\text{Current market price per share}}}{\text{Number of shares issued \& outstanding} + \text{Number of new shares being issued}}$$

If the Company disposes of shares of treasury shares, the "Number of new shares being issued" shall instead be read as the "Number of shares of treasury shares being disposed of".

2. Being a director, an advisor or an employee of the Company or a director, an advisor or an employee of a subsidiary of the Company at the time of exercising the rights. But as for the resolution of June 25, 2020, being a director or an employee of the Company or a director or an employee of a subsidiary of the Company.
3. In the event that a merger agreement in which the Company becomes a defunct company has been approved, or that a proposal for approval of a stock swap agreement (or for a transfer of shares) in which the Company becomes a wholly owned subsidiary has been approved at a general meeting of shareholders, except where the surviving company or the Company's wholly owning parent company succeeds to the obligation to grant stock acquisition rights, the Company shall be able to acquire the stock acquisition rights without consideration.

2) Details of Rights Plan

No applicable matter.

3) Status of Other stock acquisition right

No applicable matter.

(3) Status of Exercise of Moving Strike Convertible Bonds, etc.

No applicable matter.

(4) Changes in the Number of Shares Issued and Outstanding, Share Capital, etc.

Period	Number of shares issued and outstanding		Share capital (Thousands of yen)		Legal capital surplus (Thousands of yen)	
	Change	Balance	Change	Balance	Change	Balance
From April 1, 2018 to March 31, 2019 (See Note 1)	202,100	36,226,224	83,450	7,541,693	83,406	6,653,615
From April 1, 2019 to March 31, 2020 (See Note 1)	155,300	36,381,524	52,333	7,594,026	52,402	6,706,017
From April 1, 2020 to November 30, 2020 (See Note 1)	24,900	36,406,424	8,595	7,602,621	8,595	6,714,612
November 30, 2020 (See Note 2)	△2,000,000	34,406,424	—	7,602,621	—	6,714,612
From December 1, 2020 to March 31, 2021 (See Note 1)	64,100	34,470,524	21,017	7,623,638	21,017	6,735,630
From April 1, 2021 to August 31, 2021 (See Note 1)	19,800	34,490,324	6,276	7,629,915	6,276	6,741,906
August 31, 2021 (See Note 2)	△900,000	33,590,324	—	7,629,915	—	6,741,906
From September 1, 2021 to March 31, 2022 (See Note 1)	24,500	33,614,824	13,862	7,643,777	13,862	6,755,769
From April 1, 2022 to January 31, 2023 (See Note 1)	207,600	33,822,424	120,124	7,763,902	120,124	6,875,894
January 31, 2023 (See Note 2)	△424,400	33,398,024	—	7,763,902	—	6,875,894
From January 1, 2023 to March 31, 2023 (See Note 1)	143,100	33,541,124	83,970	7,847,873	83,970	6,959,865

Note 1. The increases are due to the exercise of stock acquisition rights.

2. This is due to the retirement of treasury shares.

3. In the period from April 1, 2023 to May 31, 2023, the number of shares issued and outstanding increased by 6,800 shares, and the amount of share capital and that of legal capital surplus increased by 3,952 thousand yen respectively, all through the exercise of stock acquisition rights.

(5) Status of Shareholder Categories

As of March 31, 2023

Category	Status of Shares (Number of shares constituting one full unit: 100)								Status of shares constituting less than one full unit
	Governments and local governments	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders	—	20	28	163	101	41	20,225	20,578	—
Number of shares held (Units except as otherwise noted)	—	87,744	4,297	29,080	60,653	249	152,497	334,520	89,124
Ratio of the number of shares held (%)	—	26.23	1.28	8.69	18.13	0.08	45.59	100.00	—

- Note:
1. Out of 372,179 shares of treasury shares, 3,721 units are included in the column “Individuals and others”, and 79 shares are included in the column “Status of shares constituting less than one full unit”. 87,100 shares of the Company which a trust account for employee stock ownership plan holds are not included in the treasury shares.
 2. In the columns “Other corporations” and “Status of shares constituting less than one full unit”, shares held in the name of Japan Securities Depository Center, Inc. are included by 5 units and 19 shares, respectively.

(6) Status of Major Shareholders

As of March 31, 2023

Full name or corporate name	Address	Number of shares held	Ratio of the number of shares held to the number of shares issued and outstanding (excluding treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	4,246,400	12.80
INTERTRUST TRUSTEES(CAYMAN)LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP (Standing Proxy: Mizuho Bank, Ltd. Settlement & Clearing Services Department)	190 ELGIN AVENUE, GERGE TOWN, GRAND CAYMAN KY1-9005, CAYMAN ISLANDS (15-1, Konan 2-chome, Minato-ku, Tokyo)	2,404,800	7.25
Mitsubishi Gas Chemical Company, Inc. (See Note 3)	5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo	1,472,166	4.43
Custody Bank of Japan, Ltd. (Trust account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	1,186,200	3.57
Arisawa Kenko Ltd.	11-44, Nishishiro-cho 3-chome, Joetsu-shi, Niigata	834,338	2.51
Daishi Hokuetsu Bank, Ltd. (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	1071-1, Higashiborimae-dori 7-bancho, Chuo-ku, Niigata-shi, Niigata (11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo)	743,903	2.24
The Master Trust Bank of Japan, Ltd. (Retirement benefit trust account and Mitsubishi Electric Corporation account)	11-3, Hamamatsu-cho 2-chome, Minato--ku, Tokyo	530,536	1.59
Sanji Arisawa	Shinjuku-ku, Tokyo	451,069	1.35
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	388,822	1.17
Yoko Mori	Setagaya-ku, Tokyo	378,180	1.14
Total	---	12,636,414	38.09

Note: 1. The ratio of the number of shares held to the total number of shares issued (except for treasury shares) is displayed with the numbers truncating the numbers beyond the third decimal point. 87,100 shares of the Company which a trust account for employee stock ownership plan holds are not included in the treasury shares excluded from the total number of shares issued and outstanding.

2. Apart from the above, there are 372,179 shares of the treasury shares that the Company holds.

3. The number of shares held by Mitsubishi Gas Chemical Company, Inc. includes 966,306 shares that have been contributed by Mitsubishi Gas Chemical Company, Inc. as the trust property of retirement benefit trust. The pertinent name in the Company's register of shareholders is "The Master Trust Bank of Japan, Ltd. (Retirement benefit trust account and Mitsubishi Gas Chemical Company, Inc. account)."

4. Though it is described in the Change Report of the Report on Bulk Holding available for public inspection as of September 6, 2018 that Sumitomo Mitsui Trust Bank, Limited and a joint holder thereof hold the shares described below as of August 31, 2018, the Company has confirmed no beneficial ownerships of the number of shares as of March 31, 2023. Therefore, such number of shares is not included in above-mentioned Status of Major Shareholders. Details of the Change Report of the Report on Bulk Holding are as follows:

Bulk Holders : Sumitomo Mitsui Trust Bank, Limited and two joint holder thereof
Address : 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Number of shareholdings etc. : 1,488,200
Holding ratio of share certificates etc. : 4.12

5. Though it is described in the Change Report of the Report on Bulk Holding available for public inspection as of December 20, 2018 that BlackRock Japan Company, Limited and a joint holder thereof hold the shares described below as of December 14, 2018, the Company has confirmed no beneficial ownerships of the number of shares as of March 31, 2023. Therefore, such number of shares is not included in above-mentioned Status of Major Shareholders. Details of the Change Report of the Report on Bulk Holding are as follows:

Bulk Holders : BlackRock Japan Company, Limited and one joint holder thereof
Address : 1-8-3, Marunouchi, Chiyoda-ku, Tokyo
Number of shareholdings etc. : 1,259,700
Holding ratio of share certificates etc. : 3.48

6. Though it is described in the Change Report of the Report on Bulk Holding available for public inspection as of December 21, 2018 that Sumitomo Mitsui Asset Management Company, Limited hold the shares described below as of December 14, 2018, the Company has confirmed no beneficial ownerships of the number of shares as of March 31, 2023. Therefore, such number of shares is not included in above-mentioned Status of Major Shareholders. Details of the Change Report of the Report on Bulk Holding are as follows:

Bulk Holders : Sumitomo Mitsui Asset Management Company, Limited and one joint holder thereof
Address : 2-5-1 Atago, Minato-ku, Tokyo
Number of shareholdings etc. : 1,090,300
Holding ratio of share certificates etc. : 3.01

7. Though it is described in the Change Report of the Report on Bulk Holding available for public inspection as of October 2, 2020 that Nippon Value Investors KK hold the shares described below as of September 30, 2020, the Company has confirmed no beneficial ownerships of the number of shares as of March 31, 2023. Therefore, such number of shares is not included in above-mentioned Status of Major Shareholders. Details of the Change Report of the Report on Bulk Holding are as follows:

Bulk Holders : Nippon Value Investors KK
Address : 1-8-1 Marunouchi, Chiyoda-ku, Tokyo
Number of shareholdings etc. : 1,421,500
Holding ratio of share certificates etc. : 3.91

8. Though it is described in the Change Report of the Report on Bulk Holding available for public inspection as of March 10, 2023 that Strategic Capital, Inc. hold the shares described below as of March 3, 2023, the Company has confirmed no beneficial ownerships of the number of shares as of March 31, 2023. Therefore, such number of shares is not included in above-mentioned Status of Major Shareholders. Details of the Change Report of the Report on Bulk Holding are as follows:

Bulk Holders : Strategic Capital, Inc.
Address : 3-14-15, Higashi, Shibuya-ku, Tokyo
Number of shareholdings etc. : 2,586,300
Holding ratio of share certificates etc. : 7.74

(7) Status of Voting Rights

1) Shares issued and outstanding

As of March 31, 2023

Category	Number of shares	Number of voting rights (Units)	Remarks
Shares without voting rights	---	---	---
Shares with restricted voting rights (Treasury shares, etc.)	---	---	---
Shares with restricted voting rights (Other)	---	---	---
Shares with full voting rights (Treasury shares, etc.)	Common stock 372,100	---	---
Shares with full voting rights (Other) (See Note 1)	Common stock 33,079,900	330,799	---
Shares constituting less than one full unit (See Note 2)	Common stock 89,124	---	---
Number of shares issued and outstanding	33,541,124	---	---
Total number of voting rights held by shareholders	---	330,799	---

Note: 1. 500 shares held in the name of Japan Securities Depository Center, Inc. are included in the row "Shares with full voting rights (Other)". 5 units of voting rights pertaining to shares with full voting rights held in the name of Japan Securities Depository Center, Inc. are included in the column "Number of voting rights".

2. 87,100 shares of the Company which a trust account for employee stock ownership plan holds are included in the row "Shares with full voting rights (Other)". 871 units of voting rights for shares with full voting rights of such trust account are included in the column "Number of voting rights".

3. 79 shares of treasury shares are included in the row "Shares constituting less than one full unit".

2) Treasury shares, etc.

As of March 31, 2023

Name and address of shareholder		Number of shares held			Ratio of the number of shares held to the number of shares issued and outstanding (%)
Full name or corporate name	Address	Under own name	Under the names of others	Total	
Arisawa Mfg. Co., Ltd.	5-5, Minami-honcho 1-chome, Joetsu-shi, Niigata	372,100	---	372,100	1.10
Total	---	372,100	---	372,100	1.10

Note: 87,100 shares of the Company which a trust account for employee stock ownership plan holds are not included in the column "Under own name".

(8) Director and Employee Stock Ownership Plan

(Remuneration plan for granting restricted stock to Directors)

1) Outline of the system

At the Board of Directors' Meeting held on May 27, 2021, the Company revised the remuneration system for the Company's Directors except Outside Directors (hereinafter referred to as "eligible Directors"), passed a resolution to introduce the restricted stock compensation system (hereinafter referred to as "this system"), which was approved and passed at the 73rd Ordinary General Meeting of Shareholders held on June 25, 2021. The purpose of the system is to provide incentive to eligible Directors to sustainably increase corporate value of the Company and promote further sharing of value with its shareholders.

2) Total number of restricted stock, etc. issued or disposed of to eligible Directors

Given the above purpose, the aggregate amount of remuneration provided to eligible Directors to grant restricted stock shall be no more than 50 million per year as an amount considered to be reasonable. The total number of common shares that the Company issues or disposes of shall be no more than 50,000 shares per year

(however, if a share split (including gratis allotment of the Company's common shares) or share consolidation of the Company's common shares is performed effective on any date after the date of a resolution at the 73rd Ordinary General Meeting of Shareholders held on June 25, 2021, the total number shall be adjusted within a reasonable range as necessary depending on a ratio of split and consolidation after such effective date).

Eligible Directors shall pay all monetary claims provided from the Company based on this system as contributed properties in kind and receive issuance or disposal of the Company's common shares.

The payment amount per share shall be determined by the Board of Directors based on the closing price of the Company's common shares on the Tokyo Stock Exchange on the business day preceding to the day of each resolution of the Board of Directors (if no transaction is made on that day, the closing price on the trading day immediately before that day) within the scope that is not particularly favorable to an eligible Director who receives the common shares. The specific timing of provision and allocation to each eligible Director shall be determined by the Board of Directors following consultations with the Assignment and Remuneration Advisory Committee.

3) Scope of persons eligible for beneficiary and other rights in this system

Directors of the Company (excluding Outside Directors)

(Employee Stock Ownership Plan)

1) Outline of the system

At the Board of Directors' Meeting held on July 29, 2021, it was resolved to introduce an employee incentive plan (Employee Stock Ownership Plan) with the aim to increase corporate value of the Company in the mid- to long-term by expanding benefits to the employees of the Company ("employees"), developing their sense of belonging, giving a sense of participation in management to them, and raising awareness of the business results and rising share value of the Company.

The plan is an incentive plan which, with funds the Company contributes, sets up a trust ("Trust") that acquires the Company's common stock ("the Company's Stock") and which issues the Company's Stock based on points awarded to employees who satisfy certain requirements. Such points are awarded in accordance with employees' positions, etc. under the stock benefit regulations set forth by the Board of Directors, and the number of the Company's stock issued to each employee is determined depending on the number of the points awarded.

There is no employees' burden because the Company contributes all the funds to acquire the Company's Stock under the Trust.

The introduction of the plan can be expected to encourage the job performance of employees who are aware of share value and increase their will to work because it allows employees to enjoy the economic benefits from the rising share value of the Company's Stock.

2) Total number of shares to be acquired by employees

89,000 shares

3) Scope of persons eligible for beneficial interests and other rights under the system

The Company's employees who satisfy requirements as beneficiaries

2. Status of Acquisition of Treasury Shares, etc.

[Classes of Stock, etc.]

Acquisition of common stock under the provisions of Article 155, item 3 of the Companies Act and acquisition of common stock under the provisions of Article 155, item 7 of the Companies Act.

(1) Status of Acquisition by Resolution of a General Meeting of Shareholders

No applicable matter.

(2) Status of Acquisition by Resolution of the Board of Directors

Acquisition of common stock under the provisions of Article 155, item 3 of the Companies Act

Category	Number of shares	Total amount (Yen)
Resolution of the Board of Directors (May 12, 2022) (Acquisition period from May 13, 2022 to December 30, 2022)	820,000	750,000,000
Acquisition of treasury shares prior to the current business year	—	—
Treasury shares acquired during the current business year	624,400	749,999,400
Total remaining shares with voting rights and total value thereof	195,600	600
Ratio of unexercised shares as of the end of the current business year (%)	23.9	0.0
Treasury shares acquired during the current period	—	—
Ratio of unexercised shares as of the filing date (%)	23.9	0.0

Note: The row “Treasury shares acquired during the current period” does not include the number of shares acquired from June 1, 2023 to the filing date of this Financial Report.

(3) Details of Acquisition not Authorized by Resolution of a General Meeting of Shareholders or Resolution of the Board of Directors

Acquisition under the provisions of Article 155, item 7 of the Companies Act

Category	Number of shares	Total amount (Yen)
Treasury shares acquired during the current business year	259	333,095
Treasury shares acquired during the current period	138	170,568

Note: The row “Treasury shares acquired during the current period” does not include the shares acquired through the purchase of shares constituting less than one full unit in the period from June 1, 2023 to the filing date of this Financial Report.

(4) Status of Disposal and Holding of Acquired Treasury Shares

Category	Current Business Year		Current Period	
	Number of shares	Total disposal amount (Yen)	Number of shares	Total disposal amount (Yen)
Acquired treasury shares offered for subscription	---	---	---	---
Acquired treasury shares disposed of through retirement	424,400	492,559,211	---	---
Acquired treasury shares transferred in relation to merger, share exchange and company split	---	---	---	---
Other (Disposal of treasury shares by restricted stock-based compensation)	41,055	41,999,265	---	---
Number of shares of treasury shares held	372,317	---	372,317	---

Note: 1. The “Number of shares of treasury shares held” in the “Current Period” does not include the shares acquired through the purchase of shares constituting less than one full unit in the period from June 1, 2023 to the filing date of this Financial Report.

2. Shares which a trust account for employee stock ownership plan holds are not included in the number of disposed treasury shares and the row “Number of shares of treasury shares held”.

3. Dividend Policy

The Company will proactively return its funds earned during the period to shareholders as well as invest them in the maintenance and expansion of its revenue base for existing businesses and the development of new use applications. Specifically, the Company makes it a basic policy a total return ratio of 80% or more for performance-linked dividend and will respond flexibly to an acquisition of treasury shares in total consideration of demand of funds, financial conditions, etc.

With respect to the frequency of dividend payments, the Company specifies in its articles of incorporation that the Company can effect interim dividend payments. Currently, however, in view of the tendency for the net sales, etc. for the first half of fiscal year to be higher than those for the second half in the ratio to the annual result, the Company pays a year-end dividend once a year in order to ensure equitable distribution of dividends in light of business results.

Decisions with respect to dividends from surplus are made at a general meeting of shareholders for the year-end dividend and by the Board of Directors for the interim dividend.

As for the annual dividend for the current business year, the Company decided to pay 90 yen per share based on the said policy. As a result, the dividend payout ratio for the current consolidated fiscal year was 104.1%.

The Company paid year-end dividends from surplus once a year, but from now on, we will pay interim dividends with the aim of increasing an opportunity to return profits, and hence our basic policy will be to pay dividends twice a year as interim dividends and year-end dividends.

The distribution of dividends from surplus for the current business year is as follows.

Date of resolution	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)
Resolution at the Ordinary General Meeting of Shareholders of June 29, 2023	2,985,205	90.00

4. Status of Corporate Governance, etc.

(1) Outline of Corporate Governance

1) Basic Concept of Corporate Governance

The Company has a corporate governance system in place to increase corporate value through sustainable growth and to maintain social credibility and is also making efforts to secure efficient and equitable management and to enhance management transparency through proactive disclosure.

In terms of management efficiency, to ensure collection of highly accurate information and expeditious decision making and executions, we aim at management by a selected few and restrict the number of Directors to the requisite minimum. In this context, we employ the Operating Officer system to ensure speedy execution of operations under the decisions of the Board of Directors, where the Outside Directors and Outside Corporate Auditors also attend.

In terms of equitable management, in line with the basic policy concerning improvement of the internal control system, we improve organizations and systems for the purpose of ensuring legal compliance. In order to enhance transparency, we promote communication with our shareholders and general investors through IR activities, etc. and conduct disclosure practices in as active and timely a manner as possible.

2) Outline of Corporate Governance System

As for execution of operations, to ensure speedy execution and control of the management policy and management plans determined at the regular or extraordinary meetings of the Board of Directors, an eleven (11)-member Board of Operating Officers (comprising one (1) Chief Executive Officer and ten (10) Operating Officers) is in place in pursuit of management proactively and accurately.

Each Operating Officer plans and promotes operations under his or her supervision upon approval at the Board of Directors or extraordinary meetings of the Board of Directors as well as the regular meeting of Management Committee or the Board of Operating Officers and strives for efficient and speedy execution of their duties pursuant to the Regulations for the Segregation of Duties and Official Authority, etc.

3) Reasons for Adopting Corporate Governance System

As a company employing the Board of Corporate Auditors system, we hold the meeting of the Board of Corporate Auditors regular pursuant to the Regulations for the Board of Corporate Auditors. The Corporate Auditors attend meetings of the Board of Directors, and the Full-time Corporate Auditor attends meetings of the Board of Operating Officers, etc. The Corporate Auditors also offer appropriate proposals and advice as to execution of Directors' duties and the status of improvement and operation of the internal control system, etc., thereby exercising strict oversight over the management.

We also appoint, in order to exercise external oversight, two (2) Outside Corporate Auditors and five (5) Outside Directors, each of whom bears a part in management oversight in terms of laws and regulations, finance, accounting and corporate governance respectively from a neutral and objective viewpoint, contributing to what we believe is a fully functioning corporate governance system.

4) Status of Improvement of Internal Control System and Risk Management System

The Company adopted, by resolution of the Board of Directors, the "Systems to Ensure Proper Operations" as shown below.

a. System to ensure that execution by Directors and employees of the Company and its subsidiaries of their respective duties complies with the applicable laws and regulations and the Articles of Incorporation

The Company and its subsidiaries shall lay down the "Arisawa Group Corporate Action Guidelines" applicable throughout the Group, set specific internal regulations in line with the said guidelines, and then observe the said internal regulations, thereby establishing a system which ensures that execution by Directors and employees of their respective duties complies with the applicable laws and regulations and the Articles of Incorporation.

b. System concerning storage and management of information on execution of duties of Directors of the Company

As for the storage and management of information on execution of duties of Directors, internal regulations for document management shall be set in line with the provisions of the applicable laws and regulations and the Articles of Incorporation to construct a system which ensures proper storage and management of the relevant information.

- c. System concerning reporting to the Company of the matters relating to execution of duties of Directors, etc. of subsidiaries of the Company

Supervision over execution of duties of Directors, etc. of subsidiaries of the Company shall be exercised through having Directors of the Company concurrently serve as Directors of subsidiaries of the Company. Also, internal regulations for management of associated companies shall be set, establishing a system which makes it mandatory for subsidiaries of the Company to submit their respective board minutes to the Company and also to report the relevant material facts to the Company, both along the lines of the provisions of the said regulations.

- d. Regulations and other systems concerning management of risk of loss for the Company and its subsidiaries

In order to comprehend and manage various risks surrounding the Group and its operations, internal regulations managing and coping with each risk category shall be set. Observing the said regulations establishes a system that helps reduce and mitigate business risks.

- e. System to ensure efficient execution of duties of Directors of the Company and its subsidiaries

The Group shall improve internal regulations governing the segregation of duties and the scope of job authorities to definitize each department's duty assignment and job authorities and shall also introduce a common accounting management system for the entire Group, etc., thereby establishing a system which ensures efficient execution of duties of Directors of the Company and its subsidiaries.

- f. Matters concerning employees assigned, upon request of Corporate Auditors of the Company, to assist with duties of Corporate Auditors of the Company, the matters concerning independence of such employees from Directors of the Company and the system to ensure effectiveness of instructions from Corporate Auditors of the Company to such employees

Employees to assist with duties of a Corporate Auditor shall be appointed upon request of the Corporate Auditor and in view of the expertise and experience, etc. required for the audit work. The employees so appointed as assistant shall execute the relevant duties under the direction of the Corporate Auditor and also be free from the dictates of any Director of the Company so as to ensure the independence of such employees from Directors and the effectiveness of instructions from the Corporate Auditor to such employees.

- g. System to mandate reporting to Corporate Auditors of the Company by Directors and employees, etc. of the Company as well as Directors, Corporate Auditors and employees, etc. of subsidiaries of the Company and the system to ensure prevention of unfavorable treatment of those who have made such reporting on account of the pertinent report having been made

Internal regulations stipulating the matters to be reported by Directors and employees, etc. of the Company to Corporate Auditors shall be set so as to establish a system which mandates immediate reporting to Corporate Auditors of all material facts with implications on the Group's management and business results. Also, the internal hotline system prohibiting unfavorable treatment of the whistle-blower shall be maintained so that Corporate Auditors can directly receive the relevant reports from employees, etc.

- h. Matters concerning policies on the processing of costs incurred from execution of duties of Corporate Auditors of the Company

Promptly upon receipt of a request, made by a Corporate Auditor under the provisions of Article 388 of the Companies Act, for an advance payment, etc. of expenses to be incurred from execution of his or her duties, the Company shall settle the pertinent expenses or liabilities. Also, if a Corporate Auditor deems consultations, etc. with lawyers, chartered accountants and other specialists to be necessary for execution of his or her duties, the Company shall allow the amount disbursed for enlisting such consultations, etc. as part of the necessary audit-related expenses.

- i. Other systems to ensure execution of effective audits by Corporate Auditors of the Company

Corporate Auditors of the Company shall collect periodic reports from Directors of subsidiaries of the Company, collect reports from Corporate Auditors of subsidiaries of the Company and also engage in other coordinated actions, as needed, so as to execute proper audits of the Group.

j. System to ensure credibility of financial reporting

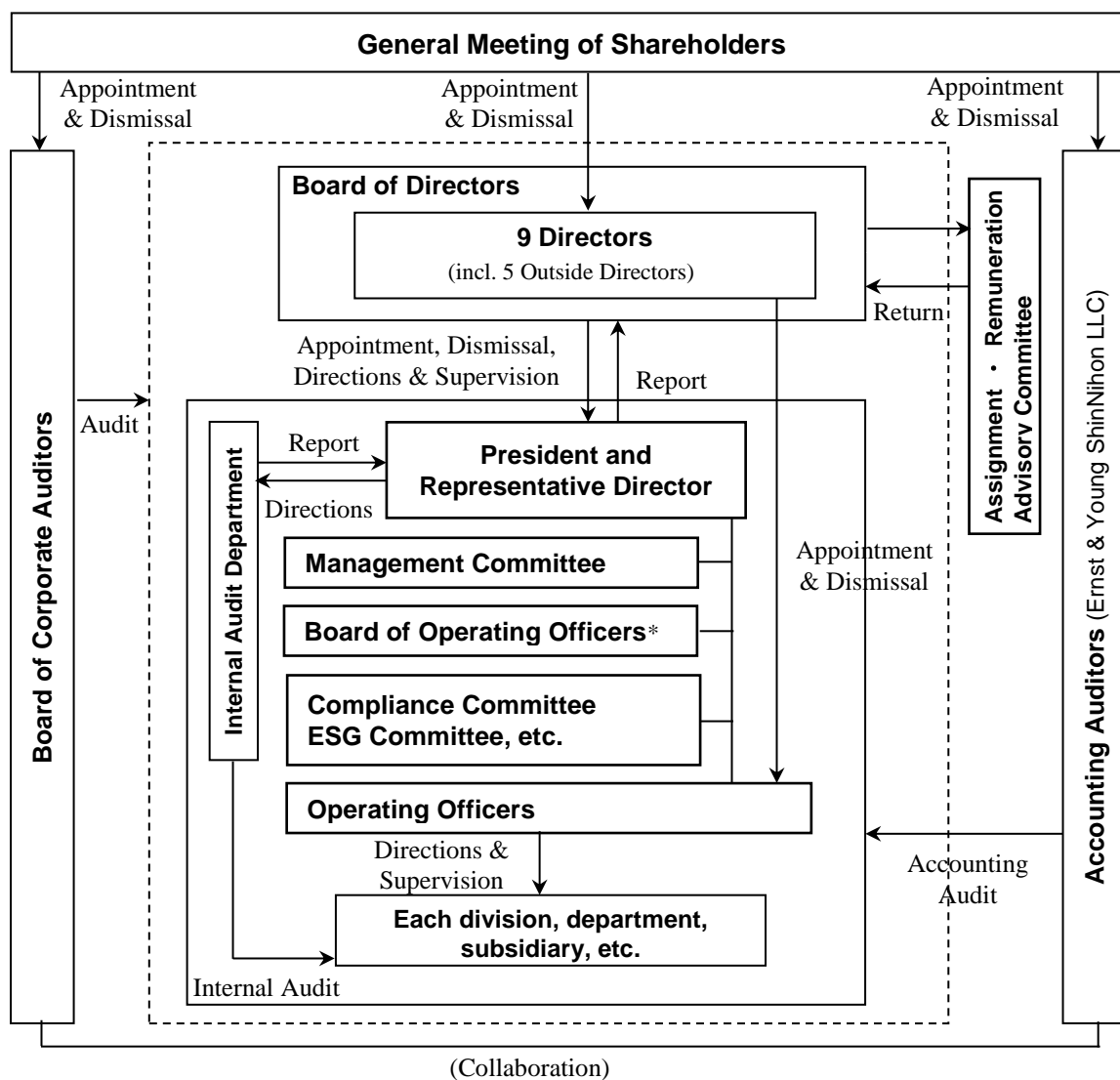
To ensure credibility of financial reporting, the Group shall make continuous evaluation of the status of improvement and operation of the internal control system for financial reporting and also remedy any defect or flaw found in such system, thereby maintaining a system which allows the Group’s internal control to function effectively and properly.

k. System to exclude anti-social forces

The Company and its subsidiaries shall expressly state in the “Arisawa Group Corporate Action Guidelines” a policy to prevent and preclude any relationship with anti-social forces that pose a threat to the order and safety of civil society. The Group shall also adopt and maintain a resolute attitude toward anti-social forces in cooperation with law enforcement and other external specialized agencies.

The Group sets forth the guidelines and code of conduct in the Compliance Manual that we shall be resolute in its stance against and sever any relations with anti-social forces which pose a threat to civil society and disturb economic activities in accordance with the provision of the system to secure proper operation as well as precludes anti-social forces by preparing an internal reporting system and strengthening its internal audit system to prevent violation of the provisions in accordance with the internal control system.

The Company’s corporate governance system is abstracted in the following diagram.



*Note: The Board of Operating Officers consists of a total of eleven (11) Operating Officers (including, but not limited to, the Chief Executive Officer), four (4) of which are concurrently assumed by the relevant Directors.

5) Maximum Number of Directors

The Company's Articles of Incorporation stipulate that the number of Directors of the Company shall not be more than fifteen (15).

6) Requirements for Appointment of Directors

The Company's Articles of Incorporation stipulate that a resolution on appointing Directors shall be adopted by a majority vote of the voting rights of the shareholders who are present and also hold at least one-third (1/3) of all voting rights of the shareholders entitled to exercise voting rights.

It is also stipulated in the said Articles of Incorporation that no cumulative voting shall be allowed for a resolution on appointing Directors.

7) Summary of the Terms of Contracts for Limitation of Liability

The Company's Articles of Incorporation stipulate that the Company may, under the provisions of Article 427, paragraph 1 of the Companies Act, enter into contracts for limitation of liability with its Outside Directors and Outside Corporate Auditors so that the Company can recruit competent persons as Outside Directors and Outside Corporate Auditors and also that the recruited Outside Directors and Outside Corporate Auditors can soundly fulfill their expected roles. The main purport of such contracts for limitation of liability (entered into between the Company and the Outside Directors as well as Outside Corporate Auditors under the said stipulation) is as follows.

The Outside Directors and Outside Corporate Auditors shall, with respect to the liability for damages under Article 423, paragraph 1 of the Companies Act, assume such liability for damages to the extent of the statutory minimum liability amount as long as they perform their respective duties in good faith without being grossly negligent.

8) Summary of Contents of Directors and Officers Liability Insurance Policy

The Company has entered into directors and officers liability insurance policy with an insurance company as set forth in Article 430-3, paragraph (1) of the Companies Act, under which officers (directors and auditors), operating officers, officers on dispatched outside the Company, and retired officers of the Company and domestic subsidiaries are all insureds, to prevent Directors, etc. from feeling intimidated in management decision by being excessively liable. Damage, etc. will be compensated when a Director is held liable due to its performance of duties, but claim for damage arising out of willful misconduct or gross negligence will not be covered by the insurance policy. In addition, the Company bears the full cost of the premiums.

9) Matters Typically Requiring a Resolution of a General Meeting of Shareholders which may be Resolved by the Board of Directors

The Company's Articles of Incorporation stipulate that the Company may resolve on the following matters by voting at a meeting of the Board of Directors instead of voting at a general meeting of shareholders.

a. Organ to determine acquisition of treasury shares

The Company's Articles of Incorporation stipulate that the Company may, under the provisions of Article 165, paragraph 2 of the Companies Act, acquire shares of treasury shares through market transactions, etc. upon a resolution of the Board of Directors instead of that of a general meeting of shareholders. This stipulation aims to enable an agile capital policy by authorizing the Board of Directors to resolve on the acquisition of the Company's treasury shares.

b. Organ to determine distribution of interim dividends from surplus

The Company's Articles of Incorporation stipulate that the Company may, under the provisions of Article 454, paragraph 5 of the Companies Act, distribute interim dividends with the record date of September 30 of every year upon a resolution of the Board of Directors instead of that of a general meeting of shareholders. This stipulation aims to expeditiously return profits to the Company's shareholders by authorizing the Board of Directors to resolve on the distribution of interim dividends from surplus.

10) Requirements for Special Resolutions of a General Meeting of Shareholders

The Company's Articles of Incorporation stipulate that, with respect to the requirements for special resolutions of a general meeting of shareholders provided for in Article 309, paragraph 2 of the Companies Act, a special resolution shall be adopted by a two-thirds (2/3) majority vote of the voting rights of the shareholders

who are present and also hold at least one-third (1/3) of all voting rights of the shareholders entitled to exercise voting rights. This stipulation aims to ensure smooth operation of general meetings of shareholders by relaxing the quorum requirement for special resolutions of a general meeting of shareholders.

11) Activity Status of the Board of Directors and the Assignment and Remuneration Advisory Committee

a. Activity status of the Board of Directors

The meetings of the Board of Directors were held seven times for the current business year, and the attendance records of each directors are as follows.

Title	Name	The Number of Meetings	The Number of Attendances
Representative Director	Yuta Arisawa	Nine (9) times	Nine (9) times
Director	Yoshihiko Toda	Nine (9) times	Nine (9) times
Director	Osamu Nakajima	Nine (9) times	Nine (9) times
Director	Takeshi Masuda	Nine (9) times	Nine (9) times
Outside Director	Yutaka Tsukahara	Nine (9) times	Eight (8) times
Outside Director	Koji Nakamura	Nine (9) times	Nine (9) times
Outside Director	Kazuo Abiko	Nine (9) times	Nine (9) times
Outside Director	Hirotohi Takada	Nine (9) times	Nine (9) times
Outside Director	Miho Numata	Nine (9) times	Nine (9) times
Full-time Corporate Auditor	Koji Ohta	Two (2) times	Two (2) times
Full-time Corporate Auditor	Hisashi Masumura	Seven (7) times	Seven (7) times
Outside Corporate Auditor	Koichiro Tanaka	Nine (9) times	Nine (9) times
Outside Corporate Auditor	Koichi Yokota	Nine (9) times	Nine (9) times

Note: The attendance records of Koji Ohta, a full-time Corporate Auditor, cover the Board of Directors held before his resignation on June 28, 2022. The attendance records of Hisashi Masumura, a full-time Corporate Auditor, cover the Board of Directors held after his appointment on June 28, 2022.

The specific deliberation items at the Board of Directors included deliberations and approvals on financial results including subsidiary companies, forecast of financial results, revision of the mid-term management plan, acquisition of treasury stock, sales of investment securities, capital investments. The activities of each committee and internal projects were also reported at the Board of Directors. Besides that, the execution of duties and the Management Committee's deliberation items were reported by operating officers.

b. Activity status of Assignment and Remuneration Advisory Committee

The meetings of the Assignment and Remuneration Advisory Committee were held three times for the current business year, and the attendance records of each committee members are as follows.

Period	Title	Name	The Number of Meetings	The Number of Attendances
To the Ordinary General Meeting of Shareholders on June, 2022	Outside Director	Koji Nakamura (Chairperson)	One (1) time	One (1) time
	Outside Director	Yutaka Tsukahara	One (1) time	One (1) time
	Outside Director	Kazuo Abiko	One (1) time	One (1) time
	Outside Director	Hirotohi Takada	One (1) time	One (1) time
	Outside Director	Miho Numata	One (1) time	One (1) time
	Representative Director	Yuta Arisawa	One (1) time	One (1) time
From the Ordinary General Meeting of Shareholders on June, 2022 to the Ordinary General Meeting of Shareholders on June, 2023	Outside Director	Kazuo Abiko (Chairperson)	Two (2) times	Two (2) times
	Outside Director	Yutaka Tsukahara	Two (2) times	Two (2) times
	Outside Director	Koji Nakamura	Two (2) times	Two (2) times
	Outside Director	Hirotohi Takada	Two (2) times	Two (2) times
	Outside Director	Miho Numata	Two (2) times	Two (2) times
	Representative Director	Yuta Arisawa	Two (2) times	Two (2) times

Specific considerations at the Assignment and Remuneration Advisory Committee were a review of the results and contents of the Key Performance Indicators (KPI) for performance-based remuneration, the clarification and sharing of issues of the remuneration for the Company's directors and corporate auditors, and deliberations on the amount of the remuneration therefor.

(2) Status of Directors and Officers

1) Directors and Officers

(Number of female directors and officers: 2)

(Percentage of female directors and officers: 17.0%)

Title	Name	Date of birth	Career summary	Term	Number of shares of the Company held
President and Representative Director CEO	Yuta Arisawa	July 25, 1969	<p>April 1992 February 2002 August 2003 April 2007 April 2009 June 2010 June 2011 June 2014 June 2015 June 2017</p> <p>Joined Mitsubishi Electric Corporation Joined JPMorgan Securities Japan Co., Ltd. Joined the Company Assistant General Manager, Manufacturing Dept. Operating Officer of the Company Director and Senior Operating Officer of the Company Director and Senior Managing Operating Officer of the Company President, Representative Director of the Company Chief Operating Officer (COO) of the Company Chief Executive Officer (CEO) of the Company (current)</p>	See Note 4	111,627
Director Senior Managing Operating Officer supervising Manufacturing Dept. and Administration Dept.	Takeshi Masuda	April 3, 1963	<p>October 1990 November 2003 July 2008 October 2010 June 2011 June 2015 June 2021 June 2023</p> <p>Joined the Company Group Leader, Administration Planning Group Assistant General Manager, Manufacturing Dept. General Manager, Corporate Planning Dept. Operating Officer of the Company supervising Corporate Planning Dept. Operating Officer Director and Senior Operating Officer of the Company Director and Senior Managing Operating Officer of the Company (current)</p>	See Note 4	25,254
Director Senior Operating Officer supervising Electronic Materials Sales & Marketing Dept.; Div. Chief, Business Promotion Div.; Deputy Div. Chief, Innovation Promotion Div.	Osamu Nakajima	June 5, 1965	<p>April 1989 May 2011 April 2013 July 2014 October 2015 June 2016</p> <p>Joined Mitsui & Co., Ltd. Department Manager, Solar Business Div., Functional Chemicals Business Unit of Mitsui & Co., Ltd. Department Manager, Advanced Materials Div., Functional Chemicals Business Unit of Mitsui & Co., Ltd. Department Manager, Business Development Div., Basic Chemicals Business Unit of Mitsui & Co., Ltd. Joined the Company as Operating Officer Director and Senior Operating Officer of the Company (current)</p>	See Note 4	31,781
Director Senior Operating Officer supervising Development Support Dept. and Innovation Center Preparatory Office; Div. Chief, Innovation Promotion Div.; Deputy Div. Chief, Business Promotion Div. supervising Analysis Center	Makoto Tai	September 21, 1964	<p>April 1988 March 2002 July 2006 April 2010 April 2012 June 2015 June 2019 June 2023</p> <p>Joined Daiichi Denko Co., Ltd. (currently Sumitomo Electric Wintec, Inc.) Joined the Company Group Leader, Electronic Materials Group, Research & Development Dept. Assistant General Manager, Electronic Materials Dept. General Manager, Research & Development Dept. Operating Officer of the Company supervising Electronic Materials Research & Development Dept. Operating Officer Director and Senior Operating Officer of the Company (current)</p>	See Note 4	1,731
Director	Koji Nakamura	August 15, 1948	<p>April 1973 April 2004 April 2006 April 2009 March 2011 August 2011 August 2016 June 2020</p> <p>Joined Mitsui & Co., Ltd. Managing Officer; Chief Operating Officer of Synthetic Resins and Inorganic Chemicals Business Unit Executive Managing Officer; Chief Operating Officer of Chemicals Business Unit II Senior Executive Managing Officer; Chief Operating Officer of EMEA (Europe, the Middle East and Africa) Business Unit Retired as Senior Executive Managing Officer Audit & Supervisory Board Member, SANKO Co., Ltd. (current) Outside Director, Sanko Gosei Ltd. (current) Director of the Company (current)</p>	See Note 4	---

Title	Name	Date of birth	Career summary	Term	Number of shares of the Company held
Director	Kazuo Abiko	January 22, 1947	<p>November 1978 Joined Associated Press</p> <p>May 1985 Deputy General Manager of Tokyo Studio</p> <p>July 2001 President, Foreign Correspondents' Club of Japan</p> <p>April 2004 General Manager of Tokyo Bureau, Associated Press</p> <p>July 2007 General Manager for Northeast Asia</p> <p>February 2010 Advisor</p> <p>September 2010 Part-time lecturer at Tokyo University of Foreign Studies</p> <p>September 2011 Part-time lecturer at Sophia University</p> <p>April 2015 Visiting Professor at Kanda University of International Studies</p> <p>July 2018 Auditor, Foreign Correspondents' Club of Japan</p> <p>June 2020 Director of the Company (current)</p>	See Note 4	---
Director	Hirotooshi Takada	August 10 1953	<p>March 1977 Joined NIPPON SEIKI CO., LTD.</p> <p>April 2003 Director and President, UK-NSI Co., Ltd.</p> <p>June 2005 Director, NIPPON SEIKI CO., LTD.</p> <p>June 2008 Managing Director</p> <p>April 2011 Representative Senior Managing Director</p> <p>April 2011 General Manager, Sales Division</p> <p>June 2011 Chairman, Wuhan Nissei Display System Co., Ltd.</p> <p>March 2012 Chairman, Nissei Display Sales and Development Co., Ltd.</p> <p>June 2013 President and Representative Director, NIPPON SEIKI CO., LTD.</p> <p>March 2014 Chairman, Dongguan Nissei Electronics Co., Ltd.</p> <p>April 2014 Chairman, Hong Kong Nippon Seiki Co., Ltd.</p> <p>June 2015 President and Representative Director, Executive Officer, NIPPON SEIKI CO., LTD.</p> <p>July 2015 Chairman, Hong Kong Ek Chor Nissei Co., Ltd.</p> <p>July 2015 Chairman, Shanghai Nissei Display System Co., Ltd.</p> <p>March 2016 Chairman and Director, Thai Nippon Seiki Co., Ltd.</p> <p>June 2017 Vice Chairman and Director, Executive Officer, NIPPON SEIKI CO., LTD.</p> <p>June 2021 Director of the Company (current)</p>	See Note 4	---
Director	Miho Numata	April 18 1975	<p>December 2009 Registered as an attorney at law and joined NUMATA LAW OFFICE</p> <p>January 2016 Representative (current position)</p> <p>April 2018 Civil Conciliation Commissioner, Tokyo Summary Court (current position)</p> <p>June 2020 Outside Corporate Auditor, Tokyo Boeki Holdings Corporation (current position)</p> <p>June 2021 Director of the Company (current)</p>	See Note 4	---
Director	Makiko Horie	May 12, 1967	<p>April 1990 Joined Nomura Securities Co., Ltd.</p> <p>May 1995 Joined Merrill Lynch Investment Managers Ltd. (currently BlackRock Japan Company, Ltd.)</p> <p>May 2016 Joined Value Create Inc.: Partner</p> <p>October 2021 Joined SDG Impact Japan Inc.: Partner (current)</p> <p>June 2023 Director of the Company (current)</p>	See Note 4	---
Full-time Corporate Auditor	Hisashi Masumura	February 5, 1963	<p>November 1987 Joined the Company</p> <p>July 2005 Group Leader, Human Resources Group, Human Resources Dept.</p> <p>July 2008 Group Leader, Administration Planning Group, Corporate Planning Dept.</p> <p>October 2010 Assistant General Manager, Manufacturing Dept.</p> <p>April 2012 General Manager of Human Resources Dept.</p> <p>April 2018 General Manager of Human Resources Dept. and General Affairs Dept.</p> <p>October 2020 General Manager, General Affairs Dept.</p> <p>June 2022 Full-time Corporate Auditor of the Company (current)</p>	See Note 5	1,100

Title	Name	Date of birth	Career summary	Term	Number of shares of the Company held
Corporate Auditor	Koichiro Tanaka	July 6, 1965	<p>October 1987 Joined Tohmatsu Aoki & Sanwa (presently Deloitte Touche Tohmatsu LLC)</p> <p>March 1991 Registered as Certified Public Accountant</p> <p>August 1998 Resident Representative of Dalian Office, U.S. Deloitte Touche Tohmatsu (Office Head)</p> <p>September 2002 Managing Director of the Japanese Operations Department in South China of Shenzhen Office in China, Deloitte Touche Tohmatsu Limited</p> <p>December 2003 Director and Executive Officer; Partner supervising China Business and in charge of Public Communication, Corporate Finance Department of Deloitte Touche Tohmatsu (presently Deloitte Tohmatsu Financial Advisory LLC)</p> <p>June 2014 Retired from Deloitte Touche Tohmatsu LLC</p> <p>July 2014 Established Tanaka Sogo Accountant Office, Representative Director (current)</p> <p>March 2017 Outside Corporate Auditor, ODAWARA ENGINEERING CO., LTD. (current)</p> <p>June 2018 Auditor, Japan Automobile Research Institute (current)</p> <p>June 2020 Corporate Auditor of the Company (current)</p>	See Note 6	1,000
Corporate Auditor	Koichi Yokota	March 3, 1970	<p>November 1996 Registered as Certified Public Tax Accountant</p> <p>April 2003 Director, Takada Branch of Kanto-Shinetsu Certified Public Tax Accountant's Association Head, Yokota Accountant Office (current)</p> <p>January 2004 Head, Yokota Accountant Office (current)</p> <p>April 2019 General Manager, Takada Branch of Kanto-Shinetsu Certified Public Tax Accountant's Association</p> <p>June 2020 Corporate Auditor of the Company (current)</p> <p>April 2021 Managing Director, Niigata Prefecture Branch Federation of Kanto-Shinetsu Certified Public Tax Accountant's Association (current)</p>	See Note 6	---
					Total: 172,493

- Note:
1. Figures stated in the column "Number of shares of the Company held" represent the number of shares beneficially owned by each of the persons listed above, including their respective ownership interests under the Company's stock ownership plan for its directors and officers. Since the number of shares acquired in June 2023 through the said stock ownership plan is yet to be confirmed as of the filing date of this Financial Report (June 30, 2023), the number of shares beneficially owned by each of the persons listed above as of May 31, 2023 is stated.
 2. Among the Directors, Koji Nakamura, Kazuo Abiko, Hirotohi Takada, Miho Numata and Makiko Horie are Outside Directors (set forth in Article 2, item 15 of the Companies Act) falling under the outside officers (set forth in Article 2, paragraph 3, item 5 of the Ordinance for Enforcement of the Companies Act).
 3. Among the Corporate Auditors, Koichiro Tanaka and Koichi Yokota are Outside Corporate Auditors (set forth in Article 2, item 16 of the Companies Act) falling under the outside officers (set forth in Article 2, paragraph 3, item 5 of the Ordinance for Enforcement of the Companies Act).
 4. From the closing of the Ordinary General Meeting of Shareholders held on June 29, 2023 until the closing of the Ordinary General Meeting of Shareholders for the fiscal year ending on March 31, 2024.
 5. From the closing of the Ordinary General Meeting of Shareholders held on June 25, 2022 until the closing of the Ordinary General Meeting of Shareholders for the fiscal year ending on March 31, 2024.
 6. From the closing of the Ordinary General Meeting of Shareholders held on June 25, 2020 until the closing of the Ordinary General Meeting of Shareholders for the fiscal year ending on March 31, 2024.
 7. The Company employs the Operating Officer system to ensure expeditious execution of the operations determined by the Board of Directors and formulation of highly transparent management strategies. The Company has a total of eleven (11) Operating Officers consisting of one (1) Chief Executive Officer, one (1) Senior Managing Operating Officer, two (2) Senior Operating Officers and the following seven (7) Operating Officers.

Yoshifumi Ara	Senior Operating Officer supervising Performance Materials Sales & Marketing Dept.; Deputy Division Chief, Business Promotion Div.
Takeshi Aizawa	Operating Officer supervising Procurement Dept. and Quality Assurance Dept.; Deputy Division Chief, Administration Div.
Shuichi Fujita	Operating Officer supervising Functional Films Development Dept., Laminate Materials Development Dept., Molding Materials Development Dept. and Process Technology Dept.; Deputy Division Chief, Innovation Promotion Div.
Takao Motizuki	Operating Officer supervising Manufacturing Dept. (principal) and Innovation Center Preparatory Office (sub); Deputy Division Chief, Manufacturing Div.

Shuichi Kubota	Operating Officer supervising Corporate Strategy Dept.; Deputy Division Chief, Administration Div.
Takao Motizuki	Operating Officer supervising Manufacturing Dept. (principal); Deputy Division Chief, Manufacturing Div.
Takahito Tanabe	Operating Officer supervising Manufacturing Engineering Dept. and Manufacturing Dept. (sub); Deputy Division Chief, Manufacturing Div.
Kazumi Ikeda	Operating Officer supervising General Affairs Dept. and Human Resources Dept.; Deputy Division Chief, Administration Div.

8. The Company appointed the substitute corporate auditors under the provisions of Article 329, paragraph 3 of the Companies Act as a precaution against shortage in the number of corporate auditors required by the applicable laws and regulations as follows: Kazuhide Kita as a substitute for Hisashi Masumura, Full-time Corporate Auditor, and Takehumi Isida as a substitute for the Outside Corporate Auditors, i.e. Koichiro Tanaka and Koichi Yokota. The career summary of each of the said substitute corporate auditors is shown below.

Name	Date of birth	Career summary	Term	Number of shares of the Company held
Kazuhie Kita	March 31, 1963	<p>April 1986 Joined the Company</p> <p>November 2004 Group Leader, Electronic Materials Group 2, Research & Development Dept.</p> <p>April 2012 Group Leader, Administration Group, Technical Administration Dept.</p> <p>December 2013 Group Leader, Intellectual Property Group, Technical Administration Dept.</p> <p>April 2014 General Manager, Technical Administration Dept.</p> <p>October 2015 General Manager, Corporate Planning Dept.</p> <p>April 2023 Part-time (current)</p>	1 year	2,500
Takehumi Ishida	September 15, 1976	<p>November 2007 Registered as Certified Public Tax Accountant</p> <p>April 2011 Director, Takada Branch of Kanto-Shinetsu Certified Public Tax Accountant's Association</p> <p>July 2012 Representative Member, Ishida Tax Accountant Corporation (current)</p> <p>April 2021 Deputy Branch Manager, Takada Branch of Kanto-Shinetsu Certified Public Tax Accountant's Association (current)</p>	1 year	---

2) Status of Outside Directors and Officers

The Company has five (5) Outside Directors and two (2) Outside Corporate Auditors. There is no special interest between any of the outside officers and the Company except for the Company's shares described in "1) Directors and Officers." In addition, they meet the requirements of an independent officer as provided for by Tokyo Stock Exchange, Inc. and are filed as the independent officers of the Company because there is no possibility of conflict of interest between the said officers and the general shareholders of the Company.

Koji Nakamura, an Outside Director, has been involved in corporate management in Japan and overseas for many years, having served as Senior Executive Managing Officer of Mitsui & Co., Ltd. and as Director at Sanko Gosei Ltd. The Company has appointed him because we deem that he has extensive insight and knowledge regarding global management from his experience as a managing officer at a global company and that he will deliver opinions from an outside perspective with regard to the overall management of the Company, particularly in the area of business strategy, and increase the rationality and transparency of the Company's management.

After graduating from Graduate School of The California State University, Kazuo Abiko, an Outside Director, was appointed the General Manager of Tokyo Studio and General Manager for Northeast Asia at Associated Press while also working as the President of Foreign Correspondents' Club of Japan. The Company has appointed him because we deem that he will deliver opinions from an outside perspective and increase the rationality and transparency of the Company's management by leveraging his knowledge in international communication and standards and ethics of journalism, including his work as a part-time lecturer at Tokyo University of Foreign Studies and Sophia University thereafter.

Hirotohi Takada, an Outside Director, has served the Representative Director of NIPPON SEIKI CO., LTD. and as Chairman, etc. of overseas subsidiaries, has been engaged over many years in sales and product planning, etc. in the automobile industry; has a deep knowledge of that industry. The Company has appointed him because we deem that he will deliver opinions from an outside perspective and increase the rationality and transparency of the Company by leveraging his abundant experience and broad knowledge as a manager of a company in the manufacturing industry with a global business.

Miho Numata, an Outside Director, is Representative of NUMATA LAW OFFICE, and by serving as Civil Conciliation Commissioner of Tokyo Summary Court and as Outside Corporate Auditor of Tokyo Boeki Holdings Corporation, while managing the law office, she has a well-balanced career. The Company has appointed him because we deem that she will deliver opinions from an outside perspective and increase the rationality and transparency of the Company by using her in-depth knowledge and experience as a legal expert who has worked as an attorney at law for many years, and her sophisticated knowledge relating to governance and compliance, etc.

Makiko Horie, an Outside Director, was engaged in sales to institutional investors, company surveys, and operation related to the Japanese stock market at a global financial institution, and also involved in management consultation and launching of start-ups. The Company has appointed her because we deem that she can reflect on management strategies the status of the Company that investors expect by leveraging her experience and increase the rationality and transparency of the Company.

The Company has appointed Koichiro Tanaka, an Outside Corporate Auditor, because we deem that he will appropriately utilize his suitable level of insight relating to finance and accounting as a certified public accountant and certified tax accountant, his abundant practical experience at a major accounting firm, and his experience working overseas in his duties as an outside Corporate Auditor from an independent and neutral standpoint.

Koichi Yokota, an Outside Corporate Auditor, expanded activities rooted in his hometown of Joetsu-shi as the Head of Yokota Accountant Office. The Company has appointed him because we deem that he will appropriately fulfill his duties as an outside Corporate Auditor from a neutral standpoint based on his extensive experience and expert knowledge as a certified public tax accountant.

The Company has filed five (5) Outside Directors and two (2) Outside Corporate Auditor as independent officers as provided for by Tokyo Stock Exchange, Inc. because the Company deems that there is no possibility of conflict of interest between the said officers and the general shareholders of the Company. Although the Company has no specific standards or policy in force as to independence from the Submitting Company applicable to appointment of Outside Directors or Outside Corporate Auditors, we judge, in making any such appointment, the independence of each candidate in terms of his or her personal, capital and business relationships and any other interests with the Company and also comprehensively judge each candidate's experience and knowledge of corporate governance, internal control and financial reporting, etc.

- 3) Mutual Collaboration between supervision or auditing by Outside Directors or Outside Corporate Auditors and internal audit, accounting audit and auditing by Corporate Auditors, as well as Relationship between supervision or auditing by Outside Directors or Outside Corporate Auditors and Internal Control Division.

The Outside Corporate Auditors, tapping into their wealth of experience and insight, audit the legality of business operations by the Board of Directors and the effectiveness of corporate governance, etc. through attendance at meetings of the Board of Directors and of the Board of Corporate Auditors and also review of various reports on the status of internal audit and accounting audit, etc. obtained directly or via the Full-time Corporate Auditor.

The Outside Directors receive, at the Board of Directors' meetings, etc., reports, etc. on the internal audits conducted upon request of the Board of Corporate Auditors and the audits by the Corporate Auditors or the accounting auditors and maintain mutual collaboration including, but not limited to, opinion exchanges as appropriate.

(3) Status of Audit

1) Status of Auditing by Corporate Auditors

The Board of Corporate Auditors of the Company is composed of three (3) members (one [1] full-time Corporate Auditor and two [2] Outside Corporate Auditors). The Corporate Auditors conduct periodic audits, attend the meeting of the Board of Corporate Auditors (held regular in principle pursuant to the Regulations for the Board of Corporate Auditors) and also raise issues, where appropriate, as to execution of Directors' duties and the status of improvement and operation of the internal control system, etc.

Hisashi Masumura, a full-time Corporate Auditor, held positions in manufacturing, management planning, human resources, and general affairs of the Company and has substantial practical experience of finance, legal affairs, compliance, risk management, etc. In addition, Koichiro Tanaka, an Outside Corporate Auditor, is a certified public accountant and certified tax accountant, and Koichi Yokota, an Outside Corporate Auditor, is a certified tax accountant and has suitable level of insight relating to finance and accounting.

The meetings of the Board of Corporate Auditors were held nine (9) times for the current business year, and the attendance records of each auditor is as follows.

Title	Name	The Number of Meetings	The Number of Attendances
Full-time Corporate Auditor	Koji Ohta	Three (3) times	Three (3) times
Full-time Corporate Auditor	Hisashi Masumura	Six (6) times	Six (6) times
Outside Corporate Auditor	Koichi Sakai	Nine (9) times	Nine (9) times
Outside Corporate Auditor	Shinjiro Kawai	Nine (9) times	Nine (9) times

Note: The attendance records of Koji Ohta, a full-time Corporate Auditor, cover the Board of Corporate Auditors held before his resignation on June 28, 2022. The attendance records of Hisashi Masumura, a full-time Corporate Auditor, cover the Board of Corporate Auditors held after his appointment on June 28, 2022.

The main issues for consideration by the Board of Corporate Auditors are an audit plan, an audit approach and assignment, important matters regarding the audit during the period, other matters regarding an execution of the Auditors, etc.

Note that activities of the Full-time Corporate Auditor are to understand and report to the Board of Corporate Auditors the status of the Company and the content of audit by attending at the meetings of the Board of Directors and other important meetings and exchanging information with the internal audit division, the accounting auditors, etc.

2) Status of Internal Audit

As the internal audit division, three (3) full-time employees are assigned to the Internal Audit Dept., which is independent of other organizations of the Company and conducts scheduled audits and unscheduled audits as appropriate. As for scheduled audits, an audit plan is made for each term pursuant to the relevant internal regulations, and audits are conducted after the final decision by the Chief Executive Officer. Audit results are notified to the relevant departments along with specific advice and recommendations, while reporting to, and opinion exchanges with, the Corporate Auditors are also made.

Results of auditing by the Internal Audit Dept. are reported to the Board of Corporate Auditors, and the Corporate Auditors share in the recognition of such results in the course of their auditing to enhance their collective audit function.

3) Status of Accounting Audit

a. Name of Audit Corporation

Ernst & Young ShinNihon LLC

b. Continuous Audit Period

From 1985 on

This is as far as the Company could find with its investigation, and it might be before the above.

c. CPA who executed the audit work

Akira Igarashi

Akira Takahashi

d. Composition of assistants involved in the audit work.

The composition of assistants involved in the accounting audit work of the Company is determined in accordance with the criteria for selection of audit corporations and includes eleven (11) certified public accountants and eight (8) others.

e. Policy and reason for the selection of Audit Corporation

The Board of Corporate Auditors examines whether Accounting Auditors maintain an independent standpoint and conduct an appropriate audit and decides on the suitability of reappointment to ensure appropriateness and credibility of financial reporting based on the evaluation in accordance with the following "Policy on Decisions on Dismissal or Non-reappointment of the Accounting Auditors" and the evaluative standard established by the Board of Corporate Auditors. As a result of that, it decided that it was unnecessary not to reappoint the above Audit Corporation.

(Policy on Decisions on Dismissal or Non-reappointment of the Accounting Auditor)

If the accounting auditors is found to fall under each item of Article 340, paragraph 1 of the Companies Act, our Board of Corporate Auditors dismisses the accounting auditors based on the unanimous approval from the Board of Corporate Auditors.

Besides that, if it deems it necessary because there is difficulty to conduct an appropriate audit due to an occurrence of causes, etc. to impair an independence and appropriateness of Audit Corporation, the Board of Corporate Auditors decides on and suggests at the General Meeting of Shareholders details of a resolution regarding dismissal or non-reappointment of the accounting auditors.

f. Evaluation of Audit Corporation by Corporate Auditors and Board of Corporate Auditors

Corporate Auditors and Board of Corporate Auditors of the Company evaluate the audit corporations in accordance with "Practical Guidelines for Corporate Auditors, etc. regarding Evaluation of Accounting Auditors and Setting of Selection Standards" (Japan Audit & Supervisory Board Members Association, November 10, 2015). Board of Corporate Auditors checks on Audit Corporation with respect to the problem of quality control system, independence and expertise of the audit team, validity and efficiency of auditing, etc. by means of regular exchanging of opinions with the audit corporation, hearing of matters to be checked, and report on the implementation of audit, etc., so we believe there is no problem.

4) Details, etc. of Remuneration of Accounting Auditors

a. Remuneration of Auditing Certified Public Accountants, etc. (Thousands of yen)

Category	Previous consolidated fiscal year		Current consolidated fiscal year	
	Remuneration for audit and attestation services	Remuneration for non-audit services	Remuneration for audit and attestation services	Remuneration for non-audit services
Submitting Company	40,000	—	34,000	—
Consolidated subsidiaries	—	—	—	—
Total	40,000	—	34,000	—

b. Remuneration of the same network (Ernst & Young) as Auditing Certified Public Accountants (except for a.)

Category	Previous consolidated fiscal year		Current consolidated fiscal year	
	Remuneration for audit and attestation services	Remuneration for non-audit services	Remuneration for audit and attestation services	Remuneration for non-audit services
Submitting Company	—	—	—	—
Consolidated subsidiaries	3,134	1,299	13,333	6,096
Total	3,134	1,299	13,333	6,096

Non-audit services of consolidated subsidiaries are composed of closing review audit and tax return.

c. Details of other significant remuneration for audit and attestation services

No applicable matter

d. Policy for Determination of Remuneration of Accounting Auditors

Remuneration of Auditing Certified Public Accountants, etc. of the Company is determined by consideration of scale and characteristics of the Company as well as the number of auditing days, etc., by consultation with the audit corporation and by getting consent of Board of Corporate Auditors.

e. Reason for the consent of Board of Corporate Auditors to remuneration of accounting auditors

Board of Corporate Auditors decided to provide consent to the amount of remuneration of accounting auditors, etc., after carefully examining the adequacy of performance of accounting auditors and such decision-making, etc.

(4) Remuneration, etc. of Directors and Corporate Auditors

1) Policy of Determination on Amount of Remuneration, etc. of Directors and Corporate Auditors

The Company has established the Assignment and Remuneration Advisory Committee where an independent Outside Director is a chairperson and the majority of the committee members are independent Outside Directors as an advisory body to the Board of Directors in order to improve the independence, objectivity and transparency of the procedures for determining the nomination and remuneration of Directors and to enhance corporate governance. The policy for determining the details of individual remuneration for Directors is determined at the Board of Directors based on deliberations and reports by the Assignment and Remuneration Advisory Committee.

Summary of the Policy of Determination on Amount of Remuneration, etc. is as follows.

a. Basic Guidelines for Remuneration System for Directors

- The system should encourage the management to improve their performance through associating the performance with remuneration and to exercise their solid entrepreneurship for sustainable development of the Company.
- The system should reflect not only financial performance but also appreciation for proactive initiative based on the management philosophy of "CIC Better today than yesterday, better tomorrow than today" with the basic spirit of "Creation, Innovation and Challenge".
- The system should attract excellent human resources for management who can contribute to sustainable development and enhancement of corporate value of the Company.

Based on the basic policy, the system should be remuneration structure that is linked to shareholder interest so

as to fully function as an incentive for sustainable enhancement of the corporate value of the Company and that is at a reasonable level on the basis of their duties in determining remuneration of each directors. Specifically, the remuneration for executive directors is constituted of basic remuneration as fixed remuneration, performance-based remuneration and stock-based compensation (restricted stock-based compensation), and Outside Directors who assume a role of supervisory function should be paid only basic remuneration in consideration of their duty.

b. Remuneration Structure

Under the policy above, the remuneration structure for Executive Directors is constituted of basic remuneration as fixed remuneration, performance-based remuneration linked to the previous year's performance, etc., and stock-based compensation for the purpose of sharing interests with shareholders (restricted stock-based compensation). The remuneration ratio by type of Executive Directors is as follows; basic remuneration: performance-based remuneration: stock-based compensation = 5 : 3 : 2 (in the case of 100% achievement of KPI). Outside Directors who assume a role of supervisory function is paid only basic remuneration in consideration of their duty. Basic remuneration and performance-based remuneration reflecting the previous year's performance is divided and paid equally during the period of execution of duties and restricted stock-based compensation is paid yearly at fixed time.

2) Details, Reasons for Selection, and Performance and Calculation Method of Indicators (KPI) for Performance-Based Remuneration

The Key Performance Indicators (KPI) for performance-based remuneration are consolidated operating profit for the previous single fiscal year and such remuneration is divided and paid according to the degree of achievement of target values. The reasons for selecting such Indicators is that they are a financial indicator which represents the result of primary business activities of companies, use net operating profit less adjusted taxes (NOPLAT) to calculate ROIC which is a target figure to be achieved of the medium-term business plan, and are used in the bonus system for employees and important to keep consistency between the two systems. The actual result for that was 3,320 million yen.

Out of amount of carbon dioxide emission reduction held up in our Carbon Neutral Project, the Company will add goal attainment levels with respect to reduced usage resulted from improving energy use efficiency to the Performance Indicators, and will reflect them in remuneration from July, 2023.

3) Details of Stock-Based Compensation (Non-Monetary Remuneration)

Stock-based compensation (non-monetary remuneration) shall be restricted stock-based compensation, and is programmed to lift restrictions of transfer upon retirement for the purpose of building awareness of contribution to sustainably increasing corporate value of the Company by clarifying the linkage between the Company's stock value and compensation and sharing returns and risks due to fluctuations in the value of stocks with shareholders. Furthermore, the Company issues to Executive Directors monetary compensation claim to grant restricted stocks each year and each Executive Director pays all of such monetary claims as contributed properties in kind and receives issuance or disposal of the Company's common shares. The number of shares to be allocated to each Executive Director corresponding to individually determined base amount is determined by the Board of Directors based on the report of the Assignment and Remuneration Advisory Committee. The payment amount per share shall be an amount not particularly favorable to the Eligible Directors based on the closing price on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution by the Board of Directors (if no transaction is made on that day, the closing price on the trading date immediately before that day).

4) Matters Relating to Determining Details of Individual Remuneration, etc. for Directors

With respect to the details of individual remuneration for the Company's Directors, etc., following consultations with the Board of Directors, the Assignment and Remuneration Advisory Committee recommends the amount of basic remuneration for each Director and the evaluation allocation based on the performance of a division of which each Director is in charge in the performance-based remuneration. The Board of Directors determines individual remuneration for the Company's Directors, etc. pursuant to the report of the Assignment and Remuneration Advisory Committee.

With regard to stock-based compensation, the Board of Directors determines the details of individual remuneration such as the number of shares to be allocated, etc. based on the report of the Assignment and Remuneration Advisory Committee.

5) Reasons for the Board of Directors' Judgement that the Details of Individual Remuneration, etc. for the Company's Directors Comply with the Policy for Determination

The Board of Directors has judged that the details of individual remuneration, etc. for the Company's Directors comply with the policy for determination, because the Assignment and Remuneration Advisory Committee considers multilaterally the consistency between the details of the remuneration system for the Company's Directors and the policy for determination.

The Assignment and Remuneration Advisory Committee verifies the validity thereof through an objective and multifaceted benchmark analysis of remuneration based on “Management Remuneration Database” run by an outside remuneration consultant (WTW; Willis Towers Watson).

6) Remuneration of Corporate Auditors, etc.

a. Basic Policy

The Company's basic policy is to pay an appropriate level of remuneration to each Corporate Auditor for the performance of his or her duties.

b. Method of Determining Remuneration

The remuneration for Corporate Auditors is determined through discussions among the corporate auditors, taking into consideration whether they work full-time or part-time and the division of audit work.

c. Details of Remuneration for Corporate Auditors

The remuneration for Corporate Auditors is fixed remuneration only, which is paid on a monthly basis, with an emphasis on strengthening their independence from management.

7) The aggregate amount of remuneration, etc. of each category of Directors and Corporate Auditors, the breakdown of such aggregate amount by the type of remuneration, etc. and the number of Directors and Corporate Auditors covered

Category of Directors and Corporate Auditors	Aggregate amount of remuneration, etc. (Thousands of yen)	Breakdown by the type of remuneration, etc. (Thousands of yen)			Number of Directors or Corporate Auditors covered
		Fixed Remuneration	Performance-Based Remuneration	Non-Monetary Remuneration, etc.	
Directors (excluding Outside Directors)	203,516	106,500	60,267	36,748	4
Corporate Auditors (excluding Outside Corporate Auditors)	13,080	13,080	—	—	2
Outside Directors and Outside Corporate Auditors	31,002	31,002	—	—	7

Note: 1. The above table includes one Corporate Auditor (inside Auditor only) who retired at the conclusion of the 74th Ordinary General Meeting of Shareholders held on June 28, 2022.

2. The details of non-monetary remuneration, etc. are restricted stock-based compensation and the amount recorded as expenses in the current business year is shown.

8) Date and Content of Resolution of a General Meeting of Shareholders regarding Remuneration of Directors and Corporate Auditors

It was resolved at the 56th Ordinary General Meeting of Shareholders held on June 29, 2004 that the total amount of remuneration for Directors should be no more than 30 million yen per month and the total amount of remuneration for Corporate Auditors should be no more than 3 million yen per month. The number of Directors or Corporate Auditors at the conclusion of this Ordinary General Meeting of Shareholders is nine Directors (including five Outside Directors) and three Corporate Auditors (one full-time Corporate Auditor and two Outside Corporate Auditors).

It was resolved at the 73rd Ordinary General Meeting of Shareholders held on June 25, 2021 that remuneration provided to grant restricted stocks shall be not more than ¥50 million per year and the number of common shares of the Company shall be not more than 50,000 shares and that a transfer restriction period shall be from the payment due date of the Company's common shares allotted under the restricted stock allotment agreement to the point of time immediately after the time of retirement from the position predetermined by the Company's Board of Directors among the positions of officers and employees of the Company or its subsidiaries. The number of Directors or Corporate Auditors at the conclusion of this Ordinary General Meeting of Shareholders is nine Directors (inside Directors only).

(5) Status of Shareholding

1) Criterion and attitude for segmentation of investment stock

Regarding segmentation of investment stock held for purposes of pure investment and held for purposes other than pure investment, we separate purposes of making a profit through value change of stock or dividends on stock as "purposes of pure investment" from the other purposes as "purposes other than pure investment".

2) Investment stock held for purposes other than pure investment

- a. Policy on holding, method of verifying the reasonableness of holding, and verified matters by the Board of Directors, etc., regarding appropriateness of holding individual stock names

(1) Policy on holding

Regarding investment stock held by the Company for purposes other than pure investment (hereinafter referred to as “Cross-shareholdings”), shares, etc. of business partners, etc. may be acquired and held if it is judged that such acquisition will contribute to the enhancement of corporate value of the Company over the mid-and-long-term in terms of facilitation and reinforcement, etc. of building stable and long-term business relations, business collaboration or cooperative business activities with the said business partners. We will verify effectiveness of holding, etc. in terms of mid-and-long-term economic rationality as well as maintenance and strengthening of comprehensive relationship. And such validation will be reported to the Board of Directors. If any stock names are judged, through the verification, to have no reasonableness of holding, we will sell off such stocks and reduce the shareholdings.

(2) Method of verifying the reasonableness of shareholding

Regarding all Cross-shareholdings held, the Board of Directors yearly gives comprehensive consideration to quantitative analysis of transaction performances and returns, etc., qualitative analysis of status of business, strategic background of acquisition, etc. , as well as risk of shareholding, etc., and then verifies and evaluates the propriety of such shareholding.

Following items are verified through the quantitative analysis:

- 1) Balance of dividend earning rate and capital cost
- 2) Annual amount of transaction and amount of profits
- 3) Profit or loss from valuation of stock

(3) Verified matters by the Board of Directors, etc. regarding the propriety of holding individual stock names

At the Board of Directors held in May of 2023, the Company verified status of shareholding, risk returns, importance of business and comprehensive meaning of shareholding, with respect to all shares (17 stock names) held as Cross-shareholdings, and decided to reduce stock names having a reduced need to be held in order to maintain business relations.

b. Number of stock names and amount shown on balance sheets

	Number of stock names (Stock names)	Aggregate amount of the amount shown on balance sheets (Thousands of yen)
Unlisted stock	10	59,982
Stock other than unlisted stock	7	1,022,161

(Stock names whose number of shares increased in the current business year)

	Number of stock names (Stock names)	Aggregate amount of acquisition price associated with increase in number of shares (Thousands of yen)	Reason for increase in number of shares
Unlisted stock	—	—	—
Stock other than unlisted stock	—	—	—

(Stock names whose number of shares decreased in the current business year)

	Number of stock names (Stock names)	Aggregate amount of acquisition price associated with decrease in number of shares (Thousands of yen)
Unlisted stock	1	35
Stock other than unlisted stock	8	885,660

c. Information regarding the number of shares for each stock name of Specified Investment Stock and Deemed Shareholding, as well as the amount shown on balance sheets, etc.

Stock name	Current business year	Previous business year	Purpose of shareholding, overview of business alliances, etc., quantitative effect of shareholding, and reason for increase in number of shares	Holding shares of the Company
	Number of shares held	Number of shares held		
	Amount shown on balance sheets (Thousands of yen)	Amount shown on balance sheets (Thousands of yen)		
Mitsubishi Gas Chemical Company, Inc.	299,700	299,700	Purpose of shareholding: As the said company's group is a main customer of electronic materials products, it is for the maintenance and strengthening of stable business relations and the improvement of future corporate value through mutual efforts. Quantitative effect of shareholding: As a result of verifying the reasonableness of holding, the Company decided to continue to hold the shares of such company.	Yes
	588,311	623,675		
Mitsubishi Electric Corporation	110,000	192,500	Purpose of shareholding: As the said company's group is a main customer of electronic materials products, it is for the maintenance and strengthening of stable business relations and the improvement of future corporate value through mutual efforts. Quantitative effect of shareholding: As a result of verifying the reasonableness of holding, the Company decided to reduce it because the need for holdings decreased.	Yes
	173,635	271,425		
The Hachijuni Bank, Ltd.	232,513	406,813	Purpose of shareholding: As the said bank is a source of fund and provider of financial services, it is for the maintenance and strengthening of stable business relations and the improvement of future corporate value through mutual efforts. Quantitative effect of shareholding: As a result of verifying the reasonableness of holding, the Company decided to reduce it because the need for holdings decreased.	Yes
	133,694	165,572		

Stock name	Current business year	Previous business year	Purpose of shareholding, overview of business alliances, etc., quantitative effect of shareholding, and reason for increase in number of shares	Holding shares of the Company
	Number of shares held	Number of shares held		
	Amount shown on balance sheets (Thousands of yen)	Amount shown on balance sheets (Thousands of yen)		
Daishi Hokuetsu Financial Group, Inc.	19,962	34,962	Purpose of shareholding: As the said bank is a source of fund and provider of financial services, it is for the maintenance and strengthening of stable business relations and the improvement of future corporate value through mutual efforts. Quantitative effect of shareholding: As a result of verifying the reasonableness of holding, the Company decided to reduce it because the need for holdings decreased.	No (Note)1.
	57,690	87,579		
Kaneka Corporation	12,000	30,000	Purpose of shareholding: As the said bank is a source of fund and provider of financial services, it is for the maintenance and strengthening of stable business relations and the improvement of future corporate value through mutual efforts. Quantitative effect of shareholding: As a result of verifying the reasonableness of holding, the Company decided to reduce it because the need for holdings decreased.	No
	41,400	106,350		
Mitsubishi UFJ Financial Group, Inc.	25,020	43,720	Purpose of shareholding: As the said bank is a source of fund and provider of financial services, it is for the maintenance and strengthening of stable business relations and the improvement of future corporate value through mutual efforts. Quantitative effect of shareholding: As a result of verifying the reasonableness of holding, the Company decided to reduce it because the need for holdings decreased.	No (Note)2
	21,214	33,240		
Sumitomo Corporation	2,655	4,655	Purpose of shareholding: As the said group is a main customer of electronic materials products and a vender of raw materials, it is for the maintenance and strengthening of stable business relations and the improvement of future corporate value through mutual efforts. Quantitative effect of shareholding: As a result of verifying the reasonableness of holding, the Company decided to reduce it because the need for holdings decreased.	No (Note)3
	6,215	9,863		

Stock name	Current business year	Previous business year	Purpose of shareholding, quantitative effect of shareholding, and reason for increase in number of shares	Holding shares of the Company
	Number of shares held	Number of shares held		
	Amount shown on balance sheets (Thousands of yen)	Amount shown on balance sheets (Thousands of yen)		
Fujikura Ltd.	—	576,500	Purpose of shareholding: As the said company's group is a main customer of electronic materials products, it is for the maintenance and strengthening of stable business relations and the improvement of future corporate value through mutual efforts. Quantitative effect of shareholding: As a result of verifying the reasonableness of holding, we sold all the shares in the current business year.	No
	—	360,312		
NOK Corporation	—	92,900	Purpose of shareholding: As the said company's group is a main customer of electronic materials products, it is for the maintenance and strengthening of stable business relations and the improvement of future corporate value through mutual efforts. Quantitative effect of shareholding: As a result of verifying the reasonableness of holding, we sold all the shares in the current business year.	No
	—	106,556		

- (Note) 1. Daishi Hokuetsu Financial Group, Inc. holds no shares of the Company, while The Daishi Hokuetsu Bank, Ltd., a group company of the said Group, holds shares of the Company.
2. Mitsubishi UFJ Financial Group, Inc. holds no shares of the Company, while MUFG Bank, Ltd., a group company of the said Group, holds shares of the Company.
3. Sumitomo Corporation holds no shares of the Company, while Sumitomo Shoji Chemicals Co., Ltd., a group company of the said Corporation, holds shares of the Company.

Deemed Shareholding

No applicable matter.

3) Investment stock held for purposes of pure investment

Category	Current business year		Previous business year	
	Number of stock names (Stock name)	Aggregate amount of the amount shown on balance sheets (Thousands of yen)	Number of stock names (Stock name)	Aggregate amount of the amount shown on balance sheets (Thousands of yen)
Unlisted stock	—	—	—	—
Stock other than unlisted stock	—	—	—	—

Category	Current business year		
	Aggregate amount of Dividends income (Thousands of yen)	Aggregate amount of loss on sales (Thousands of yen)	Aggregate amount of loss on valuation (Thousands of yen)
Unlisted stock	—	—	—
Stock other than unlisted stock	—	—	—

V. Status of Accounting

1. Method of Preparation of Consolidated Financial Statements and Financial Statements

(1) The consolidated financial statements of the Company are prepared in compliance with the “Regulations for Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (Ministerial Ordinance No. 28 of the Ministry of Finance, 1976).

(2) The financial statements of the Company are prepared in compliance with the “Regulations for Terminology, Forms and Preparation Methods of Financial Statements, etc.” (Ministerial Ordinance No. 59 of the Ministry of Finance, 1963; hereinafter referred to as the “Regulations for Financial Statements”).

The Company falls under the Special Financial Statement-Submitting Companies and prepares its financial statements pursuant to the provisions of Article 127 of the Regulations for Financial Statements.

2. Certification of Audit

The Company received a review of its consolidated financial statements for the current consolidated fiscal year (From April 1, 2022 to March 31, 2023) and its financial statements for the current business year (From April 1, 2022 to March 31, 2023) conducted by Ernst & Young ShinNihon LLC under the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

3. Special Efforts to Secure Appropriateness of Consolidated Financial Statements, etc.

The Company makes special efforts to secure appropriateness of its consolidated financial statements, etc. Specifically, we make efforts to improve our systems by subscription to professional journals aiming to gain correct understanding of the changes, etc. in the accounting standards and also affiliation with the Financial Accounting Standards Foundation aiming to ensure precise understanding of and appropriate responses to the contents of the accounting standards, etc.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Balance Sheets

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2022)		Current consolidated fiscal year (As of March 31, 2023)	
Assets				
Current assets				
Cash and deposits	*2	17,341,765	*2	20,545,580
Notes and accounts receivable - trade, and contract assets		16,073,835		13,182,106
Securities		1,040,342		100,150
Merchandise and finished goods		4,401,727		5,525,035
Work in process		2,112,503		2,373,079
Raw materials and supplies		4,123,818		4,263,762
Other		797,960		1,441,020
Allowance for doubtful accounts		△15,947		△10,786
Total current assets		45,876,007		47,419,946
Non-current assets				
Property, plant and equipment				
Buildings and structures		21,307,346		21,934,719
Accumulated depreciation		△15,245,779		△15,857,218
Buildings and structures, net	*2	6,061,567	*2	6,077,500
Machinery, equipment and vehicles		30,636,775		31,821,077
Accumulated depreciation		△27,199,168		△28,134,902
Machinery, equipment and vehicles, net	*2	3,437,606	*2	3,686,175
Land	*2	1,889,417	*2	1,993,700
Construction in progress		1,180,188		3,534,967
Other		3,544,674		3,730,038
Accumulated depreciation		△2,338,379		△2,576,201
Other, net	*2	1,206,294	*2	1,153,836
Total property, plant and equipment		13,775,074		16,446,181
Intangible assets		279,191		244,197
Investments and other assets				
Investment securities	*1	7,875,645	*1	2,545,474
Long-term loans receivable		51,785		41,434
Deferred tax assets		359,450		678,791
Other	*2	522,473	*2	329,670
Allowance for doubtful accounts		△50,428		△45,969
Total investments and other assets		8,758,926		3,549,401
Total non-current assets		22,813,192		20,239,780
Total assets		68,689,199		67,659,726

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	5,637,609	5,213,263
Current portion of bonds payable	26,800	16,800
Short-term borrowings	*2, *3 3,562,272	*2, *3 5,056,253
Current portion of long-term borrowings	*2 957,962	*2 1,843,441
Lease liabilities	118,578	129,172
Income taxes payable	1,087,828	658,615
Provision for product warranties	73,525	42,184
Provision for bonuses	507,532	526,795
Provision for bonuses for directors (and other officers)	4,503	2,162
Other	3,214,127	2,788,015
Total current liabilities	15,190,739	16,276,705
Non-current liabilities		
Bonds payable	27,600	10,800
Long-term borrowings	*2 3,845,199	*2 2,723,471
Provision for share awards	29,802	50,449
Lease liabilities	556,302	460,601
Deferred tax liabilities	250,681	137,916
Retirement benefit liability	583,365	700,883
Asset retirement obligations	92,521	97,119
Other	147,282	94,066
Total non-current liabilities	5,532,757	4,275,306
Total liabilities	20,723,496	20,552,012
Net assets		
Shareholders' equity		
Share capital	7,643,777	7,847,873
Capital surplus	3,017,461	3,198,618
Retained earnings	34,936,822	34,293,471
Treasury shares	△299,704	△512,975
Total shareholders' equity	45,298,357	44,826,987
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,229,118	466,417
Deferred gains or losses on hedges	△50,146	△13,657
Foreign currency translation adjustment	1,317,978	1,904,093
Remeasurements of defined benefit plans	△8,734	△127,370
Total accumulated other comprehensive income	2,488,215	2,229,483
Share acquisition rights	149,131	51,243
Non-controlling interests	29,998	—
Total net assets	47,965,702	47,107,714
Total liabilities and net assets	68,689,199	67,659,726

2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
[Consolidated Statements of Income]

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)		Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)	
Net sales		43,089,576		42,722,145
Cost of sales	*2, *3	34,422,042	*2, *3	34,913,005
Gross profit		8,667,533		7,809,139
Selling, general and administrative expenses				
Freight and packing costs		776,839		758,204
Salaries and allowances		1,847,331		1,862,094
Provision for bonuses		136,860		119,060
Provision for bonuses for directors (and other officers)		4,503		2,162
Retirement benefit expenses		72,589		66,609
Provision of allowance for doubtful accounts		6,504		1,135
Other		2,501,959		2,771,767
Total selling, general and administrative expenses	*2	5,346,587	*2	5,581,034
Operating profit		3,320,946		2,228,105
Non-operating income				
Interest income		186,541		141,797
Dividends income		74,377		58,572
Foreign exchange gains		445,378		215,421
Share of profit of entities accounted for using equity method		15,342		19,839
Subsidy income		69,471		76,585
Other		366,310		208,996
Total non-operating income		1,157,421		721,214
Non-operating expenses				
Interest expenses		120,717		155,066
Rent expenses		82,617		46,499
Other		70,541		30,262
Total non-operating expenses		273,875		231,828
Ordinary profit		4,204,492		2,717,491
Extraordinary income				
Gain on sale of non-current assets	*4	7,566	*4	4,104
Gain on sale of investment securities	*6	809,606	*6	1,305,245
Other		45,938		41,140
Total extraordinary income		863,110		1,350,490
Extraordinary losses				
Impairment loss	*7	12,928	*7	19,332
Loss on retirement of non-current assets	*5	42,774	*5	90,263
Loss on sale of investment securities		32,110		55,871
Provision for share-based remuneration		14,098		—
Total extraordinary losses		101,911		165,467
Profit before income taxes		4,965,691		3,902,515
Income taxes – current		1,156,959		1,098,866
Income taxes – deferred		△195,472		△55,298
Total income taxes		961,486		1,043,567
Profit		4,004,205		2,858,947
Profit attributable to non-controlling interests		93,204		2,465
Profit attributable to owners of parent		3,911,000		2,856,481

[Consolidated Statements of Comprehensive Income]

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Profit	4,004,205	2,858,947
Other comprehensive income		
Valuation difference on available-for-sale securities	△339,881	△762,700
Deferred gains or losses on hedges	△41,908	36,488
Foreign currency translation adjustment	888,805	556,682
Remeasurements of defined benefit plans, net of tax	△4,775	△118,635
Share of other comprehensive income of entities accounted for using equity method	24,013	7,824
Total other comprehensive income	* 526,253	* △280,340
Comprehensive income	4,530,458	2,578,607
(Breakdown)		
Comprehensive income attributable to owners of the parent	4,356,120	2,597,749
Comprehensive income attributable to non-controlling interests	174,337	△19,142

3) Consolidated Statements of Changes in Shareholders' Equity and Other Net Assets
 Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	7,623,638	4,403,396	33,374,092	△1,159,364	44,241,763
Cumulative effects of changes in accounting policies			39,939		39,939
Restated balance	7,623,638	4,403,396	33,414,032	△1,159,364	44,281,702
Changes during period					
Issuance of new shares	20,139	20,139			40,278
Dividends of surplus			△1,466,926		△1,466,926
Profit attributable to owners of parent			3,911,000		3,911,000
Purchase of treasury shares				△82,621	△82,621
Disposal of treasury shares			△2,973	23,971	20,997
Cancellation of treasury shares			△918,310	918,310	—
Purchase of shares of consolidated subsidiaries		△1,406,074			△1,406,074
Net changes in items other than shareholders' equity					
Total changes during period	20,139	△1,385,935	1,522,790	859,660	1,016,654
Balance at end of current period	7,643,777	3,017,461	34,936,822	△299,704	45,298,357

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	1,569,049	△8,237	486,242	△3,959	2,043,095	193,962	965,997	47,444,819
Cumulative effects of changes in accounting policies								39,939
Restated balance	1,569,049	△8,237	486,242	△3,959	2,043,095	193,962	965,997	47,484,758
Changes during period								
Issuance of new shares								40,278
Dividends of surplus								△1,466,926
Profit attributable to owners of parent								3,911,000
Purchase of treasury shares								△82,621
Disposal of treasury shares								20,997
Cancellation of treasury shares								—
Purchase of shares of consolidated subsidiaries								△1,406,074
Net changes in items other than shareholders' equity	△339,930	△41,908	831,735	△4,775	445,120	△44,831	△935,998	△535,710
Total changes during period	△339,930	△41,908	831,735	△4,775	445,120	△44,831	△935,998	480,944
Balance at end of current period	1,229,118	△50,146	1,317,978	△8,734	2,488,215	149,131	29,998	47,965,702

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	7,643,777	3,017,461	34,936,822	△299,704	45,298,357
Cumulative effects of changes in accounting policies					
Restated balance	7,643,777	3,017,461	34,936,822	△299,704	45,298,357
Changes during period					
Issuance of new shares	204,095	204,095			408,191
Dividends of surplus			△3,006,166		△3,006,166
Profit attributable to owners of parent			2,856,481		2,856,481
Purchase of treasury shares				△750,332	△750,332
Disposal of treasury shares			△1,106	44,501	43,394
Cancellation of treasury shares			△492,559	492,559	—
Purchase of shares of consolidated subsidiaries		△22,938			△22,938
Net changes in items other than shareholders' equity					
Total changes during period	204,095	181,157	△643,351	△213,271	△471,369
Balance at end of current period	7,847,873	3,198,618	34,293,471	△512,975	44,826,987

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	1,229,118	△50,146	1,317,978	△8,734	2,488,215	149,131	29,998	47,965,702
Cumulative effects of changes in accounting policies								
Restated balance	1,229,118	△50,146	1,317,978	△8,734	2,488,215	149,131	29,998	47,965,702
Changes during period								
Issuance of new shares								408,191
Dividends of surplus								△3,006,166
Profit attributable to owners of parent								2,856,481
Purchase of treasury shares								△750,332
Disposal of treasury shares								43,394
Cancellation of treasury shares								—
Purchase of shares of consolidated subsidiaries								△22,938
Net changes in items other than shareholders' equity	△762,700	36,488	586,115	△118,635	△258,731	△97,887	△29,998	△386,618
Total changes during period	△762,700	36,488	586,115	△118,635	△258,731	△97,887	△29,998	△857,988
Balance at end of current period	466,417	△13,657	1,904,093	△127,370	2,229,483	51,243	—	47,107,714

4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	4,965,691	3,902,515
Depreciation	2,170,976	2,290,388
Impairment loss	12,928	19,332
Share-based payment expenses	33,103	39,577
Increase (decrease) in provision for product warranties	△5,754	△35,179
Increase (decrease) in provision for bonuses	△28,223	19,262
Increase (decrease) in provision for bonuses for directors (and other officers)	633	△2,341
Increase (decrease) in allowance for doubtful accounts	16,261	△10,710
Increase (decrease) in provision for share-awards	56,854	△32,358
Increase (decrease) in retirement benefit liability	△30,538	△53,180
Interest and dividends income	△260,918	△200,370
Subsidy income	△69,973	△76,585
Interest expenses	120,717	155,066
Bad debts expenses	5,424	—
Foreign exchange losses (gains)	△397,726	△104,182
Share of (profit) loss of entities accounted for using equity method	15,342	△19,839
Loss (gain) on sale of investment securities	△777,496	△1,249,374
Loss (gain) on redemption of investment securities	211,764	△40,063
Loss (gain) on sale of non-current assets	△7,566	△4,104
Loss on retirement of property, plant and equipment	18,337	732
Gain on reversal of share acquisition rights	△45,938	△40,970
Other extraordinary loss (income)	—	△169
Decrease (increase) in trade receivables	1,597,125	3,363,943
Decrease (increase) in inventories	△1,486,568	△1,328,338
Increase (decrease) in trade payables	△1,268,486	△544,516
Increase (decrease) in accrued consumption taxes	108,975	△439,241
Decrease (increase) in other assets	80,366	△303,405
Increase (decrease) in other liabilities	201,045	△412,756
Subtotal	4,782,141	4,893,129
Interest and dividends received	294,691	238,848
Interest paid	△135,227	△149,538
Income taxes refund (paid)	889,594	△1,588,013
Subsidies received	69,973	76,585
Net cash provided by (used in) operating activities	5,901,174	3,471,010

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Cash flows from investing activities		
Payments into time deposits	—	△1,619,726
Proceeds from withdrawal of time deposits	1,673,970	132,389
Purchase of property, plant and equipment	△1,907,427	△4,324,762
Proceeds from sale of property, plant and equipment	10,909	5,509
Purchase of intangible assets	△99,703	△50,511
Purchase of investment securities	△103,247	△341,769
Proceeds from sale of investment securities	3,339,166	6,783,255
Loan advances	△91,234	△31,097
Proceeds from collection of loans receivable	87,427	22,672
Decrease (increase) in investments and other assets	△40,393	△67,333
Net cash provided by (used in) investing activities	2,869,467	508,625
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	△324,835	1,403,950
Proceeds from long-term borrowings	1,269,158	1,183,299
Repayments of long-term borrowings	△798,849	△1,552,282
Repayments of lease liabilities	△81,838	△118,379
Payments for long-term accounts payable - other	△50,805	△5,179
Redemption of bonds	△36,800	△26,800
Proceeds from issuance of shares	34,021	348,446
Purchase of treasury shares	△82,621	△748,937
Dividends paid	△1,463,025	△3,000,754
Dividends paid to non-controlling interests	△68,154	△9,589
Payments of shares of subsidiaries not resulting in change in scope of consolidation	△2,439,158	△45,813
Net cash provided by (used in) financing activities	△4,042,908	△2,572,040
Effect of exchange rate change on cash and cash equivalents	677,087	235,149
Net increase (decrease) in cash and cash equivalents	5,404,820	1,642,744
Cash and cash equivalents at beginning of period	11,488,288	16,893,109
Cash and cash equivalents at end of period	*1 16,893,109	*1 18,535,854

[Notes]

(Important Matters Underlying Preparation of Consolidated Financial Statements)

1. Matters concerning scope of consolidation

(1) Number of consolidated subsidiaries: eleven (11)

Names of major consolidated subsidiaries:

ThinFlex Corporation, ThinFlex Technology Corporation (B.V.I.), TopFlex Corporation, Satosen Co., Ltd., Arisawa Fiber Glass Co., Ltd., Protec International Holdings Co., Ltd., Protec Arisawa Europe, S.A., Protec Arisawa America, Inc., Arisawa Sogyo Co., Ltd., Arisawa Jushi Kogyo Co., Ltd., ColorLink Japan, Ltd.,

(2) Names, etc. of major non-consolidated subsidiaries

Major non-consolidated subsidiaries:

Kashiwa Seiki Co., Ltd.

(Reasons for excluding the above-mentioned non-consolidated subsidiaries from the scope of consolidation)

The non-consolidated subsidiaries are small in size, and their aggregate total assets, net sales, profit or loss (Amount corresponding to the Company's equity interest) and retained earnings (Amount corresponding to the Company's equity interest), etc. do not materially affect the consolidated financial statements.

2. Matters concerning application of equity method

(1) Number of affiliated companies accounted for under the equity method: one (1)

Names of major affiliated companies:

Innovision FlexTech Corporation

(2) As the non-consolidated subsidiaries (Kashiwa Seiki Co., Ltd.) and the affiliated companies (Ryoyu Industrial Corporation and one (1) other company) to which the equity method is not applied have only slight effects on the consolidated financial statements in terms of profit or loss (Amount corresponding to the Company's equity interest) and retained earnings (Amount corresponding to the Company's equity interest), etc. (even if they are excluded from the scope of application of the equity method) and also bear no significance as a whole, these companies have been excluded from the scope of application of the equity method.

(3) With respect to those companies accounted for under the equity method whose closing dates differ from the consolidated closing date, the financial statements for the relevant business year of each such company have been used.

3. Matters concerning business year, etc. of consolidated subsidiaries

The closing date of ThinFlex Corporation, TopFlex Corporation, ThinFlex Technology Corporation (B.V.I.), Protec Arisawa Europe, S.A. and Protec Arisawa America, Inc., all of which are consolidated subsidiaries, is December 31 of each year.

In preparation of consolidated financial statements, financial statements as of the said closing date are used; provided, however, that for the important transactions conducted in the period from January 1 to March 31 (i.e. the consolidated closing date), the adjustments necessary for consolidation purposes have been made.

4. Matters concerning accounting policies

(1) Valuation standards and valuation methods for important assets

1) Securities

Available-for-sale securities

Securities other than stocks and others without a quoted market price:

Stated at fair market value. (Valuation differences are reported as a component of net assets, and the cost of securities sold is calculated using the average cost method.)

Stocks and others without a quoted market price:

Stated at average cost.

2) Derivative financial instruments

Stated at fair market value.

3) Inventories

Merchandise, finished goods, semi-finished goods and work in process:

The Company and its domestic consolidated subsidiaries primarily adopt the cost method on a first-in, first-out basis (The amount shown on the balance sheets is calculated by writing inventories down due to a decline in profitability.), and the overseas subsidiaries primarily adopt the lower-of-cost-or-market method based on the moving average method.

Raw materials and supplies:

The Company and its domestic consolidated subsidiaries primarily adopt the cost method based on the periodic average method (The amount shown on the balance sheets is calculated by writing inventories down due to a decline in profitability.), and the overseas subsidiaries primarily adopt the lower-of-cost-or-market method based on the moving average method.

(2) Methods of depreciation and amortization of important depreciable assets

1) Property, plant and equipment (excluding lease assets)

The Company and its domestic consolidated subsidiaries adopt the declining-balance method, except for the buildings (excluding accompanying facilities) acquired on or after April 1, 1998, and accompanying facilities and structures acquired on or after April 1, 2016, which are depreciated using the straight-line method. The overseas consolidated subsidiaries adopt the straight-line method.

The useful life mostly falls within the ranges shown below:

Buildings and structures: ten (10) years to thirty-one (31) years

Machinery, equipment and vehicles: four (4) years to nine (9) years

2) Intangible assets (excluding lease assets)

The straight-line method is adopted. Software used by the Company is amortized over an estimated in-house usable period. (currently five (5) years)

In addition, technology-related assets are amortized over the economic useful life (8 years).

3) Lease assets

Lease assets related to finance lease transactions that entail transfer of title

Depreciation and amortization is based on the same method as applied to self-owned non-current assets.

Lease assets related to finance lease transactions that do not entail transfer of title

Depreciation and amortization is based on the straight-line method that takes the lease period as the useful life and sets the residual value at zero (0).

(3) Standards for recording important allowances and provisions

1) Allowance for doubtful accounts

As a reserve for potential loan losses, an estimated uncollectible amount is allocated based on the historical loan-loss ratio in the case of general accounts receivable, and in light of the collectibility in each instance in the case of some specific accounts receivable, e.g. doubtful receivables.

2) Provision for bonuses

The Company and some of its consolidated subsidiaries, in preparation for the payment of bonuses to their respective employees, allocate such portion of the expected aggregate bonus amount that is recognizable in the current consolidated fiscal year.

3) Provision for bonuses for directors (and other officers)

Some of the Company's consolidated subsidiaries, in preparation for the payment of bonuses to their respective directors and officers, make a relevant allocation based on the expected aggregate amount of such bonus payment for the current consolidated fiscal year.

4) Provision for share awards

As a reserve for the Company's stock benefit to employees under the stock benefit regulations, it is allocated based on the expected aggregate amount of share benefit obligation as of the end of the current consolidated fiscal year.

5) Provision for product warranties

As a reserve for warranty expenses potentially incurred with respect to the products delivered to customers, an amount reasonably expected to accrue in such expenses is estimated and appropriated.

(4) Accounting methods concerning retirement benefits

1) Method of inter-period attribution of expected retirement benefits

In calculating retirement benefit obligations, the benefit formula is employed as the method of attributing the estimated amount of each employee's retirement benefits to his or her service period up to the end of the current consolidated fiscal year.

2) Method of recognizing actuarial differences as expenses

Actuarial differences are recognized as expenses, effective from the consolidated fiscal year immediately following the year of occurrence of each such difference, in an amount prorated using the straight-line method over a certain number of years (currently five (5) years) within the average remaining service period of the employees at the time of occurrence of the said difference in each consolidated fiscal year.

- 3) Adoption of simplified method by small-scale businesses, etc.
Some of the Company's consolidated subsidiaries employ, in calculating their respective net defined benefit liabilities and retirement benefit expenses, a simplified method which deems the size of retirement benefit obligations to be equal to the aggregate amount of retirement benefits payable assuming the voluntary retirement of all employees at the end of the current period.
- (5) Standards for recording important revenues and expenses
Notes on the standards for recording important revenues and expenses are omitted as the same details are shown in "Notes (For Revenue Recognition) 2. Basic Information for understanding revenue from contracts with customers" of Consolidated Financial Statements.
- (6) Standards for translating important foreign currency assets and liabilities into Japanese currency
Foreign currency monetary assets and liabilities are translated into Japanese yen at the spot exchange rate as of the consolidated closing date, and the resulting translation differences are entered as profit or loss, as the case may be. Assets and liabilities of overseas subsidiaries, etc. are translated into Japanese yen at the spot exchange rate as of the consolidated closing date, and their respective incomes and expenses are translated into Japanese yen at the average exchange rate during the period, with the resulting translation differences being recorded as part of "Foreign currency translation adjustment" and "Non-controlling interests" in the "Net assets" section.
- (7) Accounting method of significant hedge transactions
- 1) Method of hedge accounting
The Company adopts the deferred hedge accounting. With respect to the forward exchange contracts that meet the requirements of hedge accounting, we adopt the designated hedge accounting.
 - 2) Hedging instruments and hedged items
Hedging instruments: Forward exchange contracts
Hedged items: Monetary claims denominated in foreign currencies, Anticipated transactions in foreign currencies
 - 3) Hedging policy
Forward foreign exchange transactions are conducted within the scope of actual demand for the purpose of deterring risks involved in transactions denominated in foreign currencies from the fluctuations in the foreign exchange market. These transactions will never be entered for speculative purpose.
 - 4) Method of assessing hedge effectiveness
The Company assesses the effectiveness of hedging based on the ratio of changes that is calculated by comparing the cumulative total of the market fluctuations of hedged items with that of hedging instruments. However, when the forward foreign exchange transactions are by designated hedge accounting, such assessment of effectiveness is omitted.
- (8) Method and period of amortization of goodwill
Goodwill is amortized using the straight-line method over a five (5)-year period.
- (9) Scope of funds in the consolidated statements of cash flows
The funds consist of cash on hand, demand deposits that are immediately withdrawable and short-term investments with a maturity of three (3) months or less from the date of acquisition which are readily convertible to cash and carry only a negligible risk of value fluctuations.
- (10) Other important matters concerning preparation of consolidated financial statements
Accounting methods concerning deferred assets
Stock delivery expenses are fully charged to expenses when they are paid.

(Significant Accounting Estimates)

1. Valuation for Inventories

(1) Amount recorded in the consolidated financial statements for the current consolidated fiscal year

Loss on valuation of inventory and inventory at the end of period related to aircraft materials are as follows:

(Thousands of yen)

	Previous consolidated fiscal year	Current consolidated fiscal year
Loss on valuation of inventory	37,819	29,906
Merchandise and finished goods	292,638	517,604
Work in process	109,095	198,730

(2) Other information that contributes to the understanding of users of financial statements

1) Calculation method

With regard to inventories that are slow-moving or to be disposed of because they have been cut off from the operating cycle and for which it is difficult to measure the net selling price according to a reasonably estimated price, their carrying amount is written down in accordance with the holding period and demand trends.

2) Major assumptions

Demand related to aircraft materials rapidly declined due to the spread of COVID-19, but it is gradually increasing due to the easing of movements restrictions, etc. For this reason, the valuation of such inventories is estimated based on the expected future sales, and the major assumption is the expected sales volume. The assumption of the expected sales volume takes into account the future prospects for the trends in aircraft-related demand including the influence of international situation in Ukraine.

3) Effect on the consolidated financial statements for the next consolidated fiscal year

We assume the expected sales volume on the presumption that COVID-19 will be contained and demand for aircraft will gradually recover. However, the timing of the containment of COVID-19 and the impact on demand trends are highly uncertain, and there is a risk that this will have a significant impact on the inventory valuation decisions in the next consolidated fiscal year.

(Changes in Accounting Policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

Implementation Guidance on Accounting Standard for Fair Value Measurement” (Accounting Standards Board of Japan Guidance No. 31, June 17, 2021; hereinafter referred to as the “Implementation Guidance”), etc. have been applied from the beginning of the current consolidated fiscal year. In accordance with the transitional treatment set forth in paragraph 27-2 of Implementation Guidance, the new accounting policy set forth in Implementation Guidance was applied prospectively. There is no impact due to this application.

(Accounting Standards etc. not yet applied)

Accounting standard, etc. for calculating fair value

- “Accounting Standard for Current Income Taxes” (Accounting Standards Board of Japan Statement No.27, October 28, 2022)
- “Accounting Standard for Presentation of Comprehensive Income” (Accounting Standards Board of Japan Statement No.25, October 28, 2022)
- “Implementation Guidance on Tax Effect Accounting” (Accounting Standards Board of Japan Guidance No.28, October 28, 2022)

(1) Overview

Accounting Standards Board of Japan Guidance No.28, “Partial Amendments to Accounting Standard for Tax Effect Accounting”, etc. (“ASBJ Guidance No.28, etc.”), were issued on February, 2022, and the transfer of the operational guidelines concerning the tax effect accounting from the Japanese Institute of Certified Public Accountants (“JICPA”) to the ASBJ was completed. During the deliberation, the following two issues, which were to be studied after the issuance of the ASBJ Guidance No.28, etc., were deliberated and issued.

- Accounting for tax expenses (taxation on other comprehensive income)
- Tax effects of the sales of the shares, etc. of subsidiaries (shares of subsidiaries or affiliates) when the group taxation regime is applied

(2) Scheduled date of application

The Accounting Standard and the Implementation Guidance mentioned above will be applied at the start of the fiscal year beginning on April 1, 2025.

(3) Effect of application of the accounting standard, etc.

The effect of the application of the “Accounting Standard for Current Income Taxes”, etc. on the consolidated financial statements is currently under evaluation.

(Changes in Presentation)

<Consolidated Statements of Income>

1. “Gain on redemption of investment securities”, which was separately stated within “Non-operating income” in the previous consolidated fiscal year, is presented as part of “Other” effective from the current consolidated fiscal year due to a fall in quantitative materiality. In order to reflect such change in presentation, a reclassification has been made in the consolidated financial statements for the previous consolidated fiscal year. As a result, 213,189 thousand yen of “Gain on redemption of investment securities”, listed within “Non-operating income” in the consolidated statements of income for the previous consolidated fiscal year, has been reclassified as part of “Other”.
2. “Share of profit of entities accounted for using equity method”, which was presented as part of “Other” in “Non-operating income” in the previous consolidated fiscal year, is separately stated effective from the current consolidated fiscal year due to a rise in quantitative materiality. “Subsidy income”, which was presented as part of “Other” in “Non-operating income” in the previous consolidated fiscal year, is also separately stated effective from the current consolidated fiscal year due to a rise in percentage of the pertinent amount to more than ten hundredths (10/100) of the aggregate amount of Non-operating income. In order to reflect such change in presentation, a reclassification has been made in the consolidated financial statements for the previous consolidated fiscal year.
As a result, 237,943 thousand yen of “Other”, listed within “Non-operating income” in the consolidated statements of income for the previous consolidated fiscal year, has been reclassified into the combination of 15,342 thousand yen of “Share of profit of entities accounted for using equity method”, 69,471 thousand yen of “Subsidy income” and 366,310 thousand yen of “Other” (including a reclassification of 213,189 thousand yen from Gain on redemption of investment securities in 1).
3. “Commission for purchase of consolidated subsidiaries shares”, which was separately stated within “Non-operating expenses” in the previous consolidated fiscal year, is presented as part of “Other” effective from the current consolidated fiscal year due to a fall in quantitative materiality. In order to reflect such change in presentation, a reclassification has been made in the consolidated financial statements for the previous consolidated fiscal year.
As a result, 27,773 thousand yen of “Commission for purchase of consolidated subsidiaries shares”, listed within “Non-operating expenses” in the consolidated statements of income for the previous consolidated fiscal year, has been reclassified as part of “Other”.

(Notes Related to Consolidated Balance Sheets)

*1 Items related to non-consolidated subsidiaries and affiliated companies are as follows.

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Investment securities (Stock)	357,566	385,230

*2 Assets subject to a security interest and secured liabilities

Assets subject to a security interest are as follows.

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Cash and deposits	--- (---)	29,011 (---)
Buildings and structures	3,766,813 (2,917,071)	3,278,555 (2,695,800)
Machinery, equipment and vehicles	948,214 (903,157)	610,808 (610,808)
Property, plant and equipment (Other)	129,106 (84,636)	48,430 (48,430)
Land	558,408 (199,190)	500,923 (199,190)
Investments and other assets (Other)	27,939 (---)	--- (---)
Total	5,430,481 (4,104,056)	4,467,729 (3,554,230)

Secured liabilities are as follows.

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Short-term borrowings	982,972 (---)	--- (---)
Current portion of long-term borrowings	722,870 (680,558)	439,304 (---)
Long-term borrowings	6,304 (---)	--- (---)
Total	1,712,146 (680,558)	439,304 (---)

The parenthesized figures represent factory foundation mortgages and the liabilities secured by such mortgages.

*3 The Submitting Company has an overdraft agreement in effect with each of its six (6) partner banks to ensure efficient procurement of operating funds. The following is the balance of unexecuted loans under such overdraft agreements as of the end of the current and previous consolidated fiscal years.

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Aggregate overdraft limit	6,000,000	9,500,000
Drawdowns	---	2,000,000
Balance of unexecuted loans	6,000,000	7,500,000

(Notes Related to Consolidated Statements of Income)

*1 Revenue from contracts with customers

With regard to net sales, revenue from contracts with customers and other revenues are not separately stated. The amount of the revenue from contracts with customers is stated in “Notes (For Revenue Recognition) 1. Information on the breakdown of revenue from contracts with customers” of Consolidated Financial Statements.

*2 Total amount of research and development expenses included in manufacturing costs for the current period and general and administrative expenses

(Thousands of yen)

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
1,926,483	1,991,915

*3 Closing inventories are stated in the amount after writing inventories down due to a decline in profitability, and the following loss on valuation of inventories or gain on reversal of loss on valuation of inventories (Δ) are included in the cost of sales.

(Thousands of yen)

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
103,982	205,700

*4 Details of gain on sale of non-current assets are as follows.

(Thousands of yen)

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)	
Machinery, equipment and vehicles	7,566	1,902
Tools, furniture and fixtures	—	9
Land	—	2,192
Total	7,566	4,104

*5 The loss on retirement of non-current assets is due mainly to the retirement of buildings.

*6 The gain on sale of investment securities is due mainly to the sale of cross-shareholdings.

*7 Impairment loss

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

Our Group recorded an impairment loss with respect to the following asset group(s) in the previous consolidated fiscal year.

Location	Usage	Type	Impairment loss (Thousands of yen)
Arisawa Mfg. Co., Ltd. (Joetsu-shi, Niigata)	Industrial Application Structural materials manufacturing facilities	Machinery, equipment and vehicles; etc.	12,928

Our Group conducts asset grouping grounded in its business segments and based primarily on product lines (each line representing a family of products), while each asset becomes the subject of asset grouping in the cases of assets for rent and idle assets, etc.

Of the Group's business assets, those asset groups whose profitability significantly declined due largely to a fall in the market price of the relevant products, etc. have been written down to the recoverable amount, and the aggregate amount of such write-downs, 12,928 thousand yen, was recorded as an impairment loss in extraordinary losses. The said aggregate amount consists of 11,686 thousand yen of machinery, equipment and vehicles, and 1,242 thousand yen of others. Note that a carrying amount is measured according to value in use, but it is assessed according to memorandum value because future cash flow is negative.

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

Our Group recorded an impairment loss with respect to the following asset group(s) in the current consolidated fiscal year.

Location	Usage	Type	Impairment loss (Thousands of yen)
Arisawa Mfg. Co., Ltd. (Joetsu-shi, Niigata)	Industrial Application Structural materials manufacturing facilities	Machinery, equipment and vehicles; etc.	19,332

Our Group conducts asset grouping grounded in its business segments and based primarily on product lines (each line representing a family of products), while each asset becomes the subject of asset grouping in the cases of assets for rent and idle assets, etc.

Of the Group's business assets, those asset groups whose profitability significantly declined due largely to a fall in the market price of the relevant products, etc. have been written down to the recoverable amount, and the aggregate amount of such write-downs, 19,332 thousand yen, was recorded as an impairment loss in extraordinary losses. The said aggregate amount consists of 19,064 thousand yen of machinery, equipment and vehicles, and 268 thousand yen of others.

Note that a carrying amount is measured according to value in use, but it is assessed according to memorandum value because future cash flow is negative.

(Notes Related to Consolidated Statements of Comprehensive Income)

*Reclassification adjustment and tax effects relating to other comprehensive income

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Valuation difference on available-for-sale securities:		
Amount arising in the current fiscal year	499,596	195,589
Reclassification adjustment	△989,261	△1,289,437
Before tax effects	△489,665	△1,093,848
Tax effects	149,783	331,148
Valuation difference on available-for-sale securities	△339,881	△762,700
Deferred gains or losses on hedges:		
Amount arising in the current fiscal year	△75,510	△20,565
Reclassification adjustment	12,404	75,510
Before tax effects	△63,106	54,944
Tax effects	21,197	△18,455
Deferred gains or losses on hedges	△41,908	36,488
Foreign currency translation adjustment:		
Amount arising in the current fiscal year	888,805	556,682
Remeasurements of defined benefit plans, net of tax:		
Amount arising in the current fiscal year	△28,500	△179,001
Reclassification adjustment	21,628	8,302
Before tax effects	△6,871	△170,698
Tax effects	2,095	52,063
Remeasurements of defined benefit plans, net of tax	△4,775	△118,635
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising in the current fiscal year	24,013	7,824
Total other comprehensive income	526,253	△280,340

(Notes Related to Consolidated Statements of Changes in Shareholders' Equity and Other Net Assets)

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

1. Matters concerning class and number of shares issued and outstanding and of shares of treasury shares

	Number of shares at the beginning of the consolidated fiscal year	Increase in the number of shares during the consolidated fiscal year	Decrease in the number of shares during the consolidated fiscal year	Number of shares at the end of the consolidated fiscal year
Shares issued and outstanding				
Common stock (See Note 1,2)	34,470,524	44,300	900,000	33,614,824
Total	34,470,524	44,300	900,000	33,614,824
Treasury shares				
Common stock (See Note 3,4)	1,136,189	89,221	923,835	301,575
Total	1,136,189	89,221	923,835	301,575

- Note:
1. The increase of 44,300 shares in the number of shares issued and outstanding (common stock) is due to an issuance of new shares through the exercise of stock acquisition rights.
 2. The decrease of 900,000 shares in the number of shares issued and outstanding (common stock) is due to the retirement of treasury shares.
 3. The increase of 923,835 shares in the number of shares of treasury shares (common stock) is due to a decrease of 900,000 shares resulting from the retirement of treasury shares, a decrease of 23,435 shares resulting from the disposal of treasury shares as restricted stock-based compensation, and a decrease of 400 shares resulting from granting to eligible persons by a trust account for employee stock ownership plan.
 4. The decrease of 2,000,000 shares in the number of shares of treasury shares (common stock) is due to the retirement of treasury shares.
 5. 88,600 shares of the Company which a trust account for employee stock ownership plan holds are included in the row "Number of shares at the end of the current consolidated fiscal year" of treasury shares.

2. Matters concerning stock acquisition rights and treasury shares acquisition rights

Category	Details of stock acquisition rights	Class of shares subject to stock acquisition rights	Number of shares subject to stock acquisition rights				Balance at the end of the consolidated fiscal year (Thousands of yen)
			At the beginning of the consolidated fiscal year	Increase during the consolidated fiscal year	Decrease during the consolidated fiscal year	At the end of the consolidated fiscal year	
Submitting Company (Parent company)	Stock acquisition rights issued as stock options	---	---	---	---	---	149,131
Total		---	---	---	---	---	149,131

3. Matters concerning dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders of June 25, 2021	Common stock	1,300,039	39.00	March 31, 2021	June 28, 2021
Board of Directors of October 28, 2021	Common stock	166,887	5.00	September 30, 2021	December 2, 2021

Note: "Total amount of dividends" under a resolution at the Board of Directors' Meeting of October 28, 2021 includes the dividends of 444 thousand yen on the Company's shares which a trust account for employee stock ownership plan holds.

(2) Dividends whose record date belongs to the current consolidated fiscal year but whose effective date belongs to the next consolidated fiscal year

Resolution	Class of shares	Total amount of dividends (Thousands of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders of June 28, 2022	Common stock	3,006,166	Retained earnings	90.00	March 31, 2022	June 29, 2022

Note: "Total amount of dividends" includes the dividends of 7,974 thousand yen on the Company's shares which a trust account for employee stock ownership plan holds.

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

1. Matters concerning class and number of shares issued and outstanding and of shares of treasury shares

	Number of shares at the beginning of the consolidated fiscal year	Increase in the number of shares during the consolidated fiscal year	Decrease in the number of shares during the consolidated fiscal year	Number of shares at the end of the consolidated fiscal year
Shares issued and outstanding				
Common stock (See Note 1,2)	33,614,824	350,700	424,400	33,541,124
Total	33,614,824	350,700	424,400	33,541,124
Treasury shares				
Common stock (See Note 3,4)	301,575	624,659	466,955	459,279
Total	301,575	624,659	466,955	459,279

- Note:
- The increase of 350,700 shares in the number of shares issued and outstanding (common stock) is due to an issuance of new shares through the exercise of stock acquisition rights.
 - The decrease of 424,400 shares in the number of shares issued and outstanding (common stock) is due to the retirement of treasury shares.
 - The increase of 624,659 shares in the number of shares of treasury shares (common stock) is due to an increase of 624,400 shares resulting from the acquisition of treasury stocks by a resolution of the Board of Directors and an increase of 259 shares resulting from the purchase of shares constituting less than one full unit.
 - The decrease of 466,955 shares in the number of shares of treasury shares (common stock) is due to a decrease of 424,400 shares resulting from the retirement of treasury shares, a decrease of 41,055 shares resulting from the disposal of treasury shares as restricted stock-based compensation, and a decrease of 1,500 shares resulting from granting to eligible persons by a trust account for employee stock ownership plan.
 - 87,100 shares of the Company which a trust account for employee stock ownership plan holds are included in the row "Number of shares at the end of the current consolidated fiscal year" of treasury shares.

2. Matters concerning stock acquisition rights and treasury shares acquisition rights

Category	Details of stock acquisition rights	Class of shares subject to stock acquisition rights	Number of shares subject to stock acquisition rights				Balance at the end of the consolidated fiscal year (Thousands of yen)
			At the beginning of the consolidated fiscal year	Increase during the consolidated fiscal year	Decrease during the consolidated fiscal year	At the end of the consolidated fiscal year	
Submitting Company (Parent company)	Stock acquisition rights issued as stock options	---	---	---	---	---	51,243
Total		---	---	---	---	---	51,243

3. Matters concerning dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders of June 28, 2022	Common stock	3,006,166	90.00	March 31, 2022	June 29, 2022

Note: "Total amount of dividends" under a resolution at the Ordinary General Meeting of Shareholders of June 28, 2022 includes the dividends of 7,974 thousand yen on the Company's shares which a trust account for employee stock ownership plan holds.

(2) Dividends whose record date belongs to the current consolidated fiscal year but whose effective date belongs to the next consolidated fiscal year

Resolution	Class of shares	Total amount of dividends (Thousands of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders of June 29, 2023	Common stock	2,985,205	Retained earnings	90.00	March 31, 2023	June 30, 2023

Note: "Total amount of dividends" includes the dividends of 7,839 thousand yen on the Company's shares which a trust account for employee stock ownership plan holds.

(Notes Related to Consolidated Statements of Cash Flows)

*1 The correlation between the balance of cash and cash equivalents at the end of the current and previous consolidated fiscal years and the amounts shown for the corresponding items on the relevant consolidated balance sheets

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Cash and deposits	17,341,765	20,545,580
Time deposits with a deposit term of more than three months	△522,390	△2,009,726
Securities (Money management fund)	73,733	—
Cash and cash equivalents	16,893,109	18,535,854

2 The details of material non-cash transactions

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

No applicable matter.

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

No applicable matter.

(Notes Related to Lease Transactions)

(As lessee)

Finance lease transactions

1. Finance lease transactions that entail transfer of title

1) Details of lease assets

Property, plant and equipment

Boiler-related facilities mainly. (falling under "Machinery, equipment and vehicles" respectively)

2) Methods of depreciation and amortization of lease assets

As is stated in (Important Matters Underlying Preparation of Consolidated Financial Statements) - 4. Matters concerning accounting policies - (2) Methods of depreciation and amortization of important depreciable assets.

2. Finance lease transactions that do not entail transfer of title and the right-of-use assets at the IFRS 16-applied subsidiaries of our Group

1) Details of lease assets

Property, plant and equipment

Land and photovoltaic facility, mainly. (falling under "Machinery, equipment and vehicles" respectively)

2) Methods of depreciation and amortization of lease assets

As is stated in (Important Matters Underlying Preparation of Consolidated Financial Statements) - 4. Matters concerning accounting policies - (2) Methods of depreciation and amortization of important depreciable assets.

(Notes Related to Financial Instruments)

1. Matters concerning the status of financial instruments

(1) Policies for financial instruments

Our Group obtains funds required in light of its financing plan and business plan (mainly through bank loans), and invest any temporary surplus funds in highly liquid financial instruments, and also obtains short-term operating funds through bank loans. Our Group makes use of derivative transactions in order to avoid the risks mentioned below and maintains a policy of eschewing speculative transactions.

(2) Description of financial instruments and risks associated with such financial instruments

Notes and accounts receivable, a type of operating receivables, are exposed to customer credit risk, and foreign currency operating receivables are also exposed to exchange rate fluctuation risk.

Securities and investment securities consist of those held primarily as pure investments and equity shares in the Company's business partners and are exposed to market price fluctuation risk.

Notes and accounts payable, a type of operating payables, are mostly due in approximately four (4) months. The notes and accounts payable denominated in foreign currencies are exposed to exchange rate fluctuation risk.

Loans payable are primarily aimed at obtaining funds required for capital investment. They are fixed rate loans and liabilities and therefore are not exposed to interest rate fluctuation risk.

Derivative transactions conducted by our Group are restricted to forward exchange contracts with the purpose to hedge exchange fluctuation risk in respect of operating receivables denominated in foreign currency. To learn about hedging instruments and hedged items with respect to hedge accounting, hedging policy and method of assessing hedge effectiveness, etc., refer to "4. Matters concerning accounting policies (6) Accounting method of significant hedge transactions" in [Notes] (Important Matters Underlying Preparation of Consolidated Financial Statements) described above.

(3) Risk management system for financial instruments

1) Management of credit risk (Risks associated with default of contract by business partners, etc.)

As for notes and accounts receivable, the sales departments set a credit limit for each of the Company's regular customers, monitoring such customers' respective payment schedules, remaining credit lines and overall business conditions in an attempt to promptly recognize and reduce doubtful accounts.

As for securities and investment securities held for the purpose of fund management, higher-rated bonds are selected to minimize credit risk.

2) Management of market risk (Risks associated with fluctuations in foreign exchange rates and interest rates, etc.)

As for some foreign currency operating receivables and payables, forward exchange contracts may be employed to avoid exchange rate fluctuation risk.

As for securities and investment securities, the Company continually reviews the holding status in light of the relevant market conditions and business relations.

The execution and management of derivative transactions are conducted, pursuant to the management rules that specify transaction authority and transaction amount limits, by the department in charge with the approval of the person in charge of settlement.

3) Management of liquidity risk (Risk that payment cannot be made as and when due under contract) in financing activities

The Company has entered into an overdraft agreement with its partner banks to ensure expeditious financing and to minimize liquidity risk.

In financing activities, the Company prepares and updates a financial plan under its business plan and capital investment plan and maintains liquidity on hand, etc. in an attempt to minimize liquidity risk.

(4) Supplementary explanations on matters concerning fair value, etc. of financial instruments

As variable factors are incorporated in the determination of the fair value of financial instruments, such price may vary depending on the choice among different assumptions, etc.

2. Matters concerning fair value, etc. of financial instruments

The amount shown on the consolidated balance sheets, the fair value and the difference between the former and the latter are as follows.

Previous consolidated fiscal year (As of March 31, 2022)

(Thousands of yen)

	Amount shown on consolidated balance sheets	Fair value	Difference
Securities and investment securities(*3)	8,499,304	8,499,304	—
Total assets	8,499,304	8,499,304	—
(Long-term borrowings (*2))	4,803,162	4,813,217	10,055
Total liabilities	4,803,162	4,813,217	10,055

(*1) With regard to “Cash and deposits”, “Notes and accounts receivable - trade, and contract assets”, “Notes and accounts payable-trade”, and “Short-term borrowings”, statement is omitted as they are cash and the fair value of these items approximates their respective book values due to their short maturities.

(*2) The current portion of long-term borrowings is included.

(*3) Stocks and others without a quoted market price are not included in “Securities and investment securities”.

The amount of such financial instruments shown on the consolidated balance sheets is as follows.

(Thousands of yen)

Category	Previous consolidated fiscal year
Unlisted stock, etc.	416,683

Current consolidated fiscal year (As of March 31, 2023)

(Thousands of yen)

	Amount shown on consolidated balance sheets	Fair value	Difference
Securities and investment securities(*3)	2,200,411	2,200,411	—
Total assets	2,200,411	2,200,411	—
Long-term borrowings (*2)	4,566,913	4,578,405	11,492
Total liabilities	4,566,913	4,578,405	11,492

(*1) With regard to “Cash and deposits”, “Notes and accounts receivable - trade, and contract assets”, “Notes and accounts payable-trade”, and “Short-term borrowings”, statement is omitted as they are cash and the fair value of these items approximates their respective book values due to their short maturities.

(*2) The current portion of long-term borrowings is included.

(*3) Stocks and others without a quoted market price are not included in “Securities and investment securities”.

The amount of such financial instruments shown on the consolidated balance sheets is as follows.

(Thousands of yen)

Category	Previous consolidated fiscal year
Unlisted stock, etc.	445,212

Note: 1. Scheduled amount of redemption after the consolidated closing date of monetary receivables and securities with a maturity date

Previous consolidated fiscal year (As of March 31, 2022) (Thousands of yen)

	Due within one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
Deposits	17,335,701	—	—	—
Notes and accounts receivable—trade	15,971,983	—	—	—
Securities and investment securities				
Available-for-sale securities with a maturity date				
(1) Government bonds, local government bonds, etc.	—	—	—	—
(2) Corporate bonds	952,805	3,166,732	1,014,867	258,854
(3) Other	7,649	169,310	388,840	49,883
Total	34,268,140	3,336,042	1,403,708	308,738

Current consolidated fiscal year (As of March 31, 2023) (Thousands of yen)

	Due within one year	Due after one year and within five years	Due after five years and within ten years	Due after ten years
Deposits	20,545,580	—	—	—
Notes and accounts receivable—trade	12,967,312	—	—	—
Securities and investment securities				
Available-for-sale securities with a maturity date				
(1) Government bonds, local government bonds, etc.	—	—	—	—
(2) Corporate bonds	100,000	100,000	100,000	—
(3) Other	—	—	384,944	—
Total	33,612,892	100,000	484,944	—

2. Scheduled amount of repayment after the consolidated closing date of corporate bonds, long-term borrowings, lease liabilities and other interest-bearing liabilities

Previous consolidated fiscal year (As of March 31, 2022)

(Thousands of yen)

	Due within one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years	Due after five years
Short-term borrowings	3,562,272	—	—	—	—	—
Long-term borrowings	957,962	1,506,557	885,705	718,181	606,564	128,190
Total	4,520,235	1,506,557	885,705	718,181	606,564	128,190

Current consolidated fiscal year (As of March 31, 2023)

(Thousands of yen)

	Due within one year	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years	Due after five years
Short-term borrowings	5,056,253	—	—	—	—	—
Long-term borrowings	1,843,441	1,046,694	840,276	708,310	48,480	79,710
Total	6,899,695	1,046,694	840,276	708,310	48,480	79,710

3. Matters concerning breakdown, etc. by level of fair values of financial instruments

The fair values of financial instruments are classified into the following three levels in accordance with the observability and significance of inputs used in the fair value measurement.

Level 1 fair value: Fair values measured by quoted prices of the assets or liabilities being measured which are formed in active markets among inputs for observable fair value measurement.

Level 2 fair value: Fair values measured by inputs for fair value measurement other than those for Level 1 among inputs for observable fair value measurement.

Level 3 fair value: Fair values measured by inputs for unobservable fair value measurement.

When multiple inputs which significantly affect fair value measurement are used, the fair values are classified into the lowest level of priority in fair value measurement, choosing from among the respective levels those inputs belong to.

(1) Financial instruments shown at fair value on the consolidated balance sheets

Previous consolidated fiscal year (As of March 31, 2022)

(Thousands of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity Shares	1,764,576	—	—	1,764,576
Corporate bonds	—	5,845,322	—	5,845,322
Other	—	889,405	—	889,405
Total assets	1,764,574	6,734,728	—	8,499,304

Current consolidated fiscal year (As of March 31, 2023)

(Thousands of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity Shares	1,022,161	—	—	1,022,161
Corporate bonds	—	296,285	—	296,285
Other	—	881,965	—	881,965
Total assets	1,022,161	1,178,250	—	2,200,411

(2) Financial instruments other than those shown at fair value on the consolidated balance sheets

Previous consolidated fiscal year (As of March 31, 2022)

(Thousands of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term borrowings	—	4,813,217	—	4,813,217
Total liabilities	—	4,813,217	—	4,813,217

Current consolidated fiscal year (As of March 31, 2023)

(Thousands of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term borrowings	—	4,578,405	—	4,578,405
Total liabilities	—	4,578,405	—	4,578,405

(Notes) Description of the valuation techniques used in the fair value measurement and the inputs for the fair value measurement

Securities and investment securities

Listed stocks, bonds and others are evaluated with quoted market prices. As the listed stocks are traded on active markets, their fair value is classified into the level 1 fair value. On the other hand, as the bonds and others that the Company holds are traded less frequently and not regarded as quoted market prices in active markets, their fair value is classified into the level 2 fair value.

Long-term borrowings

As the fair value of these loans is measured with the discounted present value method based on the sum of the principal and the interest rate with the residual period of the liabilities and credit risk added, it is classified into the level 2 fair value.

(Notes Related to Securities)

1. Available-for-sale securities

Previous consolidated fiscal year (As of March 31, 2022)

(Thousands of yen)

	Type	Amount shown on consolidated balance sheets	Acquisition cost	Difference
Those whose amount shown on consolidated balance sheets exceeds the acquisition cost	(1) Equity Shares	1,658,020	634,298	1,023,721
	(2) Bonds			
	1) Government bonds, local government bonds, etc.	—	—	—
	2) Corporate bonds	4,460,026	3,867,458	592,567
	3) Other	721,042	631,772	89,270
	(3) Other	1,146,800	1,051,519	95,280
	Subtotal	7,985,889	6,185,049	1,800,840
Those whose amount shown on consolidated balance sheets does not exceed the acquisition cost	(1) Equity Shares	106,556	136,380	△29,823
	(2) Bonds			
	1) Government bonds, local government bonds, etc.	—	—	—
	2) Corporate bonds	288,019	292,837	△4,818
	3) Other	—	—	—
	(3) Other	118,839	123,616	△4,777
	Subtotal	513,414	552,834	△39,419
Total		8,499,304	6,737,884	1,761,420

Current consolidated fiscal year (As of March 31, 2023)

(Thousands of yen)

	Type	Amount shown on consolidated balance sheets	Acquisition cost	Difference
Those whose amount shown on consolidated balance sheets exceeds the acquisition cost	(1) Equity Shares	1,022,161	307,628	714,532
	(2) Bonds			
	1) Government bonds, local government bonds, etc.	—	—	—
	2) Corporate bonds	100,150	100,000	150
	3) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	1,122,311	407,628	714,682
Those whose amount shown on consolidated balance sheets does not exceed the acquisition cost	(1) Equity Shares	—	—	—
	(2) Bonds			
	1) Government bonds, local government bonds, etc.	—	—	—
	2) Corporate bonds	196,135	203,525	△7,390
	3) Other	—	—	—
	(3) Other	881,965	922,585	△40,619
	Subtotal	1,078,100	1,126,110	△48,010
Total		2,200,411	1,533,739	666,672

2. Available-for-sale securities sold

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

(Thousands of yen)

Type	Amount sold	Total gain on sale	Total loss on sale
(1) Equity Shares	1,192,231	911,858	4,053
(2) Bonds			
1) Government bonds, local government bonds, etc.	—	—	—
2) Corporate bonds	1,915,602	200,758	29,481
3) Other	349,466	31,802	—
(3) Other	2,393	215	—
Total	3,459,693	1,144,634	33,535

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

(Thousands of yen)

Type	Amount sold	Total gain on sale	Total loss on sale
(1) Equity Shares	880,482	444,558	27,160
(2) Bonds			
1) Government bonds, local government bonds, etc.	—	—	—
2) Corporate bonds	5,413,846	835,378	23,918
3) Other	130,848	21,851	—
(3) Other	358,077	43,518	4,791
Total	6,783,255	1,345,308	55,871

3. Securities subject to impairment

No applicable matter.

(Notes Related to Derivative Transactions)

1. Derivative transaction not subject to hedge accounting
Previous consolidated fiscal year (As of March 31, 2022)
Statement is omitted as it is not material.

Current consolidated fiscal year (As of March 31, 2023)
Statement is omitted as it is not material.

2. Derivatives transactions subject to hedge accounting

Currency-related transactions

Previous consolidated fiscal year (As of March 31, 2022)

Hedge accounting method	Type of transactions	Major hedged items	Contract amount (Thousands of yen)	Contract amount due after 1 year-period (Thousands of yen)	Fair value (Thousands of yen)
Deferral hedge accounting	Forward foreign exchange transactions Short open position U.S. dollar	Anticipated transactions in foreign currencies	766,150	—	△75,510
Total			766,150	—	△75,510

Note: The method of calculating the fair market value is based on the price presented by the counterparty financial institution.

Current consolidated fiscal year (As of March 31, 2023)

Hedge accounting method	Type of transactions	Major hedged items	Contract amount (Thousands of yen)	Contract amount due after 1 year-period (Thousands of yen)	Fair value (Thousands of yen)
Deferral hedge accounting	Forward foreign exchange transactions Short open position U.S. dollar	Anticipated transactions in foreign currencies	96,463	—	△20,565
Total			96,463	—	△20,565

Note: The method of calculating the fair market value is based on the price presented by the counterparty financial institution.

(Notes Related to Retirement Benefits)

1. Outline of retirement benefit plans adopted by the Group

The Company and some of its consolidated subsidiaries adopt, as a defined benefit scheme, the defined benefit corporate pension plan and the retirement lump-sum distribution plan. The Submitting Company shifted to the defined benefit corporate pension plan from the qualifying retirement pension plan as of April 1, 2007. Some of the Company's domestic consolidated subsidiaries participate in the Smaller Enterprise Retirement Allowance Mutual Aid System as a defined contribution scheme. Some of the Company's overseas consolidated subsidiaries adopt the defined contribution retirement allowance plan.

2. Defined benefit scheme (including plans employing the simplified method)

(1) Reconciliation between the beginning and ending balances of retirement benefit obligations

	(Thousands of yen)	
	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Balance of retirement benefit obligations at the beginning of year	4,729,106	4,860,759
Service cost	268,754	260,471
Interest cost	14,066	14,452
Actuarial differences generated	22,701	179,803
Retirement benefits paid	△173,869	△268,292
Balance of retirement benefit obligations at the end of year	4,860,759	5,047,195

(2) Reconciliation between the beginning and ending balances of plan assets

	(Thousands of yen)	
	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Balance of plan assets at the beginning of year	4,122,074	4,277,395
Expected return on plan assets	41,220	42,773
Actuarial differences generated	△5,798	—
Employer contributions	293,768	293,983
Retirement benefits paid	△173,869	△267,839
Balance of plan assets at the end of year	4,277,395	4,346,313

(3) Reconciliation between the ending balance of retirement benefit obligations and plan assets combined and the retirement benefit liability and net defined benefit asset shown on consolidated balance sheets

	(Thousands of yen)	
	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Retirement benefit obligations under the funded plans	4,817,579	5,001,621
Plan assets	△4,277,395	△4,346,313
	540,183	655,308
Retirement benefit obligations under the unfunded plans	43,180	45,573
Net amount of liability and asset shown on consolidated balance sheets	583,365	700,883
Retirement benefit liability	583,365	700,883
Net amount of liability and asset shown on consolidated balance sheets	583,365	700,883

(4) Amount of retirement benefit expenses and components thereof

	(Thousands of yen)	
	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Service cost	268,754	260,471
Interest cost	14,066	14,452
Expected return on plan assets	△41,220	△42,773
Recognized actuarial loss	21,628	8,302
Retirement benefit expenses incurred under defined benefit scheme	263,228	240,452

(5) Remeasurements of defined benefit plans, net of tax

Remeasurements of defined benefit plans, net of tax (before tax effects) consist of the following.

	(Thousands of yen)	
	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Actuarial differences	△6,871	△170,698

(6) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans (before tax effects) consist of the following.

	(Thousands of yen)	
	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Unrecognized actuarial differences	△12,568	△183,266

(7) Matters concerning plan assets

1) Rough breakdown of plan assets

The categorial distribution of the total plan assets held is as follows.

	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Life insurance company general accounts	51%	52%
Trust bank special accounts	25%	25%
Life insurance company special accounts	24%	23%
Total	100%	100%

Note: Each account comprises a diverse range of investment asset classes centering on domestic bonds, in a reflection of the basic policy of securing stable returns.

2) Method of determining the expected long-term rate of return on plan assets

The current and expected future allocations of the plan assets as well as the current and anticipated long-term rates of return on the diverse range of asset classes comprising the plan assets are taken into account in determining the expected long-term rate of return on plan assets.

(8) Matters concerning actuarial assumptions

Major actuarial assumptions

	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Discount rate	0.3%	0.3%
Expected long-term rate of return on plan assets	1.0%	1.0%
Expected rates of salary increase	1.1~2.8%	1.1~2.8%

3. Defined contribution scheme

The total amount required for contributions to the defined contribution plans of some of the Company's domestic consolidated subsidiaries and overseas consolidated subsidiaries was 83,746 thousand yen for the previous consolidated fiscal year (From April 1, 2021 to March 31, 2022) and 92,463 thousand yen for the current consolidated fiscal year (From April 1, 2022 to March 31, 2023).

(Notes Related to Stock Options, etc.)

1. Amount recorded as expenses and item of expenses associated with stock options

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Share-based compensation expenses in cost of sales and selling, general and administrative expenses	17,355	2,828

2. Amount recorded as income due to forfeiture by non-exercise of rights

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Gain on reversal of share acquisition rights	45,938	40,970

3. Outline and scale of stock options and changes

(1) Submitting Company

1) Outline of stock options

	Directors' remuneration stock option in 2017	Employees, etc. stock option in 2017	Directors' remuneration stock option in 2018
Category and number of grantees	5 directors of the Company	194 employees and advisors of the Company, and 10 directors and employees of subsidiaries of the Company	5 directors of the Company
Number of stock options (See Note)	75,000 shares of common stock	235,300 shares of common stock	75,000 shares of common stock
Grant date	August 16, 2017	August 16, 2017	August 16, 2018
Conditions for vesting	No condition for vesting is set, but the condition for exercising the rights is as follows: - Being a director or an employee of the Company (including an advisor and a counselor) or a director or an employee of a subsidiary of the Company (including an advisor) at the time of exercising the rights.	No condition for vesting is set, but the condition for exercising the rights is as follows: - Being a director or an employee of the Company (including an advisor and a counselor) or a director or an employee of a subsidiary of the Company (including an advisor) at the time of exercising the rights.	No condition for vesting is set, but the condition for exercising the rights is as follows: - Being a director or an employee of the Company (including an advisor and a counselor) or a director or an employee of a subsidiary of the Company (including an advisor) at the time of exercising the rights.
Requisite service period	1 year and 11 months (August 16 2017 through June 30, 2019)	1 year and 11 months (August 16, 2017 through June 30, 2019)	1 year and 11 months (August 16, 2018 through June 30, 2020)
Exercise period	July 1, 2019 through June 30, 2022	July 1, 2019 through June 30, 2022	July 1, 2020 through June 30, 2023

	Employees, etc. stock option in 2018	Employees, etc. stock option in 2019	Directors' remuneration stock option in 2020
Category and number of grantees	211 employees and advisors of the Company, and 11 directors and employees of subsidiaries of the Company	208 employees and advisors of the Company, and 14 directors and employees of subsidiaries of the Company	4 directors of the Company
Number of stock options (See Note)	257,300 shares of common stock	271,000 shares of common stock	55,000 shares of common stock
Grant date	August 16, 2018	August 16, 2019	August 17, 2020
Conditions for vesting	No condition for vesting is set, but the condition for exercising the rights is as follows: - Being a director or an employee of the Company (including an advisor and a counselor) or a director or an employee of a subsidiary of the Company (including an advisor) at the time of exercising the rights.	No condition for vesting is set, but the condition for exercising the rights is as follows: - Being a director or an employee of the Company (including an advisor and a counselor) or a director or an employee of a subsidiary of the Company (including an advisor) at the time of exercising the rights.	No condition for vesting is set, but the condition for exercising the rights is as follows: - Being a director or an employee of the Company or a director or an employee of a subsidiary of the Company at the time of exercising the rights.
Requisite service period	1 year and 11 months (August 16, 2018 through June 30, 2020)	1 year and 11 months (August 16, 2019 through June 30, 2021)	1 year and 11 months (August 17, 2020 through June 30, 2022)
Exercise period	July 1, 2020 through June 30, 2023	July 1, 2021 through June 30, 2024	July 1, 2022 through June 30, 2025

	Employees, etc. stock option in 2020
Category and number of grantees	147 employees and advisors of the Company, and 13 directors and employees of subsidiaries of the Company
Number of stock options (See Note)	271,800 shares of common stock
Grant date	August 17, 2020
Conditions for vesting	No condition for vesting is set, but the condition for exercising the rights is as follows: - Being a director or an employee of the Company or a director or an employee of a subsidiary of the Company at the time of exercising the rights.
Requisite service period	1 year and 11 months (August 17, 2020 through June 30, 2022)
Exercise period	July 1, 2022 through June 30, 2025

Note: Stated in terms of shares of stock.

2) Scale of stock options granted and changes

Stock options that existed during the current consolidated fiscal year (fiscal year ended March 31, 2023) are covered, with the number of stock options stated in terms of shares of stock.

(a) Number of stock options

	Directors' remuneration stock option in 2017	Employees, etc. stock option in 2017	Directors' remuneration stock option in 2018
Before vested (Shares)			
At the end of the previous consolidated fiscal year	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding	—	—	—
After vested (Shares)			
At the end of the previous consolidated fiscal year	20,000	214,000	30,000
Vested	—	—	—
Exercised	—	32,600	10,000
Forfeited	20,000	181,400	—
Exercisable	—	—	20,000

	Employees, etc. stock option in 2018	Employees, etc. stock option in 2019	Directors' remuneration stock option in 2020
Before vested (Shares)			
At the end of the previous consolidated fiscal year	—	—	10,000
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	10,000
Outstanding	—	—	—
After vested (Shares)			
At the end of the previous consolidated fiscal year	233,500	247,000	—
Vested	—	—	10,000
Exercised	123,500	126,200	—
Forfeited	11,300	4,100	—
Exercisable	98,700	116,700	10,000

	Employees, etc. stock option in 2020
Before vested (Shares)	
At the end of the previous consolidated fiscal year	120,300
Granted	—
Forfeited	3,500
Vested	116,800
Outstanding	—
After vested (Shares)	
At the end of the previous consolidated fiscal year	—
Vested	116,800
Exercised	58,400
Forfeited	—
Exercisable	58,400

(b) Unit price information

	Directors' remuneration stock option in 2017	Employees, etc. stock option in 2017	Directors' remuneration stock option in 2018
Exercise price (Yen)	1,004	1,004	1,104
Average stock price at the time of exercise (Yen)	—	1,088	1,378
Fair value at the grant date (Yen)	188	188	168

	Employees, etc. stock option in 2018	Employees, etc. stock option in 2019	Directors' remuneration stock option in 2020
Exercise price (Yen)	1,104	922	890
Average stock price at the time of exercise (Yen)	1,328	1,313	—
Fair value at the grant date (Yen)	168	168	171

	Employees, etc. stock option in 2020
Exercise price (Yen)	890
Average stock price at the time of exercise (Yen)	1,319
Fair value at the grant date (Yen)	171

4. Method of estimating the number of stock options vested

Only the actual number of forfeited stock options is reflected because it is basically difficult to reasonably estimate the number of stock options that will be forfeited in the future.

(Notes Related to Tax Effect Accounting)

1. Breakdown by major occurrence factor of deferred tax assets and deferred tax liabilities

	(Thousands of yen)	
	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Deferred tax assets		
Loss on valuation of investment securities	395,154	395,154
Tax loss carry-forward (See Note)	334,733	357,306
Impairment loss	363,659	321,027
Loss on valuation of inventories	204,125	277,997
Allowance for doubtful accounts	111,772	185,723
Provision for bonuses	157,129	162,583
Retirement allowance	176,702	161,800
Other	506,684	483,378
Deferred tax assets subtotal	2,249,962	2,344,971
Valuation allowance related to Tax loss carry-forward (See Note)	△334,733	△353,951
Valuation allowance related to the total of deductible temporary differences etc.	△1,060,251	△1,052,646
Valuation allowance subtotal	△1,394,985	△1,406,597
Deferred tax assets total	854,977	938,373
Deferred tax liabilities		
Valuation difference on available-for-sale securities	△540,736	△220,174
Retained earnings of subsidiaries and associates	△149,019	△126,323
Other	△56,451	△50,999
Deferred tax liabilities total	△746,207	△397,497
Net amount of deferred tax assets (liabilities)	108,769	540,875

Note: Amount of Tax loss carry-forward and deferred tax assets thereof by maturity date of carryforward
 Previous consolidated fiscal year (As of March 31, 2022) (Thousands of yen)

	Due within one year	Due after one year and within two years	Due after two years and within three years	Due after three year and within four years	Due after four year and within five years	Due after five years	Total
Tax loss carry-forward (*)	—	—	57,096	14,235	76,500	186,900	334,733
Valuation allowance	—	—	△57,096	△14,235	△76,500	△186,900	△334,733
Deferred tax assets	—	—	—	—	—	—	—

(*) "Tax loss carry-forward" indicates the amount multiplied by Normal effective statutory tax rate.

Current consolidated fiscal year (As of March 31, 2023) (Thousands of yen)

	Due within one year	Due after one year and within two years	Due after two years and within three years	Due after three year and within four years	Due after four year and within five years	Due after five years	Total
Tax loss carry-forward (*)	—	60,451	14,235	76,500	90,086	116,031	357,306
Valuation allowance	—	△57,096	△14,235	△76,500	△90,086	△116,031	△353,951
Deferred tax assets	—	3,354	—	—	—	—	3,354

(*) "Tax loss carry-forward" indicates the amount multiplied by Normal effective statutory tax rate.

2. Breakdown by item of major causes of any significant difference between the normal effective statutory tax rate and the effective income tax rate after tax effect accounting

	Previous consolidated fiscal year (As of March 31, 2022)	Current consolidated fiscal year (As of March 31, 2023)
Normal effective statutory tax rate	30.5%	30.5%
(Adjustments)		
Items permanently excluded from taxable income	△4.9%	△8.1%
Special tax deductions	△2.6%	△2.3%
Difference in tax rates with overseas subsidiaries	△2.1%	△1.7%
Retained earnings of subsidiaries and associates	△2.8%	△0.6%
Dividends income eliminated in consolidation	5.0%	8.3%
Valuation allowance	3.6%	0.3%
Other	△0.1%	0.3%
Effective income tax rate after tax effect accounting	19.4%	26.7%

(Notes Related to Asset Retirement Obligations)

Asset retirement obligations that are recorded in the consolidated balance sheets

(1) Outline of asset retirement obligations

These are restoration obligations, etc. in connection with real estate rental agreements for certain factories and offices.

(2) Method of calculating the amount of asset retirement obligations

An estimated useful life of thirty-one (31) years and a discount rate at 1.9% are used in calculating the amount of asset retirement obligations.

(3) Changes in the aggregate amount of asset retirement obligations

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Balance at the beginning of year	89,466	92,521
Adjustment due to lapse of time	174	178
Other increase or decrease (Δ : decrease)	2,880	4,420
Balance at the end of year	92,521	97,119

(Notes Related to Real Properties for Rent, etc.)

Statement is omitted as the aggregate value of the real properties for rent, etc. is not material.

(For Revenue Recognition)

1. Information on the breakdown of revenue from contracts with customers

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Reportable segment					Other (See Note)	Total
	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Subtotal		
Goods transferred at a point in time	29,768,120	3,239,910	2,604,011	2,065,748	37,677,790	410,644	38,088,435
Goods transferred over time	—	3,813,877	—	1,187,263	5,001,151	—	5,001,151
Revenue from contracts with customers	29,768,120	7,053,787	2,604,011	3,253,011	42,678,931	410,644	43,089,576
Other revenue	—	—	—	—	—	—	—
Net sales to external customers	29,768,120	7,053,787	2,604,011	3,253,011	42,678,931	410,644	43,089,576

Note: The column "Other" represents business operations that do not fall under any of the reportable segments and includes the related goods sales, the logistics-related operations and other businesses, etc.

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Reportable segment					Other (See Note)	Total
	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Subtotal		
Goods transferred at a point in time	26,543,787	5,403,439	2,582,435	2,955,149	37,484,811	305,087	37,789,898
Goods transferred over time	—	3,724,563	—	1,207,683	4,932,246	—	4,932,246
Revenue from contracts with customers	26,543,787	9,128,002	2,582,435	4,162,832	42,417,058	305,087	42,722,145
Other revenue	—	—	—	—	—	—	—
Net sales to external customers	26,543,787	9,128,002	2,582,435	4,162,832	42,417,058	305,087	42,722,145

Note: The column “Other” represents business operations that do not fall under any of the reportable segments and includes the related goods sales, the logistics-related operations and other businesses, etc.

2. Basic information for understanding revenue from contracts with customers

Our Group recognizes revenue based on the following five-step approach.

Step 1: Identify the contracts with customers

Step 2: Identify the performance obligations

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Our Group manufactures and sells products such as electronic materials, industrial application structural materials, electrical insulating materials, display materials, etc. to electronic parts manufacturers, information equipment manufacturers, industrial electronics manufacturers, etc. as our main customers. As our Group determines that control of the products is transferred to customers and their performance obligations are satisfied upon delivery for many of the products, revenue is recognized at that time. In domestic sales, revenue is recognized at the time of shipment if a period of time from shipment to the moment of control of the products being transferred to customers is a regular term. Moreover, our Group recognizes revenue pertaining to some of industrial application structural materials and display materials over a period of time according to the progress of performance obligations, because control of assets is transferred to customers as obligations under contracts with customers are satisfied.

With regard to determining the transaction price, our Group determines an amount by deducting price reduction, product returns, etc. from promised considerations in contracts with customers. The considerations to performance obligations are received within one year after performance obligations are satisfied and does not include significant financing components.

With regard to buy-sell transactions which correspond to repurchase agreements and in which the Company provides parts to suppliers with compensation and bears a repurchase obligation, as financial transactions, the provided parts retained by suppliers are recognized as inventories, and the amount equivalent to the ending inventory of the provided parts retained by suppliers are recognized as “liabilities pertaining to buy-sell transactions.” With regard to buy-sell transactions in which the Company purchases parts from suppliers and bears a sell-back obligation, only the net amount equivalent to processing cost is recognized as revenue. As for transactions where the role of the Company falls under an agent of sales of products to customers, revenue is recognized at the net amount, subtracting the amount paid to third parties from the total amount of considerations.

3. Information to understand the amount of revenues for the current consolidated fiscal year and after the next consolidated fiscal year

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

(Thousands of yen)

	Beginning of the consolidated fiscal year	End of the consolidated fiscal year
Receivables from contracts with customers (balance at beginning of period)		
Notes and accounts receivable - trade	16,766,218	15,971,983
Receivables from contracts with customers (balance at end of period)		
Notes and accounts receivable - trade	15,971,983	12,967,312
Contract assets (balance at beginning of period)	304,849	101,852
Contract assets (balance at end of period)	101,852	214,793
Contract liabilities (balance at beginning of period)	7,238	21,162
Contract liabilities (balance at end of period)	21,162	311,076

Contract assets are related to considerations with revenue recognized but unclaimed in contracts where performance obligations are satisfied for a specific period. Contract assets are reclassified into receivables from contracts with customers at the time when rights to payment become unconditional. This is usually the time when an invoice is issued to customers.

Contract liabilities are mainly related to advances received from customers. Contract liabilities are to be reversed with the recognition of revenue.

2) Transaction prices allocated to remaining performance obligations

As there are no significant contracts whose originally expected contract period lasts more than one year, our Group applies a practical expedient and omits statement with regard to transaction prices allocated to remaining performance obligations. There is also no significant amount not included in transaction prices in considerations from contracts with customers.

(Segment Information, etc.)

[Segment Information]

1. Outline of reportable segments

Reportable segments of the Company are those constituent units of the Company who make available separate financial information and also are subject to periodic review by the board of directors aimed at determining the distribution of management resources and evaluating business results.

The Company has manufacturing and sales systems in place for each category of product and service at its head office, etc. and conducts business activities based on the comprehensive strategies that the Company develops for the domestic and overseas markets as to its products and services.

The Company's business, therefore, consists of several segments that represent each category of product and service and are based on the said manufacturing and sales systems. Such segments are the four (4) reportable segments of the Company, i.e. "Electronic materials business", "Industrial application structural materials business", "Electrical insulating materials business" and "Display materials business".

"Electronic materials business" produces materials for flexible and rigid printed circuit boards, etc. "Industrial application structural materials business" produces filament winding molded products, honeycomb panels and prepregs for aircraft, pultrusion molded products and FRP ski sheets, etc. "Electrical insulating materials business" produces glass cloth, glass tapes and prepregs for electrical insulation, etc. "Display materials business" produces 3D display filters and special optical components, etc.

2. Method of calculating the amount of net sales, profit or loss, assets, liabilities and other items with respect to each reportable segment

The accounting methods applied to the reported business segments are basically the same as those stated in the (Important Matters Underlying Preparation of Consolidated Financial Statements).

The amount of profit or loss recorded for each reportable segment is based on the operating profit or loss (before amortization of goodwill).

Inter-segment revenues and transfers are based on the prevailing market price.

3. Information on the amount of net sales, profit or loss, assets, liabilities and other items with respect to each reportable segment

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Reportable segment					Other (See Note)	Total
	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Subtotal		
Sales							
Sales to external customers	29,768,120	7,053,787	2,604,011	3,253,011	42,678,931	410,644	43,089,576
Inter-segment sales or transfers	—	—	—	—	—	841,914	841,914
Net sales	29,768,120	7,053,787	2,604,011	3,253,011	42,678,931	1,252,559	43,931,491
Segment profit	2,907,853	872,934	303,709	815,392	4,899,889	172,152	5,072,042
Segment assets	35,050,267	9,028,816	2,848,872	4,213,533	51,141,489	1,239,760	52,381,249
Other							
Depreciation	1,583,170	192,068	82,494	134,192	1,991,926	23,375	2,015,301
Investment in companies accounted for under the equity method	—	—	—	212,996	212,996	—	212,996
Increase in property, plant and equipment and intangible assets	1,887,184	205,290	90,019	84,650	2,267,144	23,810	2,290,954

Note: The column “Other” represents business operations that do not fall under any of the reportable segments and includes the related goods sales, the logistics-related operations and other businesses, etc.

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Reportable segment					Other (See Note)	Total
	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Subtotal		
Sales							
Sales to external customers	26,543,787	9,128,002	2,582,435	4,162,832	42,417,058	305,087	42,722,145
Inter-segment sales or transfers	—	—	—	—	—	838,889	838,889
Net sales	26,543,787	9,128,002	2,582,435	4,162,832	42,417,058	1,143,977	43,561,035
Segment profit	1,223,631	1,315,614	184,705	1,024,005	3,747,957	148,085	3,896,042
Segment assets	33,759,023	10,358,447	3,404,018	3,779,705	51,301,195	1,198,161	52,499,356
Other							
Depreciation	1,683,250	187,682	136,616	91,611	2,099,161	21,565	2,120,726
Investment in companies accounted for under the equity method	—	—	—	240,660	240,660	—	240,660
Increase in property, plant and equipment and intangible assets	3,145,938	627,528	401,486	176,033	4,350,987	21,307	4,372,295

Note: The column “Other” represents business operations that do not fall under any of the reportable segments and includes the related goods sales, the logistics-related operations and other businesses, etc.

4. Difference between the total amount of reportable segments and the pertinent amount shown on the consolidated financial statements as well as the key components of such difference (Matters concerning difference adjustment)

(Thousands of yen)

Net sales	Previous consolidated fiscal year	Current consolidated fiscal year
Total of reportable segments	42,678,931	42,417,058
Net sales in the category "Other"	1,252,559	1,143,977
Elimination of inter-segment transactions	△841,914	△838,889
Net sales shown on the consolidated financial statements	43,089,576	42,722,145

(Thousands of yen)

Profit	Previous consolidated fiscal year	Current consolidated fiscal year
Total of reportable segments	4,899,889	3,747,957
Profit in the category "Other"	172,152	148,085
Elimination of inter-segment transactions	14,456	4,297
Unallocated corporate expenses (See Note)	△1,725,483	△1,640,820
Adjustment of inventories	△40,068	△31,414
Operating profit shown on the consolidated financial statements	3,320,946	2,228,105

Note: "Unallocated corporate expenses" are mostly general and administrative expenses that are not attributable to any of the reportable segments.

(Thousands of yen)

Assets	Previous consolidated fiscal year	Current consolidated fiscal year
Total of reportable segments	51,141,489	51,301,195
Assets in the category "Other"	1,239,760	1,198,161
Elimination of claims to administrative departments of the head office	△756,467	△348,554
Unallocated corporate assets (See Note)	17,104,485	15,540,339
Adjustment of inventories	△40,068	△31,414
Total assets shown on the consolidated financial statements	68,689,199	67,659,726

Note: "Unallocated corporate assets" are mostly investment securities, etc. that are not attributable to any of the reportable segments.

(Thousands of yen)

Other item	Total of reportable segments		Other		Adjustment		Amount shown on the consolidated financial statements	
	Previous consolidated fiscal year	Current consolidated fiscal year	Previous consolidated fiscal year	Current consolidated fiscal year	Previous consolidated fiscal year	Current consolidated fiscal year	Previous consolidated fiscal year	Current consolidated fiscal year
Depreciation	1,991,926	2,099,161	23,375	21,565	155,674	169,662	2,170,976	2,290,388
Increase in property, plant and equipment and intangible assets	2,267,144	4,350,987	23,810	21,307	77,320	165,160	2,368,275	4,537,455

Note: The adjustment to "Increase in property, plant and equipment and intangible assets" represents capital investment in the assets used for the common corporate purpose.

[Related Information]

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

1. Information by product and service

(Thousands of yen)

	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Other	Total
Net sales to external customers	29,768,120	7,053,787	2,604,011	3,253,011	410,644	43,089,576

2. Information by region

(1) Net sales

(Thousands of yen)

Japan	P.R. China	Other country or region	Total
17,323,899	12,872,209	12,893,467	43,089,576

Note: Net sales are categorized by country or region on the basis of customer locations.

(2) Property, plant and equipment

(Thousands of yen)

Japan	Taiwan	Other country or region	Total
9,239,517	3,674,498	861,058	13,775,074

3. Information by major customer

Out of net sales to external customers, as there is no customer who accounts for 10% or more of the net sales in the consolidated statements of income, statement is omitted.

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

1. Information by product and service

(Thousands of yen)

	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Other	Total
Net sales to external customers	26,543,787	9,128,002	2,582,435	4,162,832	305,087	42,722,145

2. Information by region

(1) Net sales

(Thousands of yen)

Japan	P.R. China	Other country or region	Total
18,604,068	11,099,226	13,018,850	42,722,145

Note: Net sales are categorized by country or region on the basis of customer locations.

(2) Property, plant and equipment

(Thousands of yen)

Japan	Taiwan	P.R. China	Other country or region	Total
10,645,611	3,509,912	1,650,680	639,975	16,446,181

3. Information by major customer

(Thousands of yen)

Customer name	Net sales	Relevant segment
Ajinomoto Fine-Techno Co., Inc.	4,327,570	Electronic materials business

[Information on impairment loss on non-current assets with respect to each reportable segment]

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Other	Unallocated/ Eliminated	Total
Impairment loss	—	12,928	—	—	—	—	12,928

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Other	Unallocated/ Eliminated	Total
Impairment loss	—	19,332	—	—	—	—	19,332

[Information on amortization of goodwill and unamortized balance with respect to each reportable segment]

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

No applicable matter.

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

No applicable matter.

[Information on gain on bargain purchase with respect to each reportable segment]

No applicable matter.

(Information on Related Parties)

1. Transactions with related parties

Transactions between the company submitting the consolidated financial statements and related parties

Directors and major shareholders (individuals only), etc. of the company submitting the consolidated financial statements

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

Type	Full name or corporate name	Location	Share capital or investment in capital (Thousands of yen)	Business outline or occupation	Ratio of voting right holding (held), etc.	Relationship	Description of transaction	Amount of transaction (Thousands of yen)	Item	Balance at the end of year (Thousands of yen)
Director of an important subsidiary of the Company	Hidetaka Nonami	—	—	Director of Arisawa Fiber Glass Co., Ltd.	0.07% directly held	—	Exercise of the right of stock option	19,260	—	—

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

Type	Full name or corporate name	Location	Share capital or investment in capital (Thousands of yen)	Business outline or occupation	Ratio of voting right holding (held), etc.	Relationship	Description of transaction	Amount of transaction (Thousands of yen)	Item	Balance at the end of year (Thousands of yen)
Director of an important subsidiary of the Company	Hidetaka Nonami	—	—	Director of Arisawa Fiber Glass Co., Ltd.	0.09% directly held	—	Exercise of the right of stock option	11,040	—	—

Terms of transactions and the policy for determining the terms of transactions, etc.

The table above covers the exercises in the current consolidated fiscal year of the rights of share acquisition rights granted under a resolution at the Board of Directors' Meeting of the Company of June 28, 2018.

The column "Amount of transaction" indicates the amount obtained by multiplying the number of shares of stock granted through the exercise in the current consolidated fiscal year of the pertinent right of share acquisition rights by the paid-in amount per share.

2. Notes with respect to parent or important affiliated companies

(1) Information on parent

No applicable matter.

(2) Condensed financial information on important affiliated companies

No applicable matter.

(Per Share Information)

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Net assets per share	1,434.46 yen	1,422.43 yen
Basic earnings per share	117.40 yen	86.46 yen
Diluted earnings per share	117.32 yen	86.24 yen

Note: The bases of calculation of basic earnings per share and diluted earnings per share are as follows.

	Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Basic earnings per share		
Profit attributable to owners of parent (Thousands of yen)	3,911,000	2,856,481
Amount not attributable to common stockholders (Thousands of yen)	—	—
Profit attributable to owners of parent pertaining to common stock (Thousands of yen)	3,911,000	2,856,481
Average number of shares of common stock during the year	33,312,484	33,036,799
Diluted earnings per share		
Adjustment of profit attributable to owners of parent (Thousands of yen)	—	—
Increase in the number of shares of common stock	23,631	85,741
(Number of shares subject to stock acquisition rights included in the figure above)	(23,631)	(85,741)
Outline of dilutive shares that were not included in the calculation of diluted earnings per share due to a lack of dilutive effect	Four (4) types of stock acquisition rights: Resolution at the Board of Directors' Meeting of June 28, 2017 (20,000 shares); Resolution at the Ordinary General Meeting of Shareholders of June 28, 2017 (214,000 shares); Resolution at the Board of Directors' Meeting of June 28, 2018 (30,000 shares); and Resolution at the Ordinary General Meeting of Shareholders of June 28, 2018 (233,500shares). For details, see IV. Status of the Submitting Company - 1. Status of Shares, etc. - (2) Status of Stock Acquisition Rights, etc.	—

Note: The Company's shares which are shown as treasury shares in shareholders' equity and which a trust account for employee stock ownership plan holds are included in the number of treasury shares excluded in the calculation of the average number of shares of common stock during the period when basic earnings (or loss) per share is calculated (56,483 shares for the previous consolidated fiscal year and 88,066 shares for the current consolidated fiscal year).

(Significant Subsequent Events)

No applicable matter.

(Consolidated Supplementary Schedules)

[Schedule of corporate bonds]

Company	Issue	Issue date	Balance at beginning of current period (Thousands of yen)	Balance at end of current period (Thousands of yen)	Interest rate (%)	Collateral	Maturity date
Satosan Co., Ltd.	First series unsecured bond (Private placement bond)	March 31, 2017	10,000 (10,000)	— (—)	0.21	None	April 15, 2022
Satosan Co., Ltd.	Second series unsecured bond (Private placement bond)	April 28, 2017	44,400 (16,800)	27,600 (16,800)	0.25	None	May 24, 2024
Total	—	—	54,400 (26,800)	27,600 (16,800)	—	—	—

Note: 1. The parenthesized figures represent the outstanding balance of redemptions due within 1 year.

2. Redemption amounts within five years of the consolidated closing date are shown below.

Within one year (Thousands of yen)	1-2years (Thousands of yen)	2-3years (Thousands of yen)	3-4years (Thousands of yen)	4-5years (Thousands of yen)
16,800	10,800	—	—	—

[Schedule of loans payable, etc.]

Category	Balance at beginning of current period (Thousands of yen)	Balance at end of current period (Thousands of yen)	Average interest rate (%)	Repayment period
Short-term borrowings	3,562,272	5,056,253	1.42	---
Current portion of long-term borrowings	957,962	1,843,441	1.17	---
Current portion of lease liabilities	118,578	129,172	6.24	---
Long-term borrowings (excluding the current portion)	3,845,199	2,723,471	0.91	2024 to 2030
Lease liabilities (excluding the current portion)	556,302	460,601	3.88	2024 to 2038
Other interest-bearing liabilities Current portion of long-term accounts payable - other	5,179	—	—	---
Other interest-bearing liabilities Long-term accounts payable - other (excluding the current portion)	5,179	—	—	---
Total	9,045,495	10,212,940	—	---

Note: 1. The column "Average interest rate" indicates the weighted average interest rate to the balance of loans payable, etc. at the end of the current period.

2. The scheduled amount of repayment of long-term borrowings (excluding the current portion), lease liabilities (excluding the current portion) and long-term accounts payable - other (excluding the current portion) over the five (5) years after the consolidated closing date is as follows.

(Thousands of yen)

	Due after one year and within two years	Due after two years and within three years	Due after three years and within four years	Due after four years and within five years
Long-term borrowings	1,046,694	840,276	708,310	48,480
Lease liabilities	119,736	101,624	59,038	23,931

[Schedule of asset retirement obligations]

As the amount of asset retirement obligations as of the beginning of the current consolidated fiscal year and as of the end of the current consolidated fiscal year is not more than one hundredth (1/100) of the aggregate amount of liabilities and net assets as of the beginning of the current consolidated fiscal year and as of the end of the current consolidated fiscal year respectively, statement has been omitted under the provisions of Article 92-2 of the Regulations for Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

(2) Other

Quarterly Information, etc. in the Current Consolidated Fiscal Year

(Cumulative period)	First quarter	Second quarter	Third quarter	Current consolidated fiscal year
Net sales (Thousands of yen)	11,321,623	22,994,013	33,543,349	42,722,145
Profit before income taxes (Thousands of yen)	1,634,257	3,682,330	3,907,533	3,902,515
Profit attributable to owners of parent (Thousands of yen)	1,167,368	2,563,524	2,661,307	2,856,481
Earnings per share (Yen)	35.11	77.37	80.52	86.46

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Earnings per share (Yen)	35.11	42.28	2.97	5.92

2. Financial Statements, etc.

(1) Financial Statements

1) Balance Sheets

(Thousands of yen)

	Previous business year (As of March 31, 2022)		Current business year (As of March 31, 2023)	
Assets				
Current assets				
Cash and deposits		7,016,148		12,111,983
Notes receivable-trade	*2	235,152	*2	171,507
Accounts receivable-trade	*2	8,544,602	*2	6,724,426
Contract assets		101,852		214,793
Electronically recorded monetary claims-operating		230,593		284,903
Securities		1,040,342		—
Merchandise and finished goods		2,638,457		3,080,050
Work in process		1,001,928		1,127,966
Raw materials and supplies		1,487,412		1,748,133
Prepaid expenses		75,627		85,300
Accrued revenue	*2	51,755	*2	5,547
Short-term loans receivable from subsidiaries and associates		1,396,773		1,580,249
Other	*2	395,686	*2	501,701
Allowance for doubtful accounts		△306,764		△556,764
Total current assets		23,909,569		27,079,799
Non-current assets				
Property, plant and equipment				
Buildings	*1	3,672,196	*1	3,569,788
Structures	*1	296,510	*1	420,802
Machinery and equipment	*1	1,916,812	*1	1,907,932
Vehicles		23,281		22,616
Tools, furniture and fixtures	*1	222,721	*1	223,657
Land	*1	1,376,078	*1	1,477,753
Lease assets		343,857		287,895
Construction in progress		232,253		1,435,163
Total property, plant and equipment		8,083,713		9,345,610

(Thousands of yen)

	Previous business year (As of March 31, 2019)	Current business year (As of March 31, 2020)
Intangible assets		
Software	115,929	103,329
Other	9,541	11,063
Total intangible assets	125,470	114,392
Investments and other assets		
Investment securities	6,526,531	1,082,143
Shares of subsidiaries and associates	11,396,735	11,396,735
Long-term prepaid expenses	85,211	42,783
Deferred tax assets	—	185,473
Other	103,326	123,617
Allowance for doubtful accounts	△5,053	△4,669
Total investments and other assets	18,106,751	12,826,083
Total non-current assets	26,315,935	22,286,086
Total assets	50,225,504	49,365,886
Liabilities		
Current liabilities		
Notes payable-trade	*2 117,218	*2 41,989
Accounts payable-trade	*2 2,610,044	*2 2,520,256
Electronically recorded obligations-operating	*2 1,427,050	*2 1,364,483
Short-term borrowings	*4 640,000	*4 2,940,000
Current portion of long-term borrowings	*1 680,558	—
Accounts payable-other	*2 720,749	*2 686,010
Accrued expenses	98,603	98,337
Income taxes payable	789,062	399,971
Unearned revenue	10,976	2,699
Lease liabilities	81,443	88,409
Deposits received	26,924	28,204
Provision for bonuses	336,456	340,021
Other	412,002	442,344
Total current liabilities	7,951,091	8,952,728

(Thousands of yen)

	Previous business year (As of March 31, 2021)	Current business year (As of March 31, 2022)
Non-current liabilities		
Provision for share awards	29,802	50,449
Provision for retirement benefits	527,617	472,042
Provision for loss on guarantees	246,643	47,737
Lease liabilities	259,755	171,346
Asset retirement obligations	29,166	29,344
Deferred tax liabilities	85,414	—
Other	79,982	69,011
Total non-current liabilities	1,258,382	839,932
Total liabilities	9,209,474	9,792,660
Net assets		
Shareholders' equity		
Share capital	7,643,777	7,847,873
Capital surplus		
Legal capital surplus	6,755,769	6,959,865
Total capital surplus	6,755,769	6,959,865
Retained earnings		
Legal retained earnings	748,262	748,262
Other retained earnings		
Reserve for tax purpose reduction entry of non-current assets	14,982	14,145
General reserve	21,020,000	18,020,000
Retained earnings brought forward	3,768,354	5,943,206
Total retained earnings	25,551,599	24,725,614
Treasury shares	△299,704	△512,975
Total shareholders' equity	39,651,442	39,020,377
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,215,457	501,604
Total valuation and translation adjustments	1,215,457	501,604
Share acquisition rights	149,131	51,243
Total net assets	41,016,030	39,573,225
Total liabilities and net assets	50,225,504	49,365,886

2) Statements of Income

(Thousands of yen)

	Previous business year (From April 1, 2021 to March 31, 2022)		Current business year (From April 1, 2022 to March 31, 2023)	
Net sales	*1	26,648,241	*1	25,752,751
Cost of sales	*1	22,517,292	*1	21,872,826
Gross profit		4,130,948		3,879,924
Selling, general and administrative expenses	*1,*2	2,809,122	*1,*2	2,781,469
Operating profit		1,321,826		1,098,455
Non-operating income				
Interest and dividends income	*1	897,878	*1	988,367
Rental income	*1	225,607	*1	333,615
Reversal of provision for loss on guarantees		48,815		198,905
Foreign exchange gains		429,816		184,546
Other	*1	280,277	*1	134,703
Total non-operating income		1,882,394		1,840,138
Non-operating expenses				
Interest expenses	*1	26,859	*1	29,477
Rent expenses		229,044		285,201
Provision of allowance for doubtful accounts	*1	89,445	*1	249,616
Other		6,343		8,511
Total non-operating expenses		351,692		572,807
Ordinary profit		2,852,528		2,365,786
Extraordinary income				
Gain on sale of investment securities		297,841		1,304,728
Gain on sale of non-current assets		—		3,896
Other		45,938		41,140
Total extraordinary income		343,779		1,349,765
Extraordinary losses				
Loss on retirement of non-current assets		41,143		91,435
Loss on sale of investment securities		32,110		51,079
Impairment losses		12,928		19,332
Provision for share awards		14,098		—
Total extraordinary losses		100,280		161,847
Profit before income taxes		3,096,027		3,553,704
Income taxes-current		821,728		837,469
Income taxes-deferred		△73,976		42,386
Total income taxes		747,752		879,855
Profit		2,348,274		2,673,848

3) Statements of Changes in Shareholders' Equity and Other Net Assets
Previous business year (From April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Shareholders' equity							
	Share capital	Capital surplus		Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Total capital surplus		Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of current period	7,623,638	6,735,630	6,735,630	748,262	15,850	24,020,000	768,016	25,552,129
Cumulative effects of changes in accounting policies							39,405	39,405
Restated balance	7,623,638	6,735,630	6,735,630	748,262	15,850	24,020,000	807,421	25,591,534
Changes during period								
Issuance of new shares	20,139	20,139	20,139					
Reversal of reserve for tax purpose reduction entry of non-current assets					△868		868	—
Reversal of general reserve						△3,000,000	3,000,000	—
Dividends of surplus							△1,466,926	△1,466,926
Profit (loss)							2,348,274	2,348,274
Purchase of treasury shares								
Disposal of treasury shares							△2,973	△2,973
Cancellation of treasury shares							△918,310	△918,310
Net changes in items other than shareholders' equity								
Total changes during period	20,139	20,139	20,139	—	△868	△3,000,000	2,960,932	△39,935
Balance at end of current period	7,643,777	6,755,769	6,755,769	748,262	14,982	21,020,000	3,768,354	25,551,599

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	△1,159,364	38,752,033	1,548,640	1,548,640	183,970	40,484,643
Cumulative effects of changes in accounting policies		39,405				39,405
Restated balance	△1,159,364	38,791,438	1,548,640	1,548,640	183,970	40,524,049
Changes during period						
Issuance of new shares		40,278				40,278
Reversal of reserve for tax purpose reduction entry of non-current assets		—				—
Reversal of general reserve		—				—
Dividends of surplus		△1,466,926				△1,466,926
Profit (loss)		2,348,274				2,348,274
Purchase of treasury shares	△82,621	△82,621				△82,621
Disposal of treasury shares	23,971	20,997				20,997
Cancellation of treasury shares	918,310	—				—
Net changes in items other than shareholders' equity			△333,182	△333,182	△34,839	△368,021
Total changes during period	859,660	860,003	△333,182	△333,182	△34,839	491,981
Balance at end of current period	△299,704	39,651,442	1,215,457	1,215,457	149,131	41,016,030

Current business year (From April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Shareholders' equity							
	Share capital	Capital surplus		Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Total capital surplus		Other retained earnings			
					Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of current period	7,643,777	6,755,769	6,755,769	748,262	14,982	21,020,000	3,768,354	25,551,599
Cumulative effects of changes in accounting policies								
Restated balance	7,643,777	6,755,769	6,755,769	748,262	14,982	21,020,000	3,768,354	25,551,599
Changes during period								
Issuance of new shares	204,095	204,095	204,095					
Reversal of reserve for tax purpose reduction entry of non-current assets					△836		836	—
Reversal of general reserve						△3,000,000	3,000,000	—
Dividends of surplus							△3,006,166	△3,006,166
Profit (loss)							2,673,848	2,673,848
Purchase of treasury shares								
Disposal of treasury shares							△1,106	△1,106
Cancellation of treasury shares							△492,559	△492,559
Net changes in items other than shareholders' equity								
Total changes during period	204,095	204,095	204,095	—	△836	△3,000,000	2,174,852	△825,984
Balance at end of current period	7,847,873	6,959,865	6,959,865	748,262	14,145	18,020,000	5,943,206	24,725,614

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	△299,704	39,651,442	1,215,457	1,215,457	149,131	41,016,030
Cumulative effects of changes in accounting policies						
Restated balance	△299,704	39,651,442	1,215,457	1,215,457	149,131	41,016,030
Changes during period						
Issuance of new shares		408,191				408,191
Reversal of reserve for tax purpose reduction entry of non-current assets		—				—
Reversal of general reserve		—				—
Dividends of surplus		△3,006,166				△3,006,166
Profit (loss)		2,673,848				2,673,848
Purchase of treasury shares	△750,332	△750,332				△750,332
Disposal of treasury shares	44,501	43,394				43,394
Cancellation of treasury shares	492,559	—				—
Net changes in items other than shareholders' equity			△713,853	△713,853	△97,887	△811,740
Total changes during period	△213,271	△631,064	△713,853	△713,853	△97,887	△1,442,805
Balance at end of current period	△512,975	39,020,377	501,604	501,604	51,243	39,573,225

[Notes]

(Important Accounting Policies)

1. Valuation standards and valuation methods for assets
 - (1) Valuation standards and valuation methods for securities
 - 1) Equity stakes in subsidiaries and affiliated companies
Stated at average cost.
 - 2) Available-for-sale securities
Securities other than stocks and others without a quoted market price:
Stated at fair market value (Valuation differences are reported as a component of net assets, and the cost of securities sold is calculated using the average cost method.)
Stocks and others without a quoted market price:
Stated at average cost.
 - (2) Derivative financial instruments
Stated at fair market value.
 - (3) Valuation standards and valuation methods for inventories
 - 1) Merchandise, finished goods, semi-finished goods and work in process
The cost method on a first-in, first-out basis is adopted. (The amount shown on the balance sheets is calculated by writing inventories down due to a decline in profitability.)
 - 2) Raw materials and supplies
The cost method based on the periodic average method is adopted. (The amount shown on the balance sheets is calculated by writing inventories down due to a decline in profitability.)
2. Methods of depreciation and amortization of non-current assets
 - (1) Property, plant and equipment (excluding lease assets)
The declining-balance method is adopted, except for the buildings (excluding accompanying facilities) acquired on or after April 1, 1998 and accompanying facilities and structures acquired on or after April 1, 2016, which are depreciated using the straight-line method.
The useful life mostly falls within the ranges shown below:
Buildings: fifteen (15) years to thirty-one (31) years
Machinery and equipment: eight (8) years to nine (9) years
 - (2) Intangible assets (excluding lease assets)
The straight-line method is adopted. Software used by the Company is amortized over an estimated in-house usable period. (currently five (5) years)
 - (3) Lease assets
Lease assets related to finance lease transactions that entail transfer of title
Depreciation and amortization is based on the same method as applied to self-owned non-current assets.
Lease assets related to finance lease transactions that do not entail transfer of title
Depreciation and amortization is based on the straight-line method that takes the lease period as the useful life and sets the residual value at zero (0).
3. Standards for translating foreign currency assets and liabilities into Japanese currency
Foreign currency monetary assets and liabilities are translated into Japanese yen at the spot exchange rate as of the closing date, and the resulting translation differences are entered as profit or loss, as the case may be.
4. Standards for recording allowances and provisions
 - (1) Allowance for doubtful accounts
As a reserve for potential loan losses, an estimated uncollectible amount is allocated based on the historical loan-loss ratio in the case of general accounts receivable, and in light of the collectability in each instance in the case of some specific accounts receivable, e.g. doubtful receivables.
 - (2) Provision for bonuses
In preparation for the payment of bonuses to its employees, the Company allocates an expected aggregate amount of such payment.
 - (3) Provision for share awards

As a reserve for the payment of retirement benefits to employees, an amount is appropriated on the basis of the estimated amounts of retirement benefit obligations and plan assets as of the end of the current business year.

1) Method of inter-period attribution of expected retirement benefits

In calculating retirement benefit obligations, the benefit formula is employed as the method of attributing the estimated amount of each employee's retirement benefits to his or her service period up to the end of the current business year.

2) Method of recognizing actuarial differences as expenses

Actuarial differences are recognized as expenses, effective from the business year immediately following the year of occurrence of each such difference, in an amount prorated using the straight-line method over a certain number of years (currently five (5) years) within the average remaining service period of the employees at the time of occurrence of the said difference in each business year.

(4) Provision for loss on guarantees

In order to prepare for loss on guarantees, etc., the estimated amount of losses is shown, taking into account the financial conditions, etc. of guaranteed parties.

(5) Provision for share awards

As a reserve for the Company's share-based remuneration to employees under the share delivery regulations, it is allocated based on the expected aggregate amount of share benefit obligation as of the end of the current business year.

5. Standards for recording important revenues and expenses

Notes on the standards for recording important revenues and expenses are omitted as the same details are shown in "Notes (For Revenue Recognition) 2. Basic information for understanding revenue from contracts with customers" of Consolidated Financial Statements.

6. Accounting method of significant hedge transactions

(1) Method of hedge accounting

The Company adopts the deferred hedge accounting. With respect to the forward exchange contracts that meet the requirements of hedge accounting, we adopt the designated hedge accounting.

(2) Hedging instruments and hedged items

Hedging instruments : Forward exchange contracts

Hedged items : Monetary claims denominated in foreign currencies, Anticipated transactions in foreign currencies

(3) Hedging policy

Forward foreign exchange transactions are conducted within the scope of actual demand for the purpose of deterring risks involved in transactions denominated in foreign currencies from the fluctuations in the foreign exchange market. These transactions will never be entered for speculative purpose.

(4) Method of assessing hedge effectiveness

The Company assesses the effectiveness of hedging based on the ratio of changes that is calculated by comparing the cumulative total of the market fluctuations of hedged items with that of hedging instruments. However, when the forward foreign exchange transactions are by designated hedge accounting, such assessment of effectiveness is omitted.

7. Other important matters underlying preparation of financial statements

(1) Accounting methods concerning retirement benefits

The method of accounting for an unappropriated portion of unrecognized actuarial differences concerning retirement benefits is different from the method of accounting applied to the same in the case of the consolidated financial statements.

(2) Accounting methods concerning deferred assets

Stock delivery expenses are fully charged to expenses when they are paid.

(Significant Accounting Estimates)

1. Valuation of Inventories

(1) Amount recorded in the financial statements for the current business year

(Thousands of yen)

	Previous business year	Current business year
Loss on valuation of inventory	37,819	29,906
Merchandise and finished goods	292,638	517,604
Work in process	109,095	198,730

(2) Other information that contributes to the understanding of users of financial statements

1) Calculation method

With regard to inventories that are slow-moving or to be disposed of because they have been cut off from the operating cycle and for which it is difficult to measure the net selling price according to a reasonably estimated price, their carrying amount is written down in accordance with the holding period and demand trends.

2) Major assumptions

Demand related to aircraft materials rapidly declined due to the spread of COVID-19, but it is gradually increasing due to the easing of movement restrictions, etc. For this reason, the valuation of such inventories is estimated based on the expected future sales, and the major assumption is the expected sales volume. The assumption of the expected sales volume takes into account the future prospects for the trends in aircraft-related demand including the influence of international situation in Ukraine.

3) Effect on the financial statements for the next business year

We assume the expected sales volume on the presumption that COVID-19 will be contained and demand for aircraft will gradually recover. However, the timing of the containment of COVID-19 and the impact on demand trends including the influence of international situation in Ukraine are highly uncertain, and there is a risk that this will have a significant impact on the inventory valuation decisions in the next business year.

(Changes in Accounting Policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

Implementation Guidance on Accounting Standard for Fair Value Measurement” (Accounting Standards Board of Japan Guidance No. 31, June 17, 2021; hereinafter referred to as the “Implementation Guidance”), etc. have been applied from the beginning of the current business year. In accordance with the transitional treatment set forth in paragraph 27-2 of Implementation Guidance, the new accounting policy set forth in Implementation Guidance was applied prospectively. There is no impact due to this application.

(Changes in Presentation)

<Statements of Income>

1. “Gain on redemption of investment securities”, which was separately stated within “Non-operating income” in the previous business year, is presented as part of “Other” effective from the current business year due to a fall in quantitative materiality. In order to reflect such change in presentation, a reclassification has been made in the financial statements for the previous business year. As a result, 213,189 thousand yen of “Gain on redemption of investment securities”, listed within “Non-operating income” in the statements of income for the previous business year, has been reclassified as part of “Other”.
2. “Reversal of provision for loss on guarantees”, which was presented as part of “Other” in “Non-operating income” in the previous business year, is separately stated effective from the current business year due to a rise in percentage of the pertinent amount to more than ten hundredths (10/100) of the aggregate amount of Non-operating income. In order to reflect such change in presentation, a reclassification has been made in the financial statements for the previous business year. As a result, 115,902 thousand yen of “Other”, listed within “Non-operating income” in the statements of income for the previous business year, has been reclassified into the combination of 48,815 thousand yen of “Reversal of provision for loss on guarantees” and 280,277

thousand yen of “Other” (including a reclassification of 213,189 thousand yen from Gain on redemption of investment securities in 1).

3. “Gain on reversal of share acquisition rights”, which was separately stated within “Extraordinary income” in the previous business year, is presented as part of “Other” effective from the current business year due to a fall in quantitative materiality. In order to reflect such change in presentation, a reclassification has been made in the financial statements for the previous business year. As a result, 45,938 thousand yen of “Gain on reversal of share acquisition rights”, listed within “Extraordinary income” in the statements of income for the previous business year, has been reclassified as part of “Other”.

(Notes Related to Balance Sheets)

*1 Assets subject to a security interest and secured liabilities corresponding thereto

	Assets subject to a security interest (Thousands of yen)			
	Previous business year (As of March 31, 2022)		Current business year (As of March 31, 2023)	
Buildings	2,719,922	(2,719,922)	2,527,162	(2,527,162)
Structures	197,149	(197,149)	168,637	(168,637)
Machinery and equipment	903,157	(903,157)	610,808	(610,808)
Tools, furniture and fixtures	84,636	(84,636)	48,430	(48,430)
Land	266,508	(199,190)	266,508	(199,190)
Total	4,171,373	(4,104,056)	3,621,547	(3,554,230)

	Secured liabilities (Thousands of yen)			
	Previous business year (As of March 31, 2022)		Current business year (As of March 31, 2023)	
Current portion of long-term borrowings	680,558	(680,558)	—	(—)

The parenthesized figures represent factory foundation mortgages and the liabilities secured by such mortgages.

*2 Monetary receivables and payables outstanding with associated companies (excluding those separately stated)
(Thousands of yen)

	Previous business year (As of March 31, 2022)	Current business year (As of March 31, 2023)
Short-term monetary receivables	908,437	421,611
Short-term monetary payables	1,203,271	1,314,942

*3 Guarantee liabilities
Accounts borrowed from financial institutions of associated companies and Guarantee liabilities for performance guarantee

	Previous business year (As of March 31, 2022)	Current business year (As of March 31, 2023)
Satosan Co., Ltd. (Loan guarantee)	883,044	1,057,664
Protec Arisawa America, Inc. (Product warranty)	12,357	—

*4 The Company has an overdraft agreement in effect with each of its six (6) partner banks to ensure efficient procurement of operating funds. The following is the balance of unexecuted loans under such overdraft agreements as of the end of the current and previous business years.

	Previous business year (As of March 31, 2022)	Current business year (As of March 31, 2023)
Aggregate overdraft limit	6,000,000	9,500,000
Drawdowns	—	2,000,000
Balance of unexecuted loans	6,000,000	7,500,000

(Notes Related to Statements of Income)

*1 Volume of transactions with associated companies (Thousands of yen)

	Previous business year (From April 1, 2021 to March 31, 2022)	Current business year (From April 1, 2022 to March 31, 2023)
Gross operating transaction volume		
Net sales	2,103,999	1,508,516
Value of goods laid in	3,918,900	3,885,411
Gross non-operating transaction volume	1,007,126	1,619,301

*2 Approximately 45% of the amount of selling, general and administrative expenses recorded for the previous business year falls under selling expenses, while the remaining 55% falls under general and administrative expenses. Approximately 46% of the amount of selling, general and administrative expenses recorded for the current business year falls under selling expenses, while the remaining 54% falls under general and administrative expenses. The major items of selling, general and administrative expenses and their respective amounts are as follows.

	Previous business year (From April 1, 2021 to March 31, 2022)	Current business year (From April 1, 2022 to March 31, 2023)
Salaries and allowances	707,049	640,556
Provision for bonuses	96,361	73,478
Retirement benefit expenses	58,032	50,558
Freightage and packing expenses	744,238	739,325
Depreciation	83,760	86,421
Other	1,119,679	1,191,129

(Notes Related to Securities)

Equity stakes in subsidiaries and affiliated companies

Previous business year (As of March 31, 2022)

Amount shown on the balance sheets for stocks and others without a quoted market price (Thousands of yen)

Category	Previous business year
Equity stakes in subsidiaries	11,176,354
Equity stakes in affiliated companies	220,380

Current business year (As of March 31, 2023)

Amount shown on the balance sheets for stocks and others

without a quoted market price (Thousands of yen)

Category	Current business year
Equity stakes in subsidiaries	11,176,354
Equity stakes in affiliated companies	220,380

(Notes Related to Tax Effect Accounting)

1. Breakdown by major occurrence factor of deferred tax assets and deferred tax liabilities

(Thousands of yen)

	Previous business year (As of March 31, 2022)	Current business year (As of March 31, 2023)
Deferred tax assets		
Loss on valuation of investment securities	396,165	396,165
Impairment loss	289,935	258,181
Allowance for doubtful accounts	95,104	171,237
Provision for retirement benefits	160,923	143,973
Provision for bonuses	102,619	103,706
Loss on valuation of inventories	71,568	102,305
Other	285,872	190,146
Deferred tax assets subtotal	1,402,188	1,365,714
Valuation allowance	△946,715	△950,526
Deferred tax assets total	455,473	415,188
Deferred tax liabilities		
Valuation difference on available-for-sale securities	△533,402	△220,128
Other	△7,485	△9,586
Deferred tax liabilities total	△540,887	△229,714
Net amount of deferred tax assets (liabilities)	△85,414	185,473

2. Breakdown by item of major causes of any difference between the normal effective statutory tax rate and the effective income tax rate after tax effect accounting

	Previous business year (As of March 31, 2022)	Current business year (As of March 31, 2023)
Normal effective statutory tax rate	30.5%	30.5%
(Adjustments)		
Items permanently excluded from taxable income	△6.2%	△7.1%
Special tax deductions	△2.3%	△1.0%
Items permanently excluded from tax-deductible expenses	0.9%	1.3%
Other	1.3%	1.1%
Effective income tax rate after tax effect accounting	24.2%	24.8%

(For Revenue Recognition)

Notes on the basic information for understanding revenue from contracts with customers are omitted as the same details are shown in “Notes (For Revenue Recognition)” of the Consolidated Financial Statement.

(Significant Subsequent Events)

No applicable matter.

(Supplementary Schedules)

[Schedule of property, plant and equipment, etc.]

(Thousands of yen)

Category	Type of assets	Balance at the beginning of current period	Amount of increase in current period	Amount of decrease in current period	Amount of depreciation or amortization in current period	Balance at the end of current period	Accumulated depreciation or accumulated amortization
Property, plant and equipment	Buildings	3,672,196	168,724	188	270,944	3,569,788	11,489,091
	Structures	296,510	166,028	1,546	40,189	420,802	1,265,896
	Machinery and equipment	1,916,812	653,040	19,235 (19,064)	642,684	1,907,932	21,436,550
	Vehicles	23,281	14,081	0	14,746	22,616	208,443
	Tools, furniture and fixtures	222,721	105,055	268 (268)	103,850	223,657	1,514,878
	Land	1,376,078	101,824	149	—	1,477,753	—
	Lease assets	343,857	—	—	55,962	287,895	148,841
	Construction in progress	232,253	2,625,832	1,422,923	—	1,435,163	—
	Total property, plant and equipment	8,083,713	3,834,587	1,444,311 (19,332)	1,128,377	9,345,610	36,063,702
Intangible assets	Software	115,929	25,757	—	38,357	103,329	—
	Other	9,541	1,626	—	104	11,063	—
	Total intangible assets	125,470	27,384	—	38,461	114,392	—

Note: 1. Key components of the increase in the current period are as follows.

(Thousands of yen)

Machinery and equipment	Electronic materials manufacturing facilities	414,519
	Electrical insulating materials manufacturing facilities	210,524
	Industrial application structural materials manufacturing facilities	23,133
Construction in progress	Electronic materials manufacturing facilities	1,679,151
	Electrical insulating materials manufacturing facilities	400,185
	Industrial application structural materials manufacturing facilities	256,393

2. Key components of the decrease in the current period are as follows.

(Thousands of yen)

Construction in progress	Transfer to the main account	1,208,754
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3. The amount in parentheses in the “Amount of decrease in current period” column is the amount of impairment loss.

[Schedule of allowances and provisions]

(Thousands of yen)

Item	Balance at the beginning of current period	Amount of increase in current period	Amount of decrease in current period	Balance at the end of current period
Allowance for doubtful accounts	311,817	560,345	310,729	561,433
Provision for bonuses	336,456	340,021	336,456	340,021
Provision for loss on guarantees	246,643	—	198,905	47,737
Provision for share awards	29,802	21,899	1,252	50,449

(2) Details of Major Assets and Liabilities

Statement is omitted as the relevant information is stated in the consolidated financial statements.

(3) Other

No applicable matter.

VI. Outline of Share Handling of the Submitting Company

Business year	From April 1 to March 31
Ordinary General Meeting of Shareholders	To be held in June
Record date	March 31
Record dates of distribution of dividends from surplus	September 30 and March 31
Number of shares per unit	100 shares
Purchase of shares constituting less than one full unit	
Handling place	(Special account) Stock Transfer Agency Dept., Mitsubishi UFJ Trust and Banking Corporation 1-1 Nikko-cho, Fuchu-shi, Tokyo
Transfer agent	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Forwarding office	---
Purchase fees	The amount obtained by prorating the consignment fee per unit (prescribed by Tokyo Stock Exchange) according to the number of shares constituting less than one full unit purchased
Method of giving public notice	Public notices of the Company shall be given by electronic means; provided, however, that if an electronic public notice cannot be provided due to an accident or any other unavoidable reason, the Company shall publish its public notice in the Nikkei newspaper. Electronic public notices URL: https://www.arisawa.co.jp/japanese/koukoku.html
Privileges of shareholders	None

Note: Pursuant to the provisions of the Articles of Incorporation of the Company, the shareholders of the Company's shares constituting less than one full unit may not exercise any rights other than: (i) the rights set forth in each item of Article 189, paragraph 2 of the Companies Act; (ii) the right to make requests under the provisions of Article 166, paragraph 1 of the Companies Act; and (iii) the right to receive allotment of the shares offered and allotment of the stock acquisition rights offered in proportion to the number of shares held by each such shareholder.

VII. Reference Information on the Submitting Company

1. Information on Parent Company, etc. of Submitting Company

The Company has no parent company, etc. provided for in Article 24-7, paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information

The Company submitted the following documents between the commencement date of the current business year and the date of submission of the Financial Report.

- (1) Financial Report, documents attached thereto and Confirmation Letter
Business year from April 1, 2021 to March 31, 2022 (The 74th Term)
Submitted to the Director-General of the Kanto Local Finance Bureau on June 29, 2022.
- (2) Internal Control Report and documents attached thereto
Submitted to the Director-General of the Kanto Local Finance Bureau on June 29, 2022.
- (3) Quarterly Report and Confirmation Letter
(The First Quarter of the 75th Term) (From April 1, 2022 to June 30, 2022)
Submitted to the Director-General of the Kanto Local Finance Bureau on August 10, 2022.
(The Second Quarter of the 75th Term) (From July 1, 2022 to September 30, 2022)
Submitted to the Director-General of the Kanto Local Finance Bureau on November 14, 2022.
(The Third Quarter of the 75th Term) (From October 1, 2022 to December 31, 2022)
Submitted to the Director-General of the Kanto Local Finance Bureau on February 14, 2023.
- (4) Extraordinary Report
Submitted to the Director-General of the Kanto Local Finance Bureau on July 1, 2022.
This is an Extraordinary Report under the provisions of Article 19, paragraph 2, item 9-2 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc. (Results of exercise of voting rights at the general meeting of shareholders).
- (5) Share Buyback Report
Reporting Period (From May 1, 2022 to May 31, 2022)
Submitted to the Director-General of the Kanto Local Finance Bureau on June 10, 2022.
Reporting Period (From June 1, 2022 to June 30, 2022)
Submitted to the Director-General of the Kanto Local Finance Bureau on July 8, 2022.
Reporting Period (From July 1, 2022 to July 31, 2022)
Submitted to the Director-General of the Kanto Local Finance Bureau on August 5, 2022.
Reporting Period (From August 1, 2022 to August 31, 2022)
Submitted to the Director-General of the Kanto Local Finance Bureau on September 9, 2022.
Reporting Period (From September 1, 2022 to September 30, 2022)
Submitted to the Director-General of the Kanto Local Finance Bureau on October 7, 2022.
Reporting Period (From October 1, 2022 to October 31, 2022)
Submitted to the Director-General of the Kanto Local Finance Bureau on November 7, 2022.
Reporting Period (From November 1, 2022 to November 30, 2022)
Submitted to the Director-General of the Kanto Local Finance Bureau on December 7, 2022.
Reporting Period (From December 1, 2022 to December 31, 2022)
Submitted to the Director-General of the Kanto Local Finance Bureau on January 10, 2023.

**PART II. INFORMATION ON GUARANTY COMPANIES, ETC. OF THE
SUBMITTING COMPANY**

No applicable matter.

Independent Auditors' Report
concerning consolidated financial statements and internal control report

June 29, 2023

To the Board of Directors of Arisawa Mfg. Co., Ltd.

Ernst & Young ShinNihon LLC
Niigata office

Akira Igarashi
Designated Limited Liability Partner and Engagement Partner,
Certified Public Accountant

Ken Takahashi
Designated Limited Liability Partner and Engagement Partner,
Certified Public Accountant

<Audit of Financial Statements>

Audit Opinion

For the purpose of granting audit certification under the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Arisawa Mfg. Co., Ltd. listed in the "Status of Accounting" for the consolidated fiscal year from April 1, 2022 to March 31, 2023, consisting of the consolidated balance sheets, consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and other net assets, consolidated statements of cash flows, important matters underlying preparation of consolidated financial statements, other notes and consolidated supplementary schedules.

In our opinion, the above consolidated financial statements fairly present, in all material respects, the financial conditions of Arisawa Mfg. Co., Ltd. and its consolidated subsidiaries as of March 31, 2023 as well as the results of their operations and their status of cash flows for the consolidated fiscal year ended March 31, 2023 in accordance with the corporate accounting standards generally accepted in Japan.

Basis for the Audit Opinion

We conducted our audit in accordance with the auditing standards generally accepted in Japan. Our responsibility in the auditing standards is stated in "The Responsibility of Auditors in the Consolidated Financial Statements Audit." We are independent of the Company and its consolidated subsidiaries and fulfill other ethical responsibilities as an auditor in accordance with the code of professional ethics in Japan. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that the auditor, as a professional expert, considers to be particularly important in the audit of the consolidated financial statements for the current consolidated fiscal year. Those are matters that were addressed in the course of performing the audit of the consolidated financial statements as a whole and in forming the audit opinion thereon, and we do not express specific opinions on these matters.

Valuation for Inventories	
Details of Key Audit Matters and Reasons for Decisions	Audit Response
<p>As stated in the Notes (Significant Accounting Estimates), there was a sharp decline in demand for aircraft materials due to the spread of COVID-19, and a valuation loss of 29,906 thousand yen is recorded for the relevant inventories (517,604 thousand yen for merchandise and finished goods, and 198,730 thousand yen for work in process). The valuation of these inventories is estimated based on the expected future sales, and the major assumption is the expected sales volume. The assumption for the expected sales volume takes into account the future prospects for the containment of COVID-19 and trends in aircraft-related demand including the influence of international situation in Ukraine.</p> <p>In estimating the valuation of inventories, we assume the expected sales volume on the presumption that COVID-19 will be contained and demand for aircraft will gradually recover. However, the key assumptions that take into account the timing of this containment and the impact on demand trends entail uncertainty and require management's judgment. Therefore, we have determined that these matters constitute key audit matters.</p>	<p>We principally performed the following audit procedures in considering the valuation of inventories.</p> <ul style="list-style-type: none"> - We obtained information on confirmed orders after the end of the fiscal year and compared them with the expected sales volume in order to examine the situation after the end of the fiscal year with regard to the expected sales volume. - We compared and analyzed the actual sales volume in the past with the expected sales volume in order to examine the fact that the expected sales volume is based on the actual sales volume in the past. - Information on aircraft-related orders and the production planning of business partners, etc. were obtained and consulted in order to examine the timing of corona containment and demand trends and the influence of international situation in Ukraine taken into account in the key assumptions. - The auditor made assumptions about the expected sales volume and compared it to the company's inventory valuation based on assumptions set by the Company in order to examine the effect of uncertainties of the estimates for valuation of inventories. - The auditor discussed with management on the expected sales volume to examine whether it complied with management environment and measures which management assumed, including the timing of the containment of COVID-19.

Other Information

The other information comprises the information included in the financial report, but does not include the consolidated financial statement, the consolidated financial results, and our auditor's reports thereon. Management is responsible for the preparation and disclosure of the other information. The Corporate Auditors and the Board of Corporate Auditors are responsible for overseeing the Directors' execution of duties relating to the improvement and operation of the reporting process for the other information.

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

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

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

We have nothing to report in this regard.

Responsibility of Management and Corporate Auditors and Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the corporate accounting standards generally accepted in Japan. This includes improvement and operation of such internal control as the management deems necessary for the preparation and fair presentation of consolidated financial statements free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements based on the going concern assumption and disclosing the items regarding the going concern

assumption in accordance with the corporate accounting standards generally accepted in Japan if such items are required to be disclosed.

Responsibility of Corporate Auditors and Board of Corporate Auditors is to monitor the execution of Directors' duties in the improvement and operation of the financial reporting process.

Responsibility of Auditors in the Consolidated Financial Statements Audit

Responsibility of auditors is to express an opinion on the consolidated financial statements from an independent standpoint in the auditors' report based on our audit by obtaining reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement due to fraud or error. Material misstatement is judged to be material if it is likely to occur due to fraud or error and, individually or in aggregation, is reasonably expected to have an impact on decisions made by users of the consolidated financial statements.

Auditors make professional judgements and conduct the followings with an attitude of professional skepticism through an auditing process in accordance with the auditing standards generally accepted in Japan.

- We identify and assess a risk of material misstatement due to fraud or error. We also design and conduct the audit procedures that address the risk of material misstatement. The selection and application of the audit procedures depend on the auditor's judgment. In addition, we obtain sufficient and appropriate audit evidence to provide a basis for our audit opinion.
- In making such risk assessments, the auditors review internal controls relevant to the audits in order to design audit procedures that are appropriate under the circumstances, while it is not the objective of an audit of the consolidated financial statements to express an opinion on the effectiveness of the entity's internal control.
- We evaluate the accounting policies adopted by the management and appropriateness of their methods of application as well as reasonableness of the accounting estimates made by the management and validity of related notes.
- We conclude whether it is appropriate for the management to prepare the consolidated financial statements with the going concern assumption and, based on the obtained audit evidence, whether a material uncertainty regarding events or conditions that may cast significant doubt on the going concern assumption exists. If a material uncertainty regarding the going concern assumption exists, it is required to promote awareness to the notes in the consolidated financial statements in the auditors' report, or if the notes regarding a material uncertainty in the consolidated financial statements are inappropriate, it is required to express an opinion with exceptive items to the consolidated financial statements. Conclusion by the auditors is based on the audit evidence obtained by the day of the audit report, but a company may not be able to exist as the going concern depending on future events or conditions.
- We evaluate not only whether the presentation and notes of the consolidated financial statements are in accordance with generally accepted accounting principles but also whether the presentation, structure, and contents of the consolidated financial statements including related notes as well as the consolidated financial statements properly present underlying transactions and accounting events.
- We obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion about the consolidated financial statements. The auditors are responsible for instruction, supervision, and execution of audits regarding the consolidated financial statements. The auditors assume responsibility for an audit opinion all by themselves.

The auditors make reports to Corporate Auditors and Board of Corporate Auditors on the scope of a planned audit and its timing of conduct, material audit findings including material weaknesses of internal control identified in the audit process, and other matters required by the auditing standards.

The auditors make reports to Corporate Auditors and Board of Corporate Auditors on that they complied with the code of professional ethics on independence in Japan, matters that are reasonably believed to have an impact on the auditors' independence, and the details of safeguards if those are implemented to remove or mitigate inhibitors.

Among the matters discussed with Corporate Auditors and Board of Corporate Auditors, Corporate Auditors shall determine matters that are considered to be particularly significant in the audit of the consolidated financial statements for the current consolidated fiscal year as key audit matters and state them in the auditor's report. However, if publication of such matters is prohibited by laws and regulations, or if the auditor judges that such matters should not be reported because the disadvantages of reporting such matters in the auditor's report are reasonably expected to outweigh the public interest, albeit in an extremely limited manner, such matters shall not be included in the auditor's report.

<Audit of Internal Control>

Audit Opinion

For the purpose of granting audit certification under the provisions of Article 193-2, paragraph 2 of the Financial Instruments and Exchange Act, we have audited the internal control report as of March 31, 2023 of Arisawa Mfg. Co., Ltd.

In our opinion, the above internal control report, in which Arisawa Mfg. Co., Ltd. represents that its internal control over financial reporting is effective as of March 31, 2023, fairly presents, in all material respects, the evaluation results of its internal control over financial reporting in accordance with the evaluation standards for internal control over financial reporting generally accepted in Japan.

Basis for the Audit Opinion

We conducted an internal control audit in accordance with the auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibility in the auditing standards for internal control over financial reporting is stated in “Responsibility of the Auditors in Internal Control.” We are independent of the Company and its consolidated subsidiaries and fulfill other ethical responsibilities as an auditor in accordance with the code of professional ethics in Japan. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management and Corporate Auditors and Board of Corporate Auditors for the Internal Control Report

Management is responsible for the improvement and operation of internal control over financial reporting as well as the preparation and fair presentation of the internal control report in accordance with the evaluation standards for internal control over financial reporting generally accepted in Japan.

Responsibility of Corporate Auditors and Board of Corporate Auditors is to monitor and verify the status of improvement and operation of the internal control system for financial reporting.

In this regard, there is a possibility that internal control over financial reporting cannot completely prevent or detect false statements in financial reporting.

Responsibility of Auditors in Internal Control Audit

Our responsibility is to express an opinion on the internal control report from an independent standpoint by obtaining reasonable assurance about material misstatement in the internal control report based on our internal control audit.

The auditors make professional judgements and conduct the followings with an attitude of professional skepticism through an auditing process in accordance with the auditing standards for internal control over financial reporting generally accepted in Japan.

- We conduct audit procedures to obtain audit evidence about the results of evaluating internal control over financial reporting stated in the internal control report. Audit procedures for an internal control audit are selected and applied at our own judgment, based on the gravity of the impact on the credibility of financial reporting.
- We evaluate the overall presentation of the internal control report, including a review of the statements made by the management with respect to the scope, procedures, and results of the assessment of internal control over financial reporting.
- We obtain sufficient and appropriate audit evidence about the results of evaluating internal control over financial reporting stated in the internal control report. The auditors are responsible for instruction, supervision, and execution of audits regarding the internal control report. The auditors assume responsibility for an audit opinion all by themselves.

The auditors make reports to Corporate Auditors and Board of Corporate Auditors on the scope of a planned internal control audit and its timing of conduct, the results of exercising the internal control audit, material weaknesses identified in internal control to be disclosed, the results of their correction, and other matters required by the auditing standards of internal control.

The auditors make reports to Corporate Auditors and Board of Corporate Auditors on that they complied with the code of professional ethics on independence in Japan, matters that are reasonably believed to have an impact on the auditors’ independence, and the details of safeguards if those are implemented to remove or mitigate inhibitors.

Interest

There exists no special interest between the Company and its consolidated subsidiaries and this audit corporation or its engagement partners which is required to be stated pursuant to the provisions of the Certified Public Accountants Act.

Note: 1. An original of the above quarterly review report is separately archived by the Company (the company submitting the Quarterly Report).
2. XBRL data are not included in the subject of the audit.

Independent Auditors' Report

June 29, 2023

To the Board of Directors of Arisawa Mfg. Co., Ltd.

Ernst & Young ShinNihon LLC
Niigata office

Akira Igarashi
Designated Limited Liability Partner and Engagement Partner,
Certified Public Accountant

Ken Takahashi
Designated Limited Liability Partner and Engagement Partner,
Certified Public Accountant

Audit Opinion

For the purpose of granting audit certification under the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, we have audited the financial statements of Arisawa Mfg. Co., Ltd. listed in the "Status of Accounting" for the 75th business year from April 1, 2022 to March 31, 2023, consisting of the balance sheets, statements of income, statements of changes in shareholders' equity and other net assets, important accounting policies, other notes and supplementary schedules.

In our opinion, the above financial statements fairly present, in all material respects, the financial conditions of Arisawa Mfg. Co., Ltd. as of March 31, 2023 and the results of its operations for the business year ended March 31, 2023 in accordance with the corporate accounting standards generally accepted in Japan.

Basis for the Audit Opinion

We conducted our audit in accordance with the auditing standards generally accepted in Japan. Our responsibility in the auditing standards is stated in "Responsibility of the Auditors in Financial Statements Audit." We are independent of the Company and its consolidated subsidiaries and fulfill other ethical responsibilities as an auditor in accordance with the code of professional ethics in Japan. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that the auditor, as a professional expert, considers to be particularly important in the audit of the financial statements for the current business year. Those are matters that were addressed in the course of performing the audit of the financial statements as a whole and in forming the audit opinion thereon, and we do not express specific opinions on these matters.

Valuation of Inventories

This is omitted because it is identical to the key audit matters (valuation of inventories) described in the audit report on the consolidated financial statements.

Other Information

The other information comprises the information included in the financial report, but does not include the consolidated financial statement, the consolidated financial results, and our auditor's reports thereon. Management is responsible for the preparation and disclosure of the other information. The Corporate Auditors and the Board of Corporate Auditors are responsible for overseeing the Directors' execution of duties relating to the improvement and operation of the reporting process for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

We have nothing to report in this regard.

Responsibility of Management and Corporate Auditors and Board of Corporate Auditors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the corporate accounting standards generally accepted in Japan. This includes improvement and operation of such internal control as the management deems necessary for the preparation and fair presentation of financial statements free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing whether it is appropriate to prepare the financial statements based on the going concern assumption and disclosing the items regarding the going concern assumption in accordance with the corporate accounting standards generally accepted in Japan if such items are required to be disclosed.

Responsibility of Corporate Auditors and Board of Corporate Auditors is to monitor the execution of Directors' duties in the improvement and operation of the financial reporting process.

Responsibility of Auditors in Financial Statements Audit

Responsibility of auditors is to express an opinion on the financial statements from an independent standpoint in the auditors' report based on our audit by obtaining reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Material misstatement is judged to be material if it is likely to occur due to fraud or error and, individually or in aggregation, is reasonably expected to have an impact on decisions made by users of the consolidated financial statements.

The auditors make professional judgements and conduct the followings with an attitude of professional skepticism through an auditing process in accordance with the auditing standards generally accepted in Japan.

- We identify and assess a risk of material misstatement due to fraud or error. We also design and conduct the audit procedures that address the risk of material misstatement. The selection and application of the audit procedures depend on the auditor's judgment. In addition, we obtain sufficient and appropriate audit evidence to provide a basis for our audit opinion.
- In making such risk assessments, the auditors review internal controls relevant to the audits in order to design audit procedures that are appropriate under the circumstances, while it is not the objective of an audit of the financial statements to express an opinion on the effectiveness of the entity's internal control.
- We evaluate the accounting policies adopted by the management and appropriateness of their methods of application as well as reasonableness of the accounting estimates made by the management and validity of related notes.
- We conclude whether it is appropriate for the management to prepare the financial statements with the going concern assumption and whether a material uncertainty regarding events or conditions that may cast significant doubt on the going concern assumption exists based on the obtained audit evidence. If a material uncertainty regarding the going concern assumption exists, it is required to promote awareness to the notes in the financial statements in the auditors' report, or if the notes regarding a material uncertainty in the financial statements are inappropriate, it is required to express an opinion with exceptive items to the financial statements. Conclusion by the auditors is based on the audit evidence obtained by the day of the audit report, but a company may not be able to exist as a going concern depending on future events or conditions.
- We evaluate not only whether the presentation and notes of the financial statements are in accordance with generally accepted accounting principles in Japan but also whether the presentation, structure, and contents of the financial statements including related notes as well as the financial statements properly present underlying transactions and accounting events.

The auditors make reports to Corporate Auditors and Board of Corporate Auditors on the scope of a planned audit and its timing of conduct, material audit findings including material weaknesses of internal control identified in the audit process, and other matters required by the auditing standards.

The auditors make reports to Corporate Auditors and Board of Corporate Auditors on that they complied with the code of professional ethics on independence in Japan, matters that are reasonably believed to have an impact on the auditors' independence, and the details of safeguards if those are implemented to remove or mitigate inhibitors.

Among the matters discussed with Corporate Auditors and Board of Corporate Auditors, Corporate Auditors shall determine matters that are considered to be particularly significant in the audit of the financial statements for the current business year as key audit matters and state them in the auditor's report. However, if publication of such matters is prohibited by laws and regulations, or if the auditor judges that such matters should not be reported because the disadvantages of reporting such matters in the auditor's report are reasonably expected to outweigh the public interest, albeit in an extremely limited manner, such matters shall not be included in the auditor's report.

Interest

There exists no special interest between the Company and this audit corporation or its engagement partners which is required to be stated pursuant to the provisions of the Certified Public Accountants Act.

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- Note:
1. An original of the above quarterly review report is separately archived by the Company (the company submitting the Quarterly Report).
 2. XBRL data are not included in the subject of the audit.