

FINANCIAL REPORT

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

Business Year from April 1, 2023 to March 31, 2024
(The 76th 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	72 nd term	73 rd term	74 th term	75 th term	76 th term
Closing month	March 2020	March 2021	March 2022	March 2023	March 2024
Net sales (Millions of yen)	45,970	46,439	43,089	42,722	42,114
Ordinary profit (Millions of yen)	2,783	3,578	4,204	2,717	1,488
Profit attributable to owners of parent (Millions of yen)	212	2,160	3,911	2,856	1,639
Comprehensive income (Millions of yen)	△117	3,808	4,530	2,578	2,761
Net assets (Millions of yen)	49,018	47,444	47,965	47,107	46,246
Total assets (Millions of yen)	71,709	67,257	68,689	67,659	68,816
Net assets per share (Yen)	1,387.76	1,388.50	1,434.46	1,422.43	1,394.08
Basic earnings per share (Yen)	6.14	64.94	117.40	86.46	49.51
Diluted earnings per share (Yen)	6.12	64.84	117.32	86.24	49.46
Equity ratio (%)	64.3	68.8	69.6	69.5	67.2
Return on equity (%)	0.4	4.7	8.3	6.0	3.5
Price earnings ratio (Times)	130.7	15.4	8.2	14.5	23.0
Cash flows from operating activities (Millions of yen)	4,837	610	5,901	3,471	3,219
Cash flows from investing activities (Millions of yen)	6,580	1,567	2,869	508	△1,061
Cash flows from financing activities (Millions of yen)	△4,431	△5,703	△4,042	△2,572	△3,415
Cash and cash equivalents at the end of period (Millions of yen)	14,725	11,488	16,893	18,535	17,700
Number of employees (Parenthesized figures indicate the average number of temporary employees not included in the total)	1,454 (294)	1,433 (290)	1,425 (316)	1,458 (282)	1,468 (254)

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	72 nd term	73 rd term	74 th term	75 th term	76 th term
Closing month	March 2020	March 2021	March 2022	March 2023	March 2024
Net sales (Millions of yen)	31,635	31,668	26,648	25,752	26,560
Ordinary profit (Millions of yen)	2,365	1,932	2,852	2,365	1,382
Profit (Millions of yen)	6,792	1,396	2,348	2,673	1,494
Share capital (Millions of yen)	7,594	7,623	7,643	7,847	7,862
Number of shares issued and outstanding (Thousands of shares)	36,381	34,470	33,614	33,541	33,566
Net assets (Millions of yen)	38,931	40,484	41,016	39,573	37,492
Total assets (Millions of yen)	51,535	49,859	50,225	49,365	48,837
Net assets per share (Yen)	1,166.03	1,208.98	1,226.75	1,194.67	1,130.03
Dividend per share (Yen) (Parenthesized figures indicate the amount of interim dividend per share included in the total)	30.00 (—)	39.00 (—)	95.00 (5.00)	90.00 (—)	60.00 (20.00)
Basic earnings per share (Yen)	195.86	41.98	70.49	80.94	45.11
Diluted earnings per share (Yen)	195.28	41.91	70.44	80.73	45.07
Equity ratio (%)	75.2	80.8	81.4	80.1	76.7
Return on equity (%)	18.1	3.5	5.8	6.7	3.9
Price earnings ratio (Times)	4.1	23.8	13.6	15.5	25.2
Dividend payout ratio (%)	15.3	92.9	134.8	111.2	133.0
Number of employees (Parenthesized figures indicate the average number of temporary employees not included in the total)	614 (134)	606 (99)	599 (90)	599 (104)	607 (89)
Shareholders' gross yield (%) (Comparative Indicator: dividend-included TOPIX (Tokyo Stock Price Index))	104.9 (90.5)	134.8 (128.6)	141.4 (131.2)	190.2 (138.8)	183.0 (196.2)
Highest share price (Yen)	1,148	1,118	1,072	1,438	1,289
Lowest share price (Yen)	680	738	844	885	995

- 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	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ Established a resin processing division.
June 1954	<ul style="list-style-type: none"> ▪ Relocated the Head Office from Ohmachi, Takada-shi (currently Joetsu-shi), Niigata to Minami-honcho, Takada-shi.
May 1959	<ul style="list-style-type: none"> ▪ Opened Tokyo Sales Office and Osaka Sales Office.
September 1960	<ul style="list-style-type: none"> ▪ OTC trading of the Company’s stock started at Tokyo Securities Dealers Association.
October 1961	<ul style="list-style-type: none"> ▪ The Company’s stock was listed on the Second Section of Tokyo Stock Exchange.
December 1966	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ Opened a factory in Oaza-Nakadahara, Takada-shi (currently Joetsu-shi), Niigata, establishing new resin processing facilities.
August 1973	<ul style="list-style-type: none"> ▪ Incorporated Eagle Co., Ltd., which operates a driving range.
March 1974	<ul style="list-style-type: none"> ▪ Incorporated Myoko Shinko Co., Ltd., which conducts processing of resin products related to electrical insulating materials.
June 1974	<ul style="list-style-type: none"> ▪ Absorbed Arisawa Shoji Co., Ltd. and reorganized the sales division into Tokyo Branch Office (currently Tokyo Head Office) and Osaka Branch Office (Osaka Branch Office was closed down in September 2015).
April 1976	<ul style="list-style-type: none"> ▪ Incorporated Yuai Sangyo, Ltd., which manufactures glass fiber fabrics and special fiber fabrics related to electrical insulating materials.
May 1987	<ul style="list-style-type: none"> ▪ Incorporated Arisawa Logistics, Ltd., which conducts warehouse management and logistics operations.
July 1991	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ Opened Technological Development Center on the premises of Nakadahara Factory.
October 1996	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ Incorporated ColorLink Japan, Ltd., which conducts manufacturing and sales of precision optics components (currently a consolidated subsidiary).
July 2000	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ The Company’s stock was listed on the First Section of Tokyo Stock Exchange.
April 2003	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ Stock of Polatechno Co., Ltd. was listed on the JASDAQ Securities Exchange.
October 2009	<ul style="list-style-type: none"> ▪ Acquired shares of ThinFlex Corporation (currently a consolidated subsidiary).
December 2010	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ Arisawa Sogyo Co., Ltd. absorbed Eagle Co., Ltd.
October 2015	<ul style="list-style-type: none"> ▪ Opened Kansai Sales Office in Kyoto-shi, Kyoto (relocated to Osaka-shi, Osaka in March 2018).
November 2017	<ul style="list-style-type: none"> ▪ Acquired all shares of Satosen Co., Ltd., which conducts manufacturing and sales of electronic materials (currently a consolidated subsidiary).
October 2019	<ul style="list-style-type: none"> ▪ 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. |
| July 2023 | ▪ Changed Tokyo Branch Office to Tokyo Head Office and reorganized to a dual head-office structure. |

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 one (1) affiliated company, 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 water treatment FRP pressure vessels 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 water treatment FRP pressure vessels.

(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

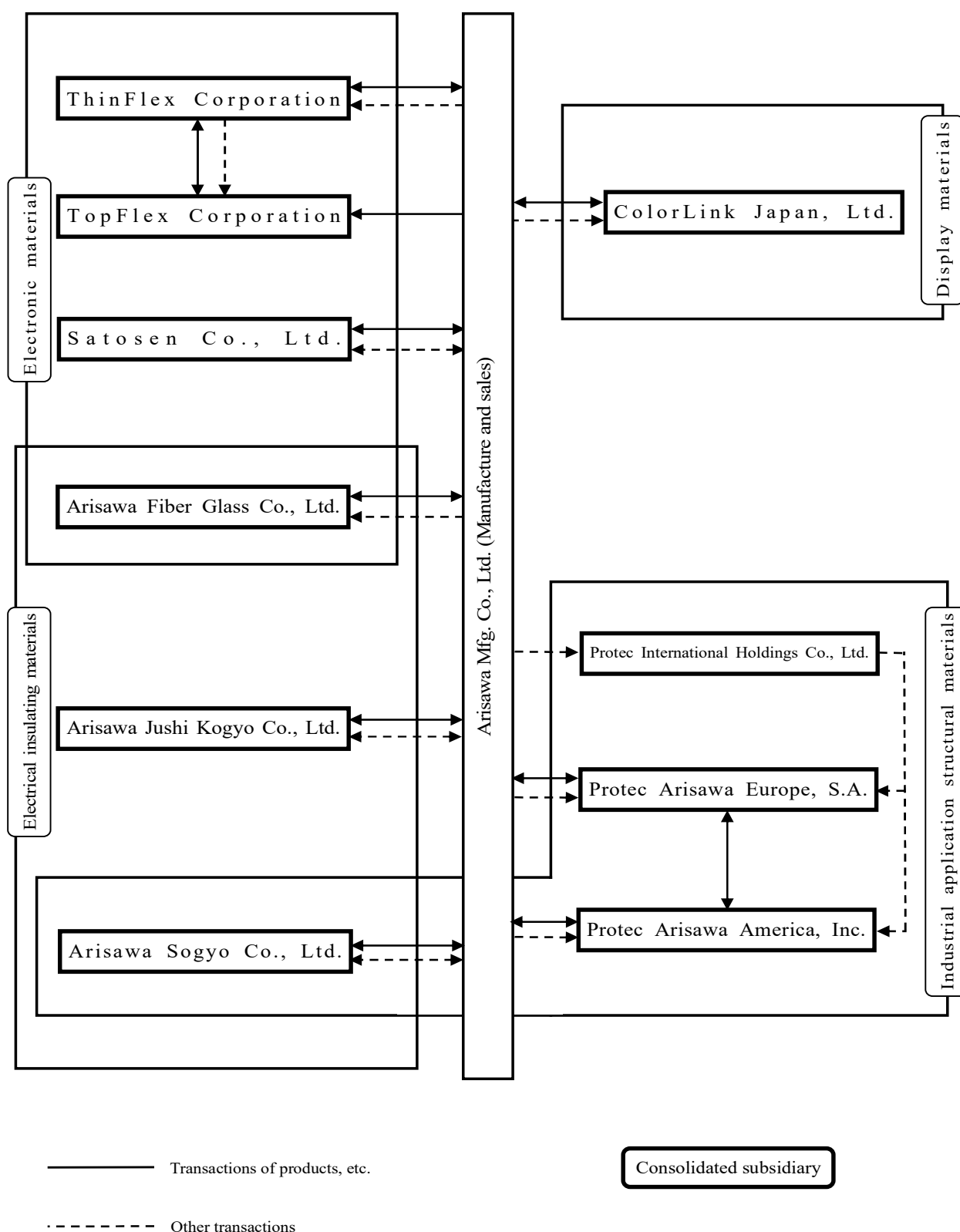
The Company manufactures and sells 3D display filters, etc. for use as display materials. ColorLink Japan, Ltd., a subsidiary, manufactures and sells polarization control optical components.

(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)



(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	37,062 (Thousands of US dollar)	Electronic materials	100.0 (100.0)	---
TopFlex Corporation (See Note 2 and Note 4)	Kunshan City, P.R. China	304,740 (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, Financial support, 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, 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	5,265,520
(2) Ordinary profit	△238,552
(3) Profit	△194,021
(4) Net assets	6,126,618
(5) Total assets	11,236,475

5. Status of Employees

(1) Status of Consolidated Group

(As of March 31, 2024)

Segment name	Number of employees	
Electronic materials	864	(139)
Industrial application structural materials	280	(34)
Electrical insulating materials	103	(16)
Display materials	143	(25)
Total of reportable segments	1,390	(214)
Other	34	(24)
Unallocated (Common)	44	(16)
Total	1,468	(254)

- 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, 2024)

Number of employees	Average age (Years old)	Average length of service (Years)	Average annual salary (Thousands of yen)
607 (89)	44.9	20.9	5,664

Segment name	Number of employees	
Electronic materials	383	(56)
Industrial application structural materials	83	(6)
Electrical insulating materials	39	(1)
Display materials	58	(10)
Total of reportable segments	563	(73)
Unallocated (Common)	44	(16)
Total	607	(89)

- 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, 2024 stands at 455 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
12.5	23.1	75.2	75.5	71.4

- 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).
 - The ratio as of March 31, 2024 is 77.5% (male) and 22.5% (female) of all employees. The ratio of female employees which include mid-career employees and new graduates as of their recruitment is 38.4% in FY2022 and 41.9% in FY2023 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 (%) (See Note 4)	Wage differences between male and female employees (%) (See Note 2 and Note 3)		
		All employees	Regular employees	Part-time and fixed-term employees
14.4	38.1	85.9	87.0	74.8

- Note:
- The Consolidated Group is a consolidated company as stipulated in Article 2(v) of “Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976).
 - The above figures include those of overseas subsidiaries, and a definition and calculating method of figures of overseas subsidiaries are treated the same as those of “Act on the Promotion of Women's Active Engagement in Professional Life” (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).
 - In calculating the figures, the amount of overseas companies is calculated by converting it into Japanese yen based on average exchange rates.
 - Childcare leave includes not only the childcare leave as stipulated in laws and regulations, but also a temporary leave system, etc. for purposes of bearing and raising of children at overseas companies. Childcare leave programs are not established at Protec Arisawa America, Inc., so it is not included in the calculation of “Ratio of male employees taking childcare leave”.

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) discover customer demands and create new businesses with our creative technologies;
- (iii) strengthen corporate structure by improving our quality and productivity; 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.

In our financial strategy, we aim to improve capital efficiency by actively returning surplus to shareholders while converting non-business assets to business assets.

(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, promoting energy and resource saving, replacing with renewable energy and offering low environmental load materials), (ii) development of diversified human resources and improvement in job satisfaction (developing next-generation human resources and being a company where all employees can work lively), (iii) promotion of circular economy (reducing emissions and establishing a sustainable supply chain), and (iv) enhancement of governance (being an organization with a strong sense of ethics and building an organizational structure with an open-door policy). 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 China and 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 work to transform our business structure into the one with a good capital efficiency by making effective use of cash-flow, promoting change from non-business assets to business assets, controlling invested capital necessary for growth, implementing aggressive shareholder return upon ensuring capital composition that includes the use of leverage conscious of capital efficiency (the equity ratio of approximately 50% in the medium term) and decreasing the weighted average cost of capital.

The Group formulated the medium-term management plan that incorporates the above-mentioned contents. We aim to achieve ROIC of 6% or more.

(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, creation of new demands and entry into fields where growth is expected
- Enhancement of competitiveness in quality and costs by improving our original management techniques and proprietary technologies
- 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

(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, 2027 in the medium-term management plan revised in May 2024. The results for the fiscal year ending on March 31, 2024 were 1.9%.

(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 have posted “Carbon Neutral Initiatives” on our website since 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 diversified human resources and improvement in job satisfaction, (iii) Promotion of circular economy, and (iv) Enhancement of governance are key issues (materiality). We have set KGI goals, such as achieving our goals (Scope 1 and 2) of carbon neutrality by 2030, and by specifying them in our mid-term management plan, we are working on solving climate change issues, promoting human capital management, and reducing emissions. As part of this effort, we expressed our support to “Task Force on Climate-related Financial Disclosures (TCFD)” in June 2022.

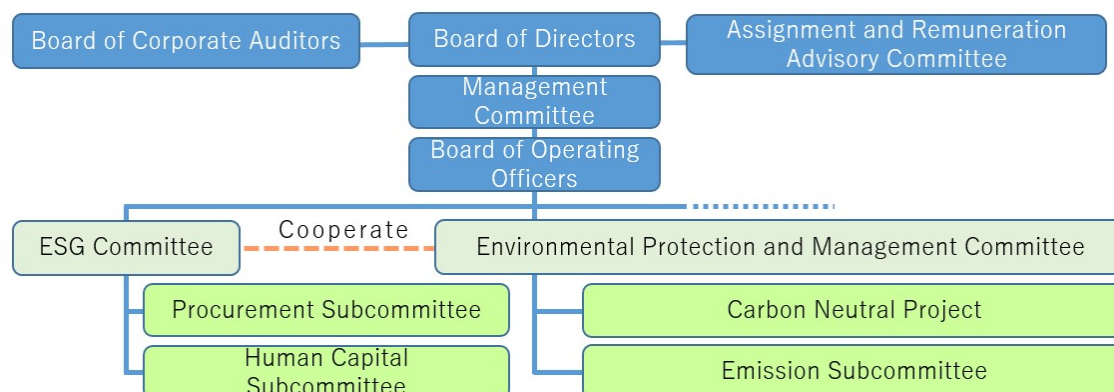
Materiality	KGI (Key Goal Indicator)
Contribution to a decarbonized society	Achieve carbon neutrality by 2030 Promote energy and resource saving Replace with renewable energy Offer low environmental load materials
Development of diversified human resources / Improvement in job satisfaction	Develop next-generation human resources Be a company where all employees can work lively
Promotion of circular economy	Reduce emissions Establish a sustainable supply chain
Enhancement of governance	Be an organization with a strong sense of ethics Build an organizational structure with an open-door policy

(1) Governance

We established the ESG Committee in December 2021 in order to take the lead in addressing climate change issues. At the committee, a director and senior managing operating officer serves as a chairperson, and operating officers and general managers of each division serve as members, promoting the organized activities.

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. Each committee periodically reports important agenda items and activity status to the Board of Operating Officers, the Management Conference, and the Board of Directors, and the Board of Directors makes final decisions. Regarding environmental conservation activities, the Environmental Protection and Management Committee, which works with the ESG Committee, supervises the progress of activities conducted by the Carbon Neutrality Project and the Emission Subcommittee and continuously improves them.

The Board of Directors checks the progress of the mid-term management plan, discusses measures for issues, and reflects the results in the management strategy and risk management and assessment based on the periodic reports. The Board of Directors is responsible for debating ESG-related agendas and supervising the goal-setting and the progress of initiatives. In addition, we instituted “Human rights policy of Arisawa Group” in May 2024 and disclosed it on our website.



(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 financial impacts that those would have.

The scenario analysis we conducted 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 climate change due to global warming 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	• Set targets for energy saving and CO ₂ emissions reduction in the company-wide environmental targets
	Emissions trading	Medium-Long	• Additional costs incurred for credit purchases, etc.	【1.5°C】 Large	• Set targets for achieving carbon neutrality by 2030
	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	• Save energy and purchase renewable energy • Set targets for a recycling rate • Reduce energy consumption by productivity improvement • Renew energy-saving equipment in compliance with regulations • Promote capital investment by introducing ICP
	Plastic regulations	Medium-Long	• Increase in costs due to regulations on plastic packaging materials and products	【1.5°C】 Medium	• Reduce usage • Recycle film winding core (plastic pipe)
	Renewable energy policy	Medium-Long	• Increase in energy costs due to higher renewable energy prices	【1.5°C】 Large	• Set targets for energy saving and CO ₂ 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
	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	• Reduce the usage of raw materials by improving yield • Select suppliers based on risk assessment
	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	• 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	• 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	• Store inventory of four months' worth of raw materials whose replacements are not available in raw material procurement • Require suppliers of BCP measures • Use a dual vendor system • Increase productive capacity with capital investment • Renew aged buildings
	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	• Set targets for energy saving and CO ₂ emissions reduction in the company-wide environmental targets • Promote investment in energy saving

(Opportunities)

	Factors	Timeframes	Financial Impacts	Assessment	Responses
Transition	Emissions trading	Medium-Long	• 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 • Renew 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 • Develop and enter into markets for hydrogen generation devices
	Change in customer reputation	Short-Long	• 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	• 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, 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 in order to ensure diversity and promote the active participation of women and foreigners. As a result, 69.4% of managerial positions of our Group are occupied by mid-career employees (40.6% 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, the Management Conference 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 assume the changes of future regulations, and societal, technological and climate conditions for each 1.5°C and 4°C scenario.

Also, we discussed how to respond to changes in external environments due to environmental issues and how to contribute to international Sustainable Development Goals (SDGs) at the ESG Committee meetings. Consequently, we designated the following four items as materiality to be tackled in our mid-term management plan: “contribution to a decarbonized society”, “development of diversified human resources and improvement in job satisfaction”, “promotion of circular economy”, and “enhancement of governance”. To solve these issues, we make company-wide efforts.

In the process of identifying materiality, we had the ESG Committee narrow the items down to four based on the severity for a sustainable society and the severity for our business.

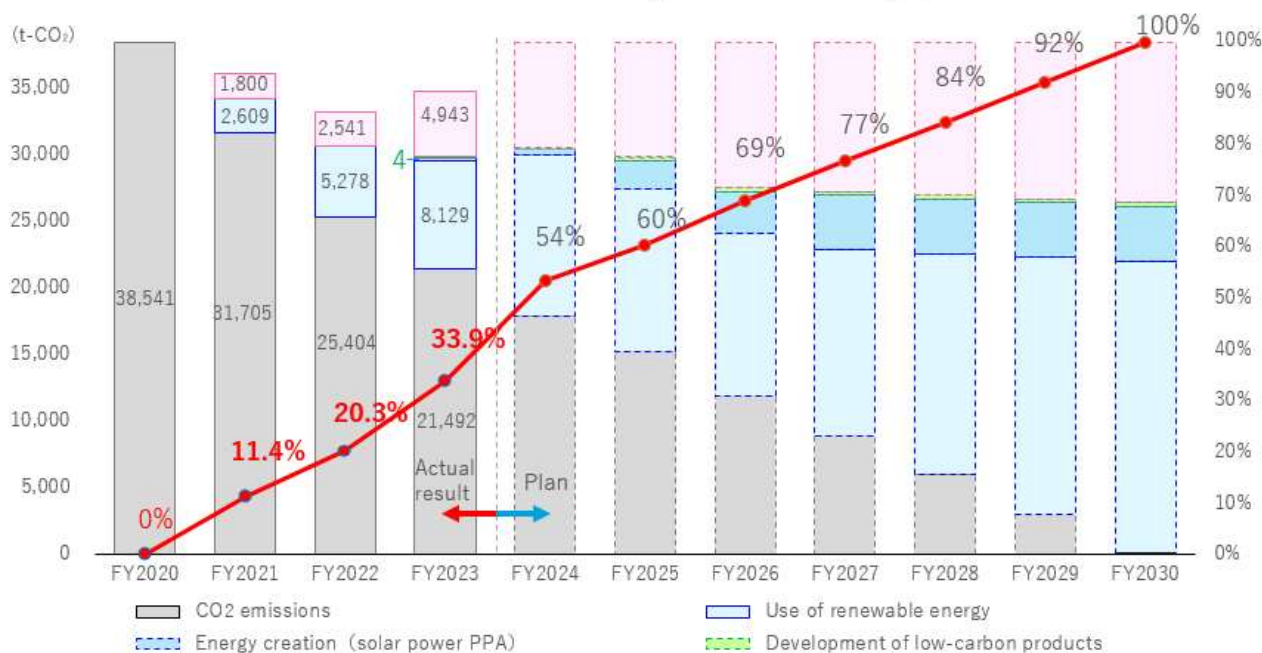
(4) Metrics and Goals

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 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 FY2020



ii) Human capital

With respect to the ratio of female employees in managerial positions, we will actively recruit and nurture candidates for the positions 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 in June 2022, and one more person joined it in June 2023, for a total of two female directors. In addition, the first female operating officer was appointed in June 2022 through internal promotion, and one more person joined it in June 2024, for a total of two female operating officers. 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 and appoint diverse employees.

	FY2021 (Actual)	FY2022 (Actual)	FY2023 (Actual)	FY2024 (Target)
Ratio of female employees in managerial positions	12.5%	10.6%	14.4%	20.0%
Ratio of mid-career employees in managerial positions	68.8%	70.5%	69.4%	70.0%
Ratio of gender wage gaps between men and women	77.6%	80.5%	85.9%	85.0%
Ratio of male employees taking childcare leave	29.4%	42.1%	38.1%	60.0%
Percentage of annual paid leave taken	57.2%	65.6%	67.0%	75.0%

- Note:
- The above figures include those of our overseas subsidiaries, and a definition and calculating method of figures of our overseas subsidiaries are treated the same as those of "Act on the Promotion of Women's Active Engagement in Professional Life" (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).
 - In calculating the figures, the amount of our overseas companies is calculated by converting it into Japanese yen based on average exchange rates.
 - Childcare leave includes not only the childcare leave as stipulated in laws and regulations, but also a temporary leave system, etc. for purposes of bearing and raising of children at overseas companies. Childcare leave programs are not established at Protec Arisawa America, Inc., so it is not included in the calculation of "Ratio of male employees taking childcare leave".

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 Novel Infectious Disease

If the coronavirus disease (COVID-19) resurgence or new infectious disease occur, 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.

Our Group gives first priority to the safety and health of all the stakeholders and implements the infection prevention measures thoroughly, depending on the situation. 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 and its consolidated subsidiary) in the consolidated fiscal year is as follows.

i) Financial Position and Operating Results

During the current consolidated fiscal year, the Japanese economy showed a moderate recovery trend due to the lifting of restrictions on economic activities from COVID-19 infections. Meanwhile, there is still an uncertain outlook for the economy due to the depreciation of yen caused by the widening interest rate differential between Japan and the U.S., the continued price increases, the geopolitical risks in Ukraine and the Middle East, and the stagnant economy in China, etc. Under such circumstances, the results of operations of our Group (the Company and its consolidated) for the current consolidated fiscal year showed net sales of 42,114 million yen (a decrease of 1.4% year-on-year) due to a decrease in net sales of display materials and electronic materials which are one of our group's main business fields, despite an increase in net sales of industrial application structural materials. The results in terms of profit and loss are as follows: operating profit was 1,483 million yen (a decrease of 33.4% year-on-year); ordinary profit was 1,488 million yen (a decrease of 45.2% year-on-year); and profit attributable to owners of parent was 1,639 million yen (a decrease of 42.6% year-on-year).

Operating results with respect to each segment are as follows.

Electronic materials

In the electronic materials segment, net sales were 25,105 million yen (a decrease of 5.4% year-on-year) due to a decrease in sales of flexible printed circuit board materials (the amount of orders received decreased by 4.0% to 16,646 million yen, and the production output decreased by 8.2% year-on-year on a non-consolidated basis of the Submitting Company) and glass cloth for printed circuit board, while the segment profit was 260 million yen (a decrease of 78.7% year-on-year) caused by the impact from decrease in production in response to a decrease in demand in addition to a decrease in net sales.

Industrial application structural materials

In the industrial application structural materials segment, net sales were 10,601 million yen (an increase of 16.1% year-on-year) due to an increase in sales of FRP vessels for water purification and honey-comb panel for aircraft, while the segment profit was 1,476 million yen (an increase of 12.2% year-on-year).

Electrical insulating materials

In the electrical insulating materials segment, net sales were 2,532 million yen (a decrease of 1.9% year-on-year) due to a decrease in infrastructure-related net sales, while the segment profit was 314 million yen (an increase of 70.4% year-on-year).

Display materials

In the display materials segment, net sales were 3,535 million yen (a decrease of 15.1% year-on-year) due to a decrease in net sales of 3D-related materials and polarization control optical components, while the segment profit was 940 million yen (a decrease of 8.2% year-on-year).

Other (other businesses)

In other businesses, net sales were 338 million yen (an increase of 11.1% year-on-year), while the segment profit was 199 million yen (an increase of 34.4% year-on-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 17,700 million yen, representing a year-on-year decrease of 835 million yen, or 4.5%.

The status of each cash flow for the current consolidated fiscal year and the major factors are as follows.

(Cash flows from operating activities)

Funds earned from operating activities were 3,219 million yen (a decrease of 7.2% year-on-year). This was largely due to an increase in the Funds comprising 2,072 million yen in profit before income taxes and 2,206 million yen in depreciation, etc. as well as a decrease in the Funds comprising 2,875 million yen in increase in trade receivables, etc.

(Cash flows from investing activities)

Funds disbursed from investing activities were 1,061 million yen (508 million yen was earned in the previous consolidated fiscal year). This was largely due to an increase of 1,757 million yen, etc. in proceeds from withdrawal of time deposits, etc. as well as a decrease in the Funds comprising the expenditure of 3,544 million

yen for purchases of property, plant and equipment, etc.

(Cash flows from financing activities)

Funds disbursed from financing activities were 3,415 million yen (an increase of 32.8% year-on-year). This was largely due to a decrease of 3,641 million yen for dividends paid, etc.

iii) Results of Production, Receipt of Orders and Sales

1) Results of Production and 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, 2023 to March 31, 2024) (Millions of yen)	Comparison with the previous consolidated fiscal year (%)
Electronic materials	25,105	△5.4
Industrial application structural materials	10,601	16.1
Electrical insulating materials	2,532	△1.9
Display materials	3,535	△15.1
Total of reportable segments	41,775	△1.5
Other	338	11.1
Total	42,114	△1.4

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, 2022 to March 31, 2023)		Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)	
	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 current 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.

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 68,816 million yen (67,659 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year increase of 1,156 million yen, or 1.7%.

This was largely due to an increase of 3,333 million yen in notes and accounts receivable-trade, and contract assets, an increase of 1,515 million yen in property, plant and equipment, a decrease of 2,382 million yen in cash and deposits, a decrease of 937 million yen in merchandise and finished goods, respectively.

(Liabilities)

Total liabilities as of the end of the current consolidated fiscal year were 22,570 million yen (20,552 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year increase of 2,018 million yen, or 9.8%.

This was largely due to an increase of 1,800 million yen in notes and accounts payable-trade, and an increase of 1,277 million yen in current portion of long-term borrowings, and a decrease of 752 million yen in long-term borrowings, respectively.

(Net assets)

Total net assets as of the end of the current consolidated fiscal year were 46,246 million yen (47,107 million yen as of the end of the previous consolidated fiscal year), representing a year-on-year decrease of 861 million yen, or 1.8%.

This was largely due to an increase of 966 million yen in foreign currency translation adjustment and a decrease of 2,040 million yen in retained earnings, respectively.

2) Analysis of Results of Operations

(Net sales)

Net sales for the current consolidated fiscal year were 42,114 million yen (42,722 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 607 million yen, or 1.4%. Cost of sales was 34,759 million yen (34,913 million yen for the previous consolidated fiscal year) through our thorough cost-cutting efforts, representing a year-on-year decrease of 153 million yen and signifying a 0.8 percentage point increase in the ratio of cost of sales to 82.5%.

As a result, gross profit was 7,354 million yen (7,809 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 454 million yen and signifying a 0.8 percentage point decrease in the ratio of gross profit to 17.5%.

(Operating profit or loss)

Total selling, general and administrative expenses for the current consolidated fiscal year were 5,871 million yen (5,581 million yen for the previous consolidated fiscal year) despite our thorough cost-cutting efforts, representing a year-on-year increase of 290 million yen and signifying a 0.8 percentage point increase in the ratio of selling, general and administrative expenses to 13.9%.

As a result, operating profit was 1,483 million yen (2,228 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 744 million yen and signifying a 1.7 percentage point decrease in the ratio of operating profit to 3.5%.

(Ordinary profit or loss)

Non-operating income and expenses for the current consolidated fiscal was an income of 4 million yen (an income of 489 million yen for the previous consolidated fiscal year), representing a decrease of 484 million yen. A main factor for this is a decrease of 166 million yen in foreign exchange gains.

As a result, ordinary profit was 1,488 million yen (2,717 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 1,228 million yen and signifying a 2.9 percentage point decrease in the ratio of ordinary profit to 3.5%.

(Profit or loss before income taxes)

Extraordinary income or loss for the current consolidated fiscal year recorded an income of 583 million yen (an income of 1,185 million yen for the previous consolidated fiscal year), representing a decrease of 601 million yen. The main factor for this was a decrease of 626 million yen in gain or loss on sale of investment securities. As a result, profit before income taxes was 2,072 million yen (3,902 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 1,830 million yen and signifying a 4.2 percentage point decrease in the ratio of profit before income taxes to 4.9%.

(Profit or loss attributable to owners of the parent)

Total income taxes for the current consolidated fiscal year were 432 million yen (1,043 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 610 million yen. As the bottom line, profit attributable to owners of parent for the current consolidated fiscal year was 1,639 million yen (2,856 million yen for the previous consolidated fiscal year), representing a year-on-year decrease of 1,216 million yen and signifying a 2.8 percentage point decrease in the ratio of profit attributable to owners of parent to 3.9%.

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, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Equity ratio (%)	69.5	67.2
Equity ratio on a mark-to-market basis (%)	61.3	54.8
Ratio of interest-bearing liabilities to cash flows (Years)	3.0	3.4
Interest coverage ratio (Times)	23.2	15.6

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 these 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 varies, 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 impairment losses. When the recoverable amount of an asset group further goes down in the future, further recording of impairment losses may be required.

This application shows impairment losses of 15,524 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 172 employees involved in research and development activities, and our total research and development expenses incurred in the current consolidated fiscal year amounted to 2,033 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 mobile phones

Smartphones that can be compactly folded, or foldable smartphones, are increasingly growing in popularity. FPCs are used for circuit boards of foldable parts and they require bending resistance that does not cause disconnection even if they are repeatedly folded hundreds of thousands times. For this requirement, we have developed adhesives with excellent bending resistance by using our own compounding technique and completed materials with excellent bending resistance for FPCs by combining the adhesives with most suitable film and copper foil. They have passed reliability test by our customers and been adopted for the latest model of foldable smartphones, and are expected for future expansion of sales. In addition, we are conducting diligent research to further improve bending resistance.

- Materials for automobiles

Also in automobiles that are heading in the direction of EV, the adoption of FPC materials is also being considered for the purpose of weight reduction and downsizing of electronic materials. FPCs for automobiles require materials with excellent heat resistance whose property does not deteriorate even when exposed to high temperatures for a long time. For this requirement, we have developed polymer resin with high heat resistance by using our polymerization technique and realized 200°C resistance, which is an industry-leading heat resisting temperature. Its evaluation by our customers is underway.

- Operation of an experimental small coating machine started

An experimental small coating machine started operating from August 2023. We are utilizing it effectively for the development of our products and reducing development time. Moreover, we have promoted the machine to many of our customers in order to make effective use of it as a way to promote open innovation. This has resulted in starting joint development projects with multiple customers.

Research and development expenses incurred with respect to electronic materials amounted to 1,212 million yen.

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

- Water treatment FRP pressure vessels

Our FRP pressure vessels have advantages such as corrosion resistance, pressure resistance and lightness, and are widely used for water treatment to desalinize seawater. In addition, we are continuing the development of them for Zero Liquid Discharge (ZLD) system that minimizes general waste water and industrial liquid waste for environmental protection. The Company and our consolidated subsidiaries, Protec Arisawa Europe, S.A. and Protec Arisawa America, Inc., have jointly completed 1,800psi high pressure vessels, which are industry-leading level, by using our own winding technology. We have obtained the certification for the vessels of the American Society of Mechanical Engineers (ASME), and have started to provide the samples to our customers for ZLD. We are also promoting efforts so that they are adopted in a system producing ultrapure water essential in the field of semiconductor production for which demands are growing as a digital society develops rapidly.

- Materials for Water Electrolysis Hydrogen Generator

As hydrogen is increasingly gaining attention as a next-generation energy in recent years, components called subgaskets are required, which can be applied to water electrolysis hydrogen generators that electrolyze water to generate hydrogen. The subgaskets needs to be precisely laminated to catalyst coated membrane (CCM) in order to prevent the leakage of hydrogen and oxygen gas that are generated from the electrolysis of water. Accordingly, we have developed perfect materials for subgaskets by using our own compounding technique and precision lamination technology. The quality of the product, which does not peel off or leak gas even when exposed to water for a long period of time, has been recognized, and it has been adopted by our customers for verification test equipments for large-scale plants. We will continue to develop materials for clean energy by utilizing our core technologies.

Research and development expenses incurred with respect to composite materials amounted to 543 million yen.

(3) Display Materials Field

- Medical 3D display materials

The 3D displays incorporating the Company's "Xpol®" have achieved high image quality with 4K resolution through optimum design and high-precision processing technology corresponding to customer's use environment, and have been increasingly adopted in the medical field. In addition to the 32-inch displays which are the mainstream for endoscopic surgery, we have developed and started mass production of over 40-inch class displays that meet the demands for larger sizes. Furthermore, we have begun designing 3D displays for robotic surgery, which is expected to become the next generation medical treatment, in anticipation of diversification of surgical methods that accompany the spread of high-speed communication networks.

We are also considering the development of 3D remote control monitors for construction sites and aerial photography, aiming at expanding applications beyond the medical field.

Research and development expenses incurred with respect to display materials amounted to 228 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 3,449 million yen in the current consolidated fiscal year.

The principal component of our capital investment in the current consolidated fiscal year was 2,567 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, 2024

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)	Leased 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,	381,132	91,937	55,095 (18,204)	12,264	9,711	550,142	59 (2)
Nakadahara 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	2,162,057	1,040,908	290,654 (114,051)	190,839	1,481,666	5,166,126	397 (56)
Nakadahara-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	193,109	400,178	427,404 (41,348)	9,484	10,313	1,040,491	72 (13)
Joetsu Head Office (Joetsu-shi, Niigata)	Head office (Common)	Other facilities	580,854	10,621	103,107 (22,373)	—	47,356	741,939	39 (16)
Tokyo Head Office (Taito-ku, Tokyo)	Electronic materials, Industrial application structural materials, Electrical insulating materials, Display materials, Other, Head office (Common)	Other facilities	127,096	3,123	335,039 (616)	—	19,027	484,288	39 (2)

(2) Domestic Subsidiaries

As of March 31, 2024

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)	Leased assets (Thousands of yen)	Other (Thousands of yen)	Total (Thousands of yen)	
Satosen Co., Ltd.	--- (Osaka-shi, Osaka)	Electronic materials,	Electronic materials manufacturing	120,951	64,472	291,900 (4,373)	—	4,639	481,962	96 (71)
Arisawa Fiber Glass Co., Ltd.	--- (Joetsu-shi, Niigata)	Electronic materials, Electrical insulating materials	Electronic materials manufacturing facilities, Electrical insulating materials manufacturing facilities	388,814	515,419	126,741 (37,612)	28,982	15,782	1,075,740	88 (12)
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	526,496	118,872	264,286 (49,779)	—	10,887	920,543	98 (41)
Arisawa Jushi Kogyo Co., Ltd.	--- (Kawaguchi-shi, Saitama)	Electrical insulating materials	Electrical insulating materials manufacturing facilities	44,132	25,682	31,561 (2,407)	—	3,897	105,274	14 (1)
ColorLink Japan, Ltd.	--- (Joetsu-shi, Niigata)	Display materials	Display materials manufacturing facilities	80,968	73,099	72,193 (6,984)	—	58,143	284,405	85 (15)

(3) Overseas Subsidiaries

As of March 31, 2024

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)	Leased assets (Thousands of yen)	Other (Thousands of yen)	Total (Thousands of yen)	
ThinFlex Corporation	--- (Kaohsiung County, Taiwan)	Electronic materials	Electronic materials manufacturing facilities	1,214,984	1,247,299	—	401,912 (See Note 4)	314,997	3,179,193	200 (—)
TopFlex Corporation	--- (Kunshan City, P.R. China)	Electronic materials	Electronic materials manufacturing facilities	268,359	485,744	—	46,182 (See Note 4)	2,269,840	3,070,127	131 (—)
Protec Arisawa Europe, S.A.	--- (Munguia, Spain)	Industrial application structural materials	Industrial application structural materials manufacturing facilities	266,580	426,275	37,393 (8,891)	—	12,906	743,155	89 (21)
Protec Arisawa America, Inc.	--- (Vista, CA, U.S.A.)	Industrial application structural materials	Industrial application structural materials manufacturing facilities	16,959	86,013	—	—	15,581	118,553	61 (4)

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, 303,704 thousand yen (39,265m²) and 46,182 thousand yen (30,136m²), are included in the leased 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

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

(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, 2024)	Number of shares issued and outstanding as of the filing date of the Financial Report (As of June 28, 2024)	Name of financial instruments exchange where the shares are listed or authorized financial instruments firms association where the shares are registered	Remarks
Common stock	33,566,924	33,577,924	Tokyo Stock Exchange Prime Market	Number of shares constituting one full unit: 100
Total	33,566,924	33,577,924	---	---

- Note:
1. The number of shares issued through the exercise of stock acquisition rights in the period from June 1, 2024 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 41,477 shares of treasury shares for restricted stock compensation as of July 28, 2023 upon a resolution by the Board of Directors on June 29, 2023.
 3. 105,967 shares out of shares issued and outstanding as of the filing date of this Quarterly Report are by contribution in kind (108,995 thousand yen of monetary compensation claims) when treasury shares were 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 27, 2019	June 25, 2020
Category and number of persons to whom stock acquisition rights shall be granted	4 directors of the Company, 208 employees of the Company, and 14 directors and employees of subsidiaries of the Company	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) *	1,056 [876]	566 [496]
Class, contents and number of shares subject to stock acquisition rights	Common stock 105,600 [87,600]	Common stock 56,600 [49,600]
Amount to be paid per share at the time of exercising each stock acquisition right (Yen) *	922 (See Note 1)	890 (See Note 1)
Exercise period for stock acquisition rights *	July 1, 2021 through June 30, 2024	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 1,090 Amount credited to equity capital 545	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, 2024). 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, 2024), 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, 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
From April 1, 2023 to March 31, 2024 (See Note 1)	25,800	33,566,924	14,162	7,862,036	14,162	6,974,027

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, 2024 to May 31, 2024, the number of shares issued and outstanding increased by 11,000 shares, and the amount of share capital and that of legal capital surplus increased by 5,995 thousand yen respectively, all through the exercise of stock acquisition rights.

(5) Status of Shareholder Categories

As of March 31, 2024

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	—	19	30	143	90	61	18,206	18,549	—
Number of shares held (Units except as otherwise noted)	—	89,196	6,676	24,498	71,277	309	142,812	334,768	90,124
Ratio of the number of shares held (%)	—	26.65	1.99	7.32	21.29	0.09	42.66	100.00	—

Note:

1. Out of 330,933 shares of treasury shares, 3,309 units are included in the column “Individuals and others”, and 33 shares are included in the column “Status of shares constituting less than one full unit”. 82,300 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, 2024

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)	8-1, Akasaka 1-chome, Minato-ku, Tokyo	4,324,500	13.01
INTERTRUST TRUSTEES(CAYMAN)LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP (Standing Proxy: Mizuho Bank, Ltd. Settlement & Clearing Services Department)	ONE NEXUS WAY, CAMANA BAY GRAND CAYMAN KY1-9005, CAYMAN ISLANDS (15-1, Konan 2-chome, Minato-ku, Tokyo)	3,884,700	11.68
Mitsubishi Gas Chemical Company, Inc. (See Note 3)	5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo	1,472,166	4.42
Custody Bank of Japan, Ltd. (Trust account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	1,353,100	4.07
Daishi Hokuetsu Bank, Ltd. (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	1071-1, Higashiborimae-dori 7-bancho, Chuo-ku, Niigata-shi, Niigata (8-1, Akasaka 1-chome, Minato-ku, Tokyo)	743,903	2.23
The Master Trust Bank of Japan, Ltd. (Retirement benefit trust account and Mitsubishi Electric Corporation account)	8-1, Akasaka 1-chome, Minato--ku, Tokyo	530,536	1.59
Arisawa Kenko Ltd.	11-44, Nishishiro-cho 3-chome, Joetsu-shi, Niigata	504,338	1.51
Sanji Arisawa	Shinjuku-ku, Tokyo	451,069	1.35
Nippon Life Insurance Company (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo (8-1, Akasaka 1-chome, Minato-ku, Tokyo)	388,822	1.16
Yoko Mori	Setagaya-ku, Tokyo	376,024	1.13
Total	---	14,029,158	42.21

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. 82,300 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. The Company holds 330,933 shares of treasury shares, but it is excluded from the above major shareholders.

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 October 2, 2020 that Nippon Value Investors KK holds 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, 2024. 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

5. Though it is described in the Change Report of the Report on Bulk Holding available for public inspection as of February 13, 2024 that Strategic Capital, Inc. holds the shares described below as of February 5, 2024, the Company has confirmed no beneficial ownerships of the number of shares as of March 31, 2024. 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. : 4,220,800
Holding ratio of share certificates etc. : 12.58

The Company has confirmed the change of major shareholders in the Change Report of the Report on Bulk Holding as of October 4, 2023, so we submitted the Extraordinary Report (change of major shareholders) as of October 10, 2023.

(7) Status of Voting Rights

1) Shares issued and outstanding

As of March 31, 2024

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 330,900	---	---
Shares with full voting rights (Other) (See Note 1 and Note 2)	Common stock 33,145,900	331,459	---
Shares constituting less than one full unit (See Note 3)	Common stock 90,124	---	---
Number of shares issued and outstanding	33,566,924	---	---
Total number of voting rights held by shareholders	---	331,459	---

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. 82,300 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)”. 823 units of voting rights for shares with full voting rights of such trust account are included in the column “Number of voting rights”.

3. 33 shares of treasury shares are included in the row “Shares constituting less than one full unit”.

2) Treasury shares, etc.

As of March 31, 2024

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	330,900	---	330,900	0.98
Total	---	330,900	---	330,900	0.98

Note: 82,300 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) Shares of the Company remaining in the Trust

The shares of the Company remaining in the Trust are shown at their book value in the Trust as treasury stock in the "Net Assets" section of the consolidated balance sheets, and the book value and number of such shares are as follows.

Book value	Previous consolidated fiscal year	81,016 thousand yen
	Current consolidated fiscal year	76,551 thousand yen
Number of shares	Previous consolidated fiscal year	87,100 shares
	Current consolidated fiscal year	82,300 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 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

No applicable matter.

(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	231	269,378
Treasury shares acquired during the current period	88	125,970

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, 2024 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	---	---	---	---
Acquired treasury shares transferred in relation to merger, share exchange and company split	---	---	---	---
Other (Disposal of treasury shares by restricted stock-based compensation)	41,477	45,997,993	---	---
Number of shares of treasury shares held	330,933	---	331,021	---

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, 2024 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 in the medium term business plan (FY2020-FY2024) and will respond flexibly to an acquisition of treasury shares in total consideration of demand of funds, financial conditions, etc.

In addition, the Company has a basic policy of distributing dividends from surplus semiannually, i.e. through interim and year-end dividend payments.

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 60 yen per share (including a interim dividend of 20 yen) based on the said policy. As a result, the dividend payout ratio for the current consolidated fiscal year was 121.2%.

The Company has decided, at a meeting of the Board of Directors held on April 10, 2024, to change our basic policy on shareholder return policy, in which the greater of either “dividend on equity (DOE) ratio of 6%”, which is a stability-oriented dividend, or “total return ratio 80% or more”, which is a profit distribution-oriented dividend, will be returned to shareholders. The Company will introduce the dividend policy from the next business year, which is the fiscal year ending March 31, 2025.

The dividend policy will be applied when an equity ratio of around 50% is achieved.

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 of the Board of Directors of August 3, 2023	664,390	20.00
Resolution at the Ordinary General Meeting of Shareholders of June 27, 2024	1,329,439	40.00

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 Conference 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 whistleblower 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 bear the amount disbursed for enlisting such consultations, etc.
- 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 improving a system which allows the Group's internal control to function effectively and properly. In addition, the Group shall enhance a system which allows the Group's governance and internal control to function effectively and properly in accounting of our subsidiaries.

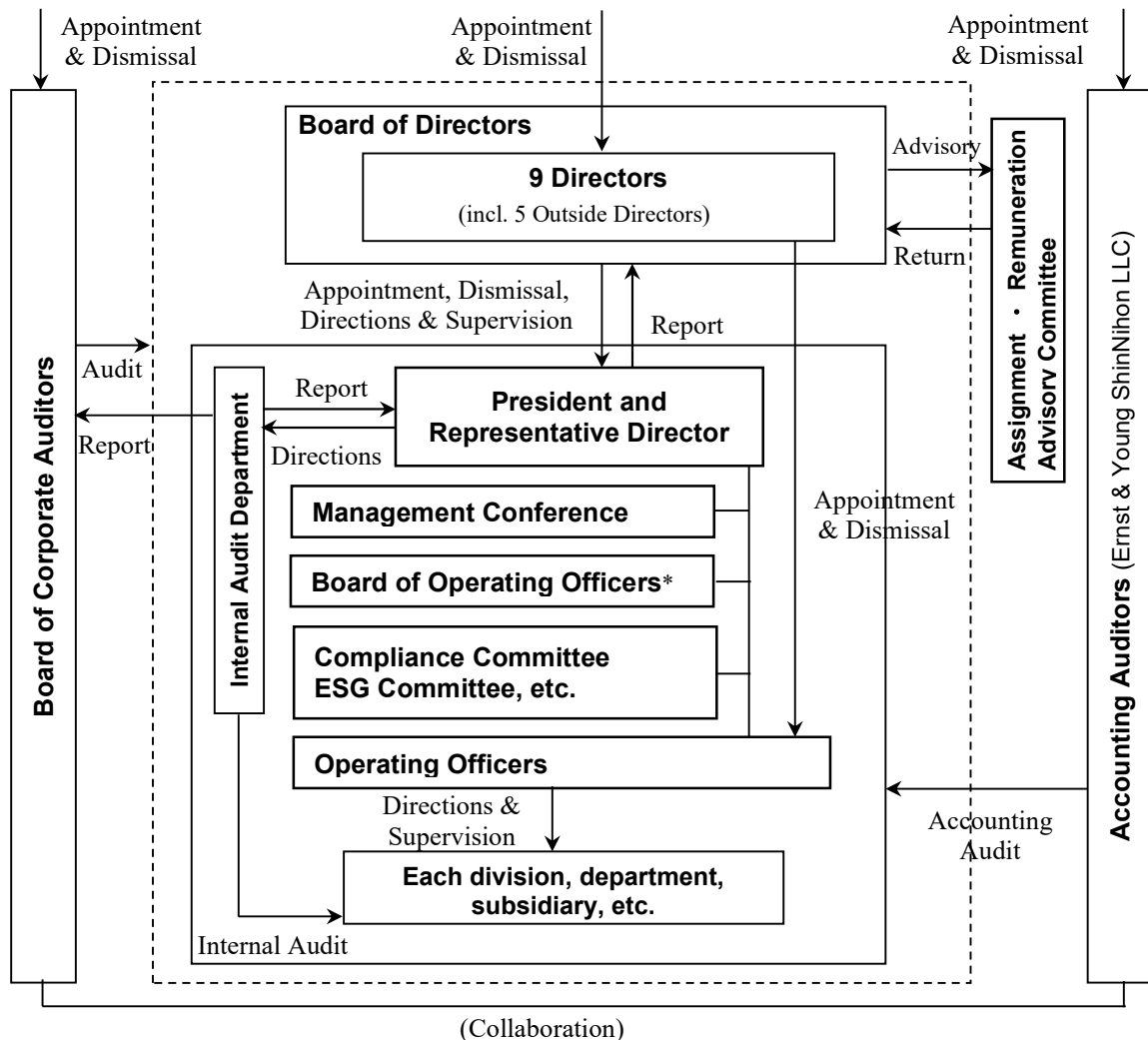
k. System to exclude anti-social forces

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.

General Meeting of Shareholders
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*Note: The Board of Operating Officers consists of a total of thirteen (13) 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 eleven times for the current business year, and the attendance records of each director are as follows.

Title	Name	The Number of Meetings	The Number of Attendances
Representative Director	Yuta Arisawa	Eleven (11) times	Eleven (11) times
Director	Takeshi Masuda	Eleven (11) times	Eleven (11) times
Director	Yoshihiko Toda	Three (3) times	Three (3) times
Director	Osamu Nakajima	Eleven (11) times	Eleven (11) times
Director	Makoto Tai	Eight (8) times	Eight (8) times
Outside Director	Yutaka Tsukahara	Three (3) times	Three (3) times
Outside Director	Koji Nakamura	Eleven (11) times	Eleven (11) times

Outside Director	Kazuo Abiko	Eleven (11) times	Eleven (11) times
Outside Director	Hirotooshi Takada	Eleven (11) times	Eleven (11) times
Outside Director	Miho Numata	Eleven (11) times	Eleven (11) times
Outside Director	Makiko Horie	Eight (8) times	Eight (8) times
Full-time Corporate Auditor	Hisashi Masumura	Eleven (11) times	Ten (10) times
Outside Corporate Auditor	Koichiro Tanaka	Eleven (11) times	Ten (10) times
Outside Corporate Auditor	Koichi Yokota	Eleven (11) times	Eleven (11) times

Note: The attendance records of Yoshihiko Toda, a Director, and Yutaka Tsukahara, an Outside Director, cover the Board of Directors held before his retirement on June 29, 2023. The attendance records of Makoto Tai, a Director, and Makiko Horie, an Outside Director, cover the Board of Directors held after his appointment on June 29, 2023.

Specific considerations by the Board of Directors are as follows.

- Financial results including subsidiary companies, forecast of financial results, and medium term business plan
- Appointment of a representative director, appointment of directors and operating officers, and effectiveness assessment of the Board of Directors
- Dividends, basic guidelines of capital policies and shareholder return policies, and sale of investment securities
- Sustainability and ESG
- Internal control and compliance

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 Conference'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, 2023	Outside Director	Kazuo Abiko (Chairperson)	One (1) time	One (1) time
	Outside Director	Yutaka Tsukahara	One (1) time	One (1) time
	Outside Director	Koji Nakamura	One (1) time	One (1) time
	Outside Director	Hirotoishi 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, 2023 to the Ordinary General Meeting of Shareholders on June, 2024	Outside Director	Hirotoishi Takada (Chairperson)	Two (2) times	Two (2) times
	Outside Director	Koji Nakamura	Two (2) times	Two (2) times
	Outside Director	Kazuo Abiko	Two (2) times	Two (2) times
	Outside Director	Miho Numata	Two (2) times	Two (2) times
	Outside Director	Makiko Horie	Two (2) times	Two (2) times
	Representative Director	Yuta Arisawa	Two (2) times	Two (2) times

Specific considerations by the Assignment and Remuneration Advisory Committee are as follows.

- Proposals of appointment of directors
- Review of the results and contents of the Key Performance Indicators (KPI) for performance-based remuneration, and the amount of the remuneration for directors and corporate auditors

(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	April 1992 February 2002 August 2003 April 2007 April 2009 June 2010 June 2011 June 2014 June 2015 June 2017	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)	See Note 4	131,948
Director Senior Managing Operating Officer supervising Manufacturing Dept. and Administration Dept.	Takeshi Masuda	April 3, 1963	April 1986 October 1990 November 2003 July 2008 October 2010 June 2011 June 2015 June 2021 June 2023	Joined Alps Electric Co., Ltd. (currently ALPS ALPINE CO., LTD.) 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)	See Note 4	35,627
Director Senior Operating Officer Div. Chief, Business Promotion Div.; Deputy Div. Chief, Innovation Promotion Div.	Osamu Nakajima	June 5, 1965	April 1989 May 2011 April 2013 July 2014 October 2015 June 2016	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 of the Company supervising Electronic Materials Sales & Marketing Dept. Director and Senior Operating Officer of the Company (current)	See Note 4	40,793
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	April 1988 March 2002 July 2006 April 2010 April 2012 June 2015 June 2019 June 2023	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 Research & Development 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)	See Note 4	10,943

Title	Name	Date of birth	Career summary		Term	Number of shares of the Company held
Director	Koji Nakamura	August 15, 1948	<p>April 1973 April 2004</p> <p>April 2006</p> <p>April 2009</p> <p>March 2011 August 2011</p> <p>August 2016 June 2020</p>	<p>Joined Mitsui & Co., Ltd. Managing Officer; Chief Operating Officer of Synthetic Resins and Inorganic Chemicals Business Unit</p> <p>Executive Managing Officer; Chief Operating Officer of Chemicals Business Unit II</p> <p>Senior Executive Managing Officer; Chief Operating Officer of EMEA (Europe, the Middle East and Africa) Business Unit</p> <p>Retired as Senior Executive Managing Officer</p> <p>Audit & Supervisory Board Member, SANKO Co., Ltd. (current)</p> <p>Outside Director, Sanko Gosei Ltd. (current)</p> <p>Director of the Company (current)</p>	See Note 4	---
Director	Kazuo Abiko	January 22, 1947	<p>November 1978 May 1985 July 2001 April 2004</p> <p>July 2004</p> <p>February 2010 September 2010</p> <p>September 2011 April 2015</p> <p>July 2018 June 2020</p>	<p>Joined Associated Press</p> <p>Deputy General Manager of Tokyo Studio</p> <p>President, Foreign Correspondents' Club of Japan</p> <p>General Manager of Tokyo Bureau, Associated Press</p> <p>General Manager for Northeast Asia</p> <p>Advisor</p> <p>Part-time lecturer at Tokyo University of Foreign Studies</p> <p>Part-time lecturer at Sophia University</p> <p>Visiting Professor at Kanda University of International Studies</p> <p>Auditor, Foreign Correspondents' Club of Japan</p> <p>Director of the Company (current)</p>	See Note 4	---
Director	Hirotooshi Takada	August 10, 1953	<p>March 1977 April 2003 June 2005 June 2008 April 2011 April 2011 June 2011 March 2012</p> <p>June 2013</p> <p>March 2014 April 2014 June 2015</p> <p>July 2015 July 2015</p> <p>March 2016</p> <p>June 2017</p> <p>June 2021</p>	<p>Joined NIPPON SEIKI CO., LTD.</p> <p>Director and President, UK-NSI Co., Ltd.</p> <p>Director, NIPPON SEIKI CO., LTD.</p> <p>Managing Director</p> <p>Representative Senior Managing Director</p> <p>General Manager, Sales Division</p> <p>Chairman, Wuhan Nissei Display System Co., Ltd.</p> <p>Chairman, Nissei Display Sales and Development Co., Ltd. (Shanghai)</p> <p>President and Representative Director, NIPPON SEIKI CO., LTD.</p> <p>Chairman, Dongguan Nissei Electronics Co., Ltd.</p> <p>Chairman, Hong Kong Nippon Seiki Co., Ltd.</p> <p>President and Representative Director, Executive Officer, NIPPON SEIKI CO., LTD.</p> <p>Chairman, Hong Kong Ek Chor Nissei Co., Ltd.</p> <p>Chairman, Shanghai Nissei Display System Co., Ltd.</p> <p>Chairman and Director, Thai Nippon Seiki Co., Ltd.</p> <p>Vice Chairman and Director, Executive Officer, NIPPON SEIKI CO., LTD.</p> <p>Director of the Company (current)</p>	See Note 4	---
Director	Miho Numata	April 18, 1975	<p>December 2009</p> <p>January 2016 April 2018</p> <p>June 2020</p> <p>June 2021</p>	<p>Registered as an attorney at law and joined NUMATA LAW OFFICE</p> <p>Representative (current position)</p> <p>Civil Conciliation Commissioner, Tokyo Summary Court (current position)</p> <p>Outside Corporate Auditor, Tokyo Boeki Holdings Corporation (current position)</p> <p>Director of the Company (current)</p>	See Note 4	---
Director	Makiko Horie	May 12, 1967	<p>April 1990 May 1995</p> <p>May 2016 October 2021 June 2023</p>	<p>Joined Nomura Securities Co., Ltd.</p> <p>Joined Merrill Lynch Investment Managers Ltd. (currently BlackRock Japan Company, Ltd.)</p> <p>Joined Value Create Inc.; Partner</p> <p>Joined SDG Impact Japan Inc.; Partner (current)</p> <p>Director of the Company (current)</p>	See Note 4	---
Full-time Corporate Auditor	Hisashi Masumura	February 5, 1963	<p>April 1985</p> <p>November 1987 July 2005</p> <p>July 2008</p> <p>October 2010 April 2012 April 2018</p> <p>October 2020 June 2022</p>	<p>Joined TANABE ENGINEERING CORPORATION</p> <p>Joined the Company</p> <p>Group Leader, Human Resources Group, Human Resources Dept.</p> <p>Group Leader, Administration Planning Group, Corporate Planning Dept.</p> <p>Assistant General Manager, Manufacturing Dept.</p> <p>General Manager of Human Resources Dept.</p> <p>General Manager of Human Resources Dept. and General Affairs Dept.</p> <p>General Manager, General Affairs Dept.</p> <p>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 (currently Deloitte Touche Tohmatsu LLC)</p> <p>March 1991 Registered as Certified Public Accountant</p> <p>August 1998 Resident and Resident Representative of Dalian Office, U.S. Deloitte Touche Tohmatsu (Office Head)</p> <p>September 2002 Resident and Managing Director of the Japanese Operations Department in South China of Shenzhen Office in China, Deloitte Touche Tohmatsu Limited</p> <p>June 2003 Partner of Deloitte Touche Tohmatsu LLC</p> <p>September 2003 Returned to Auditing Department of Tokyo Office, Deloitte Touche Tohmatsu LLC</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 (currently Deloitte Tohmatsu Financial Advisory LLC)</p> <p>May 2005 Registered as Certified Public Tax Accountant</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> <p>March 2023 Outside Corporate Auditor, TEN ALLIED CO., LTD. (current)</p>	See Note 5	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</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</p> <p>April 2023 Vice Chairperson, Niigata Prefecture Branch Federation of Kanto-Shinetsu Certified Public Tax Accountant's Association (current)</p>	See Note 5	---
					Total: 221,411

- Note:
- 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 2024 through the said stock ownership plan is yet to be confirmed as of the filing date of this Financial Report (June 30, 2024), the number of shares beneficially owned by each of the persons listed above as of May 31, 2024 is stated.
 - Among the Directors, Koji Nakamura, Kazuo Abiko, Hirotoishi 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).
 - 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).
 - From the closing of the Ordinary General Meeting of Shareholders held on June 27, 2024 until the closing of the Ordinary General Meeting of Shareholders for the fiscal year ending on March 31, 2025.
 - From the closing of the Ordinary General Meeting of Shareholders held on June 27, 2024 until the closing of the Ordinary General Meeting of Shareholders for the fiscal year ending on March 31, 2028.
 - 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 thirteen (13) Operating Officers consisting of one (1) Chief Executive Officer, one (1) Senior Managing Operating Officer, two (2) Senior Operating Officers and the following nine (9) 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.
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.; Deputy Division Chief, Administration Div.
Kenji Tada	Operating Officer supervising Electronic Materials Sales & Marketing Dept.; Deputy Division Chief, Business Promotion Div.
Kiyoko Akutagawa	Operating Officer supervising Human Resources Dept.; Deputy Division Chief, Administration Div.

7. 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
Kazuhide 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	3,000
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.

Hirotoishi 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's management 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 her because we deem that she will deliver opinions from an outside perspective and increase the rationality and transparency of the Company's management 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's management.

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 abundant experience and knowledge 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 ten (10) 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	Hisashi Masumura	Ten (10) times	Ten (10) times
Outside Corporate Auditor	Koichi Sakai	Ten (10) times	Ten (10) times
Outside Corporate Auditor	Shinjiro Kawai	Ten (10) times	Ten (10) times

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 under the direct control of the President and Representative Director and independent of other organizations of the Company, and it 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 President and Representative Director.

Audit results are reported to the President and Representative Director, correction instructions of whom are gathered and notified to departments subject to audits, while the remediation status is checked and reporting to, and opinion exchanges with, the Corporate Auditors are made.

The results of auditing by the Internal Audit Dept. are not reported to the Board of Directors, but 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

Yosiyuki Sakuma

Ken 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 eight (8) certified public accountants and ten (10) 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	34,000	—	38,000	—
Consolidated subsidiaries	—	—	—	—
Total	34,000	—	38,000	—

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	15,097	4,332	20,411	4,492
Total	15,097	4,332	20,411	4,492

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.

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 are 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 are 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 2,228 million yen.

Out of amount of carbon dioxide emission reduction held up in our Carbon Neutral Project, the Company adds goal attainment levels with respect to reduced usage resulted from improving energy use efficiency to the Performance Indicators. The results were 2,541t-CO₂ (the goal was 2,441t-CO₂ and the achievement level was 104.10%).

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)	199,265	107,000	47,266	44,998	5
Corporate Auditors (excluding Outside Corporate Auditors)	13,011	13,011	—	—	1
Outside Directors and Outside Corporate Auditors	31,002	31,002	—	—	8

Note: 1. The above table includes two Directors (including one Outside Director) who retired at the conclusion of the 74th Ordinary General Meeting of Shareholders held on June 29, 2023.

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 2024, the Company verified status of shareholding, risk returns, importance of business and comprehensive meaning of shareholding, with respect to all shares (11 stock names) held as Cross-shareholdings, and all of these holdings have been confirmed to be appropriate.

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	9	16,182
Stock other than unlisted stock	2	991,537

(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	1	93,068	Transfer from shares of subsidiaries and associates by partial sale of shares

(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	46,200
Stock other than unlisted stock	6	531,962

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.

Specified Investment Stock

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
	776,223	588,311		
Innovision FlexTech Corporation	3,950,000	—	Purpose of shareholding: As the said corporation manufactures and sells the products of display-related materials, it is for the maintenance and strengthening of cooperative relationship in technology and research and development 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. Reason for increase in number of shares: As the equity method is not applied in the current consolidated fiscal year, it is newly shown as specified investment stock.	No
	215,314	—		
Mitsubishi Electric Corporation	—	110,000	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.	Yes
	—	173,635		

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)		
The Hachijuni Bank, Ltd.	—	232,513	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, we sold all the shares in the current business year.	Yes
	—	133,694		
Daishi Hokuetsu Financial Group, Inc.	—	19,962	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, we sold all the shares in the current business year.	No (Note)1.
	—	57,690		
Kaneka Corporation	—	12,000	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, we sold all the shares in the current business year.	No
	—	41,400		
Mitsubishi UFJ Financial Group, Inc.	—	25,020	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, we sold all the shares in the current business year.	No (Note)2
	—	21,214		

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)		
Sumitomo Corporation	—	2,655	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, we sold all the shares in the current business year.	No (Note)3
	—	6,215		

(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

No applicable matter.

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, 2023 to March 31, 2024) and its financial statements for the current business year (from April 1, 2023 to March 31, 2024) 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, 2023)		Current consolidated fiscal year (As of March 31, 2024)	
Assets				
Current assets				
Cash and deposits	*2	20,545,580	*2	18,163,338
Notes and accounts receivable - trade, and contract assets		13,182,106	*4	16,515,625
Securities		100,150		—
Merchandise and finished goods		5,525,035		4,587,271
Work in process		2,373,079		2,515,667
Raw materials and supplies		4,263,762		4,359,283
Other		1,441,020		983,820
Allowance for doubtful accounts		△10,786		△27,285
Total current assets		47,419,946		47,097,722
Non-current assets				
Property, plant and equipment				
Buildings and structures		21,934,719		22,845,428
Accumulated depreciation		△15,857,218		△16,472,928
Buildings and structures, net	*2	6,077,500	*2	6,372,500
Machinery, equipment and vehicles		31,821,077		33,785,241
Accumulated depreciation		△28,134,902		△29,195,592
Machinery, equipment and vehicles, net	*2	3,686,175	*2	4,589,649
Land	*2	1,993,700	*2	2,035,377
Construction in progress		3,534,967		3,877,197
Other		3,730,038		3,911,513
Accumulated depreciation		△2,576,201		△2,824,293
Other, net	*2	1,153,836	*2	1,087,219
Total property, plant and equipment		16,446,181		17,961,943
Intangible assets		244,197		382,749
Investments and other assets				
Investment securities	*1	2,545,474	*1	2,327,455
Long-term loans receivable		41,434		41,302
Deferred tax assets		678,791		750,560
Other		329,670		300,411
Allowance for doubtful accounts		△45,969		△45,463
Total investments and other assets		3,549,401		3,374,267
Total non-current assets		20,239,780		21,718,961
Total assets		67,659,726		68,816,683

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	5,213,263	*4 7,014,220
Current portion of bonds payable	16,800	10,800
Short-term borrowings	*3 5,056,253	*3 5,301,635
Current portion of long-term borrowings	*2 1,843,441	*2 3,120,516
Lease liabilities	129,172	130,047
Income taxes payable	658,615	269,618
Provision for product warranties	42,184	28,739
Provision for bonuses	526,795	589,881
Provision for bonuses for directors (and other officers)	2,162	3,618
Other	2,788,015	*4 2,953,727
Total current liabilities	16,276,705	19,422,805
Non-current liabilities		
Bonds payable	10,800	—
Long-term borrowings	2,723,471	1,970,976
Provision for share awards	50,449	68,536
Lease liabilities	460,601	354,223
Deferred tax liabilities	137,916	82,298
Retirement benefit liability	700,883	485,167
Asset retirement obligations	97,119	99,583
Other	94,066	86,894
Total non-current liabilities	4,275,306	3,147,680
Total liabilities	20,552,012	22,570,486
Net assets		
Shareholders' equity		
Share capital	7,847,873	7,862,036
Capital surplus	3,198,618	3,212,781
Retained earnings	34,293,471	32,253,196
Treasury shares	△512,975	△460,640
Total shareholders' equity	44,826,987	42,867,374
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	466,417	515,045
Deferred gains or losses on hedges	△13,657	△1,706
Foreign currency translation adjustment	1,904,093	2,870,994
Remeasurements of defined benefit plans	△127,370	△32,930
Total accumulated other comprehensive income	2,229,483	3,351,402
Share acquisition rights	51,243	27,419
Total net assets	47,107,714	46,246,196
Total liabilities and net assets	67,659,726	68,816,683

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, 2022 to March 31, 2023)		Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)	
Net sales	*1	42,722,145	*1	42,114,483
Cost of sales	*2, *3	34,913,005	*2, *3	34,759,486
Gross profit		7,809,139		7,354,996
Selling, general and administrative expenses				
Freight and packing costs		758,204		859,077
Salaries and allowances		1,862,094		1,894,731
Provision for bonuses		119,060		136,684
Provision for bonuses for directors (and other officers)		2,162		3,618
Retirement benefit expenses		66,609		74,082
Provision of allowance for doubtful accounts		1,135		19,521
Other		2,771,767		2,883,503
Total selling, general and administrative expenses	*2	5,581,034	*2	5,871,219
Operating profit		2,228,105		1,483,777
Non-operating income				
Interest income		141,797		116,832
Dividend income		58,572		31,808
Foreign exchange gains		215,421		48,485
Rental income		62,147		51,113
Share of profit of entities accounted for using equity method		19,839		—
Subsidy income		76,585		59,277
Other		146,849		58,877
Total non-operating income		721,214		366,395
Non-operating expenses				
Interest expenses		155,066		202,432
Share of loss of entities accounted for using equity method		—		47,175
Compensation expenses		—		57,084
Other		76,762		54,925
Total non-operating expenses		231,828		361,617
Ordinary profit		2,717,491		1,488,556
Extraordinary income				
Gain on sale of non-current assets	*4	4,104	*4	2,121
Gain on sale of investment securities	*6	1,305,245	*6	679,044
Other		41,140		19,454
Total extraordinary income		1,350,490		700,620
Extraordinary losses				
Impairment losses	*7	19,332	*7	15,524
Loss on disaster		—		57,443
Loss on retirement of non-current assets	*5	90,263	*5	43,625
Other		55,871		96
Total extraordinary losses		165,467		116,689
Profit before income taxes		3,902,515		2,072,487
Income taxes – current		1,098,866		606,733
Income taxes – deferred		△55,298		△174,019
Total income taxes		1,043,567		432,714
Profit		2,858,947		1,639,772
Profit attributable to non-controlling interests		2,465		—
Profit attributable to owners of parent		2,856,481		1,639,772

[Consolidated Statements of Comprehensive Income]

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
Profit	2,858,947	1,639,772
Other comprehensive income		
Valuation difference on available-for-sale securities	△762,700	48,627
Deferred gains or losses on hedges	36,488	11,951
Foreign currency translation adjustment	556,682	944,542
Remeasurements of defined benefit plans, net of tax	△118,635	94,439
Share of other comprehensive income of entities accounted for using equity method	7,824	22,358
Total other comprehensive income	* △280,340	* 1,121,919
Comprehensive income	2,578,607	2,761,692
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,597,749	2,761,692
Comprehensive income attributable to non-controlling interests	△19,142	—

3) Consolidated Statements of Changes in Shareholders' Equity and Other Net Assets
Previous 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 period	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 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 period	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
Dividend 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 period	466,417	△13,657	1,904,093	△127,370	2,229,483	51,243	—	47,107,714

Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,847,873	3,198,618	34,293,471	△512,975	44,826,987
Changes during period					
Issuance of new shares	14,162	14,162			28,325
Dividends of surplus			△3,649,595		△3,649,595
Profit attributable to owners of parent			1,639,772		1,639,772
Purchase of treasury shares				△269	△269
Disposal of treasury shares			△2,142	52,605	50,462
Change in scope of equity method			△28,310		△28,310
Net changes in items other than shareholders' equity					
Total changes during period	14,162	14,162	△2,040,274	52,335	△1,959,613
Balance at end of period	7,862,036	3,212,781	32,253,196	△460,640	42,867,374

	Accumulated other comprehensive income					Share acquisition rights	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 period	466,417	△13,657	1,904,093	△127,370	2,229,483	51,243	47,107,714
Changes during period							
Issuance of new shares							28,325
Dividends of surplus							△3,649,595
Profit attributable to owners of parent							1,639,772
Purchase of treasury shares							△269
Disposal of treasury shares							50,462
Change in scope of equity method							△28,310
Net changes in items other than shareholders' equity	48,627	11,951	966,900	94,439	1,121,919	△23,824	1,098,095
Total changes during period	48,627	11,951	966,900	94,439	1,121,919	△23,824	△861,518
Balance at end of period	515,045	△1,706	2,870,994	△32,930	3,351,402	27,419	46,246,196

4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
Cash flows from operating activities		
Profit before income taxes	3,902,515	2,072,487
Depreciation	2,290,388	2,206,551
Impairment losses	19,332	15,524
Loss on disaster	—	57,443
Share-based payment expenses	39,577	44,998
Increase (decrease) in provision for product warranties	△35,179	△16,150
Increase (decrease) in provision for bonuses	19,262	63,085
Increase (decrease) in provision for bonuses for directors (and other officers)	△2,341	1,456
Increase (decrease) in allowance for doubtful accounts	△10,710	52,133
Increase (decrease) in provision for share awards	△32,358	22,551
Increase (decrease) in retirement benefit liability	△53,180	△79,831
Interest and dividend income	△200,370	△148,640
Subsidy income	△76,585	△59,277
Interest expenses	155,066	202,432
Foreign exchange losses (gains)	△104,182	△79,672
Share of loss (profit) loss of entities accounted for using equity method	△19,839	47,175
Loss (gain) on sale of investment securities	△1,249,374	△678,948
Loss (gain) on redemption of investment securities	△40,063	—
Loss (gain) on sale of non-current assets	△4,104	△2,121
Loss on retirement of property, plant and equipment	732	6,639
Loss on valuation of golf club membership	—	175
Gain on reversal of share acquisition rights	△40,970	△19,454
Other extraordinary loss (income)	△169	—
Decrease (increase) in trade receivables	3,363,943	△2,875,018
Decrease (increase) in inventories	△1,328,338	955,835
Increase (decrease) in trade payables	△544,516	1,676,428
Increase (decrease) in accrued consumption taxes	△439,241	318,211
Decrease (increase) in other assets	△303,405	191,995
Increase (decrease) in other liabilities	△412,756	280,943
Subtotal	4,893,129	4,256,954
Interest and dividends received	238,848	148,810
Interest paid	△149,538	△205,746
Payments associated with disaster loss	—	△23,376
Income taxes refund (paid)	△1,588,013	△1,016,101
Subsidies received	76,585	59,277
Net cash provided by (used in) operating activities	3,471,010	3,219,818

(Thousands of yen)

	Previous consolidated fiscal year (From April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
Cash flows from investing activities		
Payments into time deposits	△1,619,726	△138,737
Proceeds from withdrawal of time deposits	132,389	1,757,058
Purchase of property, plant and equipment	△4,324,762	△3,544,286
Proceeds from sale of property, plant and equipment	5,509	2,420
Purchase of intangible assets	△50,511	△235,300
Purchase of investment securities	△341,769	△3,942
Proceeds from sale of investment securities	6,783,255	826,011
Proceeds from sale of shares of subsidiaries and associates	—	245,244
Loan advances	△31,097	—
Proceeds from collection of loans receivable	22,672	26,399
Decrease (increase) in investments and other assets	△67,333	3,675
Net cash provided by (used in) investing activities	508,625	△1,061,455
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,403,950	111,639
Proceeds from long-term borrowings	1,183,299	3,221,122
Repayments of long-term borrowings	△1,552,282	△2,988,557
Repayments of lease liabilities	△118,379	△125,349
Repayments of long-term accounts payable - other	△5,179	—
Redemption of bonds	△26,800	△16,800
Proceeds from issuance of shares	348,446	23,956
Purchase of treasury shares	△748,937	△269
Dividends paid	△3,000,754	△3,641,317
Dividends paid to non-controlling interests	△9,589	—
Payments of shares of subsidiaries not resulting in change in scope of consolidation	△45,813	—
Net cash provided by (used in) financing activities	△2,572,040	△3,415,575
Effect of exchange rate change on cash and cash equivalents	235,149	421,390
Net increase (decrease) in cash and cash equivalents	1,642,744	△835,822
Cash and cash equivalents at beginning of period	16,893,109	18,535,854
Cash and cash equivalents at end of period	*1 18,535,854	*1 17,700,031

[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 subsidiary is small in size, and its 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. does 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: —

Some shares of Innovision FlexTech Corporation were sold in the consolidated fourth quarter and it is no longer an affiliated company, and so it has been excluded from the scope of application of equity method.

(2) As the non-consolidated subsidiaries (Kashiwa Seiki Co., Ltd.) and the affiliated companies (Ryoyu Industrial Corporation) 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. 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 leased 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 ten (10) years

2) Intangible assets (excluding leased 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) Leased assets

Leased 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.

Leased 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) 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.

(9) 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)

Impairment of property, plant and equipment which consolidated subsidiaries (ThinFlex Corporation and TopFlex Corporation) hold

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

	(Thousands of yen)	
	Previous consolidated fiscal year	Current consolidated fiscal year
Impairment losses	—	—
Property, plant and equipment	5,162,648	6,250,485

- (2) Information regarding the significant accounting estimates of the identified items

1) Calculation method

With regard to an asset group that indicates impairment, if the Company determines that impairment losses should be shown after the recoverability test of impairment losses to evaluate whether a carrying amount exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount. The recoverable amount is assessed based on value in use. The Company has determined in the consolidated fiscal year that there is an indication of impairment in the property, plant and equipment which ThinFlex Corporation and TopFlex Corporation hold due to a decrease in demands for electronic materials in the Chinese market and a decline in profitability associated with stagnation of the Chinese economy. However, the impairment losses are not recognized because the value in use from such asset group exceeds the carrying amount in the recoverability test of the impairment losses.

2) Major assumptions

The major assumptions of future cash flow estimates are sales growth rates and gross profit margins.

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

The major assumptions of future cash flow estimates are highly uncertain and may have a significant impact on the consolidated financial statements for the next consolidated fiscal year due to changes in sales growth rates and gross profit margins.

(Changes in Accounting Policies)

No applicable matter.

(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. “Rental income”, 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 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, 208,996 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 62,147 thousand yen of “Rental income” and 146,849 thousand yen of “Other”.

2. “Rental expenses”, 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, 46,499 thousand yen of “Rental expenses”, listed within “Non-operating expenses” in the consolidated statements of income for the previous consolidated fiscal year, has been reclassified as part of “Other”.

3. “Loss on sale of investment securities”, which was separately stated within “Extraordinary losses” 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, 55,871 thousand yen of “Loss on sale of investment securities”, listed within “Extraordinary losses” in the consolidated statements of income for the previous consolidated fiscal year, has been reclassified as part of “Other”.

(Changes in accounting estimates)

The Company has extended the useful lives of major buildings and machinery and equipment at our subsidiary, ThinFlex Corporation, from five years to ten years, effective from the fourth quarter of the current fiscal year, because we investigated the actual utilization and operating status of the facilities and confirmed that they were operating more stable than before, according to a review of the production system and policies in response to changes in the external business environment, as well as to an investigation of the large-scale facility expansion.

With this change, operating profit, ordinary profit, and profit before income taxes for the fiscal year increased by 83,701 thousand yen.

(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, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Investment securities (Stock)	385,230	144,570

*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, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Cash and deposits	29,011 (—)	69,906 (—)
Buildings and structures	3,278,555 (2,695,800)	3,380,096 (2,874,669)
Machinery, equipment and vehicles	610,808 (610,808)	1,230,656 (1,230,656)
Property, plant and equipment (Other)	48,430 (48,430)	95,590 (95,590)
Land	500,923 (199,190)	500,923 (199,190)
Total	4,467,729 (3,554,230)	5,277,174 (4,400,107)

Secured liabilities are as follows.

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Current portion of long-term borrowings	439,304 (—)	462,000 (—)

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, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Aggregate overdraft limit	9,500,000	9,500,000
Drawdowns	2,000,000	2,000,000
Balance of unexecuted loans	7,500,000	7,500,000

*4 Notes, etc. maturing at the end of the consolidated fiscal year

For accounting treatment of notes, electronically recorded monetary claims and electronically recorded obligations maturing at the end of the consolidated fiscal year, settlement is made as of the clearing date of each note or as of the settlement date of each electronically recorded monetary claim and electronically recorded obligation, as the case may be. As the end of the current consolidated fiscal year falls on a bank holiday, the following notes, electronically recorded monetary claims and electronically recorded obligations maturing at the end of the consolidated fiscal year are included in their respective balances as of the end of the consolidated fiscal year.

(Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Notes and accounts receivable - trade, and contract assets	—	51,722
Notes and accounts payable-trade	—	98,419
Current liabilities and others (Non-operating notes payable, Electronically recorded obligations-non-operating)	—	21,536

(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, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
1,991,915	2,033,696

*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, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
205,700	46,674

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

(Thousands of yen)		
	Previous consolidated fiscal year (From April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
Machinery, equipment and vehicles	1,902	2,121
Tools, furniture and fixtures	9	—
Land	2,192	—
Total	4,104	2,121

*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 losses

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

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

Location	Usage	Type	Impairment losses (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 impairment losses 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.

Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)

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

Location	Usage	Type	Impairment losses (Thousands of yen)
Arisawa Mfg. Co., Ltd. (Joetsu-shi, Niigata)	Industrial Application Structural materials manufacturing facilities	Machinery, equipment and vehicles; etc.	15,524

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, 15,524 thousand yen, was recorded as impairment losses in extraordinary losses. The said aggregate amount consists of 11,379 thousand yen of machinery, equipment and vehicles, and 4,145 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, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
Valuation difference on available-for-sale securities:		
Amount arising in the current fiscal year	195,589	446,615
Reclassification adjustment	△1,289,437	△379,333
Before tax effects	△1,093,848	67,282
Tax effects	331,148	△18,654
Valuation difference on available-for-sale securities	△762,700	48,627
Deferred gains or losses on hedges:		
Amount arising in the current fiscal year	△20,565	△2,569
Reclassification adjustment	75,510	20,565
Before tax effects	54,944	17,996
Tax effects	△18,455	△6,045
Deferred gains or losses on hedges	36,488	11,951
Foreign currency translation adjustment:		
Amount arising in the current fiscal year	556,682	944,542
Remeasurements of defined benefit plans, net of tax:		
Amount arising in the current fiscal year	△179,001	116,344
Reclassification adjustment	8,302	19,540
Before tax effects	△170,698	135,884
Tax effects	52,063	△41,444
Remeasurements of defined benefit plans, net of tax	△118,635	94,439
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising in the current fiscal year	7,824	—
Reclassification adjustment	—	22,358
Share of other comprehensive income of entities accounted for using equity method	7,824	22,358
Total other comprehensive income	△280,340	1,121,919

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

Previous 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:
1. 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.
 2. The decrease of 424,400 shares in the number of shares issued and outstanding (common stock) is due to the retirement of treasury shares.
 3. 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.
 4. 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.
 5. 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.

Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)

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)	33,541,124	25,800	—	33,566,924
Total	33,541,124	25,800	—	33,566,924
Treasury shares				
Common stock (See Note 2, 3)	459,279	231	46,277	413,233
Total	459,279	231	46,277	413,233

Note: 1. The increase of 25,800 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 increase of 231 shares in the number of shares of treasury shares (common stock) is due to an increase resulting from the purchase of shares constituting less than one full unit.

3. The decrease of 46,277 shares in the number of shares of treasury shares (common stock) is due to a decrease of 41,477 shares resulting from the disposal of treasury shares as restricted stock-based compensation, and a decrease of 4,800 shares resulting from granting to eligible persons by a trust account for employee stock ownership plan.

4. 82,300 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	---	---	---	---	---	27,419
Total		---	---	---	---	---	27,419

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 29, 2023	Common stock	2,985,205	90.00	March 31, 2023	June 30, 2023
Board of Directors of August 3, 2023	Common stock	664,390	20.00	September 30, 2023	December 4, 2023

Note: 1. “Total amount of dividends” under a resolution at the Ordinary General Meeting of Shareholders of June 29, 2023 includes the dividends of 7,839 thousand yen on the Company’s shares which a trust account for employee stock ownership plan holds.

2. “Total amount of dividends” under a resolution at the Board of Directors’ Meeting of August 3, 2023 includes the dividends of 1,654 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 27, 2024	Common stock	1,329,439	Retained earnings	40.00	March 31, 2024	June 28, 2024

Note: “Total amount of dividends” includes the dividends of 3,292 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, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
Cash and deposits	20,545,580	18,163,338
Time deposits with a deposit term of more than three months	△2,009,726	△463,306
Cash and cash equivalents	18,535,854	17,700,031

2 The details of material non-cash transactions

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

No applicable matter.

Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)

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 leased assets

Property, plant and equipment

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

2) Methods of depreciation and amortization of leased 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 leased assets

Property, plant and equipment

Land and photovoltaic facility, mainly. (falling under “Machinery, equipment and vehicles” respectively)
 - 2) Methods of depreciation and amortization of leased 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.

As for derivative transactions, the clients are limited to financial institutions with high credit ratings, so we believe there is almost no risk of 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

The fair value of financial instruments is based on either the quoted market price, if available, or a reasonably estimated price where no market price is available. As variable factors are incorporated in the determination of the said reasonably estimated price, 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, 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

Current consolidated fiscal year (As of March 31, 2024)

(Thousands of yen)

	Amount shown on consolidated balance sheets	Fair value	Difference
Securities and investment securities (*3)	2,166,703	2,166,703	—
Total assets	2,166,703	2,166,703	—
Long-term borrowings (*2)	5,091,492	5,071,683	△19,809
Total liabilities	5,091,492	5,071,683	△19,809

(*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	Current consolidated fiscal year
Unlisted stock, etc.	160,752

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, 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	—

Current consolidated fiscal year (As of March 31, 2024)

(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	18,163,338	—	—	—
Notes and accounts receivable—trade	16,243,075	—	—	—
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	—
(3) Other	—	—	382,971	—
Total	34,406,414	100,000	482,971	—

2. Scheduled amount of repayment after the consolidated closing date of short-term borrowings and long-term borrowings

Previous 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

Current consolidated fiscal year (As of March 31, 2024)

(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	5,301,635	—	—	—	—	—
Long-term borrowings	3,120,516	915,076	899,584	76,605	35,600	44,110
Total	8,422,151	915,076	899,584	76,605	35,600	44,110

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, 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

Current consolidated fiscal year (As of March 31, 2024)

(Thousands of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity Shares	991,537	—	—	991,537
Corporate bonds	—	197,344	—	197,344
Other	—	977,821	—	977,821
Total assets	991,537	1,175,165	—	2,166,703

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

Previous 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

Current consolidated fiscal year (As of March 31, 2024)

(Thousands of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term borrowings	—	5,071,683	—	5,071,683
Total liabilities	—	5,071,683	—	5,071,683

(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, 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

Current consolidated fiscal year (As of March 31, 2024)

(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	991,537	241,427	750,110
	(2) Bonds			
	1) Government bonds, local government bonds, etc.	—	—	—
	2) Corporate bonds	—	—	—
	3) Other	—	—	—
	(3) Other	187,669	180,688	6,981
	Subtotal	1,179,207	422,115	757,091
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	197,344	202,719	△5,375
	3) Other	—	—	—
	(3) Other	790,152	800,713	△10,561
	Subtotal	987,496	1,003,433	△15,937
Total		2,166,703	1,425,548	741,154

2. Available-for-sale securities sold

Previous 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

Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)

(Thousands of yen)

Type	Amount sold	Total gain on sale	Total loss on sale
(1) Equity Shares	724,135	528,265	—
(2) Bonds			
1) Government bonds, local government bonds, etc.	—	—	—
2) Corporate bonds	100,000	—	—
3) Other	—	—	—
(3) Other	1,876	—	96
Total	826,011	528,265	96

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, 2023)
Statement is omitted as it is not material.

Current consolidated fiscal year (As of March 31, 2024)
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, 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.

Current consolidated fiscal year (As of March 31, 2024)

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	70,462	—	△2,569
Total			70,462	—	△2,569

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, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
Balance of retirement benefit obligations at the beginning of year	4,860,759	5,047,195
Service cost	260,471	257,653
Interest cost	14,452	14,736
Actuarial differences generated	179,803	18,194
Retirement benefits paid	△268,292	△272,635
Balance of retirement benefit obligations at the end of year	5,047,195	5,065,144

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

	(Thousands of yen)	
	Previous consolidated fiscal year (From April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
Balance of plan assets at the beginning of year	4,277,395	4,346,313
Expected return on plan assets	42,773	43,698
Actuarial differences generated	—	134,538
Employer contributions	293,983	317,898
Retirement benefits paid	△267,839	△262,471
Balance of plan assets at the end of year	4,346,313	4,579,978

(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, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Retirement benefit obligations under the funded plans	5,001,621	5,027,147
Plan assets	△4,346,313	△4,579,978
	655,308	447,169
Retirement benefit obligations under the unfunded plans	45,573	37,997
Net amount of liability and asset shown on consolidated balance sheets	700,883	485,167
Retirement benefit liability	700,883	485,167
Net amount of liability and asset shown on consolidated balance sheets	700,883	485,167

(4) Amount of retirement benefit expenses and components thereof

	(Thousands of yen)	
	Previous consolidated fiscal year (From April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
Service cost	260,471	257,653
Interest cost	14,452	14,736
Expected return on plan assets	△42,773	△43,698
Recognized actuarial loss	8,302	19,540
Retirement benefit expenses incurred under defined benefit scheme	240,452	248,231

(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, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
Actuarial differences	△170,698	135,884

(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, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Unrecognized actuarial differences	△183,266	△47,382

(7) Matters concerning plan assets

1) Rough breakdown of plan assets

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

	Previous consolidated fiscal year (As of March 31, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Life insurance company general accounts	52%	51%
Trust bank special accounts	25%	25%
Life insurance company special accounts	23%	24%
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, 2023)	Current consolidated fiscal year (As of March 31, 2024)
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%	1.2~2.8%

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 92,463 thousand yen for the previous consolidated fiscal year (From April 1, 2022 to March 31, 2023) and 92,792 thousand yen for the current consolidated fiscal year (From April 1, 2023 to March 31, 2024).

(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, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
Share-based compensation expenses in cost of sales and selling, general and administrative expenses	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, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
Gain on reversal of share acquisition rights	40,970	19,454

3. Outline and scale of stock options and changes

(1) Submitting Company

1) Outline of stock options

	Directors' remuneration stock option in 2018	Employees, etc. stock option in 2018	Employees, etc. stock option in 2019
Category and number of grantees	5 directors of the Company	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
Number of stock options (See Note)	75,000 shares of common stock	257,300 shares of common stock	271,000 shares of common stock
Grant date	August 16, 2018	August 16, 2018	August 16, 2019
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 2018 through June 30, 2020)	1 year and 11 months (August 16, 2018 through June 30, 2020)	1 year and 11 months (August 16, 2019 through June 30, 2021)
Exercise period	July 1, 2020 through June 30, 2023	July 1, 2020 through June 30, 2023	July 1, 2021 through June 30, 2024

	Directors' remuneration stock option in 2020	Employees, etc. stock option in 2020
Category and number of grantees	4 directors of the Company	147 employees and advisors of the Company, and 13 directors and employees of subsidiaries of the Company
Number of stock options (See Note)	55,000 shares of common stock	271,800 shares of common stock
Grant date	August 17, 2020	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.	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)	1 year and 11 months (August 17, 2020 through June 30, 2022)
Exercise period	July 1, 2022 through June 30, 2025	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, 2024) 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 2018	Employees, etc. stock option in 2018	Employees, etc. stock option in 2019
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	98,700	116,700
Vested	—	—	—
Exercised	—	3,000	11,000
Forfeited	20,000	95,700	100
Exercisable	—	—	105,600

	Directors' remuneration stock option in 2020	Employees, etc. stock option in 2020
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	10,000	58,400
Vested	—	—
Exercised	10,000	1,800
Forfeited	—	—
Exercisable	—	56,600

(b) Unit price information

	Directors' remuneration stock option in 2018	Employees, etc. stock option in 2018	Employees, etc. stock option in 2019
Exercise price (Yen)	1,104	1,104	922
Average stock price at the time of exercise (Yen)	—	1,271	1,158
Fair value at the grant date (Yen)	168	168	168

	Directors' remuneration stock option in 2020	Employees, etc. stock option in 2020
Exercise price (Yen)	890	890
Average stock price at the time of exercise (Yen)	1,142	1,284
Fair value at the grant date (Yen)	171	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, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Deferred tax assets		
Tax loss carry-forward (See Note)	357,306	414,947
Loss on valuation of investment securities	395,154	329,587
Loss on valuation of inventories	277,997	297,993
Impairment losses	321,027	293,428
Tax deductions carried forward	—	224,811
Allowance for doubtful accounts	185,723	202,862
Provision for bonuses	162,583	182,732
Retirement allowance	161,800	140,134
Other	483,378	296,331
Deferred tax assets subtotal	2,344,971	2,382,828
Valuation allowance related to Tax loss carry-forward (See Note)	△353,951	△414,947
Valuation allowance related to the total of deductible temporary differences etc.	△1,052,646	△962,169
Valuation allowance subtotal	△1,406,597	△1,377,116
Deferred tax assets total	938,373	1,005,712
Deferred tax liabilities		
Valuation difference on available-for-sale securities	△220,174	△228,783
Retained earnings of subsidiaries and associates	△126,323	△75,315
Other	△50,999	△33,351
Deferred tax liabilities total	△397,497	△337,450
Net amount of deferred tax assets (liabilities)	540,875	668,261

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, 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.

Current consolidated fiscal year (As of March 31, 2024) (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 (*)	56,607	14,235	76,500	—	—	267,603	414,947
Valuation allowance	△56,607	△14,235	△76,500	—	—	△267,603	△414,947
Deferred tax assets	—	—	—	—	—	—	—

(*) “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, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Normal effective statutory tax rate	30.5%	30.5%
(Adjustments)		
Items permanently excluded from taxable income	△8.1%	△8.6%
Special tax deductions	△2.3%	△6.6%
Increase (decrease) in valuation allowance	0.3%	△4.3%
Retained earnings of subsidiaries and associates	△0.6%	△2.5%
Dividends income eliminated in consolidation	8.3%	8.8%
Items permanently excluded from tax-deductible expenses	△1.2%	1.9%
Other	△0.2%	1.7%
Effective income tax rate after tax effect accounting	26.7%	20.9%

(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, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
Balance at the beginning of year	92,521	97,119
Adjustment due to lapse of time	178	181
Other increase or decrease (Δ : decrease)	4,420	2,282
Balance at the end of year	97,119	99,583

(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, 2022 to March 31, 2023)

	Reportable segment					(Thousands of yen)	
	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Subtotal	Other (See Note)	Total
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.

Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)

(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	25,105,697	5,523,782	2,532,845	2,210,935	35,373,261	338,813	35,712,075
Goods transferred over time	—	5,077,915	—	1,324,492	6,402,408	—	6,402,408
Revenue from contracts with customers	25,105,697	10,601,698	2,532,845	3,535,427	41,775,670	338,813	42,114,483
Other revenue	—	—	—	—	—	—	—
Net sales to external customers	25,105,697	10,601,698	2,532,845	3,535,427	41,775,670	338,813	42,114,483

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 on the relationship between the satisfaction of performance obligations based on contracts with customers and the cash flow from such contracts and on the amount and time of revenue expected to be recognized after the next consolidated fiscal year from contracts with customers existing as of the end of the current 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	15,971,983	12,967,312
Receivables from contracts with customers (balance at end of period)		
Notes and accounts receivable - trade	12,967,312	16,243,075
Contract assets (balance at beginning of period)	101,852	214,793
Contract assets (balance at end of period)	214,793	272,549
Contract liabilities (balance at beginning of period)	21,162	311,076
Contract liabilities (balance at end of period)	311,076	437,136

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.

The amounts of revenue recognized in the previous consolidated fiscal year that were included in the contract liability balances at the beginning of the year are 21,162 thousand yen. In addition, the amounts of revenue recognized in the current consolidated fiscal year that were included in the contract liability balances at the beginning of the year are 195,013 thousand yen.

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 water treatment FRP pressure vessels, 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 polarization control 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, 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.

Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)

(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	25,105,697	10,601,698	2,532,845	3,535,427	41,775,670	338,813	42,114,483
Inter-segment sales or transfers	—	—	—	—	—	907,946	907,946
Net sales	25,105,697	10,601,698	2,532,845	3,535,427	41,775,670	1,246,759	43,022,429
Segment profit	260,132	1,476,470	314,815	940,287	2,991,706	199,020	3,190,726
Segment assets	35,947,462	11,028,442	2,743,730	3,620,968	53,340,604	1,707,779	55,048,383
Other							
Depreciation	1,613,468	205,173	115,239	96,951	2,030,831	22,751	2,053,583
Increase in property, plant and equipment and intangible assets	2,567,110	517,741	52,721	134,168	3,271,742	11,748	3,283,491

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	42,417,058	41,775,670
Net sales in the category "Other"	1,143,977	1,246,759
Elimination of inter-segment transactions	△ 838,889	△ 907,946
Net sales shown on the consolidated financial statements	42,722,145	42,114,483

(Thousands of yen)

Profit	Previous consolidated fiscal year	Current consolidated fiscal year
Total of reportable segments	3,747,957	2,991,706
Profit in the category "Other"	148,085	199,020
Elimination of inter-segment transactions	4,297	6,265
Unallocated corporate expenses (See Note)	△ 1,640,820	△ 1,683,849
Adjustment of inventories	△ 31,414	△ 29,365
Operating profit shown on the consolidated financial statements	2,228,105	1,483,777

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	51,301,195	53,340,604
Assets in the category "Other"	1,198,161	1,707,779
Elimination of claims to administrative departments of the head office	△ 348,554	△ 601,907
Unallocated corporate assets (See Note)	15,540,339	14,399,572
Adjustment of inventories	△ 31,414	△ 29,365
Total assets shown on the consolidated financial statements	67,659,726	68,816,683

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	2,099,161	2,030,831	21,565	22,751	169,662	152,968	2,290,388	2,206,551
Increase in property, plant and equipment and intangible assets	4,350,987	3,271,742	21,307	11,748	165,160	165,563	4,537,455	3,449,055

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, 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

Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)

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	25,105,697	10,601,698	2,532,845	3,535,427	338,813	42,114,483

2. Information by region

(1) Net sales

(Thousands of yen)

Japan	P.R. China	Other country or region	Total
18,378,391	12,490,626	11,245,465	42,114,483

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
10,850,913	3,179,193	3,070,127	861,709	17,961,943

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.

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

Previous 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 losses	—	19,332	—	—	—	—	19,332

Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)

(Thousands of yen)

	Electronic materials	Industrial application structural materials	Electrical insulating materials	Display materials	Other	Unallocated/ Eliminated	Total
Impairment losses	—	15,524	—	—	—	—	15,524

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

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

No applicable matter.

Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)

No applicable matter.

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

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

No applicable matter.

Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)

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, 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.

Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)

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	Yuta Arisawa	—	—	President and Representative Director of the Company	0.39% directly held	—	Granting restricted stock	19,999	—	—

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

It is restricted stocks allotted by the resolution of the Board of Directors' Meeting held on June 29, 2023 under the "restricted stock compensation system" that the 73rd Ordinary General Meeting of Shareholders held on June 25, 2021 passed a resolution to introduce. The amount of transaction is measured 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.

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, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
Net assets per share	1,422.43 yen	1,394.08 yen
Basic earnings per share	86.46 yen	49.51 yen
Diluted earnings per share	86.24 yen	49.46 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, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
Basic earnings per share		
Profit attributable to owners of parent (Thousands of yen)	2,856,481	1,639,772
Amount not attributable to common stockholders (Thousands of yen)	—	—
Profit attributable to owners of parent pertaining to common stock (Thousands of yen)	2,856,481	1,639,772
Average number of shares of common stock during the year	33,036,799	33,121,675
Diluted earnings per share		
Adjustment of profit attributable to owners of parent (Thousands of yen)	—	—
Increase in the number of shares of common stock	85,741	32,644
(Number of shares subject to stock acquisition rights included in the figure above)	(85,741)	(32,644)
Outline of dilutive shares that were not included in the calculation of diluted earnings per share due to a lack of dilutive effect	—	—

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 (88,066 shares for the previous consolidated fiscal year and 83,536 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.	Second series unsecured bond (Private placement bond)	April 28, 2017	27,600 (16,800)	10,800 (10,800)	0.25	None	May 24, 2024
Total	—	—	27,600 (16,800)	10,800 (10,800)	—	—	—

Note: 1. The parenthesized figures represent the outstanding balance of redemptions due within one 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)
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	5,056,253	5,301,635	1.39	---
Current portion of long-term borrowings	1,843,441	3,120,516	1.49	---
Current portion of lease liabilities	129,172	130,047	6.02	---
Long-term borrowings (excluding the current portion)	2,723,471	1,970,976	1.13	2025 to 2030
Lease liabilities (excluding the current portion)	460,601	354,223	2.92	2025 to 2038
Total	10,212,940	10,877,399	—	---

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) and lease liabilities (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	915,076	899,584	76,605	35,600
Lease liabilities	100,358	61,595	25,534	14,556

[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)	9,494,400	19,895,480	30,859,791	42,114,483
Profit (loss) before income taxes (Thousands of yen)	△171,798	855,120	1,348,694	2,072,487
Profit (loss) attributable to owners of parent (Thousands of yen)	△201,807	563,444	981,699	1,639,772
Earnings (loss) per share (Yen)	△6.10	17.02	29.64	49.51

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Earnings (loss) per share (Yen)	△6.10	23.10	12.62	19.86

2. Financial Statements, etc.

(1) Financial Statements

1) Balance Sheets

(Thousands of yen)

	Previous business year (As of March 31, 2023)		Current business year (As of March 31, 2024)	
Assets				
Current assets				
Cash and deposits		12,111,983		9,995,167
Notes receivable-trade	*2	171,507	*5	162,221
Accounts receivable-trade	*2	6,724,426	*2	9,202,923
Contract assets		214,793		102,212
Electronically recorded monetary claims-operating		284,903		405,716
Merchandise and finished goods		3,080,050		2,296,520
Work in process		1,127,966		1,308,257
Raw materials and supplies		1,748,133		1,769,205
Prepaid expenses		85,300		58,780
Accrued revenue	*2	5,547	*2	1,300
Short-term loans receivable from subsidiaries and associates		1,580,249		1,318,243
Other	*2	501,701	*2	704,740
Allowance for doubtful accounts		△556,764		△606,764
Total current assets		27,079,799		26,718,525
Non-current assets				
Property, plant and equipment				
Buildings	*1	3,569,788	*1	3,493,523
Structures	*1	420,802	*1	441,712
Machinery and equipment	*1	1,907,932	*1	2,046,433
Vehicles		22,616		20,385
Tools, furniture and fixtures	*1	223,657	*1	202,043
Land	*1	1,477,753	*1	1,515,389
Leased assets		287,895		241,570
Construction in progress		1,435,163		1,381,061
Total property, plant and equipment		9,345,610		9,342,120

(Thousands of yen)

	Previous business year (As of March 31, 2023)	Current business year (As of March 31, 2024)
Intangible assets		
Software	103,329	251,274
Other	11,063	10,844
Total intangible assets	114,392	262,118
Investments and other assets		
Investment securities	1,082,143	1,007,719
Shares of subsidiaries and associates	11,396,735	11,176,354
Long-term prepaid expenses	42,783	23,884
Deferred tax assets	185,473	169,830
Other	123,617	141,088
Allowance for doubtful accounts	△4,669	△4,157
Total investments and other assets	12,826,083	12,514,719
Total non-current assets	22,286,086	22,118,958
Total assets	49,365,886	48,837,484
Liabilities		
Current liabilities		
Notes payable-trade	*2 41,989	*5 31,767
Accounts payable-trade	*2 2,520,256	*2 4,121,981
Electronically recorded obligations-operating	*2 1,364,483	*2,*5 1,670,543
Short-term borrowings	*4 2,940,000	*4 3,040,000
Accounts payable-other	*2 686,010	*2 752,163
Accrued expenses	98,337	106,404
Income taxes payable	399,971	59,107
Unearned revenue	2,699	2,696
Lease liabilities	88,409	86,554
Deposits received	28,204	28,354
Provision for bonuses	340,021	405,425
Other	442,344	※ 5 400,741
Total current liabilities	8,952,728	10,705,740

(Thousands of yen)

	Previous business year (As of March 31, 2023)	Current business year (As of March 31, 2024)
Non-current liabilities		
Provision for share awards	50,449	68,536
Provision for retirement benefits	472,042	399,788
Provision for loss on guarantees	47,737	—
Lease liabilities	171,346	84,792
Asset retirement obligations	29,344	29,526
Other	69,011	56,930
Total non-current liabilities	839,932	639,572
Total liabilities	9,792,660	11,345,313
Net assets		
Shareholders' equity		
Share capital	7,847,873	7,862,036
Capital surplus		
Legal capital surplus	6,959,865	6,974,027
Total capital surplus	6,959,865	6,974,027
Retained earnings		
Legal retained earnings	748,262	748,262
Other retained earnings		
Reserve for tax purpose reduction entry of non-current assets	14,145	13,348
General reserve	18,020,000	18,020,000
Retained earnings brought forward	5,943,206	3,786,390
Total retained earnings	24,725,614	22,568,000
Treasury shares	△512,975	△460,640
Total shareholders' equity	39,020,377	36,943,425
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	501,604	521,326
Total valuation and translation adjustments	501,604	521,326
Share acquisition rights	51,243	27,419
Total net assets	39,573,225	37,492,171
Total liabilities and net assets	49,365,886	48,837,484

2) Statements of Income

(Thousands of yen)

	Previous business year (From April 1, 2022 to March 31, 2023)		Current business year (From April 1, 2023 to March 31, 2024)	
Net sales	*1	25,752,751	*1	26,560,532
Cost of sales	*1	21,872,826	*1	22,636,060
Gross profit		3,879,924		3,924,472
Selling, general and administrative expenses	*1,*2	2,781,469	*1,*2	3,018,587
Operating profit		1,098,455		905,884
Non-operating income				
Interest and dividend income	*1	988,367	*1	298,628
Rental income	*1	333,615	*1	308,183
Foreign exchange gains		184,546		116,595
Other	*1	333,609	*1	102,490
Total non-operating income		1,840,138		825,898
Non-operating expenses				
Interest expenses	*1	29,477	*1	25,385
Rental expenses		285,201		260,844
Provision of allowance for doubtful accounts	*1	249,616	*1	49,488
Other		8,511		13,429
Total non-operating expenses		572,807		349,148
Ordinary profit		2,365,786		1,382,634
Extraordinary income				
Gain on sale of investment securities		1,304,728		497,362
Other		45,036		19,464
Total extraordinary income		1,349,765		516,826
Extraordinary losses				
Loss on retirement of non-current assets		91,435		43,298
Loss on sale of investment securities		51,079		—
Impairment losses		19,332		15,524
Loss on disaster		—		7,686
Total extraordinary losses		161,847		66,509
Profit before income taxes		3,553,704		1,832,951
Income taxes-current		837,469		331,839
Income taxes-deferred		42,386		6,987
Total income taxes		879,855		338,827
Profit		2,673,848		1,494,123

3) Statements of Changes in Shareholders' Equity and Other Net Assets
Previous business year (From April 1, 2022 to March 31, 2023)

(Thousands of yen)

	Shareholders' equity							
	Share capital	Capital surplus		Legal retained earnings	Retained earnings			
		Legal capital surplus	Total capital surplus		Other retained earnings			Total retained earnings
					Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of period	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							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 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 period	△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		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 period	△512,975	39,020,377	501,604	501,604	51,243	39,573,225

Current business year (From April 1, 2023 to March 31, 2024)

(Thousands of yen)

(Thousands of yen)

	Shareholders' equity							
	Share capital	Capital surplus		Retained earnings				
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
					Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of period	7,847,873	6,959,865	6,959,865	748,262	14,145	18,020,000	5,943,206	24,725,614
Changes during period								
Issuance of new shares	14,162	14,162	14,162					
Reversal of reserve for tax purpose reduction entry of non-current assets					△797		797	—
Dividends of surplus							△3,649,595	△3,649,595
Profit							1,494,123	1,494,123
Purchase of treasury shares								
Disposal of treasury shares							△2,142	△2,142
Net changes in items other than shareholders' equity								
Total changes during period	14,162	14,162	14,162		△797		△2,156,816	△2,157,613
Balance at end of period	7,862,036	6,974,027	6,974,027	748,262	13,348	18,020,000	3,786,390	22,568,000

	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 period	△512,975	39,020,377	501,604	501,604	51,243	39,573,225
Changes during period						
Issuance of new shares		28,325				28,325
Reversal of reserve for tax purpose reduction entry of non-current assets		—				—
Dividends of surplus		△3,649,595				△3,649,595
Profit		1,494,123				1,494,123
Purchase of treasury shares	△269	△269				△269
Disposal of treasury shares	52,605	50,462				50,462
Net changes in items other than shareholders' equity			19,722	19,722	△23,824	△4,101
Total changes during period	52,335	△2,076,952	19,722	19,722	△23,824	△2,081,054
Balance at end of period	△460,640	36,943,425	521,326	521,326	27,419	37,492,171

[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 leased 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 leased 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) Leased assets

Leased 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.

Leased 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 shares of subsidiaries and associates	—	—
Shares of subsidiaries and associates (ThinFlex Corporation)	10,440,772	10,440,772

(2) Information regarding the significant accounting estimates of the identified items

1) Calculation method

The shares of subsidiaries and associates are shown on the balance sheets at the acquisition cost. The net asset value of the shares is measured based on the financial figures of ThinFlex Corporation, the Company's subsidiary, which are prepared in accordance with the corporate accounting standards generally accepted. If the net asset value declines significantly due to deterioration of financial positions, it is appropriately reduced.

2) Major assumptions

The net asset value of the shares is measured based on financial figures which are prepared in accordance with the corporate accounting standards generally accepted. The net asset value is significantly influenced by the necessity of impairment in the property, plant and equipment which ThinFlex Corporation and its subsidiary, TopFlex Corporation, hold. Major assumptions in assessing impairment in the property, plant and equipment which ThinFlex Corporation and TopFlex Corporation hold are stated in the "Notes (Significant Accounting Estimates)" of the consolidated financial statements.

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

If the net asset value measured based on the financial figures of ThinFlex Corporation declines significantly, there is a possibility of loss on valuation of shares of subsidiaries and associates occurring on consolidated financial statements for the next consolidated fiscal year.

(Changes in Accounting Policies)

No applicable matter.

(Changes in Presentation)

<Statements of Income>

1. "Reversal of provision for loss on guarantees", 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, 198,905 thousand yen of "Reversal of provision for loss on guarantees", 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 sale of non-current assets", 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, 3,896 thousand yen of “Gain on sale of non-current assets”, 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, 2023)		Current business year (As of March 31, 2024)	
Buildings	2,527,162	(2,527,162)	2,545,965	(2,545,965)
Structures	168,637	(168,637)	328,703	(328,703)
Machinery and equipment	610,808	(610,808)	1,230,656	(1,230,656)
Tools, furniture and fixtures	48,430	(48,430)	95,590	(95,590)
Land	266,508	(199,190)	266,508	(199,190)
Total	3,621,547	(3,554,230)	4,467,424	(4,400,107)

The parenthesized figures represent factory foundation mortgages, and there are no liabilities corresponding to the above assets subject to a security interest.

*2 Monetary receivables and payables outstanding with associated companies (excluding those separately stated) (Thousands of yen)

	Previous business year (As of March 31, 2023)	Current business year (As of March 31, 2024)
Short-term monetary receivables	421,611	785,360
Short-term monetary payables	1,314,942	1,801,128

*3 Guarantee liabilities

Accounts borrowed from financial institutions of associated companies and Guarantee liabilities for performance guarantee

(Thousands of yen)

	Previous business year (As of March 31, 2023)	Current business year (As of March 31, 2024)
Satosan Co., Ltd. (Loan guarantee)	1,057,664	1,100,000

*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.

(Thousands of yen)

	Previous business year (As of March 31, 2023)	Current business year (As of March 31, 2024)
Aggregate overdraft limit	9,500,000	9,500,000
Drawdowns	2,000,000	2,000,000
Balance of unexecuted loans	7,500,000	7,500,000

*5 Notes, etc. maturing at the end of the business year

For accounting treatment of notes, electronically recorded monetary claims and electronically recorded obligations maturing at the end of the business year, settlement is made as of the clearing date of each note or as of the settlement date of each electronically recorded monetary claim and electronically recorded obligation, as the case may be. As the end of the current business year falls on a bank holiday, the following notes, electronically recorded monetary claims and electronically recorded obligations maturing at the end of the business year are included in their respective balances as of the end of the business year.

(Thousands of yen)

	Previous business year (As of March 31, 2023)	Current business year (As of March 31, 2024)
Notes and accounts receivable - trade, and contract assets	—	26,679
Notes and accounts payable-trade	—	91,474
Current liabilities and others (Non-operating notes payable, Electronically recorded obligations-non-operating)	—	21,536

(Notes Related to Statements of Income)

*1 Volume of transactions with associated companies

(Thousands of yen)

	Previous business year (From April 1, 2022 to March 31, 2023)	Current business year (From April 1, 2023 to March 31, 2024)
Gross operating transaction volume		
Net sales	1,508,516	2,033,719
Value of goods laid in	3,885,411	4,329,740
Gross non-operating transaction volume	1,619,301	659,389

- *2 Approximately 46% of the amount of selling, general and administrative expenses recorded for the previous business year falls under selling expenses, while the remaining 54% falls under general and administrative expenses. Approximately 47% of the amount of selling, general and administrative expenses recorded for the current business year falls under selling expenses, while the remaining 53% falls under general and administrative expenses. The major items of selling, general and administrative expenses and their respective amounts are as follows.

	(Thousands of yen)	
	Previous business year (From April 1, 2022 to March 31, 2023)	Current business year (From April 1, 2023 to March 31, 2024)
Salaries and allowances	640,556	658,363
Provision for bonuses	73,478	90,693
Retirement benefit expenses	50,558	56,290
Freightage and packing expenses	739,325	852,563
Depreciation	86,421	80,608
Other	1,191,129	1,280,067

(Notes Related to Securities)

Equity stakes in subsidiaries and affiliated companies

Previous 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	Previous business year
Equity stakes in subsidiaries	11,176,354
Equity stakes in affiliated companies	220,380

Current business year (As of March 31, 2024)

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	0

(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, 2023)	Current business year (As of March 31, 2024)
Deferred tax assets		
Loss on valuation of investment securities	396,165	330,598
Impairment losses	258,181	241,555
Allowance for doubtful accounts	171,237	186,331
Provision for bonuses	103,706	123,654
Provision for retirement benefits	143,973	121,935
Loss on valuation of inventories	102,305	110,395
Other	190,146	149,978
Deferred tax assets subtotal	1,365,714	1,264,448
Valuation allowance	△950,526	△859,196
Deferred tax assets total	415,188	405,251
Deferred tax liabilities		
Valuation difference on available-for-sale securities	△220,128	△228,783
Other	△9,586	△6,638
Deferred tax liabilities total	△229,714	△235,421
Net amount of deferred tax assets (liabilities)	185,473	169,830

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, 2023)	Current business year (As of March 31, 2024)
Normal effective statutory tax rate	30.5%	30.5%
(Adjustments)		
Increase (decrease) in valuation allowance	0.1%	△5.0%
Special tax deductions	△1.0%	△5.0%
Items permanently excluded from taxable income	△7.1%	△4.0%
Items permanently excluded from tax-deductible expenses	1.3%	1.0%
Other	1.0%	1.0%
Effective income tax rate after tax effect accounting	24.8%	18.5%

(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 beginning of period	Amount of increase in current period	Amount of decrease in current period	Amount of depreciation or amortization in current period	Balance at end of period	Accumulated depreciation or accumulated amortization
Property, plant and equipment	Buildings	3,569,788	203,860	3,549	276,574	3,493,523	11,696,605
	Structures	420,802	68,450	354	47,185	441,712	1,311,723
	Machinery and equipment	1,907,932	802,099	11,850 (11,379)	651,748	2,046,433	21,869,423
	Vehicles	22,616	8,042	0	10,273	20,385	211,105
	Tools, furniture and fixtures	223,657	77,184	4,494 (4,145)	94,304	202,043	1,584,289
	Land	1,477,753	37,635	—	—	1,515,389	—
	Leased assets	287,895	△1,322	—	45,002	241,570	193,161
	Construction in progress	1,435,163	1,523,516	1,577,617	—	1,381,061	—
	Total property, plant and equipment	9,345,610	2,719,466	1,597,867 (15,524)	1,125,089	9,342,120	36,866,308
Intangible assets	Software	103,329	195,830	—	47,885	251,274	—
	Other	11,063	—	—	218	10,844	—
	Total intangible assets	114,392	195,830	—	48,104	262,118	—

Note: 1. Key components of the increase in the current period are as follows.

(Thousands of yen)

Machinery and equipment	Electronic materials manufacturing facilities	709,336
	Display materials manufacturing facilities	28,894
Construction in progress	Industrial application structural materials manufacturing facilities	27,899
	Electronic materials manufacturing facilities	1,093,401
	Industrial application structural materials manufacturing facilities	97,105
	Electrical insulating materials manufacturing facilities	57,643

2. Key components of the decrease in the current period are as follows.

(Thousands of yen)

Construction in progress	Transfer to the main account	1,195,950
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3. The amount in parentheses in the “Amount of decrease in current period” column is the amount of impairment losses.

[Schedule of allowances and provisions]

(Thousands of yen)

Item	Balance at beginning of period	Amount of increase in current period	Amount of decrease in current period	Balance at end of period
Allowance for doubtful accounts	561,433	609,969	560,481	610,921
Provision for bonuses	340,021	405,425	340,021	405,425
Provision for loss on guarantees	47,737	—	47,737	—
Provision for share awards	50,449	22,311	4,224	68,536

(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 1-4-5, Marunouchi, Chiyoda-ku, 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, 2022 to March 31, 2023 (The 75th Term)
Submitted to the Director-General of the Kanto Local Finance Bureau on June 30, 2023.
- (2) Internal Control Report and documents attached thereto
Submitted to the Director-General of the Kanto Local Finance Bureau on June 30, 2023.
- (3) Quarterly Report and Confirmation Letter
(The First Quarter of the 76th Term) (From April 1, 2023 to June 30, 2023)
Submitted to the Director-General of the Kanto Local Finance Bureau on August 10, 2023.
(The Second Quarter of the 76th Term) (From July 1, 2023 to September 30, 2023)
Submitted to the Director-General of the Kanto Local Finance Bureau on November 14, 2023.
(The Third Quarter of the 76th Term) (From October 1, 2023 to December 31, 2023)
Submitted to the Director-General of the Kanto Local Finance Bureau on February 14, 2024.
- (4) Extraordinary Report
Submitted to the Director-General of the Kanto Local Finance Bureau on July 4, 2023.
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).

Submitted to the Director-General of the Kanto Local Finance Bureau on October 10, 2023.
This is an Extraordinary Report under the provisions of Article 19, paragraph 2, item 4 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc. (Change of major shareholders).

Submitted to the Director-General of the Kanto Local Finance Bureau on June 28, 2024.
This is an Extraordinary Report under the provisions of Article 19, paragraph 2, item 4 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc. (Change of major shareholders).

**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 27, 2024

To the Board of Directors of Arisawa Mfg. Co., Ltd.

Ernst & Young ShinNihon LLC
Niigata office

Yoshiyuki Sakuma
Designated Limited Liability Partner and Engagement Partner,
Certified Public Accountant

Ken Takahashi
Designated Limited Liability Partner and Engagement Partner,
Certified Public Accountant

<Audit of Consolidated 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, 2023 to March 31, 2024, 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 the 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, 2024 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.

Impairment of Non-current Assets of Consolidated Subsidiaries	
Details of Key Audit Matters and Reasons for Decisions	Audit Response
<p>As stated in the Notes (Significant Accounting Estimates), the Company has determined in the consolidated fiscal year that there is an indication of impairment in the property, plant and equipment of 6,250,485 thousand yen of ThinFlex Corporation and TopFlex Corporation of our Group due to a decrease in demands for electronic materials and a decline in profitability along with the stagnation of Chinese economy. However, the impairment losses are not recognized because the value in use, which is a recoverable amount that can be gained from such subsidiaries as a cash-generating unit, exceeds the carrying amount. The property, plant and equipment of 6,250,485 thousand yen of ThinFlex Corporation and TopFlex Corporation of our Group accounts for 9.1% in the consolidated assets.</p> <p>The value in use is measured with the discounted present value of future cash flow for the next five years based on a business plan approved by management. The major assumptions of such future cash flow estimates are sales growth rates and gross profit margins as stated in the “Notes (Significant Accounting Estimates)”.</p> <p>The above major assumptions of future cash flow estimates 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 by involving auditors of the constituent units in considering the impairment of non-current assets of the consolidated subsidiaries.</p> <ul style="list-style-type: none"> • We examined the consistency of future cash flows with the underlying business plan and the business plan approved by management. • We compared the prior business plans with their subsequent actual results to assess the effectiveness of process for estimates in formulating the business plans by management. • We discussed with management on the sales growth rates and gross profit margins of the major assumptions, and conducted trend analyses in the past results. In addition, we conducted sensitivity analyses taking into account future fluctuation risks. • We compared the sales growth rates with external data including information, etc. released by external agencies, and examined the assessment of future uncertainty by management.

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 also provide the Corporate Auditors and the Board of Corporate Auditors with a statement that we complied with the code of professional ethics on independence in Japan, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where countermeasures to eliminate obstacles or safeguards to reduce obstacles to an acceptable level are applicable, related countermeasures and safeguards.

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, 2024 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, 2024, 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 also provide the Corporate Auditors and the Board of Corporate Auditors with a statement that we complied with the code of professional ethics on independence in Japan, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where countermeasures to eliminate obstacles or safeguards to reduce obstacles to an acceptable level are applicable, related countermeasures and safeguards.

<Information Related to Remuneration>

The amount of remuneration for audit and attestation services and non-audit services of the Company and the subsidiaries to our company and those who belong to the same network as us is stated in “4. Status of Corporate Governance, etc., (3) Status of Audit” under “IV. Status of the Submitting Company”.

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 27, 2024

To the Board of Directors of Arisawa Mfg. Co., Ltd.

Ernst & Young ShinNihon LLC
Niigata office

Yoshiyuki Sakuma
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 financial statements of Arisawa Mfg. Co., Ltd. listed in the “Status of Accounting” for the 76th business year from April 1, 2023 to March 31, 2024, 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, 2024 and the results of its operations for the business year ended March 31, 2024 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 Shares of Subsidiaries	
Details of Key Audit Matters and Reasons for Decisions	Audit Response
<p>As stated in the Notes (Significant Accounting Estimates), the Company has recorded the shares of subsidiaries and associates of 11,176,354 thousand yen on the balance sheets as of the end of the current business year, which include the shares of ThinFlex Corporation of 10,440,772 thousand yen. Such shares of 10,440,772 thousand yen account for 21.3% in the total assets.</p> <p>The shares of subsidiaries and associates are shown on the balance sheets at the acquisition cost. If the net asset value declines significantly due to deterioration of financial positions, it is appropriately reduced, except the case that recoverability is supported by sufficient evidence.</p> <p>If, in measuring the net asset value of the shares of ThinFlex Corporation, the results of valuation of impairment in the property, plant and equipment which ThinFlex Corporation and its subsidiary, TopFlex Corporation, hold have a significant impact and the impairment losses are shown, the net asset value of such subsidiary may decline significantly.</p> <p>The major assumptions in assessing the impairment in the property, plant and equipment which ThinFlex Corporation and TopFlex Corporation hold are as stated in the key audit matters described in the auditors' report of the consolidated financial statements and have a significant impact on the evaluation of the shares of subsidiaries and associates. Therefore, we have determined that these matters constitute key audit matters.</p>	<p>We principally performed the following audit procedures by involving auditors of the constituent units in considering the valuation of the shares of ThinFlex Corporation.</p> <ul style="list-style-type: none"> • With respect to the financial information of ThinFlex Corporation and TopFlex Corporation, we verified the reliability of the financial figures. In examining such financial figures, the necessity of impairment in the property, plant and equipment is especially important, and we performed the procedures stated in the key audit matters "Impairment of Non-current Assets of Consolidated Subsidiaries" in the auditors' report of the consolidated financial statements. • We recalculated whether the net asset value was calculated based on the financial figures of the subsidiaries.

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 also provide the Corporate Auditors and the Board of Corporate Auditors with a statement that we complied with the code of professional ethics on independence in Japan, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where countermeasures to eliminate obstacles or safeguards to reduce obstacles to an acceptable level are applicable, related countermeasures and safeguards.

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.

<Information Related to Remuneration>

Information related to remuneration is stated in the auditors' report of the consolidated financial statements.

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.

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.