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***Kaga Electronics Co., Ltd.  
and Consolidated Subsidiaries***

*Consolidated Financial Statements for the  
Year Ended March 31, 2023  
and Independent Auditor's Report*



## **Independent Auditor's Report**

To the Board of Directors of Kaga Electronics Co., Ltd.

### **Opinion**

We have audited the consolidated financial statements of Kaga Electronics Co., Ltd. and its subsidiaries (the "Group" or the "Company"), which comprise the consolidated balance sheet as of March 31, 2023, and the consolidated statement of income and comprehensive income, the consolidated statement of changes in net assets and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### **Basis for Opinion**

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

### **Key Audit Matters**

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

Revenue recognition and valuation of inventories related to transactions with EuroTec Japan, Inc., and estimation of allowance for doubtful accounts (Notes to consolidated financial statements, 2. c. Inventories) (Notes to consolidated financial statements, 2.j. Allowance for doubtful accounts) (Notes to consolidated financial statements, 2.o. Recognition of significant revenue and expense) (Notes to consolidated financial statements, 2.p. Significant Accounting Estimates) 1. Valuation of inventories related to transactions with EuroTec Japan, Inc.	
Key audit matter description	How our audit addressed the key audit matter
<p>In the electronic components business, the Company that sells rotorcrafts recorded inventory transactions with EuroTec Japan, Inc. (“EuroTec”) 867 million yen (0.3% of total consolidated assets, 2,243 million yen in the previous consolidated fiscal year). The Company has also recorded allowance for doubtful accounts of 4,387 million yen (1,868 million yen in the previous consolidated fiscal year) against the outstanding receivables balance of 6,570 million yen (2.3% of total consolidated assets, 2,256 million in the previous consolidated fiscal year) related to EuroTec.</p> <p>The revenue related to rotorcrafts is recognized when the goods are delivered to the customers since the legal ownership of goods, significant risks associated with its ownership, and its economic value are transferred, and performance obligation is satisfied. The Company writes down the carrying value of inventory when the net realizable value is less than its cost. EuroTec is undergoing legal proceedings under the Civil Rehabilitation Act, and the Company’s inventories for which the sales orders were cancelled were evaluated at net realizable value based on appraised value that the market approach in the basis of the future demand forecast and used-market price trends. In addition, for inventory assets for which orders continue to be received, the net selling price is calculated by considering EuroTec's cash flow prospects in the contract amount.</p> <p>Additionally, the Company recorded the estimated uncollectible amount as the allowance for doubtful accounts for EuroTec using the financial condition evaluation method.</p> <p>The sales transaction of rotorcraft ordered from Eurotech was a new business for the Company with quantitative significance and under an agreement that was ongoing since before the previous consolidated fiscal year. Therefore, it is necessary for the Company to carefully examine</p>	<p>In order to evaluate the appropriateness of revenue recognition for transactions from EuroTec, we performed the following principal audit procedures:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding, evaluated the design and implementation, and tested the operating effectiveness of internal controls related to revenue recognition of rotorcrafts.</li> <li>• In order to evaluate collectability of consideration for the revenue recognition from EuroTech, which is undergoing legal proceedings under the Civil Rehabilitation Act, we performed the inspection of the agreement with EuroTech, sales contracts between EuroTech and its end user, and the payment vouchers for the sales.</li> <li>• In order to evaluate the validity of occurrence and cutoff for the sales of rotorcrafts, we performed an inspection of aircraft registration certificates and the receipt.</li> </ul> <p>In order to evaluate the valuation of inventory for transactions from EuroTec and the estimated allowance for doubtful accounts related to receivables due from EuroTec, we performed the following principal audit procedures:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding, evaluated the design and implementation, and tested the operating effectiveness of internal controls related to the valuation of inventory for rotorcrafts and the estimated allowance for doubtful accounts.</li> <li>• In order to evaluate the reasonableness of the estimate of the net selling price of rotorcrafts, we performed the following principal audit procedures: <ul style="list-style-type: none"> <li>- We asked the management to compare the future demand forecast and used-market price trends, and ensured consistency of market distribution situation and used-aircraft market price data including rotorcrafts and sales in the pre-owned aircraft market.</li> </ul> </li> </ul>



<p>whether the revenue recognition is appropriate. The Company determined the net realizable value of inventories and the estimated uncollectible amount for receivables by taking into consideration of the future demand forecast for rotorcraft, used-market price trends, and EuroTec's proposed reproduction plan.</p> <p>These estimates are subject to a high degree of uncertainty, and may be subject to significant management judgment. Therefore, we determined that the matter is a key audit matter.</p>	<ul style="list-style-type: none"> <li>• In order to evaluate the reasonableness of the estimated allowance for doubtful accounts related to receivables, we performed the following principal audit procedures: <ul style="list-style-type: none"> <li>- In calculating the estimated allowance for doubtful accounts of receivables, we confirmed the consistency with Eurotech's proposed rehabilitation plan used by the Company regarding the estimated uncollectible amount for rehabilitation claims of the receivables for EuroTech.</li> <li>- With regard to the other receivables, we vouched the available information of the proceeds from the sales to the end users of rotorcrafts, which is the source of collected funds.</li> </ul> </li> </ul>
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Valuation of unlisted securities shares including venture capital investments (Notes to consolidated financial statements, 2.p Significant Accounting Estimates) 2. Evaluation of unlisted securities, including venture investments	
Key audit matter description	How our audit addressed the key audit matter
<p>The Group invests in newly formed companies in growth markets such as electronic devices for vehicles, environmentally friendly technology solutions, communications, and new markets such as medical/healthcare to generate innovation.</p> <p>As of March 31, 2023, the Group recorded investment securities, including unlisted securities, of 1,058 million yen (0.4% of total consolidated assets) on the consolidated balance sheet, and a loss on valuation of investment securities of 348 million yen (1.1% of income before income tax) on the consolidated statements of income and comprehensive income.</p> <p>With respect to unlisted securities, investments in venture companies may be acquired at a higher price than the net asset value, reflecting the future economic benefits arising from the investee's operations. The recent performance of the investee is compared to the medium-to-long term business plan obtained at the time of acquisition. If the projected future economic benefits have significantly declined and are no longer expected to be realized, a valuation loss is recorded. The Company and its consolidated subsidiaries recognize valuation losses only when the actual value of the assets has declined significantly.</p> <p>The assumptions used in the assessment of investment securities include unlisted securities shares that involve management's judgment and because of the high degree of estimation uncertainty and the quantitative significance of the investment securities balance, judgment is required for the evaluation. Therefore, we determined that this matter is a key audit matter.</p>	<p>In order to evaluate the investment securities including unlisted securities, we performed the following principal audit procedures:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding, evaluated the design and implementation and tested the operating effectiveness of internal controls related to the process of the valuation of investments in venture companies including the valuation loss of the excess earning capacity.</li> <li>• We inquired of officers and management of the Company regarding the assessment process of investments in venture companies at the time of acquisition and the most recent financial status and operating results. We inspected the results of the analysis conducted by the Company on future business environment forecasts and other factors. In addition, we inquired about the impact on the valuation of securities due to estimates of the excess earning capacity of investee companies.</li> <li>• We obtained the assessment prepared by management and considered whether the Company should recognize any impairment. In addition, we compared the forecasted financial projections developed by the investees' management to the valuation of the investments.</li> <li>• We inspected the evidence related to the value at the acquisition to verify the accuracy of the acquisition cost.</li> </ul>



## **Other Information**

The other information comprises the information included in a document containing audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon. We have determined that there is no other information and thus have not performed any work on other information.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as applicable, matters related to going concern.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's



report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

### **Convenience translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.



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

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Kensuke Koda  
Designated Engagement Partner  
Certified Public Accountant

Masaki Nitta  
Designated Engagement Partner  
Certified Public Accountant

PricewaterhouseCoopers Aarata LLC  
November 30, 2023

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original report is kept separately by the Company.



**Kaga Electronics Co., Ltd. and Consolidated Subsidiaries**  
**Consolidated Balance Sheet**  
**At March 31, 2023**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
<u>ASSETS</u>	<u>2022</u>	<u>2023</u>	<u>2023</u>
<b>CURRENT ASSETS:</b>			
Cash and bank deposits	¥ 41,051	¥ 52,600	\$ 393,923
Notes receivable-trade	1,449	1,534	11,492
Electronically recorded monetary claims	9,258	9,683	72,517
Accounts receivable-trade	110,240	117,881	882,810
Short-term investment securities	264	195	1,463
Merchandise and finished goods	46,230	41,375	309,855
Work in process	2,363	2,277	17,056
Raw materials and supplies	14,013	12,552	94,007
Others	9,388	7,624	57,098
Allowance for doubtful accounts	(275)	(153)	(1,147)
Total CURRENT ASSETS	<u>233,984</u>	<u>245,572</u>	<u>1,839,077</u>
<b>NONCURRENT ASSETS:</b>			
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Buildings and structures	15,033	15,680	117,434
Accumulated depreciation	(8,108)	(8,990)	(67,326)
Buildings and structures, net	<u>6,925</u>	<u>6,690</u>	<u>50,107</u>
Machinery, equipment and vehicles	14,181	16,187	121,226
Accumulated depreciation	(8,132)	(9,721)	(72,800)
Machinery, equipment and vehicles, net	<u>6,048</u>	<u>6,466</u>	<u>48,426</u>
Tools, furniture and fixtures	5,697	5,880	44,042
Accumulated depreciation	(4,667)	(4,777)	(35,780)
Tools, furniture and fixtures, net	<u>1,030</u>	<u>1,103</u>	<u>8,261</u>
Land	5,074	5,859	43,881
Construction in progress	313	39	292
Total PROPERTY, PLANT AND EQUIPMENT	<u>19,393</u>	<u>20,158</u>	<u>150,969</u>
<b>INTANGIBLE ASSETS</b>			
Goodwill	98	48	363
Software	3,021	2,617	19,601
Others	42	36	270
Total INTANGIBLE ASSETS	<u>3,163</u>	<u>2,702</u>	<u>20,235</u>
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities ※1	10,313	12,144	90,949
Deferred tax assets	2,189	2,162	16,193
Guarantee deposits	1,068	1,280	9,587
Insurance funds	915	920	6,892
Distressed receivables	2,295	4,842	36,263
Others	1,171	1,298	9,727
Allowance for doubtful accounts	(2,355)	(4,864)	(36,426)
Total INVESTMENTS AND OTHER ASSETS	<u>15,598</u>	<u>17,784</u>	<u>133,187</u>
Total NONCURRENT ASSETS	<u>38,155</u>	<u>40,645</u>	<u>304,391</u>
Total ASSETS	<u>¥ 272,139</u>	<u>¥ 286,217</u>	<u>\$ 2,143,469</u>

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Balance Sheet

At March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES	2022	2023	2023
CURRENT LIABILITIES:			
Notes and accounts payable-trade	¥ 86,493	¥ 79,232	\$ 593,371
Short-term loans payable	23,858	19,585	146,674
Accrued expenses	7,138	8,400	62,907
Income taxes payable	2,834	6,011	45,018
Provision for directors' bonuses	301	465	3,485
Others ※2	12,291	13,852	103,739
Total CURRENT LIABILITIES	132,918	127,547	955,196
NONCURRENT LIABILITIES:			
Bonds payable	-	10,000	74,889
Long-term loans payable	25,136	10,600	79,382
Deferred tax liabilities	2,046	2,634	19,728
Provision for directors' retirement benefits	123	143	1,073
Net defined benefit liabilities	2,095	2,148	16,092
Asset retirement obligations	572	627	4,701
Others	3,446	2,778	20,805
Total NONCURRENT LIABILITIES	33,421	28,932	216,673
Total LIABILITIES	166,339	156,479	1,171,870
NET ASSETS:			
SHAREHOLDERS' EQUITY			
Share capital	12,133	12,133	90,867
Capital surplus	14,818	14,820	110,988
Retained earnings	77,423	95,945	718,532
Treasury shares	(5,643)	(5,614)	(42,043)
Total SHAREHOLDERS' EQUITY	98,732	117,285	878,345
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Changes in the fair value of available-for-sale securities	1,299	2,534	18,977
Deferred gains or losses on hedges	(2)	(18)	(141)
Foreign currency translation adjustment	5,439	9,568	71,655
Remeasurements of defined benefit obligations	210	239	1,792
Total ACCUMULATED OTHER COMPREHENSIVE INCOME	6,948	12,322	92,283
Non-controlling interests	120	129	970
Total NET ASSETS	105,800	129,737	971,599
Total LIABILITIES AND NET ASSETS	¥ 272,139	¥ 286,217	\$ 2,143,469

The accompanying notes are an integral part of these financial statements.

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statement of Income and Comprehensive Income For the Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2023	2023
Net sales ※1	¥ 495,827	¥ 608,064	\$ 4,553,769
Cost of sales ※2, 4	435,280	529,550	3,965,776
Gross profit	60,547	78,514	587,992
Selling, general and administrative expenses ※3, 4	39,632	46,265	346,476
Operating income	20,915	32,249	241,516
NON-OPERATING INCOME			
Interest income	135	211	1,582
Dividend income	195	279	2,091
Commission fee	183	227	1,701
Foreign exchange gains	252	107	805
House rent income	104	126	947
Share of profit of entities accounted for using equity method	-	97	732
Others	572	412	3,087
Total NON-OPERATING INCOME	1,443	1,461	10,948
NON-OPERATING EXPENSES			
Interest expenses	315	748	5,602
Share of loss of entities accounted for using equity method	472	-	-
Others	114	223	1,673
Total NON-OPERATING EXPENSES	902	971	7,276
Ordinary income	21,456	32,739	245,188
EXTRAORDINARY INCOME			
Gain on sales of property, plant and equipment ※5	15	20	151
Gain on sales of investment securities	363	626	4,694
Gain on transfer of business	7	-	-
Gain on revision of retirement benefit plan	-	126	943
Gain on reversal of estimated loss of funds from U.S. subsidiary	176	-	-
Others	34	1	7
Total EXTRAORDINARY INCOME	596	774	5,797
EXTRAORDINARY LOSS			
Impairment loss ※7	93	644	4,823
Loss on disposal of property, plant and equipment ※6	13	37	277
Loss on sales of investment securities	2	12	95
Loss on valuation of investment securities	260	348	2,609
Loss on liquidation of subsidiaries and associates	175	-	-
Provision of allowance for doubtful accounts	129	-	-
Others	29	11	88
Total EXTRAORDINARY LOSS	¥ 705	¥ 1,054	\$ 7,893

## Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

### Consolidated Statement of Income and Comprehensive Income For the Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2022</u>	<u>2023</u>	<u>2023</u>
Income before income taxes	¥ 21,348	¥ 32,460	\$ 243,092
Income taxes-current	5,071	9,197	68,883
Income taxes-deferred	606	167	1,258
Total income taxes	<u>5,678</u>	<u>9,365</u>	<u>70,141</u>
Net income	15,669	23,094	172,951
Profit attributable to owners of the parent	15,401	23,070	172,776
Profit attributable to non-controlling interests	268	23	174
OTHER COMPREHENSIVE INCOME			
Changes in the fair value of available-for-sale securities	(78)	1,235	9,252
Deferred gains or losses on hedges	(52)	(16)	(126)
Foreign currency translation adjustment	4,922	4,033	30,206
Remeasurements of defined benefit obligations, net of tax	188	28	212
Share of other comprehensive income of entities accounted for using equity method	95	97	731
Total OTHER COMPREHENSIVE INCOME ※5	<u>5,075</u>	<u>5,378</u>	<u>40,276</u>
Comprehensive income	¥ 20,745	¥ 28,472	\$ 213,227
Comprehensive income attributable to:			
Owners of the parent	¥ 20,428	¥ 28,445	\$ 213,026
Non-controlling interests	316	26	200

The accompanying notes are an integral part of these financial statements.

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statement of Changes in Net Assets For the Year Ended March 31, 2023

Fiscal year ended March 31, 2022

	Millions of Yen				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	¥ 12,133	¥ 14,327	¥ 64,568	¥ (1,984)	¥ 89,045
Cumulative effects of changes in accounting policies			7		7
Restated balance	12,133	14,327	64,576	(1,984)	89,053
Changes of items during period					
Dividends from surplus			(2,554)		(2,554)
Profit attributable to owners of the parent			15,401		15,401
Purchase of treasury shares				(3,681)	(3,681)
Disposal of treasury shares		8		22	30
Change in ownership interest of parent due to transactions with non-controlling interests		481			481
Net changes of items other than shareholders' equity					
Total changes of items during period	—	490	12,847	(3,658)	9,678
Total	¥ 12,133	¥ 14,818	¥ 77,423	¥ (5,643)	¥ 98,732

	Millions of Yen						
	Accumulated other comprehensive income						
	Changes in the fair value of available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurement of defined benefit obligations	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥ 1,378	¥ 50	¥ 470	¥ 21	¥ 1,921	¥ 4,095	¥ 95,062
Cumulative effects of changes in accounting policies						1	8
Restated balance	1,378	50	470	21	1,921	4,096	95,071
Changes of items during period							
Dividends from surplus							(2,554)
Profit attributable to owners of the parent							15,401
Purchase of treasury shares							(3,681)
Disposal of treasury shares							30
Change in ownership interest of parent due to transactions with non-controlling interests							481
Net changes of items other than shareholders' equity	(79)	(53)	4,969	189	5,026	(3,976)	1,050
Total changes of items during period	(79)	(53)	4,969	189	5,026	(3,976)	10,728
Total	¥ 1,299	¥ (2)	¥ 5,439	¥ 210	¥ 6,948	¥ 120	¥ 105,800

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statement of Changes in Net Assets For the Year Ended March 31, 2023

Fiscal year ended March 31, 2023

	Millions of Yen				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	¥ 12,133	¥ 14,818	¥ 77,423	¥ (5,643)	¥ 98,732
Adjustment of hyper-inflation			45		45
Restated balance	12,133	14,818	77,469	(5,643)	98,778
Changes of items during period					
Dividends from surplus			(4,594)		(4,594)
Profit attributable to owners of the parent			23,070		23,070
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares		10		32	43
Change in ownership interest of parent due to transactions with non-controlling interests		(8)			(8)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	2	18,476	29	18,507
Total	¥ 12,133	¥ 14,820	¥ 95,945	¥ (5,614)	¥ 117,285

	Millions of Yen						
	Accumulated other comprehensive income						
	Changes in the fair value of available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurement of defined benefit obligations	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥ 1,299	¥ (2)	¥ 5,439	¥ 210	¥ 6,948	¥ 120	¥ 105,800
Adjustment of hyper-inflation							45
Restated balance	1,299	(2)	5,439	210	6,948	120	105,846
Changes of items during period							
Dividends from surplus							(4,594)
Profit attributable to owners of the parent							23,070
Purchase of treasury shares							(3)
Disposal of treasury shares							43
Change in ownership interest of parent due to transactions with non-controlling interests							(8)
Net changes of items other than shareholders' equity	1,234	(16)	4,128	28	5,374	9	5,383
Total changes of items during period	1,234	(16)	4,128	28	5,374	9	23,891
Total	¥ 2,534	¥ (18)	¥ 9,568	¥ 239	¥ 12,322	¥ 129	¥ 129,737

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statement of Changes in Net Assets For the Year Ended March 31, 2023

Fiscal year ended March 31, 2023

	Thousands of U.S. Dollars (Note 1)				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	\$ 90,867	\$ 110,971	\$ 579,821	\$ (42,260)	\$ 739,399
Adjustment of hyper-inflation			344		344
Restated balance	90,867	110,971	580,166	(42,260)	739,744
Changes of items during period					
Dividends from surplus			(34,412)		(34,412)
Profit attributable to owners of the parent			172,776		172,776
Purchase of treasury shares				(22)	(22)
Disposal of treasury shares		82		240	322
Change in ownership interest of parent due to transactions with non-controlling interests		(65)			(65)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	16	138,366	217	138,601
Total	\$ 90,867	\$ 110,988	\$ 718,532	\$ (42,043)	\$ 878,345

	Thousands of U.S. Dollars (Note 1)						
	Accumulated other comprehensive income						
	Changes in the fair value of available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurement of defined benefit obligations	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	\$ 9,732	\$ (18)	\$ 40,739	\$ 1,579	\$ 52,033	\$ 900	\$ 792,333
Adjustment of hyper-inflation							344
Restated balance	9,732	(18)	40,739	1,579	52,033	900	792,677
Changes of items during period							
Dividends from surplus							(34,412)
Profit attributable to owners of the parent							172,776
Purchase of treasury shares							(22)
Disposal of treasury shares							322
Change in ownership interest of parent due to transactions with non-controlling interests							(65)
Net changes of items other than shareholders' equity	9,245	(122)	30,915	212	40,250	70	40,320
Total changes of items during period	9,245	(122)	30,915	212	40,250	70	178,921
Total	\$ 18,977	\$ (141)	\$ 71,655	\$ 1,792	\$ 92,283	\$ 970	\$ 971,599

The accompanying notes are an integral part of these financial statements.

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statement of Cash Flows For the Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2023	2023
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES			
Income before income taxes	¥ 21,348	¥ 32,460	\$ 243,092
Depreciation and amortization	3,738	4,000	29,956
Impairment loss	93	644	4,823
Amortization of goodwill	110	54	406
Increase (Decrease) in net defined benefit liability	16	(33)	(253)
Increase in provision for directors' retirement benefits	16	20	151
Increase in provision for directors' bonuses	175	163	1,226
Increase in allowance for doubtful accounts	92	2,358	17,662
Interest and dividend income	(403)	(490)	(3,674)
Interest expenses	315	748	5,602
Share of loss (profit) of entities accounted for using equity method	472	(97)	(732)
Gain on sales of property, plant and equipment	(14)	(8)	(64)
Loss on retirement of property, plant and equipment	13	37	277
Gain on sales of investment securities	(360)	(614)	(4,599)
Loss on valuation of investment securities	260	348	2,609
Gain on reversal of estimated loss of funds from U.S. subsidiary	(187)	-	-
Increase in notes and accounts receivable-trade	(7,889)	(5,952)	(44,578)
(Increase) Decrease in inventories	(22,088)	9,316	69,773
Increase (Decrease) in notes and accounts payable-trade	2,451	(11,503)	(86,147)
Decrease in accounts receivable-other	583	2,239	16,771
Increase in accrued expenses	887	994	7,450
Decrease (Increase) in advance payments	1,349	(417)	(3,130)
(Increase) Decrease in consumption taxes refund receivable	(822)	2,340	17,530
Increase in other current assets	(264)	(741)	(5,550)
Increase in other current liabilities	2,030	393	2,949
Others, net	797	922	6,908
Subtotal	2,723	37,183	278,463
Interest and dividend income received	124	491	3,679
Interest expenses paid	(315)	(732)	(5,484)
Income taxes paid	(4,263)	(6,372)	(47,726)
Others, net	175	-	-
Net cash (used in) provided by operating activities	¥ (1,554)	¥ 30,569	\$ 228,932



# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statement of Cash Flows For the Year Ended March 31, 2023

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2022</u>	<u>2023</u>	<u>2023</u>
NET CASH USED IN INVESTING ACTIVITIES			
Payments for time deposits	¥ (856)	¥ (397)	\$ (2,976)
Proceeds from withdrawal of time deposits	474	-	-
Purchase of property, plant and equipment	(3,276)	(3,691)	(27,647)
Proceeds from sales of property, plant and equipment	32	34	261
Purchase of intangible assets	(1,377)	(467)	(3,502)
Purchase of investment securities	(1,085)	(750)	(5,624)
Proceeds from sales of investment securities	834	1,102	8,260
Payments of short-term loans receivable	(388)	(421)	(3,155)
Payments of long-term loans receivable	(1,180)	(7)	(54)
Purchase of insurance funds	(4)	(4)	(33)
Payments for guarantee deposits	(28)	(103)	(777)
Proceeds from collection of guarantee deposits	65	37	284
Other payments	(174)	(170)	(1,273)
Other proceeds	194	33	249
Net cash used in investing activities	(6,772)	(4,805)	(35,990)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES			
Increase (Decrease) in short-term loans payable	7,636	(5,555)	(41,606)
Proceeds from long-term loans payable	5,000	500	3,744
Repayment of long-term loans payable	(668)	(15,040)	(112,634)
Proceeds from issuance of bonds	-	9,945	74,481
Purchase of treasury shares	(3,681)	(2)	(21)
Cash dividends paid	(2,551)	(4,590)	(34,377)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(3,811)	(21)	(158)
Others, net	(767)	(784)	(5,877)
Net cash provided by (used in) financing activities	1,155	(15,549)	(116,450)
Effect of exchange rate change on cash and cash equivalents	2,079	852	6,382
Net increase (decrease) in cash and cash equivalents	(5,092)	11,066	82,875
Cash and cash equivalents-beginning balance	44,333	39,240	293,871
Cash and cash equivalents-ending balance ※1	¥ 39,240	¥ 50,307	\$ 376,747

The accompanying note is an integral part of these financial statements.

# Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements For the Year Ended March 31, 2023

### 1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Kaga Electronics Co., Ltd. (the "Company") is incorporated and operates. Amounts less than ¥1 million have been omitted. As a result, the total shown in the consolidated financial statements and notes thereto do not necessarily agree with the sum of the individual account balances. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133.53 to \$1, the rate of exchange at March 31, 2023. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *a. Consolidation*

The consolidated financial statements include accounts of the Company and all of its subsidiaries (58 in 2022 and 57 in 2023) (together, the "Group").

Under the control and influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method.

There are four equity method affiliates. For those companies accounted for under the equity method whose fiscal year end date differs from the consolidated fiscal year end date, the financial statements of those companies for their respective fiscal years are used.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits and losses included in assets resulting from transactions within the Group is eliminated.

The fiscal year end date of some of the Company's consolidated subsidiaries (19 in 2022 and 19 in 2023) is December 31. The consolidated financial statements incorporate accounts of these companies with adjustments for significant intercompany transactions arising during the period from January 1 to March 31.

#### *b. Cash Equivalents*

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and short-term investments, all of which mature or become due within three months of the date of acquisition.

#### *c. Inventories*

The Company and its domestic subsidiaries state specific merchandise inventories ordered by customers at the lower of cost, determined by the specific identification method, or market value and that other merchandise inventories at the lower of cost, determined principally by the moving-average method, or market value.

**d. Marketable and Investment Securities**

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term are measured at fair value, and the related unrealized gains and losses are included in earnings, and (2) available-for-sale securities, which are measured at fair value, with unrealized gains and losses, net of applicable taxes, reported in a component of other comprehensive income.

Non-marketable available-for-sale securities are stated at cost as determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by charging to income.

**e. Property, Plant and Equipment**

Property, plant and equipment are stated at cost. Significant replacements and additions are capitalized; maintenance and repairs, and minor replacements and improvements are charged to the consolidated statement of income as incurred.

Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998, facilities attached to buildings and structures acquired after April 1, 2016, lease assets of the Company and its consolidated domestic subsidiaries, and all property, plant and equipment of foreign subsidiaries.

Buildings and structures	2 to 50 years
Machinery, equipment and vehicles	2 to 12 years
Tools, furniture and fixtures	2 to 20 years

**f. Goodwill**

Goodwill is amortized using the straight-line method principally over a period of 5 years.

**g. Software**

Software is amortized using the straight-line method over its estimated useful life.

Internal use software	5 years
Software for sale	3 years

**h. Retirement and Pension Plans**

To prepare for disbursement of employees' retirement benefits under the defined benefit plan, a defined benefit liability, which is the amount of defined benefit obligations less plan assets based on the expected benefit obligation at the end of the fiscal year, is recognized. The retirement benefit obligations are calculated by allocating the estimated retirement benefit amount until the end of the current fiscal year on the benefit formula basis. Past service cost is primarily amortized on a straight-line method over a fixed number of years (principally 10 years), which is shorter than the average remaining years of service of the eligible employees. Net actuarial gain or loss is primarily amortized from the following year on a straight-line method over a fixed number of years (principally 10 years), which is shorter than the average remaining years of service of the eligible employees. Actuarial gain and loss and past service costs that are yet to be recognized as gains or losses are recorded as remeasurements of defined benefit obligations presented in other comprehensive income, after being adjusted for tax effects.

Some of the consolidated subsidiaries apply the simplified method, by which they use the amount of retirement benefit which would be required to be paid for voluntary retirement at the end of the fiscal year as retirement benefit obligation, in order to calculate the retirement benefit liability and retirement benefit expenses.

**i. Leases**

The Company applies the lease accounting standard, which requires all finance lease transactions be capitalized in the balance sheet.

**j. Allowance for doubtful accounts**

The Company and its consolidated subsidiaries provide for doubtful accounts principally at an amount

based on the historical bad debt ratio during a certain reference period in addition to an estimated uncollectible amount based on the analysis of certain individual accounts.

**k. Provision for directors' bonuses**

Bonuses to directors and corporate auditors are accrued during the year in which such bonuses are attributable.

**l. Provision for directors' retirement benefits**

The Company accrues liabilities related to retirement benefit obligations for directors and corporate auditors, which is, in general, based upon the amounts required by the internal rules.

**m. Translation of Foreign Currencies**

Receivables and payables denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet date, and differences arising from the translation are debited or credited to the consolidated statement of income.

Assets and liabilities of the foreign subsidiaries are translated into yen at the exchange rates prevailing at the balance sheet date, and revenue and expense accounts are translated at the average rates of exchange in effect during the year. Differences arising from the translation are presented as foreign currency translation adjustments after being adjusted for non-controlling interests and tax effects.

**n. Derivatives and Hedging Activities**

(1) Hedge accounting method

The Company applies the deferred hedge method. The Company, however, adopts the allocation method to account for forward exchange contracts if the requirements for the allocation method are met. The Company also adopts the special method to account for interest rate swaps, which meet the requirements for specific matching criteria.

(2) Hedging instruments and hedged items

(Hedging instruments)

Foreign currency forward contract transactions

Non-Deliverable Forward ("NDF") transactions

Interest rate swaps

(Hedged items)

Assets and liabilities denominated in foreign currencies

Interest rates on long-term loans payable

(3) Hedging policy

The Company determines the hedging policy based on the internal rules. Foreign currency forward contracts where there is expected risk such as fluctuation in foreign exchange are used interest rate swaps where there is expected risk such as fluctuation in interest rates on long-term loans payable are used.

(4) Assessment of hedge effectiveness

Hedge effectiveness is assessed by comparing the changing ratio of cash flows arising from the hedged items to the hedging instruments during the periods from the respective start dates of the hedges to the assessment dates. In addition, regarding interest rate swaps, the Company omits assessment of hedge effectiveness based upon the fulfillment of the requirements for specific matching criteria.

**o. Recognition of significant revenue and expense**

The Group consists of four segments, Electronic Components, Information Equipment, Software and other. The Company and its subsidiaries recognize their revenue basically when goods are transferred to customers since the title, significant risks of ownership and economic value of the goods are transferred when goods are transferred, and reflects when performance obligations are satisfied. For the sales of some goods, revenue is recognized when the goods are shipped. For those sales of goods for which the Company or its subsidiaries are determined to have acted as an agent, the net amount after deducting costs is recognized as revenue. In contracts with some customers in Information Equipment segment that

include rebates and other variable consideration, revenue is recognized in the net amount, with the rebate and other variable consideration amount deducted from the consideration agreed with customers. The estimation of rebates is based on past transactions. The consideration of transactions is received within one year after satisfaction of performance obligations and any significant financing components are not included.

**p. Significant Accounting Estimates**

1. Valuation of inventories and allowance for doubtful accounts related to transactions with EuroTec Japan, Inc.

- (1) Relevant amounts recorded in the consolidated financial statements

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Inventories	¥ 2,243	¥ 867	\$ 6,497
Loss on valuation of inventories	1,809	1	12
Total receivables	2,256	6,570	49,203
Allowance for doubtful accounts	1,868	4,387	32,857

- (2) Information on the nature of significant accounting estimates for identified items

One of our customers, Euro Tec Japan, Inc. ("EuroTec") has been in civil rehabilitation proceedings since last fiscal year. Therefore, we recognized the following accounting estimates in inventories and receivables related to transactions with Euro Tec.

(a) It is necessary to evaluate inventories since they relate to the rotorcraft business, in which the number of market participants is limited. In the proceedings of rehabilitation of Euro Tec, our inventories on hand as a result of purchase order cancellation are held at net realizable value based on future demand estimates, or appraised value determined with due consideration of market trend.

(b) For receivables, the estimated uncollectible amount is recorded as allowance for doubtful accounts, using the financial condition evaluation method. The uncollectible amount is estimated with due consideration of EuroTec's rehabilitation plan.

The estimate of the net realizable value of inventories may change and result in additional loss in the next fiscal year or after based on the rotorcraft business trend.

2. Valuation of unlisted securities shares, including venture capital investments

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

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Investment securities	¥ 1,179	¥ 1,058	\$ 7,929
Loss on valuation of investment securities	260	348	2,610

- (2) Information on the nature of significant accounting estimates for identified items

With respect to unlisted securities shares, the Company calculates the actual value based on the net asset value per share, based on the latest financial statements available from the investees, and records a valuation loss when the real value has declined significantly. In particular, investments in venture companies are sometimes acquired at a higher price than the net asset value, reflecting the impact of estimated future economic benefits arising from the investee's operations. If those projected future economic benefits are no longer expected or are no longer considered reasonable based on the investee's recent performance compared to the medium-to-long term business plan obtained at the time of acquisition, a valuation loss is recorded to reflect any significant decline in future economic benefits. Due to uncertainties around future changes in the corporate

environment, etc., which may negatively impact the projected future economic benefits, further review may be required in the subsequent consolidated fiscal year, which may result in additional losses.

**q. Changes in accounting policies**

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

“Implementation Guidance on Accounting Standard for Fair Value Management (ASBJ Guidance No.31, June 17, 2021)” has been adopted from the beginning of this consolidated fiscal year ended on March 31, 2023. In accordance with the transitional treatment set forth in Article 27-2 of “Implementation Guidance on Accounting Standard for Fair Value Management”, the Company will continue to apply new accounting policies prescribed by “Implementation Guidance on Accounting Standard for Fair Value Management” in the future. The effect of this adoption on this consolidated financial statements is immaterial. In Note “Matters concerning the breakdown of financial products by market price level”, details related to the previous fiscal year are not described in accordance with Implementation Guidance Article 27-3.

**r. Standards and Guidance not yet adopted**

The following standards and guidance were issued but not yet adopted.

- Accounting Standard for Current Income Tax (ASBJ Statement No.27, October 28, 2022)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No.25, October 28, 2022)
- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No.28, October 28, 2022)

(1) Overview

“Accounting Standard for Current Income Tax” (ASBJ Statement No.28, February 2018) was released. In that standard, the organization responsible for making practical guidelines about current income tax was transferred from The Japanese Institute of Certified Public Accountants to Accounting Standard Board of Japan. In the process of discussion, following two issues would be discussed after disclosure of ASBJ No.28. These points were discussed and the results were disclosed.

- The category of tax expense (Taxation of other comprehensive income)
- Tax effect of sales of shares of subsidiaries and associates under Group Taxation Regime)

(2) Effective date

To be applied from the beginning of the fiscal year ending March 31, 2025

(3) The impact of the adoption of the standard

The Group are currently in the process of determining the impact of this new standard on the consolidated financial statements.

**3. NOTES TO CONSOLIDATED BALANCE SHEET**

※1. *Investment securities*

Investment securities include the following accounts of affiliated companies.

	Millions of Yen		Thousands of
	2022	2023	U.S. Dollars
			2023
Investment securities	¥ 699	¥ 990	\$ 7,415

※2. *Contract liabilities*

Others include the following contract liabilities.

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Contract liabilities	¥ 4,180	¥ 4,066	\$ 30,455

※3. *Contingent liabilities*

Contingent liabilities for guaranteed employees' loans amounted to ¥9 million and ¥4 million (US\$ 34 thousands) as of March 31, 2022 and 2023, respectively.

※4. *Commitment line contract*

The Company has entered into commitment line contracts with four banks for effective fund-raising:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Total limit of contract	¥ 15,000	¥ 15,000	\$ 112,334
Loan balances	5,000	-	-
Available amounts	10,000	15,000	112,334

#### 4. NOTES TO CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

※1. *Revenue recognized from contracts with customers*

In terms of net sales, revenue recognized from contracts with customers and other revenue are not stated separately. Disaggregated information of revenue recognized from contracts with customers is described in Note 13.1.

※2. Merchandise and finished goods at the end of fiscal year is described the amount after write-down to book value accompanying with declining profitability.

Loss on valuation of inventories which is included in cost of sales is ¥1,989 million and ¥222million (US\$ 1,664 thousands) for the years ended March 31, 2022 and 2023, respectively.

※3. *Selling, general and administrative expenses*

Major items and the amounts under "Selling, general and administrative expenses" are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Salaries and bonuses	¥ 18,595	¥ 21,282	\$ 159,382
Retirement benefit expenses	1,055	990	7,416
Provision for directors' bonuses	304	469	3,512
Provision for doubtful accounts	(106)	197	1,477

※4. *Research and development costs*

Research and development costs charged to income are ¥272 million and ¥476million (US\$ 3,571 thousands) for the years ended March 31, 2022 and 2023, respectively.

※5. *Gain on sales of property, plant and equipment*

Details of gain on sales of property, plant and equipment are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2022</u>	<u>2023</u>	<u>2023</u>
Machinery, equipment and vehicles	7	11	84
Tools, furniture and fixtures	<u>8</u>	<u>8</u>	<u>67</u>
Total	¥ <u>15</u>	¥ <u>20</u>	\$ <u>151</u>

※6. *Loss on disposal of property, plant and equipment*

Details of loss on disposal of property, plant and equipment are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2022</u>	<u>2023</u>	<u>2023</u>
Buildings and structures	¥ 8	¥ 18	\$ 135
Machinery, equipment and vehicles	0	2	20
Tools, furniture and fixtures	4	15	115
Software	<u>—</u>	<u>0</u>	<u>6</u>
Total	¥ <u>13</u>	¥ <u>37</u>	\$ <u>277</u>

※7. *Impairment loss*

For the year ended March 31,2022

This information is not presented due to its insignificance.

For the year ended March 31, 2023

The Group has recorded impairment loss for the following assets group.

Area	Major uses	Ledger accounts	Impairment losses (Millions of Yen)	Impairment losses (Thousands of U.S. Dollars)	Segment
Hung Yen Province, Vietnam	Business property	Buildings and structures	1	11	Electronic Components
		Machinery, equipment and vehicles	8	64	
		Other (Investments and other assets)	3	27	
Düzce Turkey	Business property	Buildings and structures	226	1,699	Electronic Components
		Machinery, equipment and vehicles	244	1,831	
		Tools, furniture and fixtures	56	420	
		Construction in progress	75	564	
		Software	1	11	
Chiyoda-ku, Tokyo, Japan	Business property	Buildings and structures	0	2	Other
		Software	25	190	



The Group recognizes impairment loss by grouping assets based on the company to which the asset belongs and by grouping idle assets by individual projects. The assets are impaired from carrying amount to the recoverable amount when the profitability declines. The recoverable amount is measured at net selling price or value in use. Value in use is measured based on the amount of future cash flow. In addition, the recoverable amount is regarded as zero when future cash flow is less than zero. Furthermore, estimates of future cash flows include assumptions for future sales forecasts and operating profit, which are estimated based on information impacted by factors external to the Group, such as the market environment and sales strategies.

※8. Amount of reclassification and income tax effect associated with other comprehensive income

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Net unrealized gain or loss on securities			
Amount arising during the period	¥ 32	¥ 2,162	\$ 16,193
Amount of reclassification	(348)	(504)	(3,779)
Net gain before income tax effect	(316)	1,657	12,414
Income tax effect	237	(422)	(3,162)
Net unrealized gain or loss on securities, net of Tax	(78)	1,235	9,252
Deferred gains or losses on hedges			
Amount arising during the period	(3)	(92)	(691)
Amount of reclassification	(49)	3	24
Net gain before income tax effect	(52)	(89)	(666)
Income tax effect	(0)	72	540
Deferred gains or losses on hedges	(52)	(16)	(126)
Foreign currency translation adjustment			
Amount arising during the period	4,774	4,033	30,206
Amount of reclassification	147	-	-
Foreign currency translation adjustment	4,922	4,033	30,206
Remeasurements of defined benefit obligations			
Amount arising during the period	239	230	1,725
Amount of reclassification	28	(166)	(1,249)
Net gain before income tax effect	268	63	476
Income tax effect	(79)	(35)	(263)
Remeasurements of defined benefit obligations	188	28	212
Share of other comprehensive income of entities accounted for using equity method			
Amount arising during the period	95	97	732
Total other comprehensive income	¥ 5,075	¥ 5,378	\$ 40,276

## 5. NOTES TO CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31, 2022

1. Type and number of issued shares of common stock and treasury shares

	Number of shares as of April 1, 2021	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2022
Number of outstanding shares				
Common shares	28,702,118	—	—	28,702,118
Number of treasury shares				
Common shares (Note)	1,229,877	1,233,985	9,700	2,454,162

Note:

The breakdown of the increase and decrease of common stock is as follows:

Increase as a result of repurchase of treasury shares based on Board of Directors Meeting Resolution: 1,231,700

shares

Increase as a result of fractional share repurchases: 2,285 shares

Decrease as a result of the payment of restricted stock to the directors: 9,700 shares

## 2. Dividends

### (1) Dividends paid

Resolution	Type of share	Amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 29, 2021	Common shares	1,373 (US\$11,224 thousands)	50 (US\$0.40)	March 31, 2021	June 30, 2021
Board of Directors' meeting held on November 14, 2021	Common shares	1,180 (US\$9,648 thousands)	45 (US\$0.36)	September 30, 2021	December 3, 2021

(2) Dividends whose effective date is after March 31, 2021 with record date during the year ended March 31, 2021.

Resolution	Type of share	Amount of dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 29, 2022	Common shares	1,968 (US\$16,085 thousands)	Retained earnings	75 (US\$0.61)	March 31, 2022	June 30, 2022

For the year ended March 31, 2023

### 1. Type and number of issued shares of common stock and treasury shares

	Number of shares as of April 1, 2022	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2023
Number of outstanding shares				
Common shares	28,702,118	—	—	28,702,118
Number of treasury shares				
Common shares (Note)	2,454,162	812	13,991	2,440,983

Note:

Increase as a result of fractional share repurchases: 812 shares

Decrease as a result of the payment of restricted stock to the directors: 13,991 shares

## 2. Dividends

### (1) Dividends paid

Resolution	Type of share	Amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 29, 2022	Common shares	1,968 (US\$14,743 thousands)	75 (US\$0.56)	March 31, 2022	June 30, 2022
Board of Directors' meeting held on November 8, 2022	Common shares	2,626 (US\$19,668 thousands)	100 (US\$0.74)	September 30, 2022	December 2, 2022

(2) Dividends whose effective date is after March 31, 2022 with a record date during the year ended March 31, 2022.

Resolution	Type of share	Amount of dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 27, 2023	Common shares	3,151 (US\$23,602 thousands)	Retained earnings	120 (US\$0.89)	March 31, 2023	June 28, 2023

## 6. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

※1. Cash and cash equivalents at March 31, 2022 and 2023 are reconciled to the accounts reported in the consolidated balance sheet as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Cash and bank deposits	¥ 41,051	¥ 52,600	\$ 393,923
Time deposits with a deposit period of more than 3 months	(1,810)	(2,293)	(17,176)
Cash and cash equivalents	¥ 39,240	¥ 50,307	\$ 376,747

## 7. LEASES

Finance leases that do not transfer ownership of the leased assets to lessees.

Leased assets:

The Group leases buildings, machinery, equipment and vehicles and other assets.

As described in Note 2.i, the lease accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet.

Future lease payments under non-cancelable operating leases at March 31, 2022 and 2023 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Due within one year	¥ 9	¥ 4	\$ 34
Due after one year	3	3	28
Total	¥ 12	¥ 8	\$ 63

## 8. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### (1) *Group Policy for Financial Instruments*

The Group has financial instruments, mainly debt from financial institutions, consistent with its capital financing plan. Cash surpluses, if any, are invested in low risk financial assets. Derivatives are not used for speculative purposes, but rather to manage exposure to foreign exchange risks.

### (2) *Nature and Extent of Risks Arising from Financial Instruments*

Receivables and Payables in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates.

### (3) *Risk Management for Financial Instruments*

#### *Credit risk management*

The Company manages its credit risk from receivables on the basis of internal guidelines, which include monitoring the payment terms and balances of major customers by each business administration department to identify the default risk of customers in an early stage.

#### *Market risk management (foreign exchange risk)*

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts.

Marketable and investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

### (4) *Supplementary Explanation for Fair Values of Financial Instruments*

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used. Please see Note 10 for the detail of fair value for derivatives.

#### (a) Fair Value of Financial Instruments

March 31, 2022	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Loss
Accounts receivable-trade	¥110,240	¥110,240	—
Short-term investment securities	264	264	—
Investment securities ※2	6,669	6,669	—
Guarantee deposits	1,068	885	(183)
Total	¥118,243	¥118,060	¥ (183)
Notes and accounts payable-trade	¥ 86,493	¥ 86,493	¥ —
Long-term loans payable	25,136	25,072	64
Total	¥111,630	¥111,566	¥ 64
Derivatives ※4	¥ (21)	¥ (21)	¥ —

- ※1 "Cash and bank deposits", "Note receivable-trade", "Electronically recorded monetary claims", "Short-term loans payable", "Accrued expenses", "Income taxes payable" are settled in cash and others are settled in a short period of time. Therefore, since the market price is close to the book value, the description is omitted.
- ※2 Stocks which do not have quoted market price are not included in "Investment securities." The amount recorded on the consolidated balance sheet of the relevant financial instrument is as follows.

	Millions of Yen
Shares of related companies	¥ 699
Non-marketable equity securities	1,179

- ※3 The description of investment in partnerships and other similar business entities that record the amount equivalent to their equity in the consolidated balance sheet in net amount is omitted. The amount recorded on the consolidated balance sheet of the investment is 277 million yen.
- ※4 The value of assets and liabilities arising from derivatives is shown at net value.

March 31, 2023	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Loss
Accounts receivable-trade	¥117,881	¥117,881	—
Short-term investment securities	195	195	—
Investment securities ※2	9,809	9,809	—
Guarantee deposits	1,280	1,092	(187)
Total	¥129,166	¥128,979	¥ (187)
Notes and accounts payable-trade	¥ 79,232	¥ 79,232	¥ —
Bonds	10,000	9,997	2
Long-term loans payable	10,600	10,520	79
Total	¥ 99,832	¥ 99,750	¥ 82
Derivatives ※4	¥ (92)	¥ (92)	¥ —

- ※1 "Cash and bank deposits", "Note receivable-trade", "Electronically recorded monetary claims", "Short-term loans payable", "Accrued expenses", "Income taxes payable" are settled in cash and others are settled in a short period of time. Therefore, since the market price is close to the book value, the description is omitted.
- ※2 Stocks which do not have quoted market price are not included in "Investment securities." The amount recorded on the consolidated balance sheet of the relevant financial instrument is as follows.

	Millions of Yen
Shares of related companies	¥ 990
Non-marketable equity securities	1,058

- ※3 The description of investment in partnerships and other similar business entities that record the amount equivalent to their equity in the consolidated balance sheet in net amount is omitted. The amount recorded on the consolidated balance sheet of the investment is 285 million yen.
- ※4 The value of assets and liabilities arising from derivatives is shown at net value.

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Loss
Accounts receivable-trade	\$ 882,810	\$ 882,810	\$ —
Short-term investment securities	1,463	1,463	—
Investment securities ※2	73,462	73,462	—
Guarantee deposits	9,587	8,181	(1,405)
Total	\$ 967,324	\$ 965,918	\$ (1,405)
Notes and accounts payable-trade	\$ 593,371	\$ 593,371	\$ —
Bonds	74,889	74,871	18
Long-term loans payable	79,382	78,786	596
Total	\$ 747,643	\$ 747,029	\$ 614
Derivatives ※4	\$ (691)	\$ (691)	\$ —

※1 "Cash and bank deposits", "Notes receivable-trade", "Electronically recorded monetary claims", "Short-term loans payable", "Accrued expenses", "Income taxes payable" are settled in cash and others are settled in a short period of time. Therefore, since the market price is close to the book value, the description is omitted.

※2 Stocks which do not have quoted market price market prices are not included in "Investment securities." The amount recorded on the consolidated balance sheet of the relevant financial instrument is as follows.

	Thousands of U.S. Dollars
Shares of related companies	\$ 7,415
Non-marketable equity securities	7,929

※3 The description of investment in partnerships and other similar business entities that record the amount equivalent to their equity in the consolidated balance sheet in net amount is omitted. The amount recorded on the consolidated balance sheet of the investment is 2,141 thousands of U.S. Dollars.

※4 The value of assets and liabilities arising from derivatives is shown at net value.

#### Note 1. Redemption Schedule of Monetary Assets and Securities with Contractual Maturities

March 31, 2022

	Millions of Yen			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and bank deposits	¥ 41,051	¥ —	¥ —	¥ —
Notes receivable-trade	1,449	—	—	—
Accounts receivable-trade	110,240	—	—	—
Electronically recorded monetary claims	9,258	—	—	—
Investment securities with maturities	—	10	—	—
Guarantee deposits	45	126	742	—
Total	¥ 162,045	¥ 136	¥ 742	¥ —

March 31, 2023

		Millions of Yen			
		Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and bank deposits	¥	52,600	¥ —	¥ —	¥ —
Notes receivable-trade		1,534	—	—	—
Accounts receivable-trade		117,881	—	—	—
Electronically recorded monetary claims		9,683	—	—	—
Investment securities with maturities		50	10	—	—
Guarantee deposits		172	—	954	—
Total	¥	181,922	¥ 10	¥ 954	¥ —

		Thousands of U.S. Dollars			
		Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Cash and bank deposits	\$	393,923	\$ —	\$ —	\$ —
Notes receivable-trade		11,492	—	—	—
Accounts receivable-trade		882,810	—	—	—
Electronically recorded monetary claims		72,517	—	—	—
Investment securities with maturities		374	75	—	—
Guarantee deposits		1,288	—	7,144	—
Total	\$	1,362,407	\$ 75	\$ 7,144	\$ —

Note 2. The payment schedule for bonds, long-term loans, lease obligations and other interest-bearing liabilities by payment due date at March 31, 2022 and 2023 is as follows:

March 31, 2022

		Millions of Yen					
		Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans	¥	18,821	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans							
Including current portion of long- term loans payable		5,036	5,036	5,100	5,000	5,000	5,000
Total	¥	23,858	¥ 5,036	¥ 5,100	¥ 5,000	¥ 5,000	¥ 5,000

March 31, 2023

		Millions of Yen					
		Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans		¥ 14,545	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans							
Including current portion of long-term loans payable		5,040	100	5,000	1,000	4,500	—
Bonds		—	—	5,000	—	5,000	—
Total		¥ 19,585	¥ 100	¥ 10,000	¥ 1,000	¥ 9,500	¥ —

  

		Thousands of U.S. Dollars					
		Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans		\$ 108,929	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans							
Including current portion of long-term loans payable		37,744	748	37,444	7,488	33,700	—
Bonds		—	—	37,444	—	37,444	—
Total		\$ 146,674	\$ 748	\$ 74,889	\$ 7,488	\$ 71,145	\$ —

(b) Matters concerning the breakdown of financial products by market price level

The market price of financial instruments is classified into the following three levels according to the observability and importance of the input related to the calculation of the market price.

Level 1 market price: The market price calculated based on the market price of the asset or liability formed in the active market and subject to the calculation of the market price among the inputs related to the calculation of the observable market price

Level 2 market price: The market price calculated using the inputs related to the calculation of market price other than the level 1 input among the inputs related to the calculation of the observable market price.

Level 3 market price: Market price calculated using inputs related to the calculation of unobservable market price

When multiple inputs that have a significant influence on the market price calculation are used, the market price is classified into the lowest priority level in the market price calculation among the levels to which those inputs belong.



(1) Financial instruments recorded on the consolidated balance sheet at market price  
March 31, 2022

	Market price (Millions of Yen)			
	Level 1	Level 2	Level 3	Total
Short-term investment securities				
Marketable equity securities	¥ 264	—	—	¥ 264
Investment securities				
Marketable equity securities	6,659	—	—	6,659
Government bonds	—	10	—	10
Total	¥ 6,923	¥ 10	—	¥ 6,934
Derivatives				
Currency related transactions	—	¥ 21	—	¥ 21
Total	—	¥ 21	—	¥ 21

March 31, 2023

	Market price (Millions of Yen)			
	Level 1	Level 2	Level 3	Total
Short-term investment securities				
Marketable equity securities	¥ 195	—	—	¥ 195
Investment securities				
Marketable equity securities	8,562	—	—	8,562
Investment trusts	1,187	—	—	1,187
Corporate bonds	—	50	—	50
Government bonds	—	10	—	10
Total	¥ 9,944	¥ 60	—	¥ 10,004
Derivatives				
Currency related transactions	—	¥ 92	—	¥ 92
Total	—	¥ 92	—	¥ 92

March 31, 2023

	Market price (Thousands of U.S. Dollars)			
	Level 1	Level 2	Level 3	Total
Short-term investment securities				
Marketable equity securities	\$ 1,463	—	—	\$ 1,463
Investment securities				
Marketable equity securities	64,121	—	—	64,121
Investment trusts	8,891	—	—	8,891
Corporate bonds	—	374	—	374
Government bonds	—	75	—	75
Total	\$ 74,476	\$ 449	—	\$ 74,926
Derivatives				
Currency related transactions	—	\$ 691	—	\$ 691
Total	—	\$ 691	—	\$ 691

(2) Financial instruments other than those recorded on the consolidated balance sheet at market price  
March 31, 2022

	Market price (Millions of Yen)			
	Level 1	Level 2	Level 3	Total
Accounts receivable-trade	—	¥ 110,240	—	¥ 110,240
Guarantee deposits	—	885	—	885
Total	—	¥ 111,126	—	¥ 111,126
Notes and accounts payable-trade	—	¥ 86,493	—	¥ 86,493
Long-term loans payable	—	25,072	—	25,072
Total	—	¥ 111,566	—	¥ 111,566

March 31, 2023

	Market price (Millions of Yen)			
	Level 1	Level 2	Level 3	Total
Accounts receivable-trade	—	¥ 117,881	—	¥ 117,881
Guarantee deposits	—	1,092	—	1,092
Total	—	¥ 118,974	—	¥ 118,974
Notes and accounts payable-trade	—	¥ 79,232	—	¥ 79,232
Bonds	—	9,997	—	9,997
Long-term loans payable	—	10,520	—	10,520
Total	—	¥ 99,750	—	¥ 99,750

March 31, 2023

	Market price (Thousands of U.S. Dollars)			
	Level 1	Level 2	Level 3	Total
Accounts receivable-trade	—	\$ 882,810	—	\$ 882,810
Guarantee deposits	—	8,181	—	8,181
Total	—	\$ 890,992	—	\$ 890,992
Notes and accounts payable-trade	—	\$ 593,371	—	\$ 593,371
Bonds	—	74,871	—	74,871
Long-term loans payable	—	78,786	—	78,786
Total	—	\$ 747,029	—	\$ 747,029

Note. Explanation of the valuation technique used to calculate the market price and the inputs related to the calculation of the market price

Short-term investment securities, investment securities

Listed stocks are evaluated using market prices and are traded in active markets. Therefore their market price is classified as Level 1 market price. On the other hand, Government bonds are evaluated based on the reference value of trading statistics and are classified as Level 2 market price.

Derivative

The market price of exchange contracts is calculated by the discounted present value method using observable inputs such as exchange rates, and is classified as Level 2 market price. Since the allocation of forward exchange contracts is treated together with the receivables and payables (accounts receivable-trade, notes and accounts payable-trade) that are hedged items the market price is included in the market price of the receivables and payables. In addition, since the special treatment of interest rate swaps is treated together with long-term borrowings that are hedged

items the market price is included in the market price of the long-term borrowings (Refer to “Long-term loans payable.”).

**Accounts receivable-trade**

Since the market price of accounts receivable-trade is settled in a short period of time, the market price is close to the book value, so it is classified as Level 2 market price based on the book value.

**Guarantee deposits**

The market price of the guarantee deposits is calculated by the discounted present value method based on the refund amount presented by the recipient or the interest rate that takes the past performance and credit risks into account, and is classified as a level 2 market price increase.

**Notes and accounts payable-trade**

Since these market prices are settled in a short period of time, the market price is close to the book value. Therefore it is based on the book value and is classified as Level 2 market price.

**Bonds**

The market price of bonds is calculated by the discounted present value method based on the total amount of principal and interest, the remaining period of the debt and the interest rate that takes credit risks into account, and is classified as Level 2 market price.

**Long-term loans payable**

The market price of long-term loans payable is calculated by the discounted present value method based on the total amount of principal and interest, the remaining period of the debt and the interest rate that takes credit risks into account, and is classified as Level 2 market price. Some long-term loans payable with floating interest rates are subject to special treatment of interest rate swaps (see “Derivatives”) and is calculated using the total amount of principal and interest that is treated together with the interest rate swaps.

## 9. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2022 and 2023 consisted of the following:

(1) Current-Marketable equity securities

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Unrealized gains included in net income for the year	¥ (38)	¥ (68)	\$ (515)

(2) Investment securities with a readily determinable fair value

March 31, 2022

	Millions of Yen		
	Carrying amount	Acquisition cost	Difference
Securities for which the carrying amount exceeds the acquisition costs			
Non-current:			
Marketable equity securities	¥ 5,826	¥ 3,870	¥ 1,955
Government and corporate bonds	10	10	0
Others	1,177	752	424
Subtotal	¥ 7,014	¥ 4,633	¥ 2,380
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	832	1,166	(333)
Government and corporate bonds	—	—	—
Others	310	348	(38)
Subtotal	¥ 1,143	¥ 1,515	¥ (371)
Total	¥ 8,157	¥ 6,149	¥ 2,008

Note:

Non-marketable equity securities of ¥1,179 million and Shares of subsidiaries and related companies of ¥ 699 million are not included in the above due to stocks with no market price. In addition, investments in unions and other similar business entities that record the amount equivalent to their equity in the consolidated balance sheet in net amount of ¥277 million is omitted.

March 31, 2023

Millions of Yen			
	Carrying amount	Acquisition cost	Difference
Securities for which the carrying amount exceeds the acquisition costs			
Non-current:			
Marketable equity securities	¥ 8,342	¥ 4,850	¥ 3,492
Government and corporate bonds	60	60	0
Others	741	494	247
Subtotal	¥ 9,144	¥ 5,404	¥ 3,739
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	219	259	(40)
Government and corporate bonds	—	—	—
Others	445	480	(34)
Subtotal	¥ 665	¥ 739	¥ (74)
Total	¥ 9,809	¥ 6,144	¥ 3,665
Thousands of U.S. Dollars			
	Carrying amount	Acquisition cost	Difference
Securities for which the carrying amount exceeds the acquisition costs			
Non-current:			
Marketable equity securities	\$ 62,476	\$ 36,321	\$ 26,155
Government and corporate bonds	449	449	0
Others	5,552	3,700	1,851
Subtotal	\$ 68,479	\$ 40,472	\$ 28,007
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	1,644	1,945	(301)
Government and corporate bonds	—	—	—
Others	3,338	3,596	(257)
Subtotal	\$ 4,983	\$ 5,541	\$ (558)
Total	\$ 73,462	\$ 46,013	\$ 27,448

Note:

Non-marketable equity securities of ¥1,058 million (US\$ 7,929 thousands) and Shares of subsidiaries and related companies of ¥ 990 million (US\$ 7,415 thousands) are not included in the above due to stocks with no market price. In addition, investments in unions and other similar business entities that record the amount equivalent to their equity in the consolidated balance sheet in net amount of ¥285 million (US\$ 2,141 thousands) is omitted.

(3) Investment securities sold during 2022 and 2023

March 31, 2022

		Millions of Yen		
		Amounts sold	Gains on sales	Loss on sales
Investment securities		¥ 734	¥ 361	¥ (1)
Government and corporate bonds		—	—	—
Others		202	2	(1)
Total		¥ 937	¥ 363	¥ (2)

March 31, 2023

		Millions of Yen		
		Amounts sold	Gains on sales	Loss on sales
Investment securities		¥ 865	¥ 626	¥ —
Government and corporate bonds		—	—	—
Others		89	—	12
Total		¥ 954	¥ 626	¥ 12

		Thousands of U.S. Dollars		
		Amounts sold	Gains on sales	Loss on sales
Investment securities		\$ 6,483	\$ 4,694	\$ —
Government and corporate bonds		—	—	—
Others		668	—	95
Total		\$ 7,151	\$ 4,694	\$ 95

(4) Impairment losses recognized on Investment securities are as follows:

		Millions of Yen		Thousands of U.S. Dollars
		2022	2023	2023
		¥ 260	¥ 348	\$ 2,610

## 10. DERIVATIVES

### *Derivative Transactions to Which Hedge Accounting Is Applied*

#### (1) Currency related transactions

		Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
<u>March 31, 2022</u>	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
General processing method:				
Foreign currency forward contracts:				
Selling USD	Receivables	¥ 3,613	¥ —	¥ (140)
Selling CNY	Receivables	76	—	(5)
Buying USD	Payables	2,793	—	141
Buying EUR	Payables	<u>0</u>	<u>—</u>	<u>0</u>
Total		<u>¥ 6,483</u>	<u>¥ —</u>	<u>¥ (5)</u>

#### Allocation processing of foreign exchange contracts:

##### Foreign currency forward contracts:

Selling USD	Receivables	¥ 6,866	¥ —	
Selling CNY	Receivables	55	—	
Buying USD	Payables	4,523	—	
Buying CNY	Payables	3	—	
Buying EUR	Payables	<u>0</u>	<u>—</u>	
Total		<u>¥ 11,149</u>	<u>¥ —</u>	<u>¥ —</u>

		Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
<u>March 31, 2023</u>	<u>Hedged Item</u>	<u>Contract Amount</u>	<u>Contract Amount Due after One Year</u>	<u>Fair Value</u>
General processing method:				
Foreign currency forward contracts:				
Selling USD	Receivables	¥ 7,536	¥ —	¥ (36)
Buying USD	Payables	2,624	—	(24)
Buying EUR	Payables	<u>0</u>	<u>—</u>	<u>0</u>
Total		<u>¥ 10,160</u>	<u>¥ —</u>	<u>¥ (61)</u>

#### Allocation processing of foreign exchange contracts:

##### Foreign currency forward contracts:

Selling USD	Receivables	¥ 8,051	¥ —	
Selling CNY	Receivables	137	—	
Buying USD	Payables	5,227	—	
Buying CNY	Payables	4	—	
Buying EUR	Payables	<u>0</u>	<u>—</u>	
Total		<u>¥ 13,420</u>	<u>¥ —</u>	<u>¥ —</u>

		Thousands of U.S. Dollars		
		Contract	Contract	Fair
		Amount	Amount	Value
<u>March 31, 2023</u>	<u>Hedged Item</u>	<u>Amount</u>	<u>Due after</u> <u>One Year</u>	<u>Value</u>
General processing method:				
Foreign currency forward contracts:				
Selling USD	Receivables	\$ 56,441	\$ —	\$ (274)
Buying USD	Payables	19,651	—	(183)
Buying EUR	Payables	<u>0</u>	<u>—</u>	<u>0</u>
Total		<u>\$ 76,093</u>	<u>\$ —</u>	<u>\$ (457)</u>
Allocation processing of foreign exchange contracts:				
Foreign currency forward contracts:				
Selling USD	Receivables	\$ 60,299	\$ —	
Selling CNY	Receivables	1,031	—	
Buying USD	Payables	39,146	—	
Buying CNY	Payables	30	—	
Buying EUR	Payables	0	—	
Total		<u>\$ 100,508</u>	<u>\$ —</u>	<u>\$ —</u>

Note:

Allocation of forward exchange contracts is accounted for as an integral part of monetary receivables and payables denominated in foreign currencies that are hedged items. Therefore, their fair value is included in the fair value of the foreign currency-denominated receivables and payables that are hedged items.

(2) Interest related transactions

For the year ended March 31, 2022

Hedge Accounting Method	Type of Transaction	Hedged Item	Millions of Yen		
			Contract Amount	Contract Amount Due after One Year	Fair Value
Special treatment for interest rate swap	Interest rate swap Receive floating, pay fixed	Long-term loans payable	¥ 12,900	¥ 8,600	(Note)

Note:

Specific matching criteria for interest rate swap is accounted for together with long-term loans payable designated as the hedge item. Therefore, their fair values are included in the fair value of the long-term loans payable.

For the year ended March 31, 2023

Hedge Accounting Method	Type of Transaction	Hedged Item	Millions of Yen, Thousands of U.S. Dollars		
			Contract Amount	Contract Amount Due after One Year	Fair Value
Special treatment for interest rate swap	Interest rate swap Receive floating, pay fixed	Long-term loans payable	¥ 8,600 (\$ 64,405)	¥ 4,300 (\$ 32,202)	(Note)

Note:

Specific matching criteria for interest rate swap is accounted for together with long-term loans payable designated as the hedge item. Therefore, their fair values are included in the fair value of the long-term loans payable.



## 11. RETIREMENT BENEFITS

### (1) Outline of retirement benefits plans

Under the pension plans, employees terminating their employment are, in most circumstances, entitled to pension payments based on their average pay during their employment, length of service and certain other factors. The defined benefit plans and lump-sum payment plans of some of the consolidated subsidiaries are calculated using simplified methods. In addition, some of the consolidated subsidiaries have transferred from defined benefit pension plans to defined contribution pension plans on April 1, 2022.

### (2) Defined benefit pension plans

(a) Changes in the retirement benefit obligation for the years ended March 31, 2022 and 2023 (excluding plans applying the simplified method) are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Retirement benefit obligation at the beginning of the year	¥ 7,987	¥ 7,823	\$ 58,592
Service cost	518	356	2,671
Interest cost	40	34	256
Actuarial gains (losses)	(197)	(296)	(2,220)
Benefits paid	(504)	(346)	(2,591)
Prior service cost	(17)	—	—
Decrease from shift to the defined contribution pension plans	—	(2,312)	(17,315)
Others	6	(7)	(56)
Retirement benefit obligation at the end of the year	¥ 7,823	¥ 5,252	\$ 39,335

(b) Changes in the plan assets for the years ended March 31, 2022 and 2023 (excluding plans applying the simplified method) are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Plan assets at fair value at the beginning of the year	¥ 7,310	¥ 7,473	\$ 55,972
Expected return on plan assets	124	90	674
Actuarial gains (losses)	23	(66)	(494)
Contributions by the employer	426	338	2,537
Benefits paid	(466)	(358)	(2,684)
Decrease from transfer to defined contribution pension plans	—	(2,372)	(17,764)
Others	55	—	—
Plan assets at fair value at the end of the year	¥ 7,473	¥ 5,106	\$ 38,240

(c) Changes in net defined benefit liabilities for plans which applied the simplified method for the years ended March 31, 2022 and 2023 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Net defined benefit liabilities at the beginning of the year	¥ 1,565	¥ 1,641	\$ 12,295
Retirement benefit expenses	296	414	3,107
Retirement benefits paid	(100)	(129)	(966)
Contributions to plan	(117)	(146)	(1,093)
Others	(2)	(10)	(77)
Net defined benefit liabilities at the end of the year	¥ 1,641	¥ 1,771	\$ 13,265

(d) Reconciliation between the funded status of the plans (retirement benefit obligation and plan assets) and the amounts recognized in the consolidated balance sheet (net defined benefit liabilities and net defined benefit assets) as of March 31, 2022 and 2023 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Retirement benefit obligation of funded plans	¥ 7,673	¥ 5,108	\$ 38,258
Plan assets	(7,473)	(5,106)	(38,240)
	199	2	17
Retirement benefit obligation of unfunded plans	1,800	1,915	14,343
Net liabilities recorded in the consolidated balance sheet	¥ 1,999	¥ 1,917	\$ 14,360
Net defined benefit liabilities	1,999	1,917	14,360
Net liabilities recorded in the consolidated balance sheet	¥ 1,999	¥ 1,917	\$ 14,360

(e) Components of retirement benefit expenses for the years ended March 31, 2022 and 2023 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Service cost	¥ 424	¥ 363	\$ 2,723
Interest cost	40	34	256
Expected return on plan assets	(124)	(90)	(674)
Amortization of actuarial loss	33	16	120
Prior service cost	(1)	(2)	(17)
Redundancy pay	7	(3)	(25)
Retirement benefit expenses calculated based on the simplified method	337	414	3,107
Others	12	(10)	(77)
Retirement benefit expenses for defined benefit pension plans	¥ 730	¥ 722	\$ 5,412
Gain on revision of retirement benefit plan	—	¥ 126	\$ 943

(f) Remeasurements of defined benefit plans, net of tax for the years ended March 31, 2022 and 2023 are as follows:

Components of remeasurements of defined benefit obligations, net of tax before income tax effect adjustment

	Millions of Yen		Thousands of U.S. Dollars
	<u>2022</u>	<u>2023</u>	<u>2023</u>
Prior service cost	¥ 16	¥ (2)	\$ (17)
Actuarial gains and losses	<u>252</u>	<u>65</u>	<u>493</u>
Total	<u>¥ 269</u>	<u>¥ 63</u>	<u>\$ 476</u>

(g) Remeasurements of defined benefit obligations as of March 31, 2022 and 2023 are as follows:

Components of remeasurements of accumulated defined benefit obligations before income tax effect adjustment

	Millions of Yen		Thousands of U.S. Dollars
	<u>2022</u>	<u>2023</u>	<u>2023</u>
Unrecognized prior service cost	¥ 16	¥ 14	\$ 105
Unrecognized actuarial gains or losses	<u>272</u>	<u>338</u>	<u>2,532</u>
Total	<u>¥ 288</u>	<u>¥ 352</u>	<u>\$ 2,638</u>

(h) Items for plan assets

Components of plan assets

Ratio of primary components to total plan assets

	<u>2022</u>	<u>2023</u>
General accounts	73.25%	100.00%
Other	<u>26.75%</u>	<u>— %</u>
Total	<u>100.00%</u>	<u>100.00%</u>

Determining expected long-term rate of return

In determining the long-term rate of return for plan assets, the Company considers the current and projected asset allocations, as well as the current and expected long-term investment returns from the various assets that constitute the plan assets.

(i) Items related to the basis of actuarial calculation

Items that form the primary basis for actuarial calculations using the weighted average method

	<u>2022</u>	<u>2023</u>
Discount rate	0.43~0.67%	0.50~0.67%
Expected long-term rate of return	1.50~2.50%	1.70~2.50%

(3) Defined contribution pension plans

Contributions to defined contribution pension plans by the Company and its consolidated subsidiaries

	Millions of Yen		Thousands of U.S. Dollars
	<u>2022</u>	<u>2023</u>	<u>2023</u>
	¥ 522	¥ 425	\$ 3,184

## 12. INCOME TAXES

(1) The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2022 and 2023 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Deferred tax assets:			
Loss on revaluation of investment securities	¥ 862	¥ 891	\$ 6,673
Retirement benefits for directors and corporate auditors	38	44	336
Retirement benefits for directors (and other officers)	401	401	3,005
Allowance for doubtful accounts	728	1,499	11,231
Accrued bonuses	972	1,245	9,330
Net defined benefit liability	619	561	4,203
Tax loss carryforwards	1,794	1,273	9,540
Devaluation of inventories	806	245	1,835
Impairment loss	851	961	7,201
Deferred tax assets of the planned liquidation company	-	16	125
Others	2,379	2,834	21,229
Sub-total	9,453	9,976	74,713
Valuation allowance on tax loss carryforwards	(944)	(613)	(4,595)
Valuation allowance on deductible temporary differences	(4,164)	(4,685)	(35,092)
Less valuation allowance—total	(5,109)	(5,299)	(39,688)
Deferred tax assets—total	4,344	4,676	35,024
Deferred tax liabilities:			
Undistributed earnings of overseas subsidiaries	(2,845)	(3,515)	(26,326)
Unrealized gain on property and equipment	(95)	(89)	(668)
Unrealized gain on available-for-sale securities	(734)	(1,157)	(8,668)
Advanced depreciation on fixed assets	(171)	(163)	(1,226)
Others	(354)	(222)	(1,669)
Deferred tax liabilities—total	(4,201)	(5,148)	(38,559)
Net deferred tax assets	¥ 142	¥ (471)	\$ (3,534)

(Note)

1. Tax loss carryforwards and the amount of deferred tax assets by carry forward

### March 31, 2022

	Millions of Yen						
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years	Total
Tax loss carryforwards※	¥ 114	¥ 96	¥ 93	¥ 118	¥ 101	¥ 1,269	¥ 1,794
Less valuation allowance	(114)	(48)	(54)	(79)	(94)	(552)	(944)
Deferred tax assets	—	47	38	39	6	716	849

### March 31, 2023

	Millions of Yen						
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years	Total
Tax loss carryforwards※	¥ 51	¥ 78	¥ 117	¥ 40	¥ 38	¥ 948	¥ 1,273
Less valuation allowance	(51)	(11)	(61)	(35)	(29)	(424)	(613)
Deferred tax assets	—	66	55	4	8	524	660

Thousands of U.S. Dollars						
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Tax loss carryforwards※	\$ 384	\$ 585	\$ 876	\$ 300	\$ 288	\$ 7,104
Less valuation allowance	(384)	(86)	(457)	(263)	(224)	(3,178)
Deferred tax assets	—	499	418	36	64	3,926
						4,944

※Tax loss carryforwards are multiplied by the effective statutory tax rate.

(2) A reconciliation between the effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of operations for the years ended March 31, 2022 and 2023 is as follows:

	2022	2023
Effective statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	0.2	0.4
Tax benefits not recognized on operating losses of subsidiaries	(0.3)	(0.6)
Difference in tax rates of foreign subsidiaries	(5.6)	(4.1)
Corporate residence tax on a per capita basis	—	0.2
Effects of reducing deferred tax assets	—	1.7
Dividends from overseas subsidiaries and deferred income taxes on retained profits of overseas subsidiaries	3.0	(0.5)
Change in valuation allowance	(0.3)	—
Share of loss of entities accounted for using equity method	0.7	(0.1)
Others, net	(1.7)	1.2
Actual effective tax rate	26.6	28.9

(3) The Company and some of its domestic subsidiaries apply the Group Tax Sharing System from the beginning of the consolidated fiscal year ended on March 31 2023. The Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ Guidance No.42 August 12, 2021), which defines the accounting and disclosure treatment of income taxes, local income taxes, and tax effect accounting, is also applied.

### 13. REVENUE RECOGNITION

#### 1. Disaggregated information of revenue recognized from contracts with customers

For the year ended March 31, 2022

	Millions of Yen				
	Reportable Segment				
	Electronic Components	Information Equipment	Soft-Ware	Other	Total
Sales					
Japan	¥ 201,861	¥ 38,946	¥ 2,750	¥ 18,675	¥ 262,233
North America	34,062	—	17	22	34,101
Europe	16,840	—	—	33	16,874
Asia	181,037	1	—	305	181,344
Revenue recognized from contracts with customer	433,801	38,948	2,767	19,036	494,553
Other Revenue	51	668	—	553	1,273
Sales to external customers	433,852	39,616	2,767	18,590	495,827

For the year ended March 31, 2023

	Millions of Yen				
	Reportable Segment				
	Electronic Components	Information Equipment	Soft-Ware	Other	Total
Sales					
Japan	¥ 267,666	¥ 43,644	¥ 2,969	¥ 20,276	¥ 334,557
North America	43,606	—	—	73	43,679
Europe	23,746	0	—	38	23,785
Asia	204,265	—	29	1,005	205,330
Revenue recognized from contracts with customer	539,285	43,645	2,998	21,394	607,323
Other Revenue	57	34	—	649	741
Sales to external customers	539,342	43,680	2,998	22,044	608,064

	Thousands of U.S. Dollars				
	Reportable Segment				
	Electronic Components	Information Equipment	Soft-Ware	Other	Total
Sales					
Japan	\$ 2,004,544	\$ 326,854	\$ 22,236	\$ 151,852	\$ 2,505,486
North America	326,565	—	—	550	327,115
Europe	177,834	3	—	290	178,127
Asia	1,529,738	—	218	7,533	1,537,489
Revenue recognized from contracts with customer	4,038,681	326,857	22,454	160,225	4,548,217
Other Revenue	429	261	—	4,862	5,552
Sales to external customers	4,039,110	327,118	22,454	165,087	4,553,769

2. Basic information to understand revenue recognized from contracts with customers

Basic information is written in 2."SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES o. Recognition of important revenue and expense."

3. Information about the relationship between satisfaction of performance obligation and cash flow occurred from the contracts and information about revenue that will be recognized in the next fiscal year or after based on the contracts at the end of this fiscal year.

(a) The balances of receivables from contracts with customers and contract liabilities

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Receivables from contracts with customers (At the beginning of this fiscal year)	¥ 108,329	¥ 120,806	\$ 904,714
Receivables from contracts with customers (At the end of this fiscal year)	120,806	129,007	966,133
Contract liabilities (At the beginning of this fiscal year)	3,419	4,180	31,310
Contract liabilities (At the end of this fiscal year)	4,180	4,066	30,455

Contract liabilities mainly consists of amounts received from customers based on payment terms whereby consideration is received prior to goods or services being transferred to customers and reverse when the relevant revenue recognition criteria are met. Contract liabilities are included "Others" in current liabilities. Revenue that the Company recognized during this fiscal year which was included in contract liabilities at the beginning of this fiscal year totaled ¥2,105 million (\$15,767 thousand).

(b) Transaction price allocated to the remaining performance obligations

The Company and its subsidiaries apply a simplified method in respect of transaction price allocated to the remaining performance obligations, whereby contracts that have an original expected duration of one year or less are not included. Those performance obligations all relate to business manufacturing and sales. The total transaction price allocated to the remaining performance obligations and the expected periods of revenue recognition are as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Within 1 year	¥ 79	¥ 218	\$ 1,638
More than 1 year and Within 2 year	76	499	3,739
More than 2 year and Within 3 year	66	145	1,091
More than 3 year	162	259	1,944
Total	385	1,123	8,413

## **14. SEGMENT INFORMATION**

### **(1) Description of reportable segments**

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. The Group has four reporting segments that are made of different categories of products and services: electronic components, information equipment, software and others. The electronic components segment includes the development, manufacture and sales of semiconductors, general electronic components and other products, the electronics manufacturing service (EMS), and other activities. The information equipment segment includes sales of PCs, PC peripherals, photograph and imaging products, original brand products, and other products. The software segment includes the production of computer graphics, planning and development of amusement products, and other activities.

The other segment includes the fix and support of electronic components, the manufacture and sale of amusement equipment, sales of sports goods and other activities.

### **(2) Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment**

The accounting policies of each reportable segment are consistent to those disclosed in Note 2., "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES".



(3) Information about sales, profit (loss), assets and other items is as follows:

		Millions of Yen						
		2022						
		Reportable Segment					Recon- ciliations (Note 1)	Consoli- dated (Note 2)
		Electronic Components	Information Equipment	Soft- ware	Other	Total		
Sales:								
Sales to external customers	¥	433,852	¥ 39,616	¥ 2,767	¥ 19,590	¥ 495,827	¥ —	¥ 495,827
Inter segment sales or transfers		2,733	5,402	855	6,265	15,257	(15,257)	—
Total sales	¥	436,586	¥ 45,019	¥ 3,623	¥ 25,855	¥ 511,085	¥ (15,257)	¥ 495,827
Segment profit (loss)	¥	18,107	¥ 2,085	¥ (26)	¥ 626	¥ 20,792	¥ 122	¥ 20,915
Segment assets		250,460	20,435	1,612	11,707	284,214	(12,074)	272,139
Others:								
Depreciation		2,237	54	53	136	2,481	(10)	2,471
Increase in property, plant and equipment and intangible assets		4,362	121	24	146	4,654	—	4,654
		Millions of Yen						
		2023						
		Reportable Segment					Recon- ciliations (Note 1)	Consoli- dated (Note 2)
		Electronic Components	Information Equipment	Soft- ware	Other	Total		
Sales:								
Sales to external customers	¥	539,342	¥ 43,680	¥ 2,998	¥ 22,044	¥ 608,064	¥ —	¥ 608,064
Inter segment sales or transfers		3,508	7,255	968	7,957	19,689	(19,689)	—
Total sales	¥	542,850	¥ 50,935	¥ 3,966	¥ 30,001	¥ 627,754	¥ (19,689)	¥ 608,064
Segment profit (loss)	¥	28,314	¥ 2,449	¥ 286	¥ 1,101	¥ 32,152	¥ 97	¥ 32,249
Segment assets		265,302	22,765	2,033	13,876	303,978	(17,761)	286,217
Others:								
Depreciation		3,529	105	41	337	4,014	(14)	4,000
Increase in-property, plant and equipment and intangible assets		3,728	60	62	310	4,162	(2)	4,159

Thousands of U.S. Dollars							
2023							
Reportable Segment						Recon- ciliations (Note 1)	Consoli- dated (Note 2)
	Electronic Components	Information Equipment	Soft- ware	Other	Total		
Sales:							
Sales to external customers	\$ 4,039,109	\$ 327,117	\$ 22,453	\$ 165,087	\$ 4,553,769	\$ —	\$ 4,553,769
Inter segment sales or transfers	26,274	54,339	7,252	59,590	147,456	(147,456)	—
Total sales	<u>\$ 4,065,383</u>	<u>\$ 381,456</u>	<u>\$ 29,706</u>	<u>\$ 224,678</u>	<u>\$ 4,701,225</u>	<u>\$ (147,456)</u>	<u>\$ 4,553,769</u>
Segment profit (loss)	\$ 212,044	\$ 18,342	\$ 2,147	\$ 8,251	\$ 240,786	\$ 729	\$ 241,516
Segment assets	1,986,841	170,491	15,230	103,919	2,276,482	(133,012)	2,143,469
Others:							
Depreciation	26,435	788	314	2,525	30,063	(106)	29,956
Increase in-property, plant and equipment and intangible assets	27,919	451	469	2,328	31,169	(18)	31,150

Note: 1. The adjustment for segment operating income is as follows:

(1) Segment income

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Elimination of inter-segment trade	¥ 122	¥ 97	\$ 729
Amortization of goodwill	—	—	—
Total	<u>¥ 122</u>	<u>¥ 97</u>	<u>\$ 729</u>

(2) Segment assets

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Elimination of inter-segment trade	¥ (14,176)	¥ (19,823)	\$ (148,457)
Reconciliations	<u>2,101</u>	<u>2,062</u>	<u>15,444</u>
Total	<u>¥ (12,074)</u>	<u>¥ (17,761)</u>	<u>\$ (133,012)</u>

Note: Total corporate assets principally consist of surplus funds of the Companies under management (cash and securities).

(3) Depreciation and amortization

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Elimination of inter-segment trade	¥ (10)	¥ (14)	\$ (106)
Total	¥ (10)	¥ (14)	\$ (106)

(4) Increase amount of tangible and intangible fixed assets

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Elimination of inter-segment trade	¥ —	¥ (2)	\$ (18)
Total	¥ —	¥ (2)	\$ (18)

2. Segment income is adjusted for operating income in the consolidated statement of income and comprehensive income.

**Associated Information**

For the year ended March 31, 2022

(1) *Information about individual products and services*

This information is not presented because the Group prepares reports in accordance with a management approach based on individual products and services.

(2) *Geographic information*

(a) Sales

Millions of Yen				
2022				
Japan	North America	Europe	Asia	Total
¥ 263,415	¥ 34,101	¥ 16,874	¥ 181,436	¥ 495,827

Note: Sales are classified in countries or regions based on the location of customers.

(b) Property, plant and equipment

Millions of Yen				
2022				
Japan	North America	Europe	Asia	Total
¥11,336	¥ 415	¥ 129	¥ 7,512	¥ 19,393

- Notes: 1. Countries and regions are classified according to geographical proximity.
2. Countries and regions outside Japan are broken down into the following geographical areas:
- (1) North America: the United States, the United Mexican States
  - (2) Europe: United Kingdom, Federal Republic of Germany, Czech Republic, Russia and Republic of Turkey
  - (3) Asia: Hong Kong, Singapore, Taiwan, Korea, China, Malaysia, Thailand, India, Indonesia and Vietnam

(3) *Information about major customers*

This information is not presented because no sales to any individual customer were more than 10% of consolidated sales.

For the year ended March 31, 2023

(1) *Information about individual products and services*

This information is not presented because the Group prepares reports in accordance with a management approach based on individual products and services.

(2) *Geographic information*

(a) Sales

Millions of Yen					
2023					
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>Asia (except China)</u>	<u>China</u>	<u>Total</u>
¥ 335,201	¥ 43,679	¥ 23,785	¥ 131,143	¥ 74,254	¥ 608,064

  

Thousands of U.S. Dollars					
2023					
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>Asia (except China)</u>	<u>China</u>	<u>Total</u>
\$ 2,510,306	\$ 327,115	\$ 178,127	\$ 982,131	\$ 556,089	\$ 4,553,769

Note: Sales are classified in countries or regions based on the location of customers.

(b) Property, plant and equipment

Millions of Yen					
2023					
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>Asia (except Thailand)</u>	<u>Thailand</u>	<u>Total</u>
¥11,233	¥ 1,411	¥ 84	¥ 5,270	¥ 2,157	¥ 20,158

  

Thousands of U.S. Dollars					
2023					
<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>Asia (except Thailand)</u>	<u>Thailand</u>	<u>Total</u>
\$ 84,126	\$ 10,573	\$ 636	\$ 39,473	\$ 16,159	\$ 150,969

(3) *Information about major customers*

This information is not presented because no sales to any individual customer were more than 10% of consolidated sales.

**Information of impairment loss on fixed assets of reportable segments**

For the year ended March 31, 2022

	Millions of Yen				
	2022				
	Reportable Segment				
	Electronic Components	Information Equipment	Software	Other	Total
Impairment loss	¥ 45	¥ —	¥ —	¥ 47	¥ 93

For the year ended March 31, 2023

	Millions of Yen				
	2023				
	Reportable Segment				
	Electronic Components	Information Equipment	Software	Other	Total
Impairment loss	¥ 618	¥ —	¥ —	¥ 25	¥ 644

	Thousands of U.S. Dollars				
	2023				
	Reportable Segment				
	Electronic Components	Information Equipment	Software	Other	Total
Impairment loss	\$ 4,631	\$ —	\$ —	\$ 192	\$ 4,823

**Information of amortization of goodwill and balance of goodwill of reportable segments**

For the year ended March 31, 2022

	Millions of Yen					
	Reportable Segment					Recon- ciliations
	Electronic Components	Information Equipment	Software	Other	Total	
Amortization of goodwill for fiscal year	¥ 110	¥ —	¥ —	¥ —	¥ 110	¥ —
Balance of goodwill at the end of fiscal year	98	—	—	—	98	—

For the year ended March 31, 2023

	Millions of Yen					
	Reportable Segment					Recon- ciliations
	Electronic Components	Information Equipment	Software	Other	Total	
Amortization of goodwill for fiscal year	¥ 50	¥ —	¥ —	¥ 3	¥ 54	¥ —
Balance of goodwill at the end of fiscal year	48	—	—	—	48	—

Thousands of U.S. Dollars							
	Reportable Segment					Recon- ciliations	Consoli- dated
	Electronic Components	Information Equipment	Soft- ware	Other	Total		
Amortization of goodwill for fiscal year	\$ 376	\$ —	\$ —	\$ 29	\$ 406	\$ —	\$ 406
Balance of goodwill at the end of fiscal year	363	—	—	—	363	—	363

**Information of gain on negative goodwill by reportable segments**

For the year ended March 31, 2022

No significant items to be reported.

For the year ended March 31, 2023

No significant items to be reported.

**15. RELATED PARTY TRANSACTIONS**

(1) Principal transactions between the Company and its related party

For the year ended March 31, 2022

Principal transactions between the Company and its related party for the year ended March 31, 2022 are summarized as follows:

(Amount unit: Millions of yen, Thousands of U.S. dollars)										
Type	Company Name	Head Office	Capital Share	Business Activities	Percentage for Possession of Voting Rights	Relationship With Related Party	Content of Transaction	Amount for Transaction	Title of Account	Amount as of March 31, 2020
Major stockholder	Sankyo Co., Ltd.	Shibuya-ku, Tokyo	¥14,840	Manufacturing and sales of game machines	Owned directly 9.24%	—	Acquisition of own shares (Note)	¥3,674	—	—

Note:

Treasury shares have been repurchased through Tokyo Stock Exchange Trading Network Off Auction Own Share Repurchase Trading System (ToSTNeT-3) on August 5, 2021, at the price of ¥2,983, based on Board of Directors Resolution on August 5, 2021. As a result of the acquisition of treasury shares, Sankyo Co., Ltd. is removed from the major shareholders of the Company and is no longer a related party.

For the year ended March 31, 2023

This information is not presented due to its insignificance.

(2) Principal transactions between the Company's director and its related party

For the year ended March 31, 2022

Principal transactions between the Company's director and its related party for the year ended March 31, 2022 are summarized as follows:

(Amount unit: Millions of yen, Thousands of U.S. dollars)

Type	Company Name or Director Name	Head Office	Capital Stock	Business Activities or Occupation	Percentage for Possession of Voting Rights	Relationship With Related Party	Content of Transaction	Amount for Transaction	Title of Account	Amount as of March 31, 2022
Majority owned company by a director and the director's relatives	KGF CO., LTD.	Chiyoda -ku, Tokyo	¥10	Management of restaurant and convenience store	—	Interlocking directorate	Purchasing goods, Purchasing gifts (Note)	¥8	—	—

Note: Trade condition and policy

Purchase contracts are entered into between KGF and the Company, and the purchase price of goods is determined based on the discussions between the two parties.

The Company concluded the contract purchasing gifts at a price equivalent to market price.

For the year ended March 31, 2023

Principal transactions between the Company's director and its related party for the year ended March 31, 2023 are summarized as follows:

(Amount unit: Millions of yen, Thousands of U.S. dollars)

Type	Company Name or Director Name	Head Office	Capital Stock	Business Activities or Occupation	Percentage for Possession of Voting Rights	Relationship With Related Party	Content of Transaction	Amount for Transaction	Title of Account	Amount as of March 31, 2022
Majority owned company by a director and the director's relatives	KGF CO., LTD.	Chiyoda -ku, Tokyo	¥10 (\$74)	Management of restaurant and convenience store	—	Interlocking directorate	Purchasing goods, Purchasing gifts (Note)	¥10 (\$79)	—	—

Note: Trade condition and policy

Purchase contracts are entered into between KGF and the Company, and the purchase price of goods is determined based on the discussions between the two parties.

The Company concluded the contract purchasing gifts at a price equivalent to market price.

**16. PER SHARE INFORMATION**

	Yen		U.S. Dollars
	2022	2023	2023
Net assets per share	¥ 4,026.22	¥ 4,935.36	\$ 36.96
Net income per share	576.45	878.65	6.58

Notes 1. Diluted net income per share has not been disclosed because there were no potentially dilutive shares.

2. The basis for computation of net income per share is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Net income per share			
Profit attributable to owners of the parent	¥ 15,401	¥ 23,070	\$ 172,776
Net income unallocated to common stock	—	—	—
Profit attributable to owners of the parent allocated to common stock	15,401	23,070	172,776
Average number of common stock outstanding during the fiscal year (Share)	26,717,972	26,257,182	
Outline of the residual securities which were not included in the calculation of the diluted net income per share because there was no dilutive effect.	—	—	

3. The basis for computation of net assets per share is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2023	2023
Net assets per share			
Total net assets	¥ 105,800	¥ 129,737	\$ 971,599
Amount deducted from total net assets	120	129	970
(Non-controlling interests)	(120)	(129)	(970)
Net assets corresponding to common stock at the end of the fiscal year	105,680	129,608	970,629
Number of common stock shares used for the calculation of net assets per share (Share)	26,247,956	26,261,135	



## 17. SIGNIFICANT SUBSEQUENT EVENTS

Not applicable

## 18. CONSOLIDATED SUPPLEMENTARY SCHEDULE

### (1) Schedule of bonds

Company	Type of bonds	2022	2023	2023	Interest rate (%)	Security	Maturity
	Unsecured corporate bonds (first) on June 26, 2022	—	¥ 5,000	\$ 37,444	0.40%	Unsecured	June 23, 2025
KAGA ELECTRONICS CO.,LTD.	Unsecured corporate bonds (second) on June 26, 2022	—	5,000	37,444	0.50%	Unsecured	June 23, 2027
	—	—	¥ 10,000	\$ 74,888	—	—	—

Notes:

The repayment schedule of bonds per year for 5 years subsequent to March 31, 2023 is summarized as follow

Millions of Yen				
Within 1year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years
—	—	¥ 5,000	—	¥ 5,000
Thousands of U.S. Dollars				
Within 1year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years
—	—	\$ 37,444	—	\$ 37,444

### (2) Schedule of loans

Category	Millions of Yen		Thousands of U.S. Dollars	Interest rate (%)	Maturity
	2022	2023	2023		
Short-term loans payable	¥ 18,821	¥ 14,545	\$ 108,929	4.94%	—
Current portion of long-term loans payable	5,036	5,040	37,744	0.50%	—
Current portion of lease obligations	733	688	5,156	2.92%	—
Long-term loans payable (excluding current portion)	25,136	10,600	79,382	0.55%	2024 to 2028
Lease obligations (excluding current portion)	1,442	1,064	7,974	3.38%	2024 to 2028
Other interest-bearing debt	—	—	—	—	—
Total	¥ 51,171	¥ 31,938	\$ 239,188		

Notes:

1. Interest rates are stated at weighted average interest rates based on the average balance of borrowings for the year.
2. The repayment schedule of long-term loans payable and lease obligations (excluding current portion) per year for 5 years subsequent to March 31, 2023 is summarized as follow

Millions of Yen				
Category	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years
Long-term loans payable	¥ 100	¥ 5,000	¥ 1,000	¥ 4,500
Lease obligations	538	230	143	117
Total	¥ 638	¥ 5,230	¥ 1,143	¥ 4,617

  

Thousands of U.S. Dollars				
Category	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years
Long-term loans payable	\$ 748	\$ 37,444	\$ 7,488	\$ 33,700
Lease obligations	4,030	1,728	1,074	883
Total	\$ 4,779	\$ 39,173	\$ 8,562	\$ 34,583

(3) Schedule of asset retirement obligations

According to the Article 92-2 of the “Regulations for Consolidated Financial Statements,” schedule of asset retirement obligations is not presented, as the amount of asset retirement obligations is less than 1 percent of the total amount of liabilities and net assets.