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

*Consolidated Financial Statements for the
Year Ended March 31, 2024
and Independent Auditor's Report*



Independent Auditor's Report

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

THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Kaga Electronics Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at March 31, 2024, and the consolidated statement of income and comprehensive income, consolidated statement of changes in net assets and 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 at March 31, 2024, 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of unlisted securities including investments in startup companies (Notes to Consolidated Financial Statements, p. Significant Accounting Estimates) 1. valuation of unlisted securities, including venture investments	
Key audit matter description	How our audit addressed the key audit matter
<p>The Company invests in startup companies in growth markets such as electronic devices for vehicles, environmentally friendly technology solutions, communications as well as new markets such as medical/healthcare to generate innovation. As of March 31, 2024, the Group recognized investment securities including unlisted securities of JPY830 million (0.2% of total consolidated assets) in the consolidated balance sheet, and a loss on valuation of investment securities of JPY238 million (0.8% of income before income tax) in the consolidated statements of income and comprehensive income.</p> <p>With respect to unlisted securities, investments in startup companies may be acquired at a higher price than the net asset value, reflecting their excess earning capacity. The Company determines whether the excess earning capacity of an investee expected on acquisition has declined or not, by comparing the recent performance of an investee to the medium-to-long term business plan obtained at the time of acquisition. The Company recognizes impairment losses only when the net asset value has declined significantly and the excess earning capacity is no longer expected to be realized.</p> <p>In assessing the Company's investment securities, management's judgment is required with respect to the valuation of unlisted securities, consideration of the investee's progress against the medium-to-long term business plan on acquisition and forecast of the investee's future performance. The investment securities balance is quantitatively significant and there is a high degree of estimation uncertainty with regard to its valuation. 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"> • We obtained an understanding, evaluated the design and implementation, and tested the operating effectiveness of internal controls related to the process for the valuation of investments in startup companies including the determination of decline in the excess earning capacity of investees. • We inquired of the accounting department person in charge of securities valuation about the assessment process for investments in startup companies at the time of acquisition and the most recent financial status and operating results. We also inspected the results of the analysis conducted by the Company on business environment forecasts and other factors. In addition, we inquired about the impact on the valuation of securities arising from estimates of the excess earning capacity of investee companies. • We considered whether the net assets value of investees, calculated based on the latest financial information available, has declined significantly compared to the acquisition cost. • We obtained the assessment prepared by management and considered whether the Company has recognized any impairment loss accurately based on management's calculation. In addition, we compared the financial forecasts developed by the investees' management to the valuation of the investments. • We inspected the evidence related to the value at the acquisition to verify the accuracy of the acquisition cost.



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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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, actions taken to eliminate threats or safeguards applied.

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, 2024 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.

FEE-RELATED INFORMATION

In connection with our audit of the consolidated financial statements for the year ended March 31, 2024, the amounts of fees for the audit and the other services charged to Kaga Electronics Co., Ltd. and its controlled entities by PricewaterhouseCoopers Japan LLC and other PwC Network firms are JPY128 million and JPY37 million, respectively.



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.

Takayoshi Yano

Takayoshi Yano

Designated Engagement Partner
Certified Public Accountant

Masaki Nitta

Masaki Nitta

Designated Engagement Partner
Certified Public Accountant

PricewaterhouseCoopers Japan LLC

October 1, 2024

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries
Consolidated Balance Sheet
At March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
<u>ASSETS</u>	<u>2023</u>	<u>2024</u>	<u>2024</u>
CURRENT ASSETS:			
Cash and bank deposits	¥ 52,600	¥ 66,596	\$ 439,843
Notes receivable-trade ※2	1,534	900	5,945
Electronically recorded monetary claims ※2	9,683	10,146	67,013
Accounts receivable-trade	117,881	101,528	670,551
Short-term investment securities	195	171	1,131
Merchandise and finished goods	41,375	37,999	250,968
Work in process	2,277	1,878	12,405
Raw materials and supplies	12,552	14,861	98,154
Others	7,624	10,770	71,131
Allowance for doubtful accounts	(153)	(223)	(1,473)
Total CURRENT ASSETS	<u>245,572</u>	<u>244,629</u>	<u>1,615,673</u>
NONCURRENT ASSETS:			
PROPERTY, PLANT AND EQUIPMENT			
Buildings and structures	15,680	17,045	112,576
Accumulated depreciation	(8,990)	(9,778)	(64,585)
Buildings and structures, net	<u>6,690</u>	<u>7,266</u>	<u>47,991</u>
Machinery, equipment and vehicles	16,187	19,458	128,517
Accumulated depreciation	(9,721)	(11,811)	(78,012)
Machinery, equipment and vehicles, net	<u>6,466</u>	<u>7,647</u>	<u>50,505</u>
Tools, furniture and fixtures	5,880	6,588	43,515
Accumulated depreciation	(4,777)	(5,226)	(34,518)
Tools, furniture and fixtures, net	<u>1,103</u>	<u>1,362</u>	<u>8,997</u>
Land	5,859	6,036	39,865
Construction in progress	39	2,824	18,651
Total PROPERTY, PLANT AND EQUIPMENT	<u>20,158</u>	<u>25,135</u>	<u>166,010</u>
INTANGIBLE ASSETS			
Goodwill	48	16	106
Software	2,617	2,021	13,353
Others	36	54	360
Total INTANGIBLE ASSETS	<u>2,702</u>	<u>2,092</u>	<u>13,820</u>
INVESTMENTS AND OTHER ASSETS:			
Investment securities ※1	12,144	10,472	69,168
Deferred tax assets	2,162	1,179	7,789
Distressed receivables	4,842	5,015	33,124
Others	3,499	3,340	22,065
Allowance for doubtful accounts	(4,864)	(5,073)	(33,509)
Total INVESTMENTS AND OTHER ASSETS	<u>17,784</u>	<u>14,934</u>	<u>98,637</u>
Total NONCURRENT ASSETS	<u>40,645</u>	<u>42,162</u>	<u>278,468</u>
Total ASSETS	<u>¥ 286,217</u>	<u>¥ 286,792</u>	<u>\$ 1,894,141</u>

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet At March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES	2023	2024	2024
CURRENT LIABILITIES:			
Notes and accounts payable-trade ※2	¥ 79,232	¥ 71,392	\$ 471,519
Short-term loans payable	19,585	10,604	70,040
Accrued expenses	8,400	8,419	55,606
Income taxes payable	6,011	2,238	14,785
Provision for directors' bonuses	465	437	2,890
Others ※2	13,852	11,709	77,338
Total CURRENT LIABILITIES	127,547	104,803	692,181
NONCURRENT LIABILITIES:			
Bonds	10,000	10,000	66,045
Long-term loans payable	10,600	10,500	69,348
Deferred tax liabilities	2,634	3,241	21,406
Provision for directors' retirement benefits	143	94	624
Net defined benefit liabilities	2,148	2,342	15,468
Asset retirement obligations	627	660	4,363
Others	2,778	3,918	25,883
Total NONCURRENT LIABILITIES	28,932	30,757	203,141
Total LIABILITIES	156,479	135,560	895,322
NET ASSETS:			
SHAREHOLDERS' EQUITY			
Share capital	12,133	12,133	80,137
Capital surplus	14,820	14,849	98,071
Retained earnings	95,945	110,250	728,158
Treasury shares	(5,614)	(5,603)	(37,006)
Total SHAREHOLDERS' EQUITY	117,285	131,629	869,360
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Changes in the fair value of available-for-sale securities	2,534	3,075	20,315
Deferred gains or losses on hedges	(18)	21	141
Foreign currency translation adjustment	9,568	15,803	104,374
Remeasurements of defined benefit obligations	239	303	2,005
Total ACCUMULATED OTHER COMPREHENSIVE INCOME	12,322	19,204	126,836
Non-controlling interests	129	396	2,621
Total NET ASSETS	129,737	151,231	998,819
Total LIABILITIES AND NET ASSETS	¥ 286,217	¥ 286,792	\$ 1,894,141

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, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2024	2024
Net sales ※1	¥ 608,064	¥ 542,697	\$ 3,584,288
Cost of sales ※2, 4	529,550	472,244	3,118,979
Gross profit	78,514	70,452	465,308
Selling, general and administrative expenses ※3, 4	46,265	44,607	294,612
Operating income	32,249	25,845	170,696
NON-OPERATING INCOME			
Interest income	211	891	5,889
Dividend income	279	253	1,675
Share of profit of entities accounted for using equity method	97	-	-
Foreign exchange gains	107	-	-
Commission fee	227	136	900
House rent income	126	135	892
Others	412	992	6,554
Total NON-OPERATING INCOME	1,461	2,409	15,912
NON-OPERATING EXPENSES			
Interest expenses	748	890	5,879
Share of loss of entities accounted for using equity method	-	80	532
Foreign exchange losses	-	741	4,897
Others	223	565	3,735
Total NON-OPERATING EXPENSES	971	2,278	15,045
Ordinary income	32,739	25,976	171,562
EXTRAORDINARY INCOME			
Gain on sales of property, plant and equipment ※5	20	18	120
Gain on sales of investment securities	626	1,420	9,383
Gain on bargain purchase	-	481	3,177
Gain on liquidation of subsidiaries and associates	-	480	3,170
Gain on revision of retirement benefit plan	126	-	-
Others	1	8	54
Total EXTRAORDINARY INCOME	774	2,408	15,906
EXTRAORDINARY LOSS			
Impairment loss ※7	644	16	112
Loss on disposal of property, plant and equipment ※6	37	14	96
Loss on sales of investment securities	12	0	3
Loss on valuation of investment securities	348	238	1,578
Others	11	13	90
Total EXTRAORDINARY LOSS	¥ 1,054	¥ 284	\$ 1,880

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income and Comprehensive Income For the Year Ended March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2024	2024
Income before income taxes	¥ 32,460	¥ 28,099	\$ 185,588
Income taxes-current	9,197	6,292	41,561
Income taxes-deferred	167	1,483	9,797
Total income taxes	9,365	7,776	51,358
Net income	23,094	20,323	134,230
Profit attributable to owners of the parent	23,070	20,345	134,374
Profit attributable to non-controlling interests	23	(21)	(144)
OTHER COMPREHENSIVE INCOME			
Changes in the fair value of available-for-sale securities	1,235	537	3,549
Deferred gains or losses on hedges	(16)	40	268
Foreign currency translation adjustment	4,033	6,329	41,803
Remeasurements of defined benefit plans, net of tax	28	64	424
Share of other comprehensive income of entities accounted for using equity method	97	(82)	(543)
Total OTHER COMPREHENSIVE INCOME ※5	5,378	6,889	45,502
Comprehensive income	¥ 28,472	¥ 27,213	\$ 179,732
Comprehensive income attributable to:			
Owners of the parent	¥ 28,445	¥ 27,227	\$ 179,824
Non-controlling interests	26	(13)	(92)

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, 2024

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	¥ 99,945	¥ (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 plans	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, 2024

Fiscal year ended March 31, 2024

	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	¥ 14,820	¥ 95,945	¥ (5,614)	¥ 117,285
Changes of items during period					
Dividends from surplus			(6,040)		(6,040)
Profit attributable to owners of the parent			20,345		20,345
Purchase of treasury shares				(6)	(6)
Disposal of treasury shares		28		17	45
Net changes of items other than shareholders' equity					
Total changes of items during period	—	28	14,304	10	14,344
Total	¥ 12,133	¥ 14,849	¥ 110,250	¥ (5,603)	¥ 131,629

	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 plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥ 2,534	¥ (18)	¥ 9,568	¥ 239	¥ 12,322	¥ 129	¥ 129,737
Changes of items during period							
Dividends from surplus							(6,040)
Profit attributable to owners of the parent							20,345
Purchase of treasury shares							(6)
Disposal of treasury shares							45
Net changes of items other than shareholders' equity	541	40	6,235	64	6,881	267	7,149
Total changes of items during period	541	40	6,235	64	6,881	267	21,493
Total	¥ 3,075	¥ 21	¥ 15,803	¥ 303	¥ 19,204	¥ 396	¥ 151,231

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets For the Year Ended March 31, 2024

Fiscal year ended March 31, 2024

	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	\$ 80,137	\$ 97,881	\$ 633,681	\$ (37,078)	\$ 774,621
Changes of items during period					
Dividends from surplus			(39,900)		(39,900)
Profit attributable to owners of the parent			134,377		134,377
Purchase of treasury shares				(41)	(41)
Disposal of treasury shares		190		113	303
Net changes of items other than shareholders' equity					
Total changes of items during period	—	190	94,47715	72	94,739
Total	\$ 80,137	\$ 98,071	\$ 728,158	\$ (37,006)	\$ 869,360

	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 plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	\$ 16,736	\$ (124)	\$ 63,193	\$ 1,580	\$ 81,386	\$ 855	\$ 856,863
Changes of items during period							
Dividends from surplus							(39,936)
Profit attributable to owners of the parent							134,374
Purchase of treasury shares							(41)
Disposal of treasury shares							303
Net changes of items other than shareholders' equity	3,579	265	41,181	424	45,450	1,766	47,216
Total changes of items during period	3,579	265	41,181	424	45,450	1,766	141,955
Total	\$ 20,315	\$ 141	\$ 104,374	\$ 2,005	\$ 126,836	\$ 2,621	\$ 998,819

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, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2023	2024	2024
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES			
Income before income taxes	¥ 32,460	¥ 28,099	\$ 185,588
Depreciation and amortization	4,000	4,252	28,084
Impairment loss	644	16	112
Amortization of goodwill	54	32	213
Increase(Decrease) in provision for directors' bonuses	163	(27)	(182)
Increase in allowance for doubtful accounts	2,358	254	1,681
Interest and dividend income	(490)	(1,145)	(7,564)
Interest expenses	748	890	5,879
Share of loss (profit) of entities accounted for using equity method	(97)	80	532
Gain on sales of investment securities	(614)	(1,420)	(9,380)
Loss on valuation of investment securities	348	238	1,578
Gain on bargain purchase	-	(481)	(3,177)
Gain on liquidation of subsidiaries and associates	-	(480)	(3,170)
(Increase) Decrease in notes and accounts receivable-trade	(5,952)	21,260	140,414
Decrease in inventories	9,316	4,545	30,022
Decrease in notes and accounts payable-trade	(11,503)	(12,257)	(80,958)
(Increase) Decrease in accounts receivable-other	2,239	(1,223)	(8,082)
Increase (Decrease) in accrued expenses	994	(475)	(3,138)
(Increase) Decrease in advance payments	(417)	612	4,047
(Increase) Decrease in consumption taxes refund receivable	2,340	(1,257)	(8,303)
(Increase) Decrease in other current assets	(741)	354	2,339
Increase (Decrease) in other current liabilities	393	(2,385)	(15,757)
Others, net	937	1,373	9,068
Subtotal	37,183	40,857	269,846
Interest and dividend income received	491	1,143	7,549
Interest expenses paid	(732)	(879)	(5,805)
Income taxes paid	(6,372)	(11,736)	(77,511)
Others, net	-	-	-
Net cash provided by operating activities	¥ 30,569	¥ 29,385	\$ 194,077

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows For the Year Ended March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2023</u>	<u>2024</u>	<u>2024</u>
NET CASH USED IN INVESTING ACTIVITIES			
Payments for time deposits	¥ (397)	¥ (6,215)	\$ (41,050)
Proceeds from withdrawal of time deposits	-	4,517	29,838
Purchase of property, plant and equipment	(3,691)	(5,417)	(35,779)
Proceeds from sales of property, plant and equipment	34	31	208
Purchase of intangible assets	(467)	(336)	(2,222)
Purchase of investment securities	(750)	(547)	(3,613)
Proceeds from sales of investment securities	1,102	4,120	27,216
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	564	3,729
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	-	(9)	(61)
Payments of short-term loans receivable	(421)	(30)	(201)
Payments of long-term loans receivable	(7)	(12)	(82)
Other payments	(278)	(217)	(1,434)
Other proceeds	<u>71</u>	<u>582</u>	<u>3,848</u>
Net cash used in investing activities	(4,805)	(2,968)	(19,603)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES			
Decrease in short-term loans payable	(5,555)	(5,230)	(34,542)
Proceeds from long-term loans payable	500	-	-
Repayment of long-term loans payable	(15,040)	(5,040)	(33,287)
Proceeds from issuance of bonds	9,945	-	-
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(21)	-	-
Purchase of treasury shares	(2)	(6)	(41)
Cash dividends paid	(4,590)	(6,033)	(39,849)
Proceeds from share issuance to non-controlling shareholders	-	220	(1,453)
Others, net	<u>(784)</u>	<u>(883)</u>	<u>(5,837)</u>
Net cash provided by (used in) financing activities	(15,549)	(16,973)	(112,104)
Effect of exchange rate change on cash and cash equivalents	<u>852</u>	<u>2,667</u>	<u>17,616</u>
Net increase (decrease) in cash and cash equivalents	11,066	12,110	79,986
Cash and cash equivalents-beginning balance	<u>39,240</u>	<u>50,307</u>	<u>332,256</u>
Cash and cash equivalents-ending balance ※1	¥ <u>50,307</u>	¥ <u>62,417</u>	\$ <u>412,243</u>

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, 2024

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 ¥151.41 to \$1, the rate of exchange at March 31, 2024. 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 (57 in 2023 and 60 in 2024) (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 affiliates accounted for under the equity method. For those companies 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 2023 and 20 in 2024) 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 recognized 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

Certain domestic consolidated subsidiaries 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 and comprehensive 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 unlisted securities, including investments in startup companies

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Investment securities	¥ 1,058	¥ 830	\$ 5,486
Loss on valuation of investment securities	348	238	1,578

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

With respect to unlisted securities, 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 recognizes a valuation loss when the net asset value has declined significantly. In particular, investments in startup companies are sometimes acquired at a higher price than the net asset value, reflecting the impact of excess earning capacity. If those projected excess earning capacity is 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 recognized to reflect any significant decline in net asset value which is reflected excess earning capacity. Due to uncertainties around future changes in the corporate environment, etc., which may negatively impact on the net asset value reflected the projected excess earning capacity, reassessment may be required which may result in additional losses in the subsequent consolidated fiscal year.

q. 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.

r. Changes in presentation

(Consolidated Balance Sheet)

“Guarantee deposits” and “Insurance funds”, which were presented separately until last fiscal year, are included in “Others” in INVESTMENT AND OTHER ASSETS from this fiscal year due to the decrease in their monetary significance. In applying this change, last year’s Consolidated Balance Sheet has been updated to be presented on a consistent basis.

As a result, ¥1,280 million presented as “Guarantees deposits” in INVESTMENT AND OTHER ASSETS in the previous fiscal year and ¥920 million presented as “Insurance funds” are now presented within “Others” in this fiscal year.

(Consolidated Statement of Cash Flow)

“Increase (Decrease) in net defined benefit liability”, “Increase in provision for directors’ retirement benefits”, “Gain on sales of property, plant and equipment”, and “Loss on retirement of property, plant and equipment”, which were presented separately until last year in NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES are included in “Others, net” from this fiscal year due to the decrease in their monetary significance. In applying this change, last year’s Consolidated Statement of Cash Flows has been updated to be presented on consistent basis.

As a result, ¥(33) million presented as “Decrease in net defined benefit liability” in NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES in the previous fiscal year’s consolidated statement of cash flows, ¥20 million presented as “Increase in Provision for directors’ retirement benefit”, ¥(8) million presented as “Gain on sales of property, plant and equipment”, and ¥37 million presented as “Loss on retirement of property, plant and equipment” are now presented within “Others, net” in this fiscal year.

“Purchase of insurance funds”, “Payments for guarantee deposits” in and “Proceeds from collection of guarantee deposits”, which were presented separately until last year in NET CASH USED IN INVESTING ACTIVITIES, are now included in “Other payments” or “Other proceeds” from this fiscal year due to the decrease in their monetary significance . In applying this change, last year’s Consolidated Statement of Cash Flows has been updated to be presented on a consistent basis.

As a result, in NET CASH USED IN INVESTING ACTIVITIES in the previous fiscal year’s consolidated statement of cash flows, ¥(4) million presented as “Purchase of insurance funds”, and ¥(103) million presented as “Payments for guarantee deposits” are now presented as “Other payments” in this fiscal year. In addition, ¥37 million presented as “Proceeds from collection of guarantee deposits” are now presented as “Other proceeds” .

3. NOTES TO CONSOLIDATED BALANCE SHEET

※1. *Investment securities*

Investment securities include the following amounts of affiliated companies.

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2024</u>	<u>2024</u>
Investment securities	¥ 990	¥ 822	\$ 5,434

※2. *Notes receivable and payable*

The Company and its domestic consolidated subsidiaries recognized actual cash settlement of the notes on the date of clearance. Since the closing date of March 31, 2024 was not a business day for financial institutions, the following notes due to mature on the closing date are included in the year-end balances.

	Millions of Yen		Thousands of U.S. Dollars
	<u>2023</u>	<u>2024</u>	<u>2024</u>
Notes receivable - trade	¥ —	¥ 57	\$ 376
Electronically recorded monetary claims	—	622	4,113
Notes payable - trade	—	87	575

※3. *Contingent liabilities*

Contingent liabilities for guaranteed employees' loans amounted to ¥4 million and ¥6 million (US\$ 40 thousands) as of March 31, 2023 and 2024, 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
	<u>2023</u>	<u>2024</u>	<u>2024</u>
Total limit of contract	¥ 15,000	¥ 15,000	\$ 99,068
Loan balances		-	-
Available amounts	<u>15,000</u>	<u>15,000</u>	<u>99,068</u>

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 14.1.

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

Loss on valuation of inventories which is included in cost of sales is ¥222 million and ¥341million (US\$ 2,258 thousands) for the years ended March 31, 2023 and 2024, 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
	<u>2023</u>	<u>2024</u>	<u>2024</u>
Salaries and bonuses	¥ 21,282	¥ 20,007	\$ 132,139
Retirement benefit expenses	990	953	6,294
Provision for directors’ bonuses	469	447	2,953
Provision for doubtful accounts	197	279	1,845

※4. *Research and development costs*

Research and development costs charged to expenses are ¥476 million and ¥589million (US\$ 3,895 thousands) for the years ended March 31, 2023 and 2024, 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>2023</u>	<u>2024</u>	<u>2024</u>
Machinery, equipment and vehicles	¥ 11	¥ 14	\$ 98
Tools, furniture and fixtures	<u>8</u>	<u>3</u>	<u>22</u>
Total	¥ <u>20</u>	¥ <u>18</u>	\$ <u>120</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>2023</u>	<u>2024</u>	<u>2024</u>
Buildings and structures	¥ 18	¥ 2	\$ 13
Machinery, equipment and vehicles	2	1	11
Tools, furniture and fixtures	15	2	15
Others (Intangible assets)	<u>0</u>	<u>8</u>	<u>56</u>
Total	¥ <u>37</u>	¥ <u>14</u>	\$ <u>96</u>

※7. *Impairment loss*

For the year ended March 31, 2023

The Group has recognized 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.

For the year ended March 31, 2024

This information is not presented due to its insignificance.

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Net unrealized gain or loss on available-for-sale securities			
Amount arising during the period	¥ 2,162	¥ 2,129	\$ 14,063
Amount of reclassification	(504)	(1,351)	(8,925)
Net gain before income tax effect	1,657	777	5,138
Income tax effect	(422)	(240)	(1,588)
Net unrealized gain or loss on available-for-sale securities, net of Tax	1,235	537	3,549
Deferred gains or losses on hedges			
Amount arising during the period	(92)	31	205
Amount of reclassification	3	27	182
Net gain before income tax effect	(89)	58	387
Income tax effect	72	(18)	(119)
Deferred gains or losses on hedges	(16)	40	268
Foreign currency translation adjustment			
Amount arising during the period	4,033	6,662	44,002
Amount of reclassification	-	(332)	(2,198)
Foreign currency translation adjustment	4,033	6,329	41,803
Remeasurements of defined benefit obligations			
Amount arising during the period	230	110	731
Amount of reclassification	(166)	(22)	(147)
Net gain before income tax effect	63	88	583
Income tax effect	(35)	(24)	(159)
Remeasurements of defined benefit obligations	28	64	424
Share of other comprehensive income of entities accounted for using equity method			
Amount arising during the period	97	(82)	(543)
Total other comprehensive income	¥ 5,378	¥ 6,889	\$ 45,502

5. NOTES TO CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

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, 2023 with record date during the year ended March 31, 2024.

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

For the year ended March 31, 2024

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

	Number of shares as of April 1, 2023	Increase in the number of shares	Decrease in the number of shares	Number of shares as of March 31, 2024
Number of outstanding shares				
Common shares	28,702,118	—	—	28,702,118
Number of treasury shares				
Common shares (Note)	2,440,983	1,036	7,475	2,434,544

Note:

Increase as a result of fractional share repurchases: 1,036 shares

Decrease as a result of the payment of restricted stock to the directors: 7,475 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 27, 2023	Common shares	3,151 (US\$20,815 thousands)	120 (US\$0.79)	March 31, 2023	June 28, 2023
Board of Directors' meeting held on November 8, 2023	Common shares	2,889 (US\$19,085 thousands)	110 (US\$0.72)	September 30, 2023	December 1, 2023

(2) Dividends whose effective date is after March 31, 2024 with a record date during the year ended March 31, 2025.

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 26, 2024	Common shares	2,889 (US\$19,085 thousands)	Retained earnings	110 (US\$0.72)	March 31, 2024	June 27, 2024

6. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

- ※1. Cash and cash equivalents at March 31, 2023 and 2024 are reconciled to the accounts reported in the consolidated balance sheet as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Cash and bank deposits	¥ 52,600	¥ 66,596	\$ 439,843
Time deposits with a deposit period of more than 3 months	(2,293)	(4,178)	(27,600)
Cash and cash equivalents	¥ 50,307	¥ 62,417	\$ 412,243

7. LEASES

(Lessee)

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.

As of March 31, 2023 and 2024, future lease payments under non-cancelable operating leases have been omitted due to immateriality.

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

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Loss
<u>March 31, 2023</u>			
Accounts receivable-trade※1	¥117,881	¥117,881	—
Short-term investment securities	195	195	—
Investment securities ※2 ※3	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)	¥ —
	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Loss
<u>March 31, 2024</u>			
Short-term investment securities	171	171	—
Investment securities ※2 ※3	8,754	8,754	—
Total	¥8,925	¥ 8,925	¥ —
Bonds	10,000	9,952	47
Long-term loans payable	10,500	10,402	97
Total	¥20,500	¥ 20,355	¥ 144
Derivatives ※4	¥ (29)	¥ (29)	¥ —

March 31, 2024	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Loss
Short-term investment securities	1,131	1,131	—
Investment securities ※2	57,819	57,819	—
Total	\$ 58,950	\$ 58,950	\$ —
Bonds	66,045	65,732	313
Long-term loans payable	69,348	68,703	644
Total	\$ 135,393	\$ 134,435	\$ 957
Derivatives ※4	\$ (196)	\$ (196)	\$ —

※1 "Cash and bank deposits", "Accounts receivable-trade", "Note receivable-trade", "Electronically recorded monetary claims", "Short-term loans payable", "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 carrying value, the description is omitted.

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Shares of related companies	¥ 990	¥ 822	\$ 5,434
Non-marketable equity securities	1,058	830	5,486

※3 The description of investment in partnerships and other similar business entities which are recognized in the amount equivalent to their equity in the consolidated balance sheet in net amount is omitted. The amount recognized on the consolidated balance sheet of the investment is ¥285 million and ¥64 million (US\$ 427 thousands) for the years ended March 31, 2023 and 2024, respectively.

※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, 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	¥ —

March 31, 2024

		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	¥	66,596	¥ —	¥ —	¥ —
Notes receivable-trade		900	—	—	—
Accounts receivable-trade		101,528	—	—	—
Electronically recorded monetary claims		10,146	—	—	—
Investment securities with maturities		49	—	—	—
Total	¥	179,221	¥ —	¥ —	¥ —

		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	\$	439,843	\$ —	\$ —	\$ —
Notes receivable-trade		5,945	—	—	—
Accounts receivable-trade		670,551	—	—	—
Electronically recorded monetary claims		67,013	—	—	—
Investment securities with maturities		329	—	—	—
Total	\$	1,183,684	\$ —	\$ —	\$ —

Note 2. The payment schedule for bonds, short-term and long-term loans payable, lease obligations and other interest-bearing liabilities by payment due date at March 31, 2023 and 2024 is as follows:

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 payable	¥	14,545	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans payable							
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	¥ —

March 31, 2024

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 payable	¥ 10,504	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term loans payable						
Including current portion of long-term loans payable	100	5,000	1,000	4,500	—	—
Bonds	—	5,000	—	5,000	—	—
Total	¥ 10,604	¥ 10,000	¥ 1,000	¥ 9,500	¥ —	¥ —

March 31, 2024

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 payable	\$ 69,379	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term loans payable						
Including current portion of long-term loans payable	660	33,022	6,604	29,720	—	—
Bonds	—	33,022	—	33,022	—	—
Total	\$ 70,040	\$ 66,045	\$ 6,604	\$ 62,743	\$ —	\$ —

(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 recognized on the consolidated balance sheet at market price
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, 2024

	Market price (Millions of Yen)			
	Level 1	Level 2	Level 3	Total
Short-term investment securities				
Marketable equity securities	¥ 171	—	—	¥ 171
Investment securities				
Marketable equity securities	7,122	—	—	7,122
Investment trusts	1,581	—	—	1,581
Corporate bonds	—	49	—	49
Total	¥ 8,875	¥ 49	—	¥ 8,925
Derivatives				
Currency related transactions	—	¥ 29	—	¥ 29
Total	—	¥ 29	—	¥ 29

March 31, 2024

	Market price (Thousands of U.S. Dollars)			
	Level 1	Level 2	Level 3	Total
Short-term investment securities				
Marketable equity securities	\$ 1,131	—	—	\$ 1,131
Investment securities				
Marketable equity securities	47,043	—	—	47,043
Investment trusts	10,446	—	—	10,446
Corporate bonds	—	329	—	329
Total	\$ 58,621	\$ 329	—	\$ 58,951
Derivatives				
Currency related transactions	—	\$ 196	—	\$ 196
Total	—	\$ 196	—	\$ 196

(2) Financial instruments other than those recorded on the consolidated balance sheet at market price
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, 2024

	Market price (Millions of Yen)			
	Level 1	Level 2	Level 3	Total
Bonds	—	9,952	—	9,952
Long-term loans payable	—	10,402	—	10,520
Total	—	¥ 20,355	—	¥ 20,355

March 31, 2024

	Market price (Thousands of U.S. Dollars)			
	Level 1	Level 2	Level 3	Total
Bonds	—	65,732	—	65,732
Long-term loans payable	—	68,703	—	68,703
Total	—	\$ 134,436	—	\$ 134,436

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 applied to 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.”).

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, 2023 and 2024 consisted of the following:

(1) Current-Marketable equity securities

	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Unrealized gains included in net income for the year	¥ (68)	¥ (24)	\$ (159)

(2) Held-to-maturity debt securities

For the year ended March 31, 2023

No significant items to be reported.

For the year ended March 31, 2024

No significant items to be reported.

(3) Investment securities with a readily determinable fair value

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

Note:

Non-marketable equity securities of ¥1,058 million and Shares of subsidiaries and related companies of ¥ 990 million are not included in the above due to stocks with no market price. In addition, investments in unions and other similar business entities which are recognized in the amount equivalent to their equity in the consolidated balance sheet in net amount of ¥285 million is omitted.

March 31, 2024

	Millions of Yen		
	Carrying amount	Acquisition cost	Difference
Securities for which the carrying amount exceeds the acquisition costs			
Non-current:			
Marketable equity securities	¥6,802	¥2,893	¥3,909
Government and corporate bonds	—	—	—
Others	1,517	893	623
Subtotal	¥8,319	¥3,786	¥4,533
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	320	374	(54)
Government and corporate bonds	49	50	(0)
Others	64	76	(11)
Subtotal	¥ 434	¥ 500	¥ (66)
Total	¥8,754	¥4,287	¥4,467
	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	\$ 44,929	\$ 19,108	\$25,821
Government and corporate bonds	—	—	—
Others	10,019	5,900	4,118
Subtotal	\$ 54,949	\$ 25,009	\$29,940
Securities for which the carrying amount does not exceed the acquisition costs			
Non-current:			
Marketable equity securities	2,113	2,474	(360)
Government and corporate bonds	329	330	(0)
Others	426	502	(75)
Subtotal	\$ 2,870	\$ 3,307	\$ (437)
Total	\$ 57,819	\$ 28,316	\$ 29,503

Note:

Non-marketable equity securities of ¥830 million (US\$ 5,486 thousands) and Shares of subsidiaries and related companies of ¥ 822 million (US\$ 5,434 thousands) are not included in the above due to stocks with no market price. In addition, investments in unions and other similar business entities which are recognized in the amount equivalent to their equity in the consolidated balance sheet in net amount of ¥64 million (US\$ 427 thousands) is omitted.

(4) Investment securities sold during 2023 and 2024

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

March 31, 2024

		Millions of Yen		
		Amounts sold	Gains on sales	Loss on sales
Investment securities	¥	3,710	¥ 1,420	¥ —
Government and corporate bonds		—	—	—
Others		102	0	0
Total	¥	3,813	¥ 1,420	¥ 0

		Thousands of U.S. Dollars		
		Amounts sold	Gains on sales	Loss on sales
Investment securities	\$	24,506	\$ 9,382	\$ —
Government and corporate bonds		—	—	—
Others		678	0	3
Total	\$	25,184	\$ 9,383	\$ 3

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

Millions of Yen		Thousands of U.S. Dollars
2023	2024	2024
¥ 348	¥ 238	\$ 1,578

Note:

The company recognizes impairment loss when carrying value declines more than 50% of acquisition value.

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
March 31, 2023	Hedged Item			
General processing method:				
Foreign currency forward contracts:				
Selling USD	Receivables	¥ 7,536	¥ —	¥ (36)
Buying USD	Payables	2,624	—	(24)
Buying EUR	Payables	0	—	0
Total		¥ 10,160	¥ —	¥ (61)

Allocation processing of foreign exchange contracts:

Foreign currency forward contracts:

Selling USD	Receivables	¥ 8,051	¥ —	
Selling CNY	Receivables	137	—	
Buying USD	Payables	5,227	—	(Note)
Buying CNY	Payables	4	—	
Buying EUR	Payables	0	—	
Total		¥ 13,420	¥ —	¥ —

		Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2024	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
General processing method:				
Foreign currency forward contracts:				
Selling USD	Receivables	¥ 7,135	¥ —	¥ (76)
Selling CNY	Receivables	2	—	(0)
Buying USD	Payables	2,653	—	(79)
Buying EUR	Payables	0	—	0
Total		¥ 9,791	¥ —	¥ 3

Allocation processing of foreign exchange contracts:

Foreign currency forward contracts:

Selling USD	Receivables	¥ 6,727	¥ —	
Selling CNY	Receivables	33	—	(Note)
Buying USD	Payables	5,109	—	
Buying EUR	Payables	4	—	
Total		¥ 11,875	¥ —	¥ —

		Thousands of U.S. Dollars		
		Contract	Contract	Fair
March 31, 2024	Hedged Item	Amount	Amount	Value
			Due after	
			One Year	
General processing method:				
Foreign currency forward contracts:				
Selling USD	Receivables	\$ 47,125	\$ —	\$ (503)
Selling CNY	Receivables	19	—	(0)
Buying USD	Payables	17,522	—	525
Buying EUR	Payables	0	—	0
Total		\$ 64,669	\$ —	\$ 20
Allocation processing of foreign exchange contracts:				
Foreign currency forward contracts:				
Selling USD	Receivables	\$ 44,429	\$ —	
Selling CNY	Receivables	222	—	(Note)
Buying USD	Payables	33,749	—	
Buying EUR	Payables	29	—	
Total		\$ 78,430	\$ —	\$ —

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, 2023

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	¥ 8,600	¥ 4,300	(Note)

For the year ended March 31, 2024

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	¥ 4,300 (\$ 28,399)	¥ 4,300 (\$ 28,399)	(Note)

Note:

Interest rate swap matching specific criteria 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, 2023 and 2024 (excluding plans applying the simplified method) are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Retirement benefit obligation at the beginning of the year	¥ 7,823	¥ 5,252	\$ 34,690
Service cost	356	334	2,212
Interest cost	34	54	359
Actuarial gains (losses)	(296)	(140)	(930)
Benefits paid	(346)	(225)	(1,489)
Decrease due to transfer to defined contribution pension plans	(2,312)	—	—
Others	(7)	41	272
Retirement benefit obligation at the end of the year	¥ 5,252	¥ 5,316	\$ 35,114

(b) Changes in the plan assets for the years ended March 31, 2023 and 2024 (excluding plans applying the simplified method) are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Plan assets at fair value at the beginning of the year	¥ 7,473	¥ 5,106	\$ 33,724
Expected return on plan assets	90	90	599
Actuarial gains (losses)	(66)	(30)	(199)
Contributions by the employer	338	278	1,842
Benefits paid	(358)	(212)	(1,404)
Decrease due to transfer to defined contribution pension plans	(2,372)	—	—
Plan assets at fair value at the end of the year	¥ 5,106	¥ 5,233	\$ 34,562

(c) Changes in net defined benefit liabilities for plans which applied the simplified method for the years ended March 31, 2023 and 2024 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Net defined benefit liabilities at the beginning of the year	¥ 1,641	¥ 1,771	\$ 11,698
Retirement benefit expenses	414	431	2,851
Retirement benefits paid	(129)	(97)	(642)
Contributions to plan	(146)	(168)	(1,115)
Others	(10)	(19)	(127)
Net defined benefit liabilities at the end of the year	¥ 1,771	¥ 1,917	\$ 12,663

(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, 2023 and 2024 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Retirement benefit obligation of funded plans	¥ 5,108	¥ 5,316	\$ 35,114
Plan assets	(5,106)	(5,233)	(34,562)
	2	83	552
Retirement benefit obligation of unfunded plans	1,915	1,917	12,663
Net liabilities recorded in the consolidated balance sheet	¥ 1,917	¥ 2,001	\$ 13,216
Net defined benefit liabilities	2,148	2,342	15,468
Net defined benefit assets	(231)	(341)	(2,252)
Net liabilities recorded in the consolidated balance sheet	¥ 1,917	¥ 2,001	\$ 13,216

(e) Components of retirement benefit expenses for the years ended March 31, 2023 and 2024 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Service cost	¥ 363	¥ 325	\$ 2,148
Interest cost	34	54	359
Expected return on plan assets	(90)	(90)	(599)
Actuarial loss charged (credited)	16	(20)	(132)
Prior service cost	(2)	(2)	(15)
Redundancy pay	(3)	11	77
Retirement benefit expenses calculated based on the simplified method	414	431	2,851
Others	(10)	23	154
Retirement benefit expenses for defined benefit pension plans	¥ 722	¥ 733	\$ 4,843
Gain on revision of retirement benefit plan	¥ 126	¥ —	\$ —

- (f) Remeasurements of defined benefit plans, net of tax for the years ended March 31, 2023 and 2024 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
	2023	2024	2024
Prior service cost	¥ (2)	¥ (2)	\$ (15)
Actuarial gains and losses	65	90	598
Total	¥ 63	¥ 88	\$ 583

- (g) Remeasurements of defined benefit obligations as of March 31, 2023 and 2024 are as follows:

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

	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Unrecognized prior service cost	¥ 14	¥ 11	\$ 78
Unrecognized actuarial gains or losses	338	428	2,832
Total	¥ 352	¥ 440	\$ 2,910

- (h) Items for plan assets

Components of plan assets

Ratio of primary components to total plan assets

	2023	2024
General accounts	100.00%	100.00%

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

	2023	2024
Discount rate	0.50~0.67%	0.67~0.95%
Expected long-term rate of return	1.70~2.50%	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
	2023	2024	2024
	¥ 425	¥ 425	\$ 2,807

12. STOCK OPTIONS

No significant items to be reported.

13. 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, 2023 and 2024 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Deferred tax assets:			
Loss on revaluation of investment securities	¥ 891	¥ 851	\$ 5,625
Retirement benefits for directors and corporate auditors	44	30	199
Retirement benefits for directors (and other officers)	401	358	2,365
Allowance for doubtful accounts	1,499	1,589	10,497
Accrued bonuses	1,245	1,141	7,540
Net defined benefit liability	561	581	3,841
Tax loss carryforwards (Note)	1,273	984	6,501
Devaluation of inventories	245	301	1,991
Impairment loss	961	860	5,682
Others	2,834	2,318	15,311
Sub-total	9,976	9,017	59,555
Valuation allowance on tax loss carryforwards	(613)	(481)	(3,177)
Valuation allowance on deductible temporary differences	(4,685)	(4,506)	(29,761)
Less valuation allowance—total	(5,299)	(4,987)	(32,938)
Deferred tax assets—total	4,676	4,030	26,616
Deferred tax liabilities:			
Undistributed earnings of overseas subsidiaries	(3,515)	(4,106)	(27,120)
Unrealized gain on property and equipment	(89)	(83)	(550)
Unrealized gain on available-for-sale securities	(1,157)	(1,398)	(9,233)
Advanced depreciation on fixed assets	(163)	(157)	(1,043)
Others	(222)	(346)	(2,286)
Deferred tax liabilities—total	(5,148)	(6,091)	(40,234)
Net deferred tax assets	¥ (471)	¥ (2,061)	\$ (13,617)

(Note)

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

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

March 31, 2024

		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	※	¥ 16	¥ 118	¥ 35	¥ 18	¥ 59	¥ 735	¥ 984
Less valuation allowance		(13)	(69)	(35)	(13)	(50)	(298)	(481)
Deferred tax assets		3	49	—	4	9	436	503

		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	Total
Tax loss carryforwards	※	\$ 110	\$ 784	\$ 235	\$ 120	\$ 395	\$ 4,854	\$ 6,501
Less valuation allowance		(88)	(456)	(235)	(92)	(331)	(1,973)	(3,177)
Deferred tax assets		21	328	—	28	64	2,801	3,324

※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, 2023 and 2024 is as follows:

	2023	2024
Effective statutory tax rate	30.6%	30.6%
Expenses not deductible for income tax purposes	0.4	0.5
Tax benefits not recognized on operating losses of subsidiaries	(0.6)	(0.2)
Difference in tax rates of foreign subsidiaries	(4.1)	(4.2)
Corporate residence tax on a per capita basis	0.2	0.3
Effects of reducing deferred tax assets	1.7	(0.5)
Dividends from overseas subsidiaries and deferred income taxes on retained profits of overseas subsidiaries	(0.5)	2.9
Share of loss of entities accounted for using equity method	(0.1)	0.1
Others, net	1.2	(1.9)
Actual effective tax rate	28.9	27.7

(3) The Company and some of its domestic subsidiaries apply the Group Tax Sharing System. In addition, 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.

14. REVENUE RECOGNITION

1. Disaggregated information of revenue recognized from contracts with customers

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

For the year ended March 31, 2024

	Millions of Yen				
	Reportable Segment				
	Electronic Components	Information Equipment	Soft-Ware	Other	Total
Sales					
Japan	¥ 252,505	¥ 44,281	¥ 2,567	¥ 20,183	¥ 319,537
North America	44,738	—	—	1,198	45,936
Europe	26,088	—	—	79	26,168
Asia	149,194	—	—	1,236	150,431
Revenue recognized from contracts with customer	472,526	44,281	2,567	22,698	542,074
Other Revenue	56	24	—	542	623
Sales to external customers	472,583	44,305	2,567	23,241	542,697

	Thousands of U.S. Dollars				
	Reportable Segment				
	Electronic Components	Information Equipment	Soft-Ware	Other	Total
Sales					
Japan	\$ 1,667,693	\$ 292,460	\$ 16,956	\$ 133,302	\$ 2,110,413
North America	295,477	—	—	7,916	303,394
Europe	172,303	—	—	525	172,828
Asia	985,367	—	—	8,169	993,536
Revenue recognized from contracts with customer	3,120,840	292,460	16,956	149,912	3,580,173
Other Revenue	372	159	—	3,583	4,115
Sales to external customers	3,121,214	292,619	16,956	153,497	3,584,288

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 significant 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
	2023	2024	2024
Receivables from contracts with customers (At the beginning of this fiscal year)	¥ 120,806	¥ 129,007	\$ 852,042
Receivables from contracts with customers (At the end of this fiscal year)	129,007	111,967	739,497
Contract liabilities (At the beginning of this fiscal year)	4,180	4,066	26,859
Contract liabilities (At the end of this fiscal year)	4,066	2,903	19,177

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 in "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 ¥1,690 million (\$11,163 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
	2023	2024	2024
Within 1 year	¥ 218	¥ 846	\$ 5,589
More than 1 year and Within 2 year	499	189	1,254
More than 2 year and Within 3 year	145	168	1,114
More than 3 year	259	291	1,922
Total	1,123	1,496	9,881

15. 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 other . 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							
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
Millions of Yen							
2024							
	Reportable Segment					Recon- ciliations (Note 1)	Consoli- dated (Note 2)
	Electronic Components	Information Equipment	Soft- ware	Other	Total		
Sales:							
Sales to external customers	¥ 472,583	¥ 44,305	¥ 2,567	¥ 23,241	¥ 542,697	¥ —	¥ 542,697
Inter segment sales or transfers	4,101	9,874	1,567	5,796	21,340	(21,340)	—
Total sales	¥ 476,684	¥ 54,179	¥ 4,135	¥ 29,038	¥ 564,037	¥ (21,340)	¥ 542,697
Segment profit (loss)	¥ 20,887	¥ 2,924	¥ 370	¥ 1,555	¥ 25,737	¥ 108	¥ 25,845
Segment assets	264,058	24,116	2,061	14,853	305,089	(18,297)	286,792
Others:							
Depreciation	3,689	112	77	388	4,268	(16)	4,252
Increase in-property, plant and equipment and intangible assets	5,441	33	67	256	5,799	(45)	5,753

	Thousands of U.S. Dollars						
	2024						
	Reportable Segment					Recon- Ciliations (Note 1)	Consoli- dated (Note 2)
	Electronic Components	Information Equipment	Soft- ware	Other	Total		
Sales:							
Sales:							
Sales to external customers	\$ 3,121,214	\$ 292,619	\$ 16,956	\$ 153,497	\$3,584,288	\$ —	\$ 3,584,288
Inter segment sales or transfers	27,090	65,216	10,353	38,286	140,946	(140,946)	—
	<u>\$ 3,148,305</u>	<u>\$ 357,835</u>	<u>\$ 27,310</u>	<u>\$ 191,784</u>	<u>\$ 3,725,235</u>	<u>\$ (140,946)</u>	<u>\$ 3,584,288</u>
Total sales	\$ 137,951	\$ 19,313	\$ 2,444	\$ 10,274	\$ 169,982	\$ 713	\$ 170,696
Segment profit (loss)	1,743,997	159,277	13,613	98,100	2,014,988	(120,846)	1,894,141
Segment assets							
Others:	24,370	744	511	2,565	28,192	(107)	28,084
Depreciation							
Increase in-property, plant and equipment	35,940	222	442	1,695	38,300	(298)	38,002

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

(1) Segment income

	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Elimination of inter-segment trade	¥ 97	¥ 108	\$ 713
Total	¥ 97	¥ 108	\$ 713

(2) Segment assets

	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Elimination of inter-segment trade	¥ (19,823)	¥ (20,637)	\$ (136,305)
Total corporate assets	2,062	2,340	15,459
Total	¥ (17,761)	¥ (18,297)	\$ (120,846)

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
	2023	2024	2024
Elimination of inter-segment trade	¥ (14)	¥ (16)	\$ (107)
Total	¥ (14)	¥ (16)	\$ (107)

(4) Increase amount of tangible and intangible fixed assets

	Millions of Yen		Thousands of U.S. Dollars
	2023	2024	2024
Elimination of inter-segment trade	¥ (2)	¥ (45)	\$ (298)
Total	¥ (2)	¥ (45)	\$ (298)

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, 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					
Japan	North America	Europe	Asia (except China)	China	Total
¥ 335,201	¥ 43,679	¥ 23,785	¥ 131,143	¥ 74,254	¥ 608,064

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

(b) Property, plant and equipment

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

(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, 2024

(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					
2024					
Japan	North America	Europe	Asia (except China)	China	Total
¥ 320,028	¥ 45,936	¥ 26,168	¥ 98,695	¥ 51,867	¥ 542,697

Thousands of U.S. Dollars					
2024					
Japan	North America	Europe	Asia (except China)	China	Total
\$ 2,113,653	\$ 303,394	\$ 172,828	\$ 651,845	\$ 342,566	\$ 3,584,288

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

(b) Property, plant and equipment

Millions of Yen					
2024					
Japan	North America	Europe	Asia (except Thailand)	Thailand	Total
¥11,880	¥ 4,149	¥ 640	¥ 6,119	¥ 2,344	¥ 25,135

Thousands of U.S. Dollars					
2024					
Japan	North America	Europe	Asia (except Thailand)	Thailand	Total
\$ 78,468	\$ 27,408	\$ 4,232	\$ 40,417	\$ 15,484	\$ 166,010

(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, 2023

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

For the year ended March 31, 2024

Millions of Yen					
2024					
Reportable Segment					
	Electronic Components	Information Equipment	Software	Other	Total
Impairment loss	¥ 16	¥ —	¥ —	¥ —	¥ 16

Thousands of U.S. Dollars					
2024					
Reportable Segment					
	Electronic Components	Information Equipment	Software	Other	Total
Impairment loss	\$ 112	\$ —	\$ —	\$ —	\$ 112

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

For the year ended March 31, 2023

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

For the year ended March 31, 2024

Millions of Yen						
	Reportable Segment					Consolidated
	Electronic Components	Information Equipment	Software	Other	Total	
Amortization of goodwill for fiscal year	¥ 32	¥ —	¥ —	¥ —	¥ 32	¥ 32
Balance of goodwill at the end of fiscal year	16	—	—	—	16	16

	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	\$ 213	\$ —	\$ —	\$ —	\$ 213	\$ —	\$ 213
Balance of goodwill at the end of fiscal year	106	—	—	—	106	—	106

Information of gain on negative goodwill by reportable segments

For the year ended March 31, 2023

No significant items to be reported.

For the year ended March 31, 2024

The Company recognized a gain on bargain purchase of ¥481 million (US\$3,177 thousands) in the Electric Components segment, mainly when the Company acquired of Candra GmbH share by KAGA FEI Co., Ltd.

16. RELATED PARTY TRANSACTIONS

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

For the year ended March 31, 2023

This information is not presented due to its insignificance.

For the year ended March 31, 2024

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, 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)

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, 2023
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)	¥10	—	—

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, 2024

Principal transactions between the Company's director and its related party for the year ended March 31, 2024 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, 2024
Majority owned company by a director and the director's relatives	KGF CO., LTD.	Chiyoda -ku, Tokyo	¥10 (\$66)	Management of restaurant and convenience store	—	Interlocking directorate	Purchasing goods, Purchasing gifts (Note)	¥18 (\$122)	—	—

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.

17. PER SHARE INFORMATION

	Yen		U.S. Dollars
	2023	2024	2024
Net assets per share	¥ 4,935.36	¥ 5,742.22	\$ 37.92
Net income per share	878.65	774.61	5.11

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
	2023	2024	2024
Net income per share			
Profit attributable to owners of the parent	¥ 23,070	¥ 20,345	\$ 134,374
Net income unallocated to common stock	—	—	—
Profit attributable to owners of the parent allocated to common stock	23,070	20,345	134,374
Average number of common stock outstanding during the fiscal year (Share)	26,257,182	26,265,780	
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
	2023	2024	2024
Net assets per share			
Total net assets	¥ 129,737	¥ 151,231	\$ 998,819
Amount deducted from total net assets	129	396	2,621
(Non-controlling interests)	(129)	(396)	(2,621)
Net assets corresponding to common stock at the end of the fiscal year	129,608	150,834	996,197
Number of common stock shares used for the calculation of net assets per share (Share)	26,261,135	26,267,574	

18. SIGNIFICANT SUBSEQUENT EVENTS

(Stock split and partial amendment to the Articles of Incorporation)

The Company has resolved, at the meeting of the Board of Directors held on May 23, 2024, to execute a stock split and a partial amendment to the Articles of Incorporation pursuant to the stock split, outlined as follows:

1. Purpose of the stock split

The purpose of the stock split is to create an environment conducive to investment in the Company's shares by lowering the investment unit amount per share, thereby improving liquidity and expanding the range of potential investors.

2. Outline of the stock split

(1) Method of stock split

Each share of the Company's common stock held by shareholders listed or recorded in the final shareholders' registry on the record date, September 30, 2024, will be split into two shares (2-for-1 stock split).

(2) Number of shares to be increased by the stock split

Total number of issued shares before the stock split	28,702,118 shares
Number of shares to be increased due to the stock split	28,702,118 shares
Total number of issued shares after the stock split	57,404,236 shares
Total number of shares authorized to be issued after the stock split	160,000,000 shares

(3) Schedule of the stock split

Date of public notice of record date	September 13, 2024
Record date	September 30, 2024
Effective date	October 1, 2024

(4) The effect of per share information

Under the assumption that the stock split was made at the beginning of previous fiscal year, per share information would be disclosed as follows.

	Yen		U.S. Dollars
	2023	2024	2024
Net assets per share	¥ 2,467.68	¥ 2,871.11	\$ 18.96

	Yen		U.S. Dollars
	2023	2024	2024
Net income per share	439.32	387.30	2.55

3. Partial amendment to the Articles of Incorporation pursuant to the Stock Split

(1) Reason for the amendment to the Articles of Incorporation

In conjunction with the stock split described above, the Company will amend its total number of shares authorized to be issued provided in Article 6 of the Company's Articles of Incorporation on the effective date, October 1, 2024, pursuant to the provisions of Paragraph 2 of Article 184 of the Companies Act.

(2) Details of the amendment

Details of the amendment are as follows.

(The amended sections are underlined.)

Present Articles of Incorporation	After Amendments
Article 6 (Total Number of Shares Authorized to be Issued) The total number of the Company's shares authorized to be issued shall be <u>eighty million (80,000,000).</u>	Article 6 (Total Number of Shares Authorized to be Issued) The total number of the Company's shares authorized to be issued shall be <u>one hundred and sixty million (160,000,000).</u>

(3) Schedule of the amendment to the Articles of Incorporation
Effective date October 1, 2024

4. Others

The share capital amount will not change at the time of the stock split.

19. CONSOLIDATED SUPPLEMENTARY SCHEDULE

(1) Schedule of bonds

(Amount unit: Millions of yen, Thousands of U.S. dollars)							
Company	Type of bonds	At the beginning of FY ¥ 5,000	At the end of FY ¥ 5,000	At the end of FY \$ 33,022	Interest rate (%)	Security	Maturity
	Unsecured corporate bonds (first) on June 23, 2022				0.40%	Unsecured	June 23, 2025
KAGA ELECTRONICS CO.,LTD.	Unsecured corporate bonds (second) on June 23, 2022	5,000	5,000	32,022	0.50%	Unsecured	June 23, 2027
TOTAL	—	¥ 10,000	¥ 10,000	\$ 66,045	—	—	—

Notes:

The repayment schedule of bonds per year for 5 years subsequent to March 31, 2024 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
—	\$ 32,022	—	\$ 32,022	—

(2) Schedule of loans

Category	Millions of Yen		Thousands of U.S. Dollars	Interest rate (%)	Maturity
	2023	2024	2024		
Short-term loans payable	¥ 14,545	¥ 10,504	\$ 69,379	5.4%	—
Current portion of long-term loans payable	5,040	100	660	0.6%	—
Current portion of lease obligations	688	990	6,538	4.0%	—
Long-term loans payable (excluding current portion)	10,600	10,500	69,348	0.6%	2025 to 2028
Lease obligations (excluding current portion)	1,064	2,175	14,368	4.9%	2025 to 2030
Other interest-bearing debt	—	—	—	—	—
Total	¥ 31,938	¥ 24,270	\$ 160,295		

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, 2024 is summarized as follow:

Category	Millions of Yen			
	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	¥ 5,000	¥ 1,000	¥ 4,500	—
Lease obligations	704	620	453	300
Total	¥ 5,704	¥ 1,620	¥ 4,953	¥ 300

Category	Thousands of U.S. Dollars			
	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	\$ 33,022	\$ 6,604	\$ 29,720	—
Lease obligations	4,652	4,100	2,997	\$ 1,983
Total	\$ 37,675	\$ 10,705	\$ 32,718	\$ 1,983

(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.