KANEMATSU CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
For the fiscal year ended March 31, 2023

~CONSOLIDATED FINANCIAL STATEMENTS~

~NOTES TO CONSOLIDATED FINANCIAL STATEMENTS~

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2023

Consolidated Statement of Financial Position

	JPY		USD (Note 2)
	2023	2022	2023
(Assets)			
Ⅰ. Current assets			
1. Cash and cash equivalents (Note 27)	79,462	91,420	595,088
2. Trade and other receivables (Note 7)	245,890	236,453	1,841,461
3. Inventories (Note 8)	156,071	121,018	1,168,812
4. Other financial assets (Note 30)	5,633	12,006	42,189
5. Other current assets (Note 13)	28,896	31,190	216,406
Total current assets	515,954	492,090	3,863,957
Ⅱ. Non-current assets			
1. Property, plant and equipment (Note 9)	47,188	42,087	353,390
2. Goodwill (Note 10)	14,481	10,624	108,448
3. Intangible assets (Note 10)	28,055	24,912	210,103
4. Investments accounted for using the equity method (Notes 6 & 11)	19,947	15,121	149,385
5. Trade and other receivables (Note 7)	1,606	807	12,031
6. Other investments (Note 12)	37,888	35,997	283,745
7. Other financial assets (Note 30)	6,656	7,101	49,850
8. Deferred tax assets (Note 29)	2,221	2,175	16,637
9. Other non-current assets (Notes 13 & 28)	3,589	3,537	26,884
Total non-current assets	161,634	142,365	1,210,474
Total assets	677,588	634,456	5,074,431

(Notes) Presentation of fiscal year and amounts (Japanese Yen and U.S. dollars)

1. "2023" refers to the Company's consolidated fiscal year ended March 31, 2023 and the other fiscal year is referred to in the corresponding manner.
2. "JPY" means millions of Japanese Yen and "USD" means thousands of U.S. dollars.

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	JPY		USD (Note 2)
	2023	2022	2023
(Liabilities)			
I. Current liabilities			
1. Trade and other payables (Note 14)	206,609	214,822	1,547,288
2. Bonds and borrowings (Note 15)	162,189	73,707	1,214,629
3. Lease liabilities (Note 31)	7,685	6,674	57,556
4. Other financial liabilities (Note 30)	23,939	7,567	179,278
5. Income taxes payable	6,488	4,893	48,590
6. Provisions (Note 16)	358	503	2,686
7. Other current liabilities (Note 17)	29,199	30,290	218,673
Total current liabilities	436,469	338,459	3,268,701
II. Non-current liabilities			
1. Bonds and borrowings (Note 15)	65,704	69,745	492,061
2. Lease liabilities (Note 31)	12,992	10,158	97,298
3. Other financial liabilities (Note 30)	3,512	1,608	26,305
4. Retirement benefit liabilities (Note 28)	6,198	6,842	46,419
5. Provisions (Note 16)	2,155	1,712	16,143
6. Deferred tax liabilities (Note 29)	5,975	5,453	44,749
7. Other non-current liabilities (Note 17)	1,156	1,193	8,660
Total non-current liabilities	97,695	96,714	731,635
Total liabilities	534,164	435,173	4,000,336
(Equity)			
1. Share capital (Note 18)	27,781	27,781	208,052
2. Capital surplus (Note 18)	—	27,164	—
3. Retained earnings (Note 18)	80,543	89,280	603,188
4. Treasury stock (Note 18)	(1,259)	(1,305)	(9,432)
5. Other components of equity (Note 26)			
1) Exchange differences on translation of foreign operations	8,878	5,296	66,489
2) Financial assets measured at fair value through other comprehensive income	11,829	10,068	88,588
3) Cash flow hedges	752	1,198	5,639
Total other components of equity	21,460	16,563	160,716
Total equity attributable to owners of the Parent	128,525	159,484	962,523
6. Non-controlling interests	14,898	39,798	111,571
Total equity	143,423	199,282	1,074,095
Total liabilities and equity	677,588	634,456	5,074,431

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
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For the fiscal year ended March 31, 2023

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

(a) Consolidated Statement of Income

	JPY		USD (Note 2)
	2023	2022	2023
I. Revenue (Notes 6 & 19)	911,408	767,963	6,825,495
II. Cost of sales	(780,513)	(656,161)	(5,845,230)
Gross profit	130,894	111,801	980,264
III. Selling, general and administrative expenses (Note 20)	(96,305)	(85,103)	(721,228)
IV. Other income (expenses)			
1. Gain (loss) on sale or disposal of property, plant and equipment and intangible assets, net (Note 21)	(263)	(103)	(1,971)
2. Impairment loss on property, plant and equipment and intangible assets (Note 22)	(419)	(18)	(3,141)
3. Other income (Note 23)	6,006	3,597	44,982
4. Other expenses (Note 22)	(1,016)	(826)	(7,613)
Total other income (expenses)	4,307	2,649	32,257
Operating profit (Note 6)	38,896	29,347	291,293
V. Finance income			
1. Interest income (Note 24)	441	166	3,310
2. Dividend income (Note 24)	1,062	1,114	7,958
3. Other finance income (Notes 24 & 30)	315	66	2,359
Total finance income	1,819	1,348	13,627
VI. Finance costs			
1. Interest expenses (Note 24)	(3,885)	(1,690)	(29,100)
2. Other finance costs (Notes 24 & 30)	(611)	(1,691)	(4,581)
Total finance costs	(4,497)	(3,381)	(33,681)
VII. Share of profit (loss) of investments accounted for using the equity method (Notes 6 & 11)	(521)	1,451	(3,908)
Profit before tax	35,696	28,765	267,331
Income tax expense (Note 29)	(10,987)	(8,206)	(82,285)
Profit for the year	24,709	20,559	185,045
Profit for the year attributable to:			
Owners of the Parent(Note 6)	18,575	15,986	139,114
Non-controlling interests	6,133	4,573	45,931
Total	24,709	20,559	185,045

	Yen		U.S. dollars
Earnings per share attributable to owners of the Parent:			
Basic earnings per share (Note 25)	222.38	191.42	1.67
Diluted earnings per share (Note 25)	221.89	191.15	1.66

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(b) Consolidated Statement of Comprehensive Income

	JPY		USD (Note 2)
	2023	2022	2023
I. Profit for the year	24,709	20,559	185,045
II. Other comprehensive income			
Items that will not be reclassified to profit or loss:			
1. Financial assets measured at fair value through other comprehensive income (Note 26)	2,176	462	16,301
2. Remeasurement of defined benefit pension plans (Note 26)	392	(7)	2,939
3. Share of other comprehensive income of investments accounted for using the equity method (Note 26)	29	0	217
Total items that will not be reclassified to profit or loss	2,598	455	19,458
Items that may be reclassified to profit or loss:			
1. Exchange differences on translation of foreign operations (Note 26)	3,205	4,071	24,003
2. Cash flow hedges (Notes 26 & 30)	(445)	642	(3,334)
3. Share of other comprehensive income of investments accounted for using the equity method (Note 26)	1,224	517	9,173
Total items that may be reclassified to profit or loss	3,984	5,231	29,842
Other comprehensive income for the year, net of tax	6,583	5,686	49,300
Total comprehensive income for the year	31,292	26,246	234,345
Total comprehensive income for the year attributable to:			
Owners of the Parent	24,209	20,433	181,304
Non-controlling interests	7,082	5,812	53,041
Total	31,292	26,246	234,345

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Consolidated Statement of Changes in Equity

(JPY)

	Equity attributable to owners of the Parent						
					Other components of equity		
	Share capital	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income	Cash flow hedges
As of April 1, 2021	27,781	27,034	78,070	(1,311)	1,633	10,163	554
Profit for the year			15,986				
Other comprehensive income					3,663	115	643
Total comprehensive income for the year	—	—	15,986	—	3,663	115	643
Dividends (Note 18)			(5,010)				
Dividends to non-controlling interests							
Acquisition of treasury stock				(2)			
Disposition of treasury stock		0		8			
Equity transactions with non-controlling interests		19					
Share-based payment transaction (Note 36)		110					
Total transactions with owners	—	129	(5,010)	5	—	—	—
Transfer from other components of equity to retained earnings			235			(210)	
As of March 31, 2022	27,781	27,164	89,280	(1,305)	5,296	10,068	1,198
Profit for the year			18,575				
Other comprehensive income					3,581	2,126	(445)
Total comprehensive income for the year	—	—	18,575	—	3,581	2,126	(445)
Dividends (Note 18)			(6,055)				
Dividends to non-controlling interests							
Acquisition of treasury stock				(2)			
Disposition of treasury stock		(0)		47			
Change due to business combination							
Equity transactions with non-controlling interests (Notes 18 & 34)		(47,290)					
Share-based payment transaction (Note 36)		106					
Put options granted to non-controlling interests		(1,972)					
Total transactions with owners	—	(49,157)	(6,055)	45	—	—	—
Transfer from retained earnings to capital surplus (Notes 18 & 34)		21,993	(21,993)				
Transfer from other components of equity to retained earnings			736			(365)	
As of March 31, 2023	27,781	—	80,543	(1,259)	8,878	11,829	752

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(JPY)

	Equity attributable to owners of the Parent			Non-controlling interests	Total equity
	Other components of equity		Total equity attributable to owners of the Parent		
	Remeasurement of defined benefit pension plans	Total other components of equity			
As of April 1, 2021	―	12,351	143,926	36,566	180,492
Profit for the year		―	15,986	4,573	20,559
Other comprehensive income	24	4,446	4,446	1,239	5,686
Total comprehensive income for the year	24	4,446	20,433	5,812	26,246
Dividends (Note 18)		―	(5,010)		(5,010)
Dividends to non-controlling interests		―	―	(2,564)	(2,564)
Acquisition of treasury stock		―	(2)		(2)
Disposition of treasury stock		―	8		8
Equity transactions with non-controlling interests		―	19	(16)	3
Share-based payment transaction (Note 36)		―	110		110
Total transactions with owners	―	―	(4,875)	(2,580)	(7,455)
Transfer from other components of equity to retained earnings	(24)	(235)	―		―
As of March 31, 2022	―	16,563	159,484	39,798	199,282
Profit for the year		―	18,575	6,133	24,709
Other comprehensive income	371	5,633	5,633	949	6,583
Total comprehensive income for the year	371	5,633	24,209	7,082	31,292
Dividends (Note 18)		―	(6,055)		(6,055)
Dividends to non-controlling interests		―	―	(2,376)	(2,376)
Acquisition of treasury stock		―	(2)		(2)
Disposition of treasury stock		―	47		47
Change due to business combination		―	―	1,188	1,188
Equity transactions with non-controlling interests (Notes 18 & 34)		―	(47,290)	(30,795)	(78,086)
Share-based payment transaction (Note 36)		―	106		106
Put options granted to non-controlling interests		―	(1,972)		(1,972)
Total transactions with owners	―	―	(55,168)	(31,982)	(87,150)
Transfer from retained earnings to capital surplus (Notes 18 & 34)		―	―		―
Transfer from other components of equity to retained earnings	(371)	(736)	―		―
As of March 31, 2023	―	21,460	128,525	14,898	143,423

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(USD)

	Equity attributable to owners of the Parent						
					Other components of equity		
	Share capital	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income	Cash flow hedges
As of March 31, 2022	208,052	203,432	668,621	(9,774)	39,665	75,401	8,974
Profit for the year			139,114				
Other comprehensive income					26,824	15,922	(3,336)
Total comprehensive income for the year	—	—	139,114	—	26,824	15,922	(3,336)
Dividends (Note 18)			(45,353)				
Dividends to non-controlling interests							
Acquisition of treasury stock				(16)			
Disposition of treasury stock		(0)		358			
Change due to business combination							
Equity transactions with non-controlling interests (Notes 18 & 34)		(354,160)					
Share-based payment transaction (Note 36)		794					
Put options granted to non-controlling interests		(14,775)					
Total transactions with owners	—	(368,141)	(45,353)	342	—	—	—
Transfer from retained earnings to capital surplus (Notes 18 & 34)		164,709	(164,709)				
Transfer from other components of equity to retained earnings			5,515			(2,735)	
As of March 31, 2023	208,052	—	603,188	(9,432)	66,489	88,588	5,639

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(USD)

	Equity attributable to owners of the Parent			Non-controlling interests	Total equity
	Other components of equity		Total equity attributable to owners of the Parent		
	Remeasurement of defined benefit pension plans	Total other components of equity			
As of March 31, 2022	—	124,041	1,194,371	298,048	1,492,419
Profit for the year		—	139,114	45,931	185,045
Other comprehensive income	2,780	42,190	42,190	7,110	49,300
Total comprehensive income for the year	2,780	42,190	181,304	53,041	234,345
Dividends (Note 18)		—	(45,353)		(45,353)
Dividends to non-controlling interests		—	—	(17,795)	(17,795)
Acquisition of treasury stock		—	(16)		(16)
Disposition of treasury stock		—	358		358
Change due to business combination		—	—	8,900	8,900
Equity transactions with non-controlling interests (Notes 18 & 34)		—	(354,160)	(230,623)	(584,783)
Share-based payment transaction (Note 36)		—	794		794
Put options granted to non-controlling interests		—	(14,775)		(14,775)
Total transactions with owners	—	—	(413,152)	(239,518)	(652,670)
Transfer from retained earnings to capital surplus (Notes 18 & 34)		—	—		—
Transfer from other components of equity to retained earnings	(2,780)	(5,515)	—		—
As of March 31, 2023	—	160,716	962,523	111,571	1,074,095

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Consolidated Statement of Cash Flows

	JPY		USD (Note 2)
	2023	2022	2023
I. Cash flows from operating activities			
Profit for the year	24,709	20,559	185,045
Depreciation and amortization	13,778	12,242	103,190
Impairment loss on property, plant and equipment and intangible assets	419	18	3,141
Finance income and costs	2,677	2,033	20,054
Share of (profit) loss of investments accounted for using the equity method	521	(1,451)	3,908
(Gain) loss on sale or disposal of property, plant and equipment and intangible assets, net	263	103	1,971
Income tax expense	10,987	8,206	82,285
(Increase) decrease in trade and other receivables	(3,820)	(21,869)	(28,608)
(Increase) decrease in inventories	(31,998)	(18,051)	(239,636)
Increase (decrease) in trade and other payables	(6,814)	22,732	(51,030)
Increase (decrease) in retirement benefits liabilities	(662)	184	(4,961)
Other (Note 19)	4,139	(3,283)	31,002
Sub total	14,202	21,425	106,362
Interest received	306	171	2,294
Dividends received	1,233	1,656	9,241
Interest paid	(3,977)	(1,673)	(29,791)
Income taxes paid	(12,061)	(6,196)	(90,327)
Net cash provided by (used in) operating activities	(296)	15,382	(2,221)
II. Cash flows from investing activities			
Payments for property, plant and equipment	(4,655)	(3,613)	(34,866)
Proceeds from sale of property, plant and equipment	1,287	1,776	9,644
Payments for intangible assets	(882)	(694)	(6,608)
Purchases of other investments	(5,198)	(6,534)	(38,932)
Proceeds from sale of other investments	2,033	1,801	15,231
Proceeds from (payments for) acquisition of subsidiaries (Note 27)	(9,205)	(2,362)	(68,938)
Proceeds from (payments for) sale of subsidiaries (Note 27)	—	12	—
Payments for acquisition of businesses (Note 27)	(195)	(688)	(1,463)
Proceeds from transfer of business (Note 27)	750	—	5,617
Increase in loans receivable	(2,633)	(269)	(19,721)
Proceeds from collection of loans receivable	559	421	4,190
Other	1,455	(396)	10,899
Net cash provided by (used in) investing activities	(16,684)	(10,547)	(124,948)

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	JPY		USD (Note 2)
	2023	2022	2023
III. Cash flows from financing activities			
Increase (decrease) in short-term (maturing before 3 months) borrowings, net (Note 27)	28,898	14,264	216,420
Proceeds from short-term (maturing after 3 months) borrowings (Note 27)	58,707	582	439,661
Repayments of short-term (maturing after 3 months) borrowings (Note 27)	(511)	(500)	(3,829)
Proceeds from long-term borrowings (Note 27)	17,324	16,326	129,739
Repayments of long-term borrowings (Note 27)	(16,118)	(20,430)	(120,712)
Proceeds from issuance of bonds (Note 27)	—	9,929	—
Redemption of bonds (Note 27)	(5,014)	(114)	(37,551)
Dividends paid	(6,045)	(5,004)	(45,278)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(61,571)	—	(461,107)
Proceeds from stock issuance to non-controlling interests	7	6	53
Repayments to non-controlling interests	—	(17)	—
Dividends paid to non-controlling interests	(2,213)	(2,564)	(16,573)
Repayments of lease liabilities (Note 27)	(8,707)	(8,229)	(65,208)
Other	(3)	(3)	(28)
Net cash provided by (used in) financing activities	4,751	4,245	35,586
IV. Increase (decrease) in cash and cash equivalents, net	(12,228)	9,080	(91,582)
V. Cash and cash equivalents at the beginning of the year	91,420	81,045	684,647
VI. Effect of exchange rate changes on cash and cash equivalents	270	1,295	2,024
VII. Cash and cash equivalents at the end of the year (Note 27)	79,462	91,420	595,088

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
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1. Reporting Entity

Kanematsu Corporation (the "Company") is located in Japan. The addresses of the Company's registered headquarters and main offices are available on its corporate website (https://www.kanematsu.co.jp/en/). The consolidated financial statements of the Company as of and for the year ended March 31, 2023 comprise the Company and its subsidiaries (collectively, the "Consolidated Group"), and the Consolidated Group's interests in associates and joint ventures. The Consolidated Group operates its businesses as an integrated trading company by providing a broad array of products and services through the organic integration of domestic and international business networks; expertise acquired in various fields; and the functions of a trading company, including commodities trading, information gathering, market exploration, business development and organization, risk management, and distribution. Detailed information on the business operations for each reportable segment are provided in *Note 6 Segment Information.*

2. Basis of Preparing Consolidated Financial Statements

(1) Statement of compliance with IFRS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") pursuant to the provision of Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976) as all the requirements of the "Specified Company for Designated IFRSs" set forth in Article 1-2 of said Ordinance have been fulfilled.

The consolidated financial statements were authorized by Shuji Masutani, Chief Officer, Finance, Accounting, Business Accounting, on July 25, 2023.

(2) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for:

- Financial assets and liabilities measured at fair value through profit or loss, which are measured at fair value;
- Financial assets measured at fair value through other comprehensive income, which are measured at fair value;
- Defined benefit assets or liabilities, which are measured at the present value of the defined benefit obligations less the fair value of plan assets; and
- Impairment of non-financial assets, which are measured at value in use or fair value.

(3) Functional currency and presentation currency

The consolidated financial statements are presented in Japanese yen, which is the Company's functional currency. All financial information presented in Japanese yen has been rounded down to the nearest million.

The U.S. dollar amounts appearing in the consolidated financial statements and the notes thereto represent the arithmetical results of translating yen to dollars at the rate of ¥133.53 to U.S.$1.00, the approximate exchange rate prevailing on March 31, 2023. The translation of such dollar amounts is solely for convenience of the readers outside Japan and should not be construed as a representation that the Japanese yen amounts have been, or could be readily converted, realized or settled in dollars at the above, or any other rate.

(4) Use of estimates and judgments

The preparation of the consolidated financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate is recognized in the period of the change and future periods. The following notes include information on critical judgments in the application of accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements:

- Note 3. Significant Accounting Policies: (11) Revenue

The following notes include information on uncertainties of assumptions and estimates that have a significant risk to cause material revisions in the next fiscal year:

- Note 10. Goodwill and Intangible Assets
- Note 22. Impairment Loss
- Note 30. Financial Instruments: (6) Fair value of financial instruments

When measuring the fair value of an asset or a liability, the Consolidated Group uses observable market data as much as it is available. Fair values are categorized into the following three hierarchy levels based on the inputs to the valuation techniques:

・Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Consolidated Group can access at the measurement date
・Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly
・Level 3: unobservable inputs

The following notes include detailed information on assumptions made when measuring the fair value:

・Note 22. Impairment Loss
・Note 30. Financial Instruments: (6) Fair value of financial instruments

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3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all the periods presented in these consolidated financial statements and have been applied consistently by the Consolidated Group.

(1) Basis of consolidation

1) Subsidiaries

Subsidiaries are entities which are controlled by the Consolidated Group. The Consolidated Group controls an entity when it has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When the Consolidated Group holds more than half of the voting rights of another entity, such entity is included in the subsidiaries of the Consolidated Group as it is determined that control exists, unless it can be clearly demonstrated that such ownership does not constitute control. In addition, even when the Consolidated Group holds only half or less of the voting rights of another entity, such entity is included in the subsidiaries of the Consolidated Group if it is determined through agreements with other investors that the Consolidated Group has control over such entity's financial and operating policies and thus has the ability to affect returns from such entity.

The financial statements of subsidiaries are included in the consolidated financial statements of the Consolidated Group from the date the Consolidated Group obtains control of the subsidiaries until the date it loses such control of the subsidiaries. When the accounting policies adopted by the subsidiaries are different from those adopted by the Consolidated Group and the difference is considered material, the financial statements of the subsidiaries are adjusted as necessary.

Changes in the Consolidated Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The Company recognizes directly in equity any difference between the amounts by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received, and attribute it to the owners of the Company.

If the Consolidated Group loses control of a subsidiary, the Consolidated Group derecognizes the assets and liabilities of the former subsidiary, and any non-controlling interests and other components of equity related to the former subsidiary. Any gains or losses arising from such loss of control are recognized in profit or loss. If the Consolidated Group retains any interest in the former subsidiary after the control is lost, such interest is measured at fair value at the date that control is lost.

2) Associates and joint ventures

Associates are those entities over which the Consolidated Group has significant influence, where significant influence is defined as the power to participate in the financial and operating policy decisions of the entities but is not control or joint control of those entities. If the Consolidated Group holds between 20 percent and 50 percent of the voting rights of each those entities, it is presumed that the Consolidated Group has significant influence over each of those entities.

Even if the Consolidated Group holds less than 20 percent of the voting rights of another entity, such entity is included in the associates of the Consolidated Group as long as it is determined that the Consolidated Group has significant influence over the entity through the dispatch of the board members, the shareholders' agreement or the like.

Joint ventures are those entities with respect to which multiple parties, including the Consolidated Group, have joint control over the economic activities by contract and unanimous consent of all of such parties is required when deciding on the relevant activities, whereby the Consolidated Group has rights to the net assets of the arrangement.

Except for those that are classified as assets held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, investments in associates and joint ventures ("equity method investee") are measured at the carrying amount following the application of the equity method (including goodwill recognized at the time of acquisition) less any accumulated impairment losses.

The consolidated financial statements include the Consolidated Group's share of profit or loss and other comprehensive income of the associates and joint ventures from the date the Consolidated Group obtains significant influence or joint control until the date it loses such significant influence or joint control. When the accounting policies adopted by the equity method investees are different from those adopted by the Consolidated Group, the financial statements of the equity method investees are adjusted as necessary.

3) Business combinations

Business combinations are accounted for using the acquisition method. The Consolidated Group recognizes goodwill as the sum of the fair value of the consideration transferred, the amounts of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree measured at the acquisition date; less, the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (generally measured at fair value). When such difference results in a negative balance, it is immediately recognized in profit or loss. Non-controlling interests are measured either at fair value or at the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. The measurement method to be applied at the acquisition date is determined on a transaction-by-transaction basis. Acquisition-related costs, which are costs that the Consolidated Group incurs to effect a business combination (excluding costs to issue debt or equity securities), are accounted for as expenses in the periods in which the costs are incurred, and thus not included in the cost of goodwill. In a business combination achieved in stages, the Consolidated Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognizes any gains or losses arising from such remeasurement in profit or loss. Changes in the value of the Consolidated Group's equity interest in the acquiree that had been recognized in other comprehensive income prior to the acquisition date are recognized in profit or loss, or other comprehensive income, on the same basis as would be required if the Consolidated Group had disposed of the previously held equity interest.

4) Transactions eliminated in consolidation

Intragroup balances and transactions, as well as any unrealized gains and losses arising from intragroup transactions, are eliminated when preparing the consolidated financial statements.

(2) Foreign currency translation

1) Translation of foreign currency transactions

Foreign currency transactions are translated into functional currencies of individual companies using the exchange rates at the dates of such transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into functional currencies using the exchange rate at the end of each reporting period. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise. Non-monetary items that are measured on a historical cost basis in a foreign currency are translated into the functional currency using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated into the functional currency using the exchange rates at the date when the fair value was measured.

With respect to the exchange differences of a non-monetary item, when a gain or loss on a non-monetary item is recognized in other comprehensive income, the Consolidated Group recognizes any exchange component of that gain or loss in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, the Consolidated Group recognizes any exchange component of that gain or loss in profit or loss.

2) Translation of foreign operations

The assets and liabilities of foreign operations, including any goodwill and fair value adjustments arising on the acquisition of foreign operations, are translated using the exchange rate at the end of the reporting period. In addition, income and expenses of foreign operations are translated using the average exchange rate for the reporting period unless exchange rates fluctuate significantly.

Exchange differences arising from the translation are recognized in other comprehensive income and the cumulative amounts of the exchange differences are included in other components of equity. When the Consolidated Group's foreign operations are disposed of, the cumulative amounts of the exchange differences related to foreign operations are reclassified to profit or loss when the gain or loss on disposal is recognized.

(3) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand; demand deposits; and short-term, highly liquid investments with a maturity of three months or less from the date of acquisition that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(4) Inventories

Inventories are measured at the lower of cost determined by the moving-average method and net realizable value.

(5) Property, plant and equipment

The Consolidated Group uses the cost model to measure an item of property, plant and equipment after initial recognition and carries it at its cost less any accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment include the cost directly attributable to the acquisition of the asset.

Property, plant and equipment are depreciated using the straight-line method over the estimated useful life of each component thereof. The ranges of principal estimated useful lives are approximately presented as follows:

Buildings and structures:	3 to 50 years
Machinery, vehicles, tools, furniture & fixtures:	3 to 20 years

Right-of-use assets are fully depreciated over the shorter of the lease term and their estimated useful lives if there is no reasonable certainty that the Consolidated Group will obtain ownership by the end of the lease term.

The depreciation method, useful life and residual value of an asset are reviewed at least at the end of each reporting period and amended as necessary.

(6) Goodwill and intangible assets

1) Goodwill

Goodwill is carried at cost less any accumulated impairment losses.

2) Intangible assets

The Consolidated Group uses the cost model to measure an intangible asset after initial recognition and carries it at its cost less any accumulated amortization and any accumulated impairment losses.

A separately acquired intangible asset is initially recognized and measured at cost. The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date. With respect to an internally generated intangible asset that does not qualify for asset recognition, expenditures on such an internally generated intangible asset are recognized as expenses when they are incurred. Conversely, the cost of an internally generated intangible asset that qualifies for asset recognition is the sum of expenditures incurred from the date when it first meets the recognition criteria.

An intangible asset with a finite useful life is amortized using the straight-line method over its estimated useful life. The Consolidated Group’s intangible assets with finite useful lives are comprised mainly of software whose estimated useful life is 5 years.

The amortization method, useful life and residual value of an intangible asset with a finite useful life are reviewed at the end of each reporting period and amended as necessary.

Certain intangible assets with indefinite useful lives such as carrier shop operating rights are not amortized, but instead tested for impairment based on the cash-generating unit at least once a year and whenever there is an indication that they may be impaired.

(7) Impairment of non-financial assets

The Consolidated Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Consolidated Group estimates the recoverable amount of the asset or the cash-generating unit to which the asset belongs. Goodwill and an intangible asset with an indefinite useful life are tested for impairment annually and whenever there is an indication that such assets may be impaired. If the carrying amount of an individual asset or the cash-generating unit exceeds its recoverable amount, the carrying amount of the asset is reduced to its recoverable amount and that reduction is recognized as an impairment loss.

The Consolidated Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior fiscal years for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Consolidated Group will estimate the recoverable amount of that asset. If the recoverable amount exceeds the carrying amount of that asset or the cash-generating unit to which the asset belongs, the carrying amount is increased to its recoverable amount, which is, however, limited up to the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior fiscal years; and that increase is recognized as a reversal of an impairment loss. An impairment loss recognized for goodwill is not reversed in a subsequent period.

In addition, because goodwill that forms part of the carrying amount of an investment in an equity method investee is not separately recognized, it is not tested for impairment separately. If it is indicated that the investment in an equity method investee may be impaired, the entire carrying amount of the investment is tested for impairment as a single asset, by comparing its recoverable amount with its carrying amount.

(8) Financial instruments

1) Financial assets

The Consolidated Group classifies financial assets at initial recognition as financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income or financial assets measured at amortized cost. The Consolidated Group initially recognizes financial assets measured at amortized cost on the date that they arise and the other financial assets on the transaction date.

The Consolidated Group derecognizes a financial asset when, and only when (a) the contractual rights to cash flows from the financial asset expire, or (b) it transfers the contractual rights to cash flows and substantially all the risks and rewards of ownership of the financial asset.

(i) Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost:

・The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flow and,
・The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Consolidated Group initially recognizes and measures a debt instruments measured at amortized cost at its fair value plus any transaction costs directly attributable to the acquisition of the financial asset. The Consolidated Group subsequently measures it at amortized cost using the effective interest method.

(ii) Financial assets measured at fair value through other comprehensive income

(a) Debt instruments

Debt instruments that meet both of the following conditions is classified as a financial asset measured at fair value through other comprehensive income:

・The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flow and selling financial assets and,
・The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Consolidated Group initially recognizes and measures a debt instruments measured at fair value through other comprehensive income at its fair value plus any transaction costs directly attributable to the acquisition of the financial asset. The Consolidated Group subsequently measures it at fair value and recognizes the subsequent changes in fair value as other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss is reclassified to profit or loss.

(b) Equity instruments

With regard to a financial asset that has classified as a financial asset measured at fair value through profit or loss, IFRS 9 permits an entity to make an irrevocable election to present in other comprehensive income changes in fair value of an investment in an equity instrument that is not held for trading. The Consolidated Group makes this election on an instrument-by-instrument basis.

The Consolidated Group initially recognizes and measures an equity instrument measured at fair value through other comprehensive income at its fair value plus any transaction costs directly attributable to the acquisition of the financial asset. The Consolidated Group subsequently measures it at fair value and recognizes the subsequent changes in fair value as other comprehensive income. When the equity instrument is derecognized, or its fair value substantially decreases, the Consolidated Group reclassifies the cumulative amount of other comprehensive income to retained earnings and not to profit or loss. Dividends are recognized in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

(iii) Financial assets measured at fair value through profit or loss

A financial asset other than those classified as (i), (ii) and (iii) above is classified as a financial asset measured at fair value through profit or loss.

The Consolidated Group initially recognizes and measures a financial asset measured at fair value through profit or loss at its fair value and expenses the transaction costs as incurred that are directly attributable to the acquisition of the financial asset. The Consolidated Group subsequently measures it at fair value and recognizes the subsequent changes in fair value in profit or loss.

2) Impairment of financial assets

The Consolidated Group assesses impairment of financial assets measured at amortized cost and financial assets measured at fair value through other compressive income based on the expected credit loss approach.

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Consolidated Group measures the loss allowance for that financial instrument at an amount equal to the 12-month expected credit losses, i.e., the expected credit losses that result from default events on that financial instrument that are possible within the 12-months after the reporting date. Conversely, if, at the reporting date, the credit risk on that financial instrument has increased significantly since initial recognition, the Consolidated Group measures the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses, i.e., the expected credit losses that result from all possible default events over the expected life of that financial instrument.

However, the Consolidated Group always measures the loss allowance for trade receivables, contract assets and lease receivables at an amount equal to the lifetime expected credit losses despite the above requirement.

If there is any objective evidence that financial assets are credit-impaired, such as a borrower's significant financial difficulty, a breach of contract of default or delinquency by the borrower, etc., the Consolidated Group measured interest income to net carrying amount after deducting loss allowance following the effective interest method.

Detailed information on the assessment of significant increases in credit risk and the measurement of expected credit losses is provided in *Note 30. Financial Instruments: (3) Credit risk management.*

3) Financial liabilities

The Consolidated Group classifies financial liabilities at initial recognition as financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost. The Consolidated Group initially recognizes financial liabilities measured at amortized cost on the date that they arise and the other financial liabilities on the transaction date.

The Consolidated Group derecognizes financial liabilities when they are extinguished, i.e., when obligations specified under a contract is discharged, cancelled or expires.

(i) Financial liabilities measured at amortized cost

The Consolidated Group classified financial liabilities, other than financial liabilities measured at fair value through profit or loss, as financial liabilities measured at amortized cost. The Consolidated Group initially recognizes and measures a financial liability measured at amortized cost at its fair value less any transaction costs directly attributable to incurring of the liability, and subsequently measures it at amortized cost using the effective interest method.

(ii) Financial liabilities measured at fair value through profit or loss

The Consolidated Group initially recognizes and measures a financial liability measured at fair value through profit or loss at its fair value, and subsequently measures it at fair value and recognizes subsequent changes in fair value in profit or loss.

4) Derivatives and hedge accounting

In order to hedge the foreign currency fluctuation risk, interest rate fluctuation risk and commodity price fluctuation risk, the Consolidated Group enters into derivative transactions, such as forward exchange transactions, interest rate swap transactions and commodity futures and forwards transactions.

When initiating a hedge, the Consolidated Group designates and documents the risk management purposes and strategies regarding the hedge relationship and initiation of such hedge. Such documentation includes the designation of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and methods of assessing the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. In addition, such hedging is assessed on an ongoing basis whether it was actually effective throughout the reporting periods was designated.

The Consolidated Group initially recognizes and measures derivatives at fair value and subsequently measures them at fair value and accounts for subsequent changes in fair value as follows:

(i) Fair value hedge

The Consolidated Group recognizes the changes in fair value of a derivative used as a hedging instrument in profit or loss, and the changes in fair value of a hedged item attributable to the hedged risk in profit or loss by adjusting the carrying amount of the hedged item.

(ii) Cash flow hedge

Of the changes in fair value of a derivative used as a hedging instrument, the portion determined to be effective is recognized in other comprehensive income and the cumulative amount is included in other components of equity. Conversely, the portion determined to be ineffective is recognized in profit or loss. The amounts accumulated in other components of equity are reclassified from other components of equity to profit or loss in the same period that the transaction of the hedged item affects profit or loss; provided, however, that if hedging of a forecast transaction subsequently results in the recognition of a non-financial asset or liability, the amounts accumulated in other components of equity are then accounted for as an adjustment to the initial carrying amount of the non-financial asset or liability.

When the hedging instrument expires or is sold, terminated or exercised; or when the hedge no longer meets the criteria for the hedge accounting, the Consolidated Group discontinues the hedge accounting prospectively. The amounts accumulated in other components of equity remain in equity when hedge accounting is discontinued and are recognized in profit or loss when the forecast transaction is recognized in profit or loss. However, if the forecast transaction is no longer expected to occur, the amounts accumulated in other components of equity are reclassified immediately from other components of equity to profit or loss.

(iii) Derivatives not designated as hedging instruments

The Consolidated Group recognizes the changes in fair value of derivatives not designated as hedging instruments in profit or loss.

5) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount of such offset is presented in the consolidated statements of financial position only when the Consolidated Group has a legally enforceable right to offset the recognized amounts and intends either to settle them on a net basis or realize the assets and settle the liabilities simultaneously.

(9) Provisions

The Consolidated Group recognizes a provision when, only when (a) the Consolidated Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the Consolidated Group recognizes the provision by discounting it using a current pre-tax discount rate that reflects the risks specific to the liability.

(10) Equity

When the Consolidated Group repurchases the shares of treasury stock, it is measured at cost and is presented as a deduction from equity. Transaction costs directly attributable to the repurchase of the shares of treasury stock are deducted from capital surplus. When the Consolidated Group sells the shares of treasury stock, the consideration received is recognized as an increase in equity.

(11) Revenue

1) Revenue recognition policies

The Group recognizes revenue from contracts with customers based on the following five-step approach. When determining whether a performance obligation is satisfied by a principal or an agent and when determining the timing at which the Group satisfies the performance obligation, the Group makes judgments that have a significant impact on the amounts recognized in the consolidated financial statements.

Step 1: Identifying the contracts with customers
Step 2: Identifying the performance obligations in the contracts
Step 3: Determining the transaction price
Step 4: Allocating the transaction price to the performance obligations in the contracts
Step 5: Recognizing revenue when (or as) the Group satisfies the performance obligations

When a single contract consists of multiple performance obligations, the Group allocates the transaction price to the separate performance obligations and recognizes revenue as each performance obligation is satisfied. When multiple contracts must be combined and considered a single contract because of the economic substance of those contracts, the Group recognizes revenue by combining those contracts.

In identifying a performance obligation, the Group reviews whether it is a principal or an agent, and if the nature of the Group's promise with the customer is a performance obligation to provide the identified goods or services itself. The Group recognizes revenue at the total amount of consideration received from the customer as a principal. On the other hand, if the performance obligation is to arrange for the identified goods or services to be provided by another party, the Group recognizes revenue at the net amount of the commission, and other contract-related costs as an agent.

In reviewing to identify whether a principal or an agent, the Group makes a comprehensive judgement based on the following indicators.
- Whether the Group is primarily responsible for fulfilling the contract.
- Whether the Group has the inventory risk both when goods are shipped and when goods are returned before and after the customer places an order for the goods.
- Whether the Group has discretion in establishing the price for the goods or services of the other party.

The Group measures revenue based on the consideration promised under contracts with customers, there is no significant variable consideration.
Consideration for transactions does not include a significant financing component, because payment typically occurs within one year after performance obligations are fulfilled.

2)Timing of revenue recognition
The Group mainly sells goods such as Information and Communication Technology (ICT) and communications equipment, security devices, mobile communication terminals, grain, meat products and seafoods, petroleum products, and aerospace- and ship-related products in the four segments of Electronics and Devices, Foods, Meat and Grain, Steel, Materials and Plant, and Motor Vehicles and Aerospace. It recognizes revenue at the time when performance obligations are generally delivered because customers obtain control of the goods and the performance obligations are satisfied at the time of delivery.
With respect to service transactions such as maintenance and operations of ICT and communications systems, which occur mainly in the Electronics and Devices segment, the Group recognizes revenue over a period of time for each individual contract in accordance with the satisfaction of the performance obligations of the contract.

(12) Finance income and finance costs

Finance income comprises interest income, dividend income, gain on sale of financial instruments and gain arising from changes in fair value of financial instruments. Interest income is recognized at the time of receipt by using the effective interest method. Dividend income is recognized on the date when the Consolidated Group's right to receive payment is established.
Finance costs comprise interest expenses, loss on sale of financial instruments and loss arising from changes in the fair value of financial instruments.

(13) Employee benefits

1) Post-retirement benefits
(i) Defined benefit plans
Defined benefit plans are retirement benefit plans other than defined contribution plans. Defined benefit obligations are calculated separately for each plan by estimating the future amounts of benefits that employees will earn in return for their services provided in the current and prior periods, and discounting such amounts in order to determine the present value. The fair value of any plan assets is deducted from the present value of the defined benefit obligations. The discount rate is determined by reference to the market yields on highly rated corporate bonds at the fiscal year-end that have maturity terms that are approximately the same as those of the Consolidated Group's defined benefit obligations and use the same currencies as those used for future benefits payments.

When the retirement benefit plans are amended, the change in defined benefit obligations related to past service by employees is immediately recognized in profit or loss.

The Consolidated Group recognizes the changes in the net defined benefit liability (asset) due to remeasurements in other comprehensive income and immediately reclassifies them to retained earnings.

(ii) Defined contribution plans
Defined contribution plans are retirement benefit plans under which an employer pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions. The obligations already paid or to be paid as contributions under the defined contribution plans are recognized as expenses in the period in which the employees render the related services.

2) Other long-term employee benefits
The Consolidated Group recognizes obligations for long-term employee benefits other than post-employment benefits as a liability by estimating the amounts as of the reporting date that will be paid to the employees in return for their services without discounting that amounts unless it is material.

3) Short-term employee benefits
The Consolidated Group recognizes short-term employee benefits as a liability and an expense by estimating the amounts that will be paid to the employees in return for their services without discounting those amounts. The Consolidated Group recognizes bonuses to be paid pursuant to the bonus system as a liability when it has present legal or constructive obligations to pay as a result of past employee service, and when the amounts of the obligations can be estimated reliably.

(14) Income taxes

Income tax expenses comprises current tax expense and deferred tax expense. The Consolidated Group recognizes them in profit or loss, except when they arise from items that are recognized in other comprehensive income or directly equity, and from business combinations.

Current tax expense is measured by the expected taxes receivable from or taxes payable to tax authorities, and the tax rates or tax laws that are used to calculate the tax amount are those that have been enacted or substantially enacted by the end of the fiscal year.

The Consolidated Group recognizes deferred tax assets and deferred tax liabilities for temporary differences between the carrying amount of an asset and liability in the statements of financial position and its tax base, the unused tax losses carried forward and unused tax credits carried forward. The amounts of deferred tax assets and deferred tax liabilities are calculated by applying the expected tax rate or tax law applicable as of the period in which assets are realized or liabilities are settled in accordance with a statutory tax rate or a substantially enacted statutory tax rate and the tax law as of the fiscal year-end. The Consolidated Group does not recognize deferred tax assets and deferred tax liabilities in the following cases:

・When taxable temporary differences arise from the initial recognition of goodwill;
・When they arise from the initial recognition of an asset or a liability in a transaction which is not a business combination; and on the transaction date, affects neither accounting profit nor taxable profit (tax loss); or,
・With respect to taxable temporary differences associated with investments in subsidiaries and associates, when the Consolidated Group is able to control the timing of the reversal of the temporary differences; and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset only when the Consolidated Group has a legally enforceable right to offset the current tax assets against current tax liabilities, and such deferred tax assets and liabilities relate to income taxes levied on the same taxation entity. However, even in the case of different taxable entities, the Consolidated Group can offset if the tax taxable entities intend either to settle current tax liabilities and assets on a net bases, or to realize the assets and settle the liabilities simultaneously. Deferred tax assets are recognized for deductible temporary differences, the unused tax losses carried forward and unused tax credits carried forward to the extent that it is probable that they can be used against future taxable profit. The carrying amounts of deferred tax assets are reassessed at each fiscal year-end, and such carrying amount will be reduced to the extent it is no longer probable that related tax benefits from such assets will be realized. Unrecognized deferred tax assets are also reassessed at the end of each reporting period and are recognized to the extent that it is probable that future taxable profit will be available to recover the deferred tax assets.

The Company and its wholly owned domestic subsidiaries apply the Group Tax Sharing System, by which the Company and its wholly owned domestic subsidiaries are allowed to file a tax return and pay the corporation tax as a group.

(15) Leases

At inception of a contract, the Consolidated Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For a contract that is, or contains, a lease, the Consolidated Group recognizes the lease liability and the right-of-use asset.

Lease liability is measured at the present value of discounted unpaid lease payments, using the interest rate implicit in the lease or the Consolidated Group’s incremental borrowing rate, at the commencement date of the lease contract. After the commencement date, the lease liability is measured by increasing or reducing the carrying amount to reflect interest rate and lease payments made. In addition, if there is a revision to the lease term or a change in the assessment of an option, lease liability is remeasured to be reflected in the carrying amount. The lease term is determined by taking into consideration an option to terminate the lease and an option to extend the lease term during the non-cancellable period of the lease.

A right-of-use asset is measured at the acquisition cost that adjusts the initial measurement amount of lease liability on the commencement date of the lease contract mainly for initial direct costs and expenses for restoration to the condition required by the terms and conditions of the lease, and it is depreciated by the straight-line method over the shorter of the estimated useful life and the lease term.

For short-term leases with a lease term of 12 months or less, the Consolidated Group does not recognize lease liability and a right-of-use asset by applying recognition exemption, and recognizes them as expenses on a straight-line basis over the lease term.

When the Consolidated Group is the lessor, it classifies each of its leases as either an operating lease or a finance lease, and accounts as follows:

1) Finance lease
A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date of the lease, the Consolidated Group recognizes assets held under a financial lease in its consolidated statement of financial position and presents them as a receivable at an amount equal to net investment in the lease.

2) Operating lease
An operating lease is a lease other than a finance lease. The Consolidated Group presents the assets subject to the operating lease in its consolidated statement of financial position and recognizes lease payments from operating leases as income on either a straight-line basis or another systematic basis.

(16) Share-based payments
The Consolidated Group introduces a performance-linked stock compensation plan as an incentive plan for its Directors and Executive Officers. Grants under the equity-settled share-based payment plan are measured at the fair value on the date of grant, and are recognized as an expense from the date of grant through the vesting period and recognize the same amount as an increase in capital surplus.

(17) Put options granted to non-controlling interests
For written put options on the shares of subsidiaries, which the Consolidated Group granted to the owners of non-controlling interests, the present value of the exercised amounts is, initially recognized as other financial liabilities, and the same amount is deducted from capital surplus. After the initial recognition, they are measured at amortized cost based on the effective interest method, and the amount of subsequent changes is recognized as capital surplus.

(18) Government grants
Government grants are recognized when there is reasonable assurance that the Consolidated Group will comply with conditions of the grant and receive the grants. The government grants are measured at fair value. The amount of grants related to an asset is deducted from acquisition cost of the asset. The amount of grants related to revenue is recognized in profit or loss by deducting the amount of grants from related expenses.

4. Standards and Interpretations issued but not yet adopted
The newly issued or amended standards and interpretations, which were publicly announced prior to the date of the authorization for issuance of the consolidated financial statements is presented as follows, and the Consolidated group has not applied this. However, there are no material effects on the financial statements.

Standards	When to apply forcibly	The consolidated group applies	Overview of newly issued or amended
IAS 12 *Income Taxes*	January 1, 2023	For the fiscal year ending March 31, 2024	Clarification of the accounting methods which is deferred tax assets and deferred tax liabilities from a single transaction

5. Business Combinations
No significant business combinations took place in the current fiscal year (from April 1, 2022 to March 31, 2023) and the previous fiscal year (from April 1, 2021 to March 31, 2022).

KANEMATSU CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2023

6. Segment Information

(1) Overview of Reportable Segments

The reportable segments of the Consolidated Group are components of the Consolidated Group for which discrete financial information is available and are reviewed by the Board of Directors of the Company normally and regularly assesses its business performance and examines the allocation of management resources.

The Consolidated Group offers a broad array of merchandise and services, using expertise in each business field and trading function from Japan and its international network. Trading functions include commercial trade, information gathering, market development, business development, risk management and logistics.

The Consolidated Group therefore consists of merchandise and service segments based on its business units: “Electronics and Devices”, “Foods, Meat and Grain”, “Steel, Materials and Plant”, and “Motor Vehicles and Aerospace”.

The principal merchandise and services handled by each segment are presented as follows:

(Electronics and Devices)
The Electronics and Devices segment provides a wide range of products including electronic parts and components, semiconductor and LCD manufacturing equipment, materials and indirect materials related to electronics, coupled with development and proposal services. This segment also deals with mobile communications terminals, mobile internet systems, and information and telecommunication equipment and security equipment and services.

(Foods, Meat and Grain)
The Foods, Meat and Grain segment integrates the handling of a broad array of food and foodstuffs, with operations ranging from sourcing raw materials reliably to providing food and foodstuffs, including high value-added products. Merchandise in this segment includes cooked foods, processed fruits and vegetables, processed agricultural products, plant based meats, alcoholic beverages, beverage ingredients, animal and fishery products, wheat, rice, soybeans, feedstuff ingredients and pet foods.

(Steel, Materials and Plant)
The Steel, Materials and Plant segment operates the domestic and international trade of general steel products including steel plates, bars and wire rods, pipes, and stainless products, carries out overseas projects such as plant and infrastructure development, and sells machine tools and industrial machinery. Additionally, this segment operates the domestic and international trade of petroleum products, LPG, functional chemicals and food products, pharmaceuticals and pharmaceutical intermediates, and other products. It also operates businesses related to environmental and emissions rights.

(Motor Vehicles and Aerospace)
The Motor Vehicles and Aerospace segment primarily operates international trade of aircrafts, helicopters, satellite- and aerospace-related products, defense-related products, automobiles, motorcycles, industrial vehicles and related parts, etc., and also provides products and service with added value based on demand or use.

(2) Information on reportable segments

The accounting methods for the reportable operating segments are consistent with those stated in *Note 3. Significant Accounting Policies.* Inter-segment revenue and transfers are based on the transaction prices to external customers.

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(JPY)

	Reportable segment					Others (Note 1)	Adjustment (Note 2)	Consolidated
	Electronics & Devices	Foods, Meat & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Total			
Revenue								
External	282,513	340,448	193,393	81,344	897,700	13,707	–	911,408
Inter-segment	559	2	97	14	673	236	(910)	–
Total revenue	283,072	340,450	193,491	81,359	898,374	13,944	(910)	911,408
Operating profit (loss)	20,331	4,063	12,339	1,485	38,219	662	13	38,896
Segment profit (loss)	8,776	2,192	6,694	803	18,467	219	(111)	18,575
Other profit or loss:								
Depreciation and amortization	7,221	2,060	2,939	1,235	13,456	340	(17)	13,778
Share of profit (loss) of investments accounted for using the equity method	(506)	(9)	(296)	–	(812)	290	–	(521)
Segment assets	232,145	171,901	161,977	62,138	628,163	12,577	36,847	677,588
Other assets:								
Investments accounted for using the equity method	4,070	2,063	10,358	–	16,491	3,459	(3)	19,947
Capital expenditures (Note 3)	1,872	508	907	1,023	4,311	52	1,970	6,335

(USD)

	Reportable segment					Others (Note 1)	Adjustment (Note 2)	Consolidated
	Electronics & Devices	Foods, Meat & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Total			
Revenue								
External	2,115,733	2,549,602	1,448,317	609,188	6,722,841	102,654	–	6,825,495
Inter-segment	4,187	18	730	108	5,043	1,774	(6,817)	–
Total revenue	2,119,920	2,549,620	1,449,047	609,296	6,727,884	104,428	(6,817)	6,825,495
Operating profit (loss)	152,259	30,434	92,410	11,124	286,226	4,962	104	291,293
Segment profit (loss)	65,729	16,421	50,136	6,019	138,305	1,642	(833)	139,114
Other profit or loss:								
Depreciation and amortization	54,085	15,429	22,011	9,251	100,776	2,547	(133)	103,190
Share of profit (loss) of investments accounted for using the equity method	(3,793)	(69)	(2,220)	–	(6,082)	2,174	–	(3,908)
Segment assets	1,738,527	1,287,364	1,213,045	465,351	4,704,288	94,196	275,947	5,074,431
Other assets:								
Investments accounted for using the equity method	30,483	15,451	77,574	–	123,507	25,907	(29)	149,385
Capital expenditures (Note 3)	14,023	3,807	6,794	7,668	32,292	393	14,760	47,445

(Notes) 1. The "Others" column is an operating segment that is not included in the reportable segments and includes the logistics and insurance service business and the geographic improvement business.

2. Adjustments are presented as follows:

(1) Adjustment for operating profit (loss) of ¥13 million ($104 thousand) includes inter-segment elimination of ¥13 million ($104 thousand).

(2) Adjustment for segment profit (loss) of ¥(111) million ($(833) thousand) includes inter-segment elimination of ¥(1) million ($(9) thousand) and corporate costs of ¥(110) million ($(824) thousand) that are not allocated to any reportable segment. The corporate costs consist mainly of difference between deferred income tax that are arising in the Company's and deferred income tax that are allocated to any reportable segment by calculation.

(3) Adjustment for segment assets of ¥36,847 million ($275,947 thousand) includes inter-segment elimination of ¥(8,982) million ($(67,272) thousand) and corporate assets of ¥45,829 million ($343,219 thousand) that are not allocated to any reportable segment. The corporate assets consist mainly of cash and bank deposits associated with financing activities and assets such as investment securities.

(4) Adjustment for depreciation and amortization of ¥(17) million ($(133) thousand) includes inter-segment elimination of ¥(17) million ($(133) thousand).

(5) Adjustment for investments accounted for using the equity method of ¥(3) million ($(29) thousand) includes inter-segment elimination of ¥(3) million ($(29) thousand).

(6) Adjustment for capital expenditures of ¥1,970 million ($14,760 thousand) includes inter-segment elimination of ¥(12) million ($(96) thousand) and corporate assets of ¥1,983 million ($14,856 thousand) that are not allocated to any reportable segment. The corporate assets consist mainly of buildings and structures for head office relocation.

3. Capital expenditures do not include right-of-use assets.

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(JPY)

	Reportable segment					Others (Note 1)	Adjustment (Note 2)	Consolidated
	Electronics & Devices	Foods, Meat & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Total			
Revenue								
External	255,463	285,284	147,993	65,827	754,567	13,395	—	767,963
Inter-segment	501	1	35	6	544	229	(773)	—
Total revenue	255,964	285,285	148,028	65,833	755,112	13,624	(773)	767,963
Operating profit (loss)	19,064	3,541	4,052	1,663	28,321	1,009	16	29,347
Segment profit (loss)	7,944	2,519	3,259	1,457	15,180	465	340	15,986
Other profit or loss:								
Depreciation and amortization	6,700	1,578	2,558	1,040	11,879	384	(20)	12,242
Share of profit (loss) of investments accounted for using the equity method	(28)	75	1,154	44	1,246	204	—	1,451
Segment assets	214,649	151,945	156,952	54,186	577,734	13,394	43,327	634,456
Other assets:								
Investments accounted for using the equity method	369	1,872	9,625	—	11,868	3,256	(2)	15,121
Capital expenditures (Note 3)	1,739	887	1,120	347	4,096	99	641	4,837

(Notes) 1. The “Others” column is an operating segment that is not included in the reportable segments and includes the logistics and insurance service business and the geographic improvement business.

2. Adjustments are presented as follows:

(1) Adjustment for operating profit (loss) of ¥16 million includes inter-segment elimination of ¥16 million.

(2) Adjustment for segment profit (loss) of ¥340 million includes inter-segment elimination of ¥4 million and corporate costs of ¥336 million that are not allocated to any reportable segment. The corporate costs consist mainly of difference between deferred income tax that are arising in the Company's and deferred income tax that are allocated to any reportable segment by calculation.

(3) Adjustment for segment assets of ¥43,327 million includes inter-segment elimination of ¥(9,413) million and corporate assets of ¥52,740 million that are not allocated to any reportable segment. The corporate assets consist mainly of cash and bank deposits associated with financing activities and assets such as investment securities.

(4) Adjustment for depreciation and amortization of ¥(20) million includes inter-segment elimination of ¥(20) million.

(5) Adjustment for investments accounted for using the equity method of ¥(2) million includes inter-segment elimination of ¥(2) million.

(6) Adjustment for capital expenditures of ¥641 million includes inter-segment elimination of ¥(94) million and corporate assets of ¥735 million that are not allocated to any reportable segment. The corporate assets consist mainly of lease equipment for information systems of the subsidiary.

3. Capital expenditures do not include right-of-use assets.

(3) Information on products and services

The information on products and services is disclosed in *Note 19. Revenue*.

(4) Geographic information

1) External revenue

	JPY		USD
	2023	2022	2023
Japan	728,161	629,116	5,453,165
Asia	77,440	66,946	579,951
North America	74,208	47,225	555,747
Europe	20,785	16,905	155,665
Others	10,811	7,769	80,966
Total	911,408	767,963	6,825,495

Revenue is classified by country or region based on the locations of customers.

2) Non-current assets (excluding financial assets and deferred tax assets)

	JPY		USD
	2023	2022	2023
Japan	73,212	67,234	548,282
Asia	5,038	1,703	37,732
North America	12,505	9,235	93,654
Europe	2,508	2,905	18,785
Others	49	83	373
Total	93,314	81,162	698,826

(5) Information on major customers

There is no customer whose transaction amount is equal to or more than 10% of the Consolidated Group's revenue during the fiscal years ended March 31, 2023 and March 31, 2022.

7. Trade and Other Receivables

The breakdown of trade and other receivables is presented as follows:

	JPY		USD
	2023	2022	2023
Notes and accounts receivable	235,153	226,665	1,761,055
Loans receivable	4,937	2,919	36,977
Other	9,766	9,937	73,138
Less: loss allowance	(2,360)	(2,260)	(17,677)
Total	247,496	237,261	1,853,492
Current assets	245,890	236,453	1,841,461
Non-current assets	1,606	807	12,031
Total	247,496	237,261	1,853,492

Information on changes in loss allowance is provided in *Note 30. Financial Instruments: (3) Credit risk management.*

8. Inventories

The breakdown of inventories is presented as follows:

	JPY		USD
	2023	2022	2023
Merchandise and finished goods	150,588	116,550	1,127,752
Raw materials and supplies	3,580	3,110	26,814
Work in progress	1,902	1,357	14,247
Total	156,071	121,018	1,168,812

The amount of inventories recognized as expense during the fiscal years ended March 31, 2023 and March 31, 2022 were ¥759,955 million ($5,691,275 thousand) and ¥637,585 million, respectively.

The amount of any write-down of inventories recognized as expense during the fiscal year ended March 31, 2023 were ¥1,001 million ($7,498 thousand) and the reversals of any write-down of inventories recognized as gain during the fiscal year ended March 31, 2022 were ¥335 million.

9. Property, Plant and Equipment

(1) Changes in property, plant and equipment

Changes in costs, accumulated depreciation and accumulated impairment losses of property, plant and equipment are presented as follows:

[Costs]

(JPY)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Right-of-use assets	Total
As of April 1, 2021	15,467	28,176	8,886	2,232	27,312	82,076
Acquisitions	655	1,553	25	1,081	7,877	11,193
Acquisitions through business combinations	384	55	565	—	327	1,332
Transfers from construction in progress	1,323	541	—	(1,865)	—	—
Disposals	(567)	(1,157)	(3,060)	(163)	(5,679)	(10,627)
Exchange differences	247	969	66	110	220	1,614
Other	38	17	16	(66)	(170)	(163)
As of March 31, 2022	17,549	30,157	6,501	1,329	29,887	85,425
Acquisitions	1,751	2,429	—	563	12,882	17,627
Acquisitions through business combinations	283	204	388	—	493	1,370
Transfers from construction in progress	349	782	—	(1,132)	—	—
Disposals	(1,866)	(5,043)	(504)	(3)	(8,317)	(15,735)
Exchange differences	256	836	62	93	138	1,386
Other	372	11	—	(1)	(254)	127
As of March 31, 2023	18,696	29,378	6,447	849	34,829	90,201

[Accumulated depreciation and accumulated impairment losses]

(JPY)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Right-of-use assets	Total
As of April 1, 2021	(8,268)	(19,978)	(1,645)	—	(9,937)	(39,829)
Depreciation	(856)	(1,806)	—	—	(8,295)	(10,959)
Impairment losses	—	(5)	(13)	—	—	(18)
Disposals	469	858	1,596	—	4,955	7,881
Exchange differences	(46)	(564)	(1)	—	(89)	(701)
Other	7	31	0	—	251	290
As of March 31, 2022	(8,694)	(21,464)	(63)	—	(13,114)	(43,337)
Depreciation	(954)	(1,979)	—	—	(9,055)	(11,988)
Impairment losses	(35)	(297)	—	—	(86)	(419)
Disposals	1,618	3,806	—	—	7,488	12,912
Exchange differences	(49)	(468)	—	—	(53)	(571)
Other	37	32	—	—	322	391
As of March 31, 2023	(8,079)	(20,371)	(63)	—	(14,499)	(43,013)

[Carrying amount]

(JPY)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Right-of-use assets	Total
As of March 31, 2022	8,854	8,692	6,437	1,329	16,772	42,087
As of March 31, 2023	10,617	9,006	6,384	849	20,330	47,188

[Costs]

(USD)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Right-of-use assets	Total
As of March 31, 2022	131,427	225,847	48,686	9,957	223,827	639,745
Acquisitions	13,117	18,197	—	4,221	96,473	132,008
Acquisitions through business combinations	2,126	1,528	2,910	—	3,698	10,261
Transfers from construction in progress	2,618	5,861	—	(8,479)	—	—
Disposals	(13,977)	(37,768)	(3,779)	(27)	(62,290)	(117,841)
Exchange differences	1,917	6,262	470	699	1,036	10,384
Other	2,788	85	—	(9)	(1,909)	955
As of March 31, 2023	140,015	220,011	48,287	6,363	260,836	675,513

[Accumulated depreciation and accumulated impairment losses]

(USD)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Right-of-use assets	Total
As of March 31, 2022	(65,116)	(160,746)	(473)	—	(98,217)	(324,552)
Depreciation	(7,145)	(14,826)	—	—	(67,813)	(89,785)
Impairment losses	(267)	(2,227)	—	—	(647)	(3,141)
Disposals	12,119	28,503	—	—	56,082	96,704
Exchange differences	(374)	(3,505)	—	—	(403)	(4,282)
Other	279	241	—	—	2,415	2,934
As of March 31, 2023	(60,504)	(152,562)	(474)	—	(108,584)	(322,124)

[Carrying amount]

(USD)

	Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land	Construction in progress	Right-of-use assets	Total
As of March 31, 2023	79,512	67,449	47,813	6,363	152,253	353,390

The amounts of expenditures relating to property, plant and equipment under construction are presented in the table above as "Construction in progress".
Depreciation for property, plant and equipment are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income.

(2) Right-of-use assets

The breakdown of underlying assets is presented as follows:

	JPY		USD
	2023	2022	2023
Right-of-use assets for which buildings and structures are the underlying asset	18,734	15,032	140,303
Right-of-use assets for which machinery, vehicles, tools, furniture and fixtures are the underlying asset	1,150	1,253	8,614
Other	445	487	3,336
Total	20,330	16,772	152,253

10. Goodwill and Intangible Assets

(1) Goodwill

Costs, accumulated impairment losses and carrying amount.
Changes in costs, accumulated impairment losses and carrying amount of goodwill are presented as follows:

[Costs]

	JPY		USD
	2023	2022	2023
Balance at the beginning of the year	11,949	11,646	89,492
Acquisitions through business combinations	3,781	96	28,316
Exchange differences	152	237	1,145
Other	—	(31)	—
Balance at the end of the year	15,883	11,949	118,954

[Accumulated impairment losses]

	JPY		USD
	2023	2022	2023
Balance at the beginning of the year	(1,325)	(1,349)	(9,925)
Impairment losses	(77)	(5)	(581)
Other	—	29	—
Balance at the end of the year	(1,402)	(1,325)	(10,505)

[Carrying amount]

	JPY		USD
	2023	2022	2023
Carrying amount	14,481	10,624	108,448

(2) Intangible assets

1) Changes in intangible assets

Changes in costs, accumulated amortization and accumulated impairment losses of intangible assets are presented as follows:

[Costs]

(JPY)

	Software	Carrier shop operating rights	Right-of-use assets	Other	Total
As of April 1, 2021	11,143	17,140	71	7,677	36,034
Acquisitions	575	―	20	209	805
Acquisitions through business combinations	15	―	―	7	22
Disposals	(819)	―	(9)	(2)	(832)
Exchange differences	64	―	―	358	423
Other	238	―	4	81	324
As of March 31, 2022	11,217	17,140	87	8,332	36,777
Acquisitions	889	―	3	5	898
Acquisitions through business combinations	16	―	―	4,143	4,160
Disposals	(298)	―	―	(9)	(308)
Exchange differences	52	―	―	242	295
Other	(221)	―	―	6	(215)
As of March 31, 2023	11,656	17,140	90	12,720	41,608

[Accumulated amortization and accumulated impairment losses]

(JPY)

	Software	Carrier shop operating rights	Right-of-use assets	Other	Total
As of April 1, 2021	(7,975)	(234)	(16)	(2,881)	(11,107)
Amortization	(682)	—	(10)	(590)	(1,283)
Disposals	799	—	2	0	803
Exchange differences	(50)	—	(0)	(221)	(271)
Other	1	—	(6)	(0)	(4)
As of March 31, 2022	(7,907)	(234)	(29)	(3,692)	(11,864)
Amortization	(886)	—	(13)	(889)	(1,790)
Impairment loss	—	—	—	(0)	(0)
Disposals	281	—	—	2	284
Exchange differences	(46)	—	—	(214)	(261)
Other	78	—	—	0	78
As of March 31, 2023	(8,479)	(234)	(43)	(4,795)	(13,553)

[Carrying amount]

(JPY)

	Software	Carrier shop operating rights	Right-of-use assets	Other	Total
As of March 31, 2022	3,310	16,906	57	4,639	24,912
As of March 31, 2023	3,176	16,906	46	7,925	28,055

[Costs]

(USD)

	Software	Carrier shop operating rights	Right-of-use assets	Other	Total
As of March 31, 2022	84,007	128,367	652	62,399	275,425
Acquisitions	6,660	―	25	45	6,730
Acquisitions through business combinations	125	―	―	31,032	31,157
Disposals	(2,239)	―	―	(74)	(2,313)
Exchange differences	395	―	―	1,819	2,214
Other	(1,657)	―	―	45	(1,612)
As of March 31, 2023	87,292	128,367	677	95,266	311,601

[Accumulated amortization and accumulated impairment losses]

(USD)

	Software	Carrier shop operating rights	Right-of-use assets	Other	Total
As of March 31, 2022	(59,217)	(1,757)	(224)	(27,657)	(88,855)
Amortization	(6,641)	―	(101)	(6,664)	(13,405)
Impairment loss	―	―	―	(0)	(0)
Disposals	2,111	―	―	17	2,128
Exchange differences	(347)	―	―	(1,610)	(1,957)
Other	591	―	―	0	591
As of March 31, 2023	(63,503)	(1,757)	(325)	(35,913)	(101,498)

[Carrying amount]

(USD)

	Software	Carrier shop operating rights	Right-of-use assets	Other	Total
As of March 31, 2023	23,789	126,610	352	59,352	210,103

There are no material internally-generated intangible assets as of March 31, 2023 and March 31, 2022.
Amortization expenses are included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income.

2) Right-of-use assets
The breakdown of underlying assets is presented as follows:

	JPY		USD
	2023	2022	2023
Right-of-use assets for which software is the underlying assets	46	57	352
Total	46	57	352

(3) Impairment test of goodwill and intangible assets with indefinite useful lives

The Consolidated Group’s cash-generating units to which goodwill and intangible assets with indefinite useful lives has been allocated are tested for impairment annually, and whenever there is an indication that such assets may be impaired. The carrying amount of significant goodwill and intangible assets with indefinite useful lives allocated to the Consolidated Group’s cash-generating units are as follows:

	JPY		USD
	2023	2022	2023
Goodwill			
Electronics & Devices segment			
Electronics business of the domestic subsidiaries	5,588	4,743	41,853
Electronics business of the foreign subsidiaries	2,171	—	16,265
Mobile business of the domestic subsidiaries	2,824	2,211	21,151
Steel, Materials & Plant segment			
Steel pipe business of the foreign subsidiaries	2,703	2,478	20,250
Carrier shop operating rights			
Electronics & Devices segment			
Mobile business of the domestic subsidiaries	16,906	16,906	126,610

The impairment test of goodwill and intangible assets with indefinite useful lives is conducted by evaluating the recoverable amount of the cash-generating units. The recoverable amounts of the Consolidated Group’s cash-generating units to which significant goodwill and intangible assets with indefinite useful lives have been allocated were calculated based on its value in use forecast for up to five years and the growth rate that were approved by management. The cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, based on the nature and geographical location of the business.

In addition, the main assumptions used to determine the value in use was the estimation of gross profits, growth rates and discount rates. The growth rates are determined by considering the forecasts of the nominal GDP growth rates of the countries in which such Consolidated Group’s cash-generating units are located and the average long-term growth rates of the markets or countries to which the Consolidated Group’s cash-generating units operate. The cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, based on the nature and geographical location of the business. The growth rate after the fifth year used in the impairment test for the electronics business and the mobile business of the domestic and foreign subsidiaries are 0% and for the steel pipe business of the foreign subsidiaries is 2.0% as of the fiscal year ended March 31, 2023. The growth rate after the fifth year used in the impairment test is 0% as of the previous fiscal year ended March 31, 2022.

The pre-tax discount rates which were used in calculating the value in use of the Consolidated Group's cash-generating units to which significant goodwill and carrier shop operating rights have been allocated are as follows:

	2023	2022
Goodwill		
Electronics & Devices segment		
Electronics business of the domestic subsidiaries	6.4%	6.9%
Electronics business of the foreign subsidiaries	12.9%	－%
Mobile business of the domestic subsidiaries	6.6%	6.9%
Steel, Materials & Plant segment		
Steel pipe business of the foreign subsidiaries	15.7%	13.8%
Carrier shop operating rights		
Electronics & Devices segment		
Mobile business of the domestic subsidiaries	6.6%	6.9%

It is unlikely to be impaired significantly even if major assumptions used for the impairment test changed within a reasonable and predictable scope.

The contents of significant goodwill and intangible assets with indefinite useful lives are presented as follows:

<u>Mobile business of the domestic subsidiaries</u>
Goodwill and the carrier shop operating rights in the mobile business of the domestic subsidiaries were recognized upon acquisition of the mobile business by Kanematsu Communications Ltd., a consolidated subsidiary of the Company. For the fiscal year ended March 31,2023, goodwill was recognized at ¥2,824 million ($21,151 thousand) and carrier shop operating rights of ¥16,906 million ($126,610 thousand) were recognized. The purpose of the acquisition was to expand market share, and the acquisition increased the size of the mobile business of the domestic subsidiaries on the consolidated financial statements. In addition, the gross profit of the mobile business of domestic subsidiaries may fluctuate due to the uncertainty of future earnings caused by changes in the external environment, such as amendments to the Telecommunications Business Act and cell phone rate plan changes by mobile carriers. The carrier shop operating rights are rights to earn revenue by operating mobile communications device distribution shops for specific carriers. The rights are identified as indefinite-lived intangible assets because the intangible assets are considered to continue to exist as long as the business continues.

The value in use that used in the impairment test for goodwill and carrier shop operating rights is assessed using the present value of cash flows based on five-year forecast and growth rates that reflect the most recent business environment.

<u>Card printer business</u>
Goodwill in the card printer business, one of the key business of the Electronics business of the domestic subsidiaries, was recognized as upon acquisition of G-Printec, Inc. For the fiscal year ended March 31,2023, goodwill was recognized at ¥2,485 million ($18,615 thousand). In addition, the gross profit of the card printer business of domestic subsidiaries may fluctuate due to the uncertainty of future earnings since card printer business faces sales competition with overseas and domestic competitors, and the overseas market, which is the main market, is exposed to changes in market conditions and trends in each country.

The value in use that used in the impairment test for goodwill is assessed using the present value of cash flows based on five-year forecast and growth rates that reflect the most recent business environment.

<u>Steel pipe business of the foreign subsidiaries</u>
Goodwill in the steel pipe business was recognized upon the acquisition of Benoit Premium Threading, LLC located in the United States. For the fiscal year ended March 31, 2023, goodwill of ¥2,703 million ($20,250 thousand) was recognized. In addition, the gross profit of the steel pipe business may fluctuate due to the uncertainty of future earnings since steel pipe business is greatly affected by international crude oil prices and trading volumes, and the volatility of long-term earnings forecasts is relatively high.

The value in use used in the impairment test for goodwill is assessed using the present value of cash flows based on four-year forecast and growth rates that reflect the most recent business environment.

11. Interests in Associates and Joint Ventures

There are no associates or joint ventures that are material to the Consolidated Group.

The aggregate amounts of interests in individually immaterial associates and joint ventures that are accounted for using the equity method are presented as follows:

[Aggregate carrying amount]

	JPY		USD
	2023	2022	2023
Associates	19,573	14,733	146,583
Joint ventures	374	388	2,802

[Profit or loss from continuing business]

	JPY		USD
	2023	2022	2023
Associates	(496)	1,470	(3,721)
Joint ventures	(24)	(19)	(187)

[Other comprehensive income]

	JPY		USD
	2023	2022	2023
Associates	1,253	517	9,391
Joint ventures	—	—	—

[Total comprehensive income]

	JPY		USD
	2023	2022	2023
Associates	757	1,988	5,669
Joint ventures	(24)	(19)	(187)

12. Other Investments

The breakdown of other investments is presented as follows:

	JPY		USD
	2023	2022	2023
Financial assets measured at fair value through profit or loss	2,774	2,382	20,777
Financial assets measured at fair value through other comprehensive income	35,114	33,614	262,968
Total	37,888	35,997	283,745

13. Other Current Assets and Other Non-current Assets

The breakdown of other current assets and other non-current assets is presented as follows:

	JPY		USD
	2023	2022	2023
Advance payments	16,742	21,159	125,387
Prepaid expenses	6,419	5,618	48,073
Other	9,324	7,949	69,831
Total	32,486	34,727	243,291
Current assets	28,896	31,190	216,406
Non-current assets	3,589	3,537	26,884
Total	32,486	34,727	243,291

(Note) "Contract assets", which was listed in the breakdown in the previous fiscal year, is presented in “Other” in the current fiscal year, because the amount has decreased in significance. There was no balance for "Contract assets" as of the previous fiscal year ended March 31, 2022.

14. Trade and Other Payables

The breakdown of trade and other payables is presented as follows:

	JPY		USD
	2023	2022	2023
Notes and accounts payable	133,018	135,207	996,170
Import bills payable	58,159	65,478	435,557
Accounts payable - commission	15,426	14,136	115,531
Other	4	—	31
Total	206,609	214,822	1,547,288
Current liabilities	206,609	214,822	1,547,288
Non-current liabilities	—	—	—
Total	206,609	214,822	1,547,288

15. Bonds and Borrowings, etc.

The breakdown of bonds, borrowings and lease liabilities is presented as follows:

	2023		2022	Average interest rate (%)	Maturity date
	JPY	USD	JPY		
Current portion of bonds	14	111	5,009	—	—
Short-term borrowings	140,870	1,054,972	52,662	1.32	—
Current portion of long-term borrowings	21,304	159,547	16,035	0.54	—
Current portion of lease liabilities	7,685	57,556	6,674	—	—
Bonds (excluding the current portion)	14,934	111,840	14,931	—	—
Long-term borrowings (excluding the current portion)	50,770	380,221	54,813	0.59	From April 2024 to May 2033
Lease liabilities (excluding the current portion)	12,992	97,298	10,158	—	From April 2024 to April 2059
Total	248,572	1,861,545	160,285		
Current liabilities	169,874	1,272,185	80,381		
Non-current liabilities	78,696	589,359	79,903		
Total	248,572	1,861,545	160,285		

(Notes) 1. The “average interest rate” is presented as the weighted average interest rate against the borrowings outstanding at the end of the fiscal year.
2. There is no description of the average interest rate of lease liabilities because value of interest equivalent included in total amount of lease payments is allocated to each consolidated fiscal year by straight-line method.
3. At the end of the current consolidated fiscal year, repayments of bonds, borrowings, and lease liabilities after the date of consolidated financial statement is presented follows.

	Within one year		Over one year and within two years		Over two years and within three years		Over three years and within four years		Over four years and within five years		Over five years	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Corporate bonds	14	111	4,991	37,381	—	—	4,971	37,233	—	—	4,970	37,226
Long-term borrowings	21,304	159,547	17,316	129,679	15,667	117,336	12,935	96,877	4,631	34,687	219	1,642
Lease liabilities	7,685	57,556	4,581	34,309	2,741	20,532	2,404	18,005	880	6,592	2,384	17,860

Summary of the issuance terms of corporate Bonds is presented follows.

Issuer	Bond Name	Issue date	2023		2022	Coupon rate (%)	Collateral	Maturity date
			JPY	USD	JPY			
Kanematsu Corporation	Unsecured Straight Bonds No 3 (5-year bonds)	December 14, 2017	―	―	4,995 (4,995)	0.42	None	December 14, 2022
Kanematsu Corporation	Unsecured Straight Bonds No 4 (7-year bonds)	December 14, 2017	4,991	37,381	4,986	0.57	None	December 13, 2024
Kanematsu Corporation	Unsecured Straight Bonds No 5 (5-year bonds)	March 3, 2022	4,971	37,233	4,964	0.42	None	March 3, 2027
Kanematsu Corporation	Unsecured Straight Bonds No 6 (7-year bonds)	March 3, 2022	4,970	37,226	4,966	0.65	None	March 2, 2029
	Other		14	111	29			

(Note) The figures in the parentheses indicate the current portion.

16. Provisions

Changes in provisions are presented as follows:

(JPY)

	Asset retirement obligations	Other	Total
As of April 1, 2022	1,992	223	2,215
Acquisitions through business combinations	50	―	50
Provisions made	457	15	473
Provisions used	(58)	(185)	(244)
Provisions reversed	(18)	―	(18)
Unwinding of discount	37	―	37
Foreign exchange translation differences	―	(0)	(0)
As of March 31, 2023	2,460	53	2,514

(USD)

	Asset retirement obligations	Other	Total
As of April 1, 2022	14,918	1,673	16,591
Acquisitions through business combinations	377	―	377
Provisions made	3,429	119	3,548
Provisions used	(439)	(1,390)	(1,829)
Provisions reversed	(135)	―	(135)
Unwinding of discount	279	―	279
Foreign exchange translation differences	―	(2)	(2)
As of March 31, 2023	18,430	399	18,829

The current and non-current portions of provisions are presented as follows:

	JPY		USD
	2023	2022	2023
Current liabilities	358	503	2,686
Non-current liabilities	2,155	1,712	16,143
Total	2,514	2,215	18,829

Asset retirement obligations are obligations for restoring offices and shops in accordance with provisions of the property leasing contracts. While these expenditures will be made after at least one year has passed, the amounts may be affected by the future business plan and other factors.

17. Other Current Liabilities and Other Non-current Liabilities

The breakdown of other current liabilities and other non-current liabilities is presented as follows:

	JPY		USD
	2023	2022	2023
Advances received	6,741	7,342	50,485
Contract liabilities	6,134	10,539	45,938
Accrued expenses	4,399	3,321	32,948
Accrued paid leave	2,370	2,115	17,752
Other	10,710	8,165	80,210
Total	30,355	31,484	227,333
Current liabilities	29,199	30,290	218,673
Non-current liabilities	1,156	1,193	8,660
Total	30,355	31,484	227,333

(Note) "Accrued paid leave", which was presented in "Other" in the previous fiscal year, is listed in the breakdown in the current fiscal year. "Unearned revenue", which was listed in the breakdown in the previous fiscal year, is presented in "Other" in the current fiscal year, because the amount has decreased in significance. The balance of "Unearned revenue" was ￥95 million as of the previous fiscal year ended March 31, 2022.

18. Equity

(1) Capital management

The Consolidated Group has a policy of increasing shareholders’ equity (See Note 1) up to a certain level and strengthening its financial base to enhance its enterprise value through building new businesses and increasing revenues while maintaining a sound financial position.

The Company sets the maximum ratio of risk assets (See Note 2) and examines the appropriateness of scale of shareholders' equity in terms of it being a risk buffer to potential loss that could result from a deterioration in the companies' respective businesses, to manage shareholders' equity.

The key indices which the Consolidated Group uses for management of shareholders' equity are as follows, and these indices are periodically reported to and monitored by management.
・Ratio of risk assets
・Net DER(See Note 3)

(Note 1) Shareholders’ equity is defined as equity attributable to owners of the Parent.
(Note 2) Ratio of risk assets is defined as a ratio of the amount of maximum potential loss to shareholders' equity. The amount of maximum potential loss is the amount of all assets and off-balance sheet transactions on the consolidated financial statements multiplied by the original risk weight set by the Consolidated Group according to the potential risk of loss.
(Note 3) Net DER is defined as a ratio of net interest-bearing debt to shareholders’ equity, while net interest-bearing debt is the total amount of interest-bearing debt excluding lease liabilities (bonds and borrowings) less cash and deposits.

The figures of net DER as of March 31, 2023 and March 31, 2022 are presented as follows:

	Times	
	2023	2022
Net DER	1.15	0.32

The Consolidated Group is subject to financial covenants including capital requirements with respect to a portion of its borrowings from financial institutions. The Consolidated Group monitors each compliance status to maintain the level required by such financial covenants and has complied with such covenants for the fiscal years ended March 31, 2023 and March 31, 2022.

(2) Number of shares authorized to be issued, issued shares and shares of treasury stock

(Unit: share)

	2023	2022
Shares authorized to be issued (No-par common stock)	200,000,000	200,000,000
Issued shares (No-par common stock)		
Balance at the beginning of the year	84,500,202	84,500,202
Changes during the period	—	—
Balance at the end of the year	84,500,202	84,500,202
Shares of treasury stock (No-par common stock)	1,026,028	1,054,730

(Note) Shares of treasury stock in the current fiscal year includes 95,000 shares of the Company held by the associate and 667,100 shares of the Company held by the stock issuance trust for officers. Shares of treasury stock in the previous fiscal year included 95,000 shares of the Company held by the associate and 697,300 shares of the Company held by the stock issuance trust for officers.

(3) Surplus

1) Capital surplus

The amount of capital surplus as of March 31, 2023 decreased by ¥27,164 million ($203,432 thousand). There is no balance as of the fiscal year ended March 31, 2023.

The main reason was the effect of additional investment in shares in Kanematsu Electronics Ltd. The detail is provided in *Notes to CONSOLIDATED FINANCIAL STATEMENTS: 34. Significant Subsidiaries: (3) Transaction with non-controlling interests.*

2) Retained earnings

Retained earnings consist of legal retained earnings and other retained earnings.

The Companies Act of Japan provides that an amount equal to 10% of distribution of surplus for each fiscal year must be appropriated as legal capital surplus or legal retained earnings until the total aggregate amount of legal capital surplus and legal retained earnings equals 25% of share capital.

Under the Companies Act, the amounts available for distribution are calculated based on the amounts of capital surplus and retained earnings, exclusive of legal capital surplus and legal retained earnings, all of which are recorded in accordance with the accounting principles generally accepted in Japan.

(4) Dividends

1) Amounts of dividends paid

Resolution	Type of stock	Source of dividends	Total amounts of dividends		Dividends per share		Record date	Effective date
			JPY	USD	Yen	U.S. dollars		
May 24, 2022 Board of Directors meeting	Common stock	Retained earnings	2,948	22,080	35.00	0.262	Mar. 31, 2022	Jun. 8, 2022
Nov. 4, 2022 Board of Directors meeting	Common stock	Retained earnings	3,158	23,657	37.50	0.281	Sep. 30, 2022	Dec. 6, 2022

Resolution	Type of stock	Source of dividends	Total amounts of dividends	Dividends per share	Record date	Effective date
			JPY	Yen		
May 24, 2021 Board of Directors meeting	Common stock	Retained earnings	2,527	30.00	Mar. 31, 2021	Jun. 8, 2021
Nov. 2, 2021 Board of Directors meeting	Common stock	Retained earnings	2,527	30.00	Sep. 30, 2021	Dec. 3, 2021

(Note) The total amount of dividends resolved by the board of directors meeting on May 24, 2022, November 4, 2022, May 24, 2021 and November 2, 2021 includes ¥24 million ($183 thousand), ¥25 million ($187 thousand), ¥21 million and ¥20 million of the dividends to the shares of the Company held by the stock issuance trust for officers.

2) Dividends with record date in the current fiscal year, and effective date in the following fiscal year

Resolution	Type of stock	Source of dividends	Total amounts of dividends		Dividends per share		Record date	Effective date
			JPY	USD	Yen	U.S. dollars		
May 25, 2023 Board of Directors meeting	Common stock	Retained earnings	3,158	23,657	37.50	0.281	Mar. 31, 2023	Jun. 12, 2023

(Note) The total amount of dividends resolved by the board of directors meeting on May 25, 2023 includes ¥25 million ($187 thousand) of the dividends to the shares of the Company held by the stock issuance trust for officers.

19. Revenue

(1) Disaggregation of revenue

As disclosed in *Note 6. Segment information*, the Consolidated Group has four reportable segments: Electronics and Devices, Foods, Meat and Grain, Steel, Materials and Plant and Motor Vehicles and Aerospace. In addition, the Consolidated Group disaggregates revenue in Electronics and Devices recognized from contracts with customers into three categories: ICT solutions, Mobile and Others. Similarly, revenue in Steel, Materials and Plant is disaggregated into Energy and Others. The reconciliations of the disaggregated revenue with the group's sales components are as follows.
The accounting methods for the revenue are consistent with those stated in *Note 3. Significant Accounting Policies*.

	JPY		USD
	2023	2022	2023
Electronics & Devices			
ICT solution	84,067	69,563	629,578
Mobile	107,742	107,041	806,878
Others	90,681	78,763	679,107
Foods, Meat & Grain	340,448	285,284	2,549,602
Steel, Materials & Plant			
Energy	95,707	79,687	716,749
Others	97,683	68,303	731,547
Motor Vehicles & Aerospace	81,256	65,720	608,528
Total reportable segment	897,587	754,363	6,721,989
Others	13,707	13,395	102,654
Total revenue arising from contracts with customers	911,294	767,758	6,824,643
Revenue arising from other sources	113	204	851
Total	911,408	767,963	6,825,495

(Note) Revenue arising from other sources includes revenue recognized in accordance with IFRS 16 "Lease".

(2) Contract balances

Information on receivables from contracts with customers, contract assets and liabilities arising from contracts with customers are as follows:

Fiscal year ended March 31, 2023

	JPY		USD	
	2023		2023	
	As of April 1, 2022	As of March 31, 2023	As of April 1, 2022	As of March 31, 2023
Receivables from contracts with customers	226,665	235,150	1,697,489	1,761,029
Contract assets	—	0	—	4
Contract liabilities	10,539	6,134	78,930	45,938

Fiscal year ended March 31, 2022

	JPY	
	2022	
	As of April 1, 2021	As of March 31, 2022
Receivables from contracts with customers	199,116	226,665
Contract assets	17	—
Contract liabilities	10,152	10,539

Contract assets primarily relate to the Consolidated Group's rights to receive consideration for performance obligations that have been completed, but not yet billed for, as of the reporting date and they are reclassified as receivables when the Consolidated Group's rights to payment becomes unconditional.
Contract liabilities are mainly consideration for maintenance and operation transactions of information and telecommunication systems and service-type transactions with product warranties, where the performance obligation is satisfied over a certain period of time, and are reversed and recognized as revenue in accordance with the fulfillment of the performance obligations during the maintenance or warranty period. In addition, the Consolidated Group recognizes as a contract liability that already received a part of consideration upon delivery of goods. Of the revenue recognized in the current and previous fiscal years, ¥8,764 million ($65,635 thousand) and ¥4,305 million were included in the balance of contract liabilities as of April 1, 2022 and April 1, 2021. There are no significant amounts of revenue recognized during the fiscal years ended March 31, 2023 and March 31, 2022 from performance obligations satisfied in the prior fiscal years. The increase of contract liabilities is included in a reduction of other from operating activities in the Consolidated Statement of Cash Flows.

(3) Transaction price allocated to the remaining performance obligations

Transaction prices allocated to remaining performance obligations are mainly related to transactions for the maintenance and operation of ICT & communications systems and sales of goods such as aerospace and ship-related products, and the timing of fulfillment of these obligations is as follows. It`s not included expected transactions term within one year. There are no material amounts not included in transaction prices in consideration arising from contracts with customers.

	JPY		USD
	2023	2022	2023
Within one year	4,072	7,831	30,496
Over one year and within two years	1,798	3,537	13,469
Over two years and within three years	1,203	1,236	9,012
Over three years and within four years	740	650	5,546
Over four years and within five years	302	248	2,263
Over five years	63	31	475
Total	8,180	13,535	61,261

(4) Assets recognized from the costs of obtaining or fulfilling contracts with customers

There are no assets recognized from the costs of obtaining or fulfilling contracts with customers as of the years ended March 31, 2023 and March 31, 2022. In addition, if the amortization period of the assets that the group otherwise would have recognized is one year or less, the group applies the practical expedient of recognizing the incremental costs of obtaining the contract as an expense when incurred.

20. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses is presented as follows:

	JPY		USD
	2023	2022	2023
Personnel expenses	52,926	48,274	396,363
Depreciation and amortization	11,286	9,978	84,526
Outsourcing service charges	8,712	8,332	65,246
Other	23,380	18,518	175,094
Total	96,305	85,103	721,228

21. Gain or Loss on Sale or Disposal of Property, Plant and Equipment and Intangible Assets

The breakdown of gain or loss on sale or disposal of property, plant and equipment and intangible assets is presented as follows:

	JPY		USD
	2023	2022	2023
Gain on sale of property, plant and equipment	58	69	435
Gain on sale of intangible assets	1	—	15
Total gain on sale of property, plant and equipment and intangible assets	60	69	450
Loss on sale of property, plant and equipment	(9)	(6)	(74)
Loss on sale of intangible assets	(0)	—	(1)
Total loss on sale of property, plant and equipment and intangible assets	(10)	(6)	(76)
Loss on disposal of property, plant and equipment	(294)	(144)	(2,208)
Loss on disposal of intangible assets	(18)	(21)	(137)
Total loss on disposal of property, plant and equipment and intangible assets	(313)	(166)	(2,345)
Gain (loss) on sale or disposal of property, plant and equipment and intangible assets, net	(263)	(103)	(1,971)

22. Impairment Loss

(1) Breakdown of impairment loss by each class of assets

The breakdown of impairment losses by class of assets is presented as follows. Impairment losses for property, plant and equipment and intangible assets are included in "Impairment loss on property, plant and equipment and intangible assets", and impairment losses for goodwill are included in "Other expenses" in the consolidated statement of income.

	JPY		USD
	2023	2022	2023
Property, plant and equipment	(419)	(18)	(3,141)
Goodwill	(77)	(5)	(581)
Intangible assets	(0)	—	(0)
Total	(496)	(23)	(3,722)

(2) Breakdown by reportable segment

The breakdown of impairment losses by reportable segment is presented as follows:

	JPY		USD
	2023	2022	2023
Electronics and Devices	(196)	(5)	(1,475)
Steel, Materials and Plant	(299)	(18)	(2,247)
Total	(496)	(23)	(3,722)

For the fiscal years ended March 31, 2023 and March 31, 2022, there were no significant impairment losses.

23. Exchange Differences

Exchange differences recognized in profit or loss for the fiscal years ended March 31, 2023 and March 31, 2022 were ¥3,787 million ($28,365 thousand) and ¥1,330 million, respectively and are included in “Other income” in the consolidated statement of income. In addition, each amount includes gains or losses arising from currency-related derivative transactions that were entered into for the purpose of hedging the foreign currency risk. Gains and losses arising from translating assets and liabilities denominated in a currency other than the functional currency or from settling such items are included in profit or loss as they arise.

24. Finance Income and Finance Costs

The breakdown of finance income and finance costs is presented as follows:

	JPY		USD
	2023	2022	2023
Interest income			
Financial assets measured at amortized cost	441	166	3,310
Total interest income	441	166	3,310
Dividend income			
Financial assets measured at fair value through profit or loss	202	149	1,517
Financial assets measured at fair value through other comprehensive income	860	964	6,441
Total dividend income	1,062	1,114	7,958
Other finance income (Note)			
Other finance income	315	66	2,359
Total other finance income	315	66	2,359
Total finance income	1,819	1,348	13,627
Interest expenses			
Financial liabilities measured at amortized cost	(3,870)	(1,610)	(28,986)
Derivatives	(15)	(80)	(115)
Total interest expenses	(3,885)	(1,690)	(29,100)
Other finance costs (Note)			
Other finance costs	(611)	(1,691)	(4,581)
Total other finance costs	(611)	(1,691)	(4,581)
Total finance costs	(4,497)	(3,381)	(33,681)

(Note) The amounts of other finance income and other finance costs are those related to financial assets measured at fair value through profit or loss and the details are presented in *Note 30. Financial Instruments: (6) -3) - (ii) Recurring fair value measurements categorized within Level 3 of the fair value hierarchy.*

25. Earnings Per Share Attributable to Owners of the Parent

(1) Earnings per share

	Yen		U.S. dollars
	2023	2022	2023
Basic earnings per share	222.38	191.42	1.67
Diluted earnings per share	221.89	191.15	1.66

The amount of diluted earnings per share is calculated by deeming the shares authorized to be issued subject to conditions which are expected to be provided under the performance-linked stock compensation plan as potential shares.

(2) Bases for calculation of earnings per share

	JPY		USD
	2023	2022	2023
Profit attributable to owners of the Parent	18,575	15,986	139,114
Amount not attributable to common shareholders of the Parent	—	—	—
Profit used to calculate basic earnings per share	18,575	15,986	139,114
Profit used to calculate diluted earnings per share	18,575	15,986	139,114

	Thousand shares	
	2023	2022
Weighted average number of common shares	83,533	83,514
Increase due to the performance-linked stock compensation plan	183	117
Weighted average number of common shares adjusted for dilution	83,717	83,631

(Note) In the calculation of earnings per share, the shares of the Company owned by the stock issuance trust for officers below are included in the treasury stock which is deducted in the calculation of average number of shares during the fiscal year.
The current fiscal year: 678,007 shares
The previous fiscal year: 699,176 shares

26. Other Comprehensive Income

The breakdown for the amounts of reclassification adjustments and deferred tax in other comprehensive income is presented as follows:

	JPY		USD
	2023	2022	2023
Financial assets measured at fair value through other comprehensive income			
Amount arising during the year	3,038	572	22,758
Amount before deferred tax	3,038	572	22,758
Deferred tax	(862)	(110)	(6,456)
Financial assets measured at fair value through other comprehensive income	2,176	462	16,301
Remeasurements of defined benefit pension plans			
Amount arising during the year	525	(11)	3,938
Amount before deferred tax	525	(11)	3,938
Deferred tax	(133)	4	(999)
Remeasurements of defined benefit pension plans	392	(7)	2,939
Exchange differences on translation of foreign operations			
Amount arising during the year	3,212	4,071	24,058
Reclassification adjustments	(7)	0	(55)
Exchange differences on translation of foreign operations	3,205	4,071	24,003
Cash flow hedges			
Amount arising during the year	1,032	1,780	7,733
Reclassification adjustments	(1,679)	(853)	(12,574)
Amount before deferred tax	(646)	926	(4,842)
Deferred tax	201	(284)	1,508
Cash flow hedges	(445)	642	(3,334)
Share of other comprehensive income of investments accounted for using the equity method			
Amount arising during the year	1,258	528	9,428
Reclassification adjustments	(4)	(10)	(37)
Share of other comprehensive income of investments accounted for using the equity method	1,253	517	9,391
Total other comprehensive income	6,583	5,686	49,300

27. Cash Flow Information

(1) Cash and cash equivalents

The breakdown of cash and cash equivalents and its reconciliation to the amounts presented in the consolidated statement of financial position are as follows:

	JPY		USD
	2023	2022	2023
Cash and bank deposits except for time deposits with original term of more than three months	79,462	91,420	595,088
Cash and cash equivalents in the consolidated statement of financial position	79,462	91,420	595,088
Cash and cash equivalents in the consolidated statement of cash flows	79,462	91,420	595,088

(2) Net payment for acquisition of subsidiaries and acquisition of business

The breakdown of the main assets and liabilities of newly acquired subsidiaries or other businesses at the time control thereof was acquired, and the reconciliation between consideration paid and net payment for the acquisition are presented as follows:

	JPY		USD
	2023	2022	2023
Breakdown of assets at the acquisition date			
Current assets (including cash and cash equivalents)	7,672	5,325	57,459
Non-current assets	5,980	2,528	44,786
Breakdown of liabilities at the acquisition date			
Current liabilities	(2,564)	(2,221)	(19,206)
Non-current liabilities	(1,425)	(655)	(10,677)
Goodwill	3,760	(72)	28,162
Non-controlling interests	(1,171)	―	(8,770)
Other	54	0	406
Fair value of consideration paid	(12,306)	(4,903)	(92,159)
Cash and cash equivalents of the acquiree	2,905	1,851	21,758
Net proceeds from (payment for) acquisition of subsidiaries	(9,205)	(2,362)	(68,938)
Net payments for acquisition of businesses	(195)	(688)	(1,463)

(3) Net proceeds from sale of subsidiaries and transfer of business

The breakdown of the main assets and liabilities upon loss of control of the subsidiaries or other businesses which control was lost as a result of the sale, and the calculation of the net proceeds from the sale are presented as follows:

	JPY		USD
	2023	2022	2023
Breakdown of assets upon loss of control			
Current assets (including cash and cash equivalents)	3	75	29
Non-current assets	610	6	4,570
Breakdown of liabilities upon loss of control			
Current liabilities	―	(58)	―

	JPY		USD
	2023	2022	2023
Consideration received	750	15	5,617
Cash and cash equivalents included in the assets at the time control thereof was lost	―	(3)	―
Net proceeds from (payment for) sale of subsidiaries	―	12	―
Net proceeds from transfer of businesses	750	―	5,617

(4) Changes in liabilities for financing activities

Changes in liabilities for financing activities are as follows:
Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(JPN)

	April 1, 2022	Cash flows	Non-cash movements				March 31, 2023
			Lease	Exchange differences	Increase and decrease from acquisition of subsidiaries	Others	
Borrowings	123,511	88,300	―	1,107	15	10	212,945
Bonds	19,941	(5,014)	―	―	―	21	14,948
Lease liabilities	16,832	(8,707)	13,093	99	493	(1,134)	20,677
Total	160,285	74,579	13,093	1,206	509	(1,101)	248,572

(USD)

	April 1, 2022	Cash flows	Non-cash movements				March 31, 2023
			Lease	Exchange differences	Increase and decrease from acquisition of subsidiaries	Others	
Borrowings	924,973	661,279	―	8,294	116	79	1,594,740
Bonds	149,338	(37,551)	―	―	―	164	111,951
Lease liabilities	126,059	(65,208)	98,057	742	3,698	(8,494)	154,854
Total	1,200,370	558,520	98,057	9,035	3,814	(8,251)	1,861,545

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(JPN)

	April 1, 2021	Cash flows	Non-cash movements				March 31, 2022
			Lease	Exchange differences	Increase and decrease from acquisition of subsidiaries	Others	
Borrowings	112,045	10,243	—	1,522	186	(485)	123,511
Bonds	10,112	9,815	—	—	—	13	19,941
Lease liabilities	17,328	(8,229)	8,122	143	326	(859)	16,832
Total	139,486	11,828	8,122	1,665	512	(1,330)	160,285

(5) Significant non-cash transactions

The leases increased right-of-use assets for the fiscal year ended March 31, 2023 and March 31, 2022. Please refer to *Note 9. Property, Plant and Equipment* and *Note 10 Goodwill and Intangible Assets* for more information.

28. Employee Benefits

(1) Post-employment benefits

1) Outline of retirement benefit plans adopted by the Consolidated Group

The Company has a defined benefit pension plan and lump-sum retirement benefit plan covering substantially all employees other than directors and executive officers. The benefit amounts for the defined benefit pension plan are determined based on the period of employees' enrollment in the plan, contribution granted to employees and other factors. The Company has a responsibility to manage pension assets faithfully and has an obligation to make contributions for the employees enrolled in the plan in compliance with applicable laws and regulations.

The pension plan that the Company maintains is a contract-type defined benefit pension plan.

Matters such as asset management performance, status of the plan and accounting treatment are reported to the Management Committee by the Finance Department and the Personnel & General Affairs Department, which are in charge of operation of the pension plan. These departments hold a meeting on a timely manner to discuss the matters such as a revision to the plan and a change in the asset investment policy.

Most of the subsidiaries have unfunded retirement benefit plans and/or funded pension plans. Employees, other than directors, are entitled to, under most circumstances, upon mandatory retirement at normal retirement age or earlier termination of employment, a lump-sum retirement benefit based on compensation at the time of retirement, years of service and other factors. Certain subsidiaries have adopted the defined contribution retirement benefit plan.

2) Defined benefit plan

(i) Net defined benefit liability (asset)

Reconciliation of the beginning and ending balances of net defined benefit liability (asset) and the components for the years ended March 31, 2023 and March 31, 2022 are presented as follows:

(JPY)

	Present value of the defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
As of April 1, 2021	20,385	(13,867)	6,517
Current service cost	1,462	—	1,462
Net interest	66	(53)	13
Remeasurements (Note 1)	(235)	247	11
Foreign currency translation difference	51	(26)	25
Employer contributions to the plan	—	(915)	(915)
Benefits paid	(1,130)	710	(420)
Effect of business combinations and disposals	116	—	116
Other	11	9	21
As of March 31, 2022	20,727	(13,895)	6,831
Current service cost	1,366	—	1,366
Net interest	75	(44)	31
Remeasurements (Note 1)	(747)	221	(525)
Decrease by settlements of plans (Note 2)	(2,647)	2,545	(102)
Foreign currency translation difference	40	(22)	18
Employer contributions to the plan	—	(768)	(768)
Benefits paid	(1,402)	885	(517)
Other	(126)	(12)	(139)
As of March 31, 2023	17,285	(11,090)	6,195

(USD)

	Present value of the defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
As of March 31, 2022	155,228	(104,064)	51,164
Current service cost	10,232	―	10,232
Net interest	567	(332)	235
Remeasurements (Note 1)	(5,600)	1,662	(3,938)
Decrease by settlements of plans (Note 2)	(19,828)	19,063	(764)
Foreign currency translation difference	307	(171)	136
Employer contributions to the plan	―	(5,754)	(5,754)
Benefits paid	(10,503)	6,630	(3,873)
Other	(948)	(94)	(1,043)
As of March 31, 2023	129,454	(83,059)	46,395

(Notes) 1. Remeasurements of the defined benefit obligation for the fiscal years ended March 31, 2023 and March 31, 2022 are the differences arising primarily from changes in financial assumptions.
2. A domestic subsidiary shifted to the defined contribution retirement benefit plan from the defined benefit pension plan for the fiscal year ended March 31, 2023.

(ii) Reconciliation of ending balances of defined benefit obligation/plan assets and net defined benefit liability/asset presented on the consolidated statements of financial position

	JPY		USD
	2023	2022	2023
Defined benefit obligations of funded plan	12,392	16,512	92,810
Plan assets	(11,090)	(13,895)	(83,059)
Net defined benefit liability of funded plan	1,302	2,616	9,751
Defined benefit obligations of unfunded plan	4,893	4,215	36,644
Balance on the consolidated statement of financial position			
Retirement benefit liabilities	6,198	6,842	46,419
Retirement benefit assets	(3)	(10)	(24)
Net liability or asset presented on the consolidated statements of financial position	6,195	6,831	46,395

The measurement date used to determine the main benefit obligations is March 31 of each year.

The Company's funding policy is based on a number of factors including the tax deductibility of contributions, funded status, and actuarial calculations. Contributions are intended to provide not only for benefits attributable to service to date, but also for those expected to be earned in the future. In addition, the Company may contribute cash to an employee retirement benefit trust for any funding deficits in benefit obligations at the fiscal year end.

The Company's investment policy is designed to increase the value of plan assets within acceptable risk levels to ensure payments of pension benefits to eligible participants, including future participants. Taking into account the return and risk on plan assets thereon, the Consolidated Group formulates a strategic asset mix which aims at an optimal portfolio on a long-term basis and supervise asset management by selecting investment management companies and monitoring asset allocations. The strategic asset mix is subject to review in response to changes in expected market conditions or funded status. The strategic asset mix is not based on limitations but guidelines, and therefore, the actual allocation may temporarily exceed or fall below the guidelines. The Company's target allocation is 25% equity securities, 43% debt securities, 22% life insurance company general accounts and 10% others.
The Company holds a meeting regularly with the asset management institutions and discusses important issues regarding pension assets investment.

"Retirement benefit assets" are included in "Other non-current assets" in the consolidated statement of financial position.

(iii) Plan assets

The composition of the plan assets as of March 31, 2023.

	Plan assets with a quoted market price in an active market		Plan assets without a quoted market price in an active market	
	JPY	USD	JPY	USD
Equity securities	2,240	16,776	220	1,652
Debt securities	218	1,635	2,937	22,000
Life insurance company general accounts	—	—	3,101	23,226
Other	—	—	2,372	17,770
Total	2,458	18,411	8,632	64,648

The composition of the plan assets as of March 31, 2022.

	Plan assets with a quoted market price in an active market	Plan assets without a quoted market price in an active market
	JPY	JPY
Equity securities	2,504	222
Debt securities	253	3,192
Life insurance company general accounts	—	4,331
Other	2	3,388
Total	2,760	11,134

Equity securities and debt securities above are jointly-managed trusts by trust banks. Plan assets with a quoted market price in an active market are estimated by using the quoted price. Assets other than equity securities and debt securities are categorized into the assets without a quoted market price in an active market, which are estimated by using the fair value the trust banks calculated.

(iv) Significant actuarial assumptions

	2023	2022
Discount rate	1.1%	0.5%

The assumptions used for the actuarial calculation include the expected rate of salary increase, the mortality rate and the retirement rate other than the above.

(v) Sensitivity analysis of defined benefit obligations

	JPY		USD
	2023	2022	2023
Increase in the defined benefit obligation with a 50-basis-point decrease in the discount rate	734	835	5,500
Decrease in the defined benefit obligation with a 50-basis-point increase in the discount rate	(678)	(856)	(5,080)

This analysis is based on the premise that the actuarial assumptions other than the discount rate do not fluctuate and that only the discount rate fluctuates. This method of analysis is based on assumptions, and it is possible that the actual calculation could be influenced by fluctuations in other variables. Even if the discount rate falls below 0%, the calculation is performed assuming the lower limit of the discount rate is 0%.

(vi) Information on maturity profile of the defined benefit obligation

The weighted average duration of the defined benefit obligation for the years ended March 31, 2023 and March 31, 2022 were 9.9 year and 10.1 year, respectively.

(vii) Expected contribution to the plan for the year ending March 31, 2024

The amount of contribution to be made by the Consolidated Group to plan for the year ending March 31, 2024 is estimated to be ¥874 million ($6,547 thousand).

3) Defined contribution plan

Expenses recognized for the defined contribution plan for the years ended March 31, 2023 and March 31, 2022 were ¥4,642 million ($34,771 thousand) and ¥4,385 million, respectively.

(2) Employee benefit expenses

Employee benefit expenses recognized for the years ended March 31, 2023 and March 31, 2022 were ¥5,956 million ($44,605 thousand) and ¥5,910 million, respectively. Employee benefit expenses are included in “Cost of sales” and “Selling, general and administration expenses” in the consolidated statement of income.

29. Current and Deferred Income Tax

(1) Deferred taxes

1) Breakdown of deferred tax assets and deferred tax liabilities

The breakdown of main deferred tax assets and deferred tax liabilities by component is as follows:

	JPY		USD
	2023	2022	2023
Deferred tax assets			
Retirement benefits liabilities	1,805	1,795	13,520
Bonuses allowance	2,418	1,705	18,114
Loss allowance	987	966	7,397
Inventories	613	620	4,596
Impairment loss	245	40	1,842
Other investments	1,524	1,272	11,415
Golf club memberships	122	123	917
Tax losses carried forward	938	984	7,025
Goodwill	―	1	―
Other	3,854	3,701	28,869
Total deferred tax assets	12,511	11,212	93,695
Offset against deferred tax liabilities	(10,289)	(9,037)	(77,058)
Total deferred tax assets, net	2,221	2,175	16,637
Deferred tax liabilities			
Retained earnings in subsidiaries	(1,147)	(1,038)	(8,592)
Financial assets measured at fair value through other comprehensive income	(5,496)	(4,634)	(41,163)
Cash flow hedges	(329)	(532)	(2,466)
Intangible assets	(6,871)	(6,662)	(51,462)
Other	(2,420)	(1,622)	(18,125)
Total deferred tax liabilities	(16,264)	(14,490)	(121,808)
Offset against deferred tax assets	10,289	9,037	77,058
Total deferred tax liabilities, net	(5,975)	(5,453)	(44,749)
Net deferred tax assets (liabilities)	(3,753)	(3,277)	(28,112)

2) Details of changes in deferred tax assets and deferred tax liabilities

Details of changes in deferred tax assets and deferred tax liabilities are presented as follows:

	JPY		USD
	2023	2022	2023
Beginning balance of net deferred tax assets (liabilities)	(3,277)	(3,208)	(24,549)
Deferred tax expense	1,231	241	9,222
Income tax on other comprehensive income	(794)	(383)	(5,947)
Acquisition through business combinations	(874)	123	(6,552)
Other	(38)	(51)	(286)
Ending balance of net deferred tax assets (liabilities)	(3,753)	(3,277)	(28,112)

3) Deductible temporary differences and unused tax losses carried forward for which deferred tax assets were not recognized

The breakdown of deductible temporary differences and unused tax losses carried forward (by expiry date), for which deferred tax assets were not recognized in the consolidated statement of financial position are presented as follows:

	JPY		USD
	2023	2022	2023
Deductible temporary differences	8,207	8,058	61,464
Tax losses carried forward			
Within one year to expiry	26	10,928	200
Over one year and within five years to expiry	3,051	2,684	22,856
Over five years and within ten years to expiry	9,761	9,873	73,105
Over ten years to expiry	1,691	97	12,666
Total tax losses carried forward	14,531	23,583	108,828

4) Temporary differences associated with investments in subsidiaries for which deferred tax liabilities were not recognized

The total amounts of temporary differences associated with investments in subsidiaries for which deferred tax liabilities were not recognized as of March 31, 2023 and March 31, 2022 are ¥46,381 million ($347,352 thousand) and ¥41,345 million, respectively. Because the Consolidated Group is able to control the timing of the reversal of such temporary differences, and it is probable that such temporary differences will not be reversed within the foreseeable future, it did not recognize deferred tax liabilities with respect to such temporary differences.

(2) Income taxes

1) Breakdown of income taxes

The breakdown of income taxes is presented as follows:

	JPY		USD
	2023	2022	2023
Current tax expense (Note 1)	(12,218)	(8,447)	(91,507)
Deferred tax expense (Note 2)			
Origination and reversal of temporary differences	863	(63)	6,466
Reassessment of recoverability of deferred tax assets	367	304	2,755
Total deferred tax expense	1,231	241	9,222
Total income taxes	(10,987)	(8,206)	(82,285)

(Notes) 1. The amounts of the benefits arising from previously unrecognized tax losses or temporary differences of a prior period that were used to reduce current tax expenses for the years ended March 31, 2023 and March 31, 2022 were ¥5 million ($41 thousand) and ¥－ million, respectively, and these benefits were included in the current tax expenses.

2. Major causes for deferred tax expense by type are accrued bonuses of ¥713 million ($5,341 thousand) and other investment of ¥251 million ($1,882 thousand) for the fiscal year ended March 31, 2023, and other investment of ¥638 million and impairment loss of ¥(863) million for the fiscal year ended March 31, 2022.

2) Reconciliation of statutory effective income tax rate in Japan

Reconciliations between the statutory effective tax rate in Japan and the average effective tax rate of the Consolidated Group were as follows:

	2023	2022
Statutory effective tax rate	30.6%	30.6%
(Adjustments)		
Permanent differences—additions such as entertainment expenses	0.7%	0.2%
Effect of reassessment of recoverability of deferred tax assets	(1.0%)	(1.1%)
Effect of tax rate differences	(1.2%)	(0.5%)
Share of profit (loss) of investments accounted for using the equity method	0.5%	(1.4%)
Other	1.3%	0.6%
Average effective tax rate	30.8%	28.5%

The statutory effective tax rate for the fiscal years ended March 31, 2023 and March 31, 2022 are calculated to be 30.6% and 30.6% based on the Corporation Tax, Inhabitant Tax and Business Tax in Japan.

30. Financial Instruments

(1) Classification of financial instruments

The breakdown of financial instruments for each classification is presented as follows:

	JPY		USD
	2023	2022	2023
Financial assets			
Cash and cash equivalents	79,462	91,420	595,088
Financial assets measured at amortized cost			
Trade and other receivables	247,496	237,261	1,853,492
Other financial assets	10,050	11,063	75,266
Total financial assets measured at amortized cost	257,546	248,325	1,928,758
Financial assets measured at fair value through profit or loss			
Other investments	2,774	2,382	20,777
Other financial assets	2,239	8,043	16,774
Total financial assets measured at fair value through profit or loss	5,014	10,426	37,551
Financial assets measured at fair value through other comprehensive income			
Other investments	35,114	33,614	262,968
Total financial assets measured at fair value through other comprehensive income	35,114	33,614	262,968
Total financial assets	377,137	383,787	2,824,364
Financial liabilities			
Financial liabilities measured at amortized cost			
Trade and other payables	206,609	214,822	1,547,288
Bonds and borrowings	227,894	143,452	1,706,691
Lease liabilities	20,677	16,832	154,854
Other financial liabilities	25,807	5,631	193,271
Total financial liabilities measured at amortized cost	480,988	380,739	3,602,104
Financial liabilities measured at fair value through profit or loss			
Other financial liabilities	1,644	3,544	12,312
Total financial liabilities measured at fair value through profit or loss	1,644	3,544	12,312
Total financial liabilities	482,632	384,284	3,614,415

(2) Basic policies for risk management of financial instruments

The Consolidated Group is an integrated trading company engaged in a wide range of business activities on a global basis. Its headquarters includes business sections that handle merchandising, trading, product manufacturing, services, project planning and management, investments and financing activities, both domestically and internationally. Such businesses are inherently exposed to various risks. The Consolidated Group defines and classifies risks per risk item and manages each of them in accordance with its nature.

(3) Credit risk management

1) Credit risks of financial assets owned by the Consolidated Group (risk exposure and the occurrence of the relevant risk)
The Consolidated Group extends credit to a large number of customers in Japan and abroad in diverse business transactions, resulting in a number of financial assets such as trade receivables, loans and other financial assets. These financial assets provide credit accommodation to the various customers; therefore, the Consolidated Group is mainly exposed to the credit risks related to those customers.

Each department manages credit exposure to each customer by assigning credit ratings on a customer-by-customer basis and setting credit exposure limits within the framework of the Consolidated Group's credit risk control.

2) Responses to the risk owned by the Consolidated Group (purpose, policy and procedure of the risk management and method used to measure such risks)
The Consolidated Group manages its credit risk to the customers by defining risk management methods and management systems for specific risks in accordance with the regulations on risk management. Based on such regulations, the Consolidated Group mitigates credit risk through periodical monitoring of the customer's credit status and undertaking the maturity control and account balance control, while detecting promptly any doubtful accounts caused by deterioration in the financial conditions of customers and other factors. Expected credit losses are recognized and measured through transactions and financial information related to customers available in the course of such credit risk management, while taking macroeconomic conditions such as the number of bankruptcies into consideration.

With regard to loans, the Consolidated Group evaluates whether there has been a significant increase in credit risk of the financial assets since initial recognition in cases where the cash collection of the financial assets was delayed (as well as the case of request for a grace period) after the trade date. However, even when a late payment or request for grace period occurs, the Consolidated Group does not determine that there has been a significant increase in credit risk if such late payment or request for grace period would be attributable to temporary cash shortage, the risk of default would be low and objective data such as external credit ratings would reveal their ability to fulfill the obligation of contractual cash flow in the near future.

The Consolidated Group determines that the credit of the financial assets are impaired, when the debtor has significant financial difficulty and the recoverability of the modified financial assets is significantly doubtful.
The Consolidated Group determines there has been a significant increase in the credit risk of debt instruments since initial recognition when an "investment grade" at the initial recognition deteriorates to the level below investment grade. For such purpose, rating information provided by major rating agencies is used.

When guaranteeing the debts of its customers, the Consolidated Group establishes the guarantee limit amounts based upon the financial position and business condition of the customers. The guarantee limit amounts are periodically reviewed and maintained at appropriate levels.

When entering into derivative transactions, the Consolidated Group selects only major financial institutions with high credit ratings assigned by independent rating agencies so as to minimize the credit risks. In addition, the Consolidated Group periodically reviews credit limits in accordance with the internal regulations.

The Consolidated Group considers trade receivables, loans receivable, and debt instruments as default when all or part of those financial instruments are not recovered, or the recoverability of those financial instruments is determined to be extremely difficult.

The Consolidated Group directly writes off the gross carrying amounts of the credit-impaired financial assets when all or part of the financial assets are evaluated to be uncollectible and determined that it is appropriate to be written off as a result of credit check.

(i) Measurement of expected credit losses on trade receivables

As trade receivables do not contain a significant financing component, the Consolidated Group measures loss allowance at an amount equal to the lifetime expected credit losses until the trade receivables are recovered. With regard to past due receivables, the Consolidated Group estimates the lifetime credit losses on the financial instruments individually and measures the amount of loss allowance based upon historical credit loss experience and future recoverable amount. Moreover, as trade receivables comprise a number of customers, the Consolidated Group measures expected credit loss collectively by grouping those receivables and considering historical credit loss experience. When those receivables are affected by a material economic change, the provision rate calculated based upon the historical credit loss experience is adjusted to reflect current and future economic prospect.

Even when a late payment or request for grace period has occurred, the Consolidated Group does not regard them as past due receivables if such late payment or request for grace period would be attributable to temporary cash shortage as the risk of default would be low, and the debtors are evaluated to have a strong ability to fulfill the obligation of contractual cash flow in the near future.

(ii) Measurement of expected credit losses on other receivables

When credit risk related to loans has not increased significantly since the initial recognition at the end of the reporting period, the Consolidated Group calculates the amount of loss allowance of the financial instruments by estimating the 12-months expected credit losses collectively based upon historical credit loss experience. When those receivables are affected by a material economic change, the provision rate calculated based upon the historical credit loss experience is adjusted to reflect current and future economic prospect.

However, when there has been a significant increase in credit risk since initial recognition as of the end of the fiscal year, the Consolidated Group estimates the lifetime credit losses on the financial instruments individually and measures the amount of loss allowance based upon historical credit loss experience and future recoverable amount.

(iii) Measurement of the expected credit losses on the other investments (debt securities)

When credit risk related to debt securities has not increased significantly since initial recognition at the end of the reporting period, the Consolidated Group calculates the amount of loss allowance of the financial instruments by estimating the 12-months expected credit losses. However, when there has been a significant increase in credit risk since initial recognition as of the end of the fiscal year, the Consolidated Group estimates the lifetime credit losses on the financial instruments and measures the amount of loss allowance of the financial instruments. When estimating such expected credit losses, the Consolidated Group uses the default rate published by major rating agencies.

3) Quantitative and qualitative information on the amounts arising from expected credit losses

(i) Trade and other receivables

(JPY)

Loss allowance	Lifetime expected credit losses	
	Collective assessment	Credit-impaired financial assets
As of April 1, 2021	19	2,032
1. Reclassification to credit-impaired financial assets	—	215
2. Initial recognition and recoveries	2	131
3. Direct write-off	—	(145)
4. Changes due to foreign exchange	—	6
5. Increase (decrease) resulting from changes in the provision rate based on historical credit loss experience	(3)	—
As of March 31, 2022	18	2,241
1. Reclassification to credit-impaired financial assets	—	251
2. Initial recognition and recoveries	0	(8)
3. Direct write-off	—	(144)
4. Changes due to foreign exchange	—	5
5. Increase (decrease) resulting from changes in the provision rate based on historical credit loss experience	(5)	—
As of March 31, 2023	14	2,346

(JPY)

Gross carrying amount	Lifetime expected credit losses	
	Collective assessment	Credit-impaired financial assets
As of April 1, 2021	208,333	2,284
1. Financial assets reclassified to credit-impaired financial assets	(392)	392
2. Initial recognition and recoveries	29,054	(12)
3. Direct write-off	—	(145)
4. Changes due to foreign exchange	—	6
As of March 31, 2022	236,995	2,526
1. Financial assets reclassified to credit-impaired financial assets	(251)	251
2. Initial recognition and recoveries	10,487	(14)
3. Direct write-off	—	(144)
4. Changes due to foreign exchange	—	5
As of March 31, 2023	247,232	2,624

(USD)

Loss allowance	Lifetime expected credit losses	
	Collective assessment	Credit-impaired financial assets
As of March 31, 2022	141	16,787
1. Reclassification to credit-impaired financial assets	—	1,882
2. Initial recognition and recoveries	4	(62)
3. Direct write-off	—	(1,079)
4. Changes due to foreign exchange	—	43
5. Increase (decrease) resulting from changes in the provision rate based on historical credit loss experience	(38)	—
As of March 31, 2023	107	17,571

(USD)

Gross carrying amount	Lifetime expected credit losses	
	Collective assessment	Credit-impaired financial assets
As of March 31, 2022	1,774,852	18,919
1. Financial assets reclassified to credit-impaired financial assets	(1,882)	1,882
2. Initial recognition and recoveries	78,542	(108)
3. Direct write-off	—	(1,079)
4. Changes due to foreign exchange	—	43
As of March 31, 2023	1,851,513	19,657

(ii) There is no contractual, uncollected balance for financial assets written off during the fiscal year ended March 31, 2023, for which collection efforts are still being made.

4) Credit risk exposure
Trade and other receivables
As of March 31, 2023

	Balance of receivables (gross)		Provision rate based on historical credit loss experience	Lifetime expected credit losses	
	JPY	USD		JPY	USD
Receivables	247,232	1,851,513	0.01%	14	107
Past due receivables	2,624	19,657	89.39%	2,346	17,571
Total	249,857	1,871,169	—	2,360	17,677

Past due receivables include loans receivable of ¥1,694 million ($12,691 thousand), for which a loss allowance of ¥1,617 million ($12,110 thousand) has been already recognized.

As of March 31, 2022

	Balance of receivables (gross)	Provision rate based on historical credit loss experience	Lifetime expected credit losses
	JPY		JPY
Receivables	236,995	0.01%	18
Past due receivables	2,526	88.73%	2,241
Total	239,522	—	2,260

Past due receivables include loans receivable of ¥1,700 million, for which a loss allowance of ¥1,617 million has been already recognized.

5) Maximum exposure to credit risks

The Consolidated Group's maximum exposure to credit risks is as follows:

The Consolidated Group's maximum credit risk exposure (gross) represents the amount of the maximum exposure with respect to credit risks without taking into account any collateral held or other credit enhancement. The Consolidated Group's maximum credit risk exposure (net) represents the amount of the maximum exposure with respect to credit risks reflecting the mitigation effect of the collateral held or other credit enhancement.

As of March 31, 2023

	Gross carrying amount		Loss allowance		Maximum credit risk exposure (gross)		Total collateral pledged and credit enhancements		Maximum credit risk exposure (net)	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Cash and cash equivalents	79,462	595,088	—	—	79,462	595,088	—	—	79,462	595,088
Financial assets measured at amortized cost										
Trade and other receivables	249,857	1,871,169	(2,360)	(17,677)	247,496	1,853,492	(154)	(1,157)	247,342	1,852,335
Other financial assets	10,050	75,266	—	—	10,050	75,266	—	—	10,050	75,266
Total	339,369	2,541,523	(2,360)	(17,677)	337,009	2,523,845	(154)	(1,157)	336,854	2,522,689

The amount of loss allowance for credit-impaired financial assets is reduced by ¥154 million ($1,157 thousand) through collateral pledged and credit enhancements.

As of March 31, 2022

	Gross carrying amount	Loss allowance	Maximum credit risk exposure (gross)	Total collaterals pledged and credit enhancements	Maximum credit risk exposure (net)
	JPY	JPY	JPY	JPY	JPY
Cash and cash equivalents	91,420	—	91,420	—	91,420
Financial assets measured at amortized cost					
Trade and other receivables	239,522	(2,260)	237,261	(179)	237,082
Other financial assets	11,063	—	11,063	—	11,063
Total	342,006	(2,260)	339,746	(179)	339,567

The amount of loss allowance for credit-impaired financial assets is reduced by ¥179 million through collateral pledged and credit enhancements.

(4) Liquidity risk management

The Consolidated Group raises funds through borrowings from financial institutions or issuance of bonds. Accordingly, in the event of a disruption to the financial system or financial/capital markets, or a major downgrade of the Consolidated Group's credit rating by a rating agency, the Consolidated Group's fundraising becomes constrained and consequently there is a possibility that the Consolidated Group will not be able to carry out the payment on the date of payment.
The Consolidated Group has sufficient levels of cash and cash equivalents and maintains a long-term (unused) commitment line agreement with a major financial institution in the amount of ¥10.0 billion ($74,890 thousand) to ensure liquidity and stability of funds. The Consolidated Group makes efforts to maintain good relationships with each financial institution. The Consolidated Group is required to comply with certain financial covenants to maintain these facilities.

1) Non-derivative financial liabilities
The breakdown of non-derivative financial liabilities by due date is presented as follows:
As of March 31, 2023

	Within one year		Over one year and within five years		Over five years		Total	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Trade and other payables	206,609	1,547,288	—	—	—	—	206,609	1,547,288
Bonds	97	727	10,211	76,474	5,029	37,669	15,338	114,869
Borrowings	163,023	1,220,877	51,160	383,136	224	1,684	214,408	1,605,697
Lease liabilities	7,719	57,810	10,641	79,695	2,384	17,860	20,745	155,366
Deposits received	4,335	32,466	—	—	0	5	4,335	32,471
Guarantee deposits received	1,064	7,970	111	832	1,475	11,050	2,650	19,852
Other	16,895	126,531	1,925	14,417	—	—	18,820	140,948
Total	399,744	2,993,668	74,049	554,554	9,115	68,269	482,909	3,616,491

As of March 31, 2022

	Within one year	Over one year and within five years	Over five years	Total
	JPY	JPY	JPY	JPY
Trade and other payables	214,822	—	—	214,822
Bonds	5,111	10,276	5,062	20,449
Borrowings	69,192	55,170	484	124,847
Lease liabilities	6,683	7,701	2,467	16,852
Deposits received	3,030	—	0	3,031
Guarantee deposits received	900	111	1,497	2,509
Other	91	—	—	91
Total	299,831	73,260	9,511	382,603

The Consolidated Group has guarantee obligations of ¥1,292 million ($9,677 thousand) and ¥1,276 million as of March 31, 2023 and March 31, 2022 respectively.

2) Derivative liabilities
The breakdown of derivative liabilities by due date is presented as follows:
As of March 31, 2023

	Within one year		Over one year and within five years		Over five years		Total	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Currency-related derivatives								
Cash inflows	45,303	339,273	968	7,249	―	―	46,271	346,522
Cash outflows	46,841	350,791	1,012	7,581	―	―	47,853	358,372
Sub total	1,538	11,518	44	332	―	―	1,582	11,850
Commodity-related derivatives	58	435	3	27	―	―	61	462
Total	1,596	11,953	47	358	―	―	1,644	12,312

As of March 31, 2022

	Within one year	Over one year and within five years	Over five years	Total
	JPY	JPY	JPY	JPY
Currency-related derivatives				
Cash inflows	39,198	978	―	40,177
Cash outflows	41,910	1,046	―	42,956
Sub total	2,711	67	―	2,779
Interest rate-related derivatives	15	―	―	15
Commodity-related derivatives	749	―	―	749
Total	3,476	67	―	3,544

(5) Market risk management

In many cases, the foreign currency risk, interest rate risk and risk of price fluctuations associated with goods traded incidental to business transactions are hedged in with the transaction terms with trade partners, etc. In addition, the Consolidated Group has established a system under which a position limit and a loss limit are set for foreign exchange, interest rates (funds), products and their derivatives, taking into account the scale of the risk and the income of each internal unit and company, so that it can quickly reduce its position when the predetermined limit is exceeded. Also, the price fluctuation risks of these positions are mitigated by using derivatives as a hedge. The positions are reported to management meeting regularly. When the predetermined limit is exceeded, the Consolidated Group mitigates these positions after the analysis of the reason without delay.

1) Foreign currency risk

(i) Nature of foreign currency risk and its management policy

The Consolidated Group is engaged in foreign currency transactions in various currencies and terms incidental to its export and import trading. The Consolidated Group participates in derivatives transactions such as forward contracts to reduce the risk of currency fluctuation.

The Consolidated Group also has local subsidiaries and business corporations overseas. Account balances at these companies are converted into yen at the exchange rates prevailing at the end of the reporting period, for the purposes of preparing consolidated financial statements. As a result, equity attributable to owners of the Parent may change through exchange difference of foreign operations associated with exchange rate fluctuations.

In principle, the Consolidated Group enters into forward exchange contracts to hedge against the exchange rate currency fluctuation risk of foreign currency-denominated receivables and payables that are controlled by currency and by contract month. The Consolidated Group also enters into forward exchange contracts to hedge against foreign currency-denominated receivables and payables that are highly probable to arise from export/import-related forecast transactions.

(ii) Sensitivity analysis of foreign currency risk

In regards to financial instruments held by the Consolidated Group as of the end of the reporting period, the following chart shows the amounts affecting profit before tax and other comprehensive income (before tax effect adjustments), as reported in the consolidated financial statements, that would result from 1% appreciation of Japanese Yen against U.S. dollars.

The analysis is performed based on the assumption that all the other variables are held constant.

In addition, such analysis does not include the affected amounts based on translations (into Japanese yen) of financial instruments denominated in functional currency, income and expenses denominated in foreign currency and assets and liabilities of foreign operations.

	JPY		USD
	2023	2022	2023
Profit before tax			
U.S. dollar	(10)	(18)	(80)
Other comprehensive income			
U.S. dollar	(360)	(409)	(2,700)

2) Interest rate risk

(i) Nature of interest rate risk and its management policy

The Consolidated Group raises most funds needed for operating and financing activities in the form of borrowings from financial institutions at variable interest rates, with the exception of certain loans. Since these borrowings and fund management are exposed to an interest rate risk, interest expenses for the Consolidated Group may increase with a rise in interest rates.

(ii) Sensitivity analysis of interest rate risk

In regards to financial instruments held by the Consolidated Group at the end of the reporting period, the following table shows the amounts affecting profit before tax assuming that the interest rate increases by 1%.
Under the analysis, the amounts affecting profit before tax are calculated by multiplying the net balance of floating rate financial instruments as of March 31, 2023 and 2022 by 1%, without considering future changes in the net balance, currency exchange fluctuations and dispersing effects for floating rate borrowings derived from the difference in timing of refinancing and resetting of the interest rate, and based on the assumption that all the other variables are held constant.

	JPY		USD
	2023	2022	2023
Profit before tax	(1,925)	(980)	(14,419)

3) Commodity price risk

(i) Nature of commodity price risk and its management policy

In its mainstay commodity trading business in Japan and overseas, the Consolidated Group deals with grains, meat products and petroleum products which are influenced by market conditions. When the positions in these commodities increase, the Consolidated Group will be exposed to the commodity price fluctuation risk stemming from rapid movements in commodities prices or a decline in demand.
The Consolidated Group strives to reduce our exposure to price volatility by hedge-selling commodities, matching the quantity and timing of buying and selling, and utilizing commodity-related derivatives for hedging purposes.

(ii) Sensitivity analysis of commodity price risk

In regards to commodity-related derivatives held by the Consolidated Group at the end of the reporting period, the following table shows the amounts affecting profit before tax and other comprehensive income (before the tax effect) assuming that the commodity price decreases by 1%.

The analysis is performed based on the assumption that all the other variables are held constant.

	JPY		USD
	2023	2022	2023
Profit before tax	(60)	(139)	(451)
Foods	(29)	(110)	(219)
Fuels	(31)	(29)	(232)
Other comprehensive income	(2)	7	(21)
Foods	(2)	7	(21)
Fuels	—	—	—

4) Share price risk

(i) Nature of share price risk and its management policy

The Consolidated Group holds marketable securities, which are exposed to the market price fluctuation risk.
The Consolidated Group attempts to reduce share price risk by periodically reviewing its shares held by the Consolidated Group and selling those shares that it holds without strong rationale.

(ii) Sensitivity analysis of share price risk

In regards to listed shares held by the Consolidated Group at the end of the reporting period, the following table shows the amounts affecting other comprehensive income (before the tax effect) assuming that the share price decreases by 10%.

The analysis is performed based on the assumption that all the other variables are held constant.

	JPY		USD
	2023	2022	2023
Other comprehensive income	(2,244)	(2,036)	(16,807)

(6) Fair value of financial instruments

1) Fair value measurement

Fair values of financial instruments are presented as follows:
Fair values are categorized into three levels of the fair value hierarchy depending on inputs to valuation techniques; details are described in *Note 2. Basis of Preparing Consolidated Financial Statements: (4) Use of estimates and judgments.*

2) Financial instruments measured at amortized cost

Type	2023				2022	
	Carrying amount		Fair value		Carrying amount	Fair value
	JPY	USD	JPY	USD	JPY	
Financial assets						
Trade and other receivables	1,606	12,031	1,606	12,031	807	807
Guarantee deposits	6,036	45,204	6,036	45,204	6,470	6,470
Other financial assets	620	4,646	620	4,646	631	631
Total	8,262	61,881	8,262	61,881	7,909	7,909
Financial liabilities						
Bonds and borrowings	65,704	492,061	65,598	491,261	69,745	69,776
Long-term deposits received	0	5	0	5	0	0
Long-term guarantee deposits received	1,586	11,882	1,586	11,882	1,608	1,608
Put option liabilities granted to non-controlling interests	1,925	14,417	1,925	14,417	—	—
Total	69,217	518,366	69,110	517,566	71,354	71,385

The carrying amounts of trade and other receivables, other financial assets, trade and other payables, bonds and borrowings and other financial liabilities, all of which are categorized into current assets or current liabilities of financial instruments measured at amortized cost, approximate their fair values; therefore, those amounts are not included in the table above.

The fair values stated above are calculated as follows:

(i) Trade and other receivables

The fair value of trade and other receivables is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

(ii) Guarantee deposits

The fair value of guarantee deposits is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

(iii) Other financial assets

The fair value of other financial assets is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

(iv) Bonds and borrowings

The fair value of bonds is determined based on their market price.

The fair value of borrowings is the present value of the sum of principal and interest payments discounted using an assumed interest rate on equivalent incremental borrowings.

(v) Long-term deposits received

The fair value of the long-term deposits received is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

(vi) Long-term guarantee deposits received

The fair value of long-term guarantee deposits received is the present value of future cash flows discounted by an interest rate that reflects time to maturity and credit risk.

(vii) Put option liabilities granted to non-controlling interests

The fair value of the put option liabilities granted by the Consolidated Group to non-controlling interests is the present value of future cash flows discounted by an interest rate that reflects time to exercise and credit risk.

Put option liabilities granted to non-controlling interests are categorized within Level 3 of the fair value hierarchy. All other financial assets and liabilities measured at amortized cost are categorized within Level 2 of the fair value hierarchy.

3) Financial instruments measured at fair value

(i) Analysis of fair value by hierarchy level

The following tables provide the breakdown by hierarchy level of financial assets and liabilities that are measured at fair value on a recurring basis. No financial assets and liabilities are measured at fair value on a non-recurring basis. There were no material transfers between Level 1 and Level 2 for the fiscal years ended March 31, 2023 and March 31, 2022.

As of March 31, 2023

	Level 1		Level 2		Level 3		Total	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Assets								
Other investments								
FVPL								
Stock	—	—	—	—	2,774	20,777	2,774	20,777
FVOCI								
Stock	22,435	168,021	7	53	12,671	94,894	35,114	262,968
Other financial assets								
Derivative transactions:								
Foreign exchange	—	—	2,074	15,539	—	—	2,074	15,539
Commodity	164	1,234	—	—	—	—	164	1,234
Liabilities								
Other financial liabilities								
Derivative transactions:								
Foreign exchange	—	—	(1,582)	(11,850)	—	—	(1,582)	(11,850)
Commodity	(53)	(402)	(7)	(60)	—	—	(61)	(462)
Total	22,546	168,853	491	3,683	15,445	115,671	38,484	288,207

FVPL: Financial assets measured at fair value through profit or loss.
FVOCI: Financial assets measured at fair value through other comprehensive income.

As of March 31, 2022

	Level 1	Level 2	Level 3	Total
	JPY	JPY	JPY	JPY
Assets				
Other investments				
FVPL				
Stock	—	—	2,382	2,382
FVOCI				
Stock	20,360	7	13,246	33,614
Other financial assets				
Derivative transactions:				
Foreign exchange	—	7,603	—	7,603
Commodity	439	0	—	440
Liabilities				
Other financial liabilities				
Derivative transactions:				
Foreign exchange	—	(2,779)	—	(2,779)
Interest rate	—	(16)	—	(16)
Commodity	(746)	(3)	—	(749)
Total	20,053	4,813	15,629	40,496

The methods of determining the fair value of the above instruments are described as follows:

(a) Other investments

The fair value of listed shares is the quoted price in an active market and is categorized within fair value hierarchy Level 1. The fair value of the listed shares which are not traded frequently in the public market and not considered to have quoted prices in active markets are categorized within fair value hierarchy Level 2.

The fair value of unlisted shares is calculated using valuation methods including discounted future cash flows, market prices of comparable companies, net asset value, and other valuation methods, and is categorized within fair value hierarchy Level 3. Measuring the fair value of unlisted shares involves the use of unobservable inputs such as discount rate and valuation multiples, as well as any necessary adjustments including discounts for a lack of liquidity.

The Company determines the policies and procedures for measuring the fair value of unlisted shares, and reviews the approach to measuring fair value on a recurring basis including the valuation model, by obtaining the information on business operations and business plans associated with each equity issuer and confirming the data from comparable public companies.

(b) Derivative financial assets and liabilities

Currency-related derivatives

The fair value of forward exchange transactions is calculated based on the forward exchange rate at the end of the fiscal year.

Interest rate-related derivatives

The fair value of interest-rate swaps is the present value of future cash flows discounted by an interest rate that reflects time to settlement, as well as market conditions.

Commodity-related derivatives

The fair value of commodity futures transactions is calculated using final prices on commodities exchanges as of the fiscal year-end. The fair value of commodity swap transactions is calculated based on the index prices publicly announced at the end of the fiscal year.

Commodity futures transactions are categorized within Level 1 of fair value hierarchy. All other derivative financial assets and liabilities are categorized within Level 2 of the fair value hierarchy.

(ii) Recurring fair value measurements categorized within Level 3 of the fair value hierarchy

The changes in financial assets and liabilities that are measured at fair value on a recurring basis and are categorized within Level 3 of the fair value hierarchy are presented as follows.

	2023						2022		
	Other investments				Total		Other investments		Total
	FVPL		FVOCI				FVPL	FVOCI	
	JPY	USD	JPY	USD	JPY	USD	JPY	JPY	JPY
Balance at the beginning of the year	2,382	17,846	13,246	99,201	15,629	117,047	3,712	13,600	17,312
Total gains or losses									
Profit or loss (Note 1)	(296)	(2,222)	–	–	(296)	(2,222)	(1,624)	–	(1,624)
Other comprehensive income (Note 2)	–	–	894	6,701	894	6,701	–	(932)	(932)
Purchase	647	4,845	522	3,916	1,169	8,761	237	951	1,188
Sale	–	–	(1,992)	(14,921)	(1,992)	(14,921)	–	(80)	(80)
Foreign currency translation difference	73	548	–	–	73	548	57	(2)	55
Transfer out of Level 3 (Note 3)	–	–	–	–	–	–	–	(174)	(174)
Other	(32)	(241)	(0)	(4)	(32)	(245)	–	(116)	(116)
Balance at the end of the year	2,774	20,777	12,671	94,894	15,445	115,671	2,382	13,246	15,629

(Notes) 1. The gains or losses are included in “Other finance income” or “Other finance costs” in the consolidated statement of income. Of those gains or losses recognized in profit or loss, the amounts arising from financial instruments that were held at the period end are ¥(296) million ($(2,222) thousand) for the fiscal year ended March 31, 2023 and ¥(1,624) million for the fiscal year ended March 31, 2022.

2. The gains or losses are included in “Financial assets measured at fair value through other comprehensive income” in the consolidated statement of comprehensive income.

3. Transfer out of Level 3 recognized in the previous fiscal year is due to the investee’s listing on an exchange.

(iii) Quantitative Information about the financial instruments categorized within fair value hierarchy Level 3

The following tables present quantitative information on the material assets categorized within Level 3 of the fair value hierarchy, which were measured at fair value on a recurring basis.

As of March 31, 2023

Category	Fair value		Valuation technique	Significant unobservable inputs	Weighted average of input values
	JPY	USD			
FVPL	982	7,356	Discounted cash flow method	Discount rate	3.4%
FVPL	1,792	13,421	Net asset value method	—	—
FVOCI	12,647	94,713	Market multiple method	P/B ratio Illiquidity discount	1.1times 30.0%
FVOCI	24	181	Net asset value method	—	—

As of March 31, 2022

Category	Fair value	Valuation technique	Significant unobservable inputs	Weighted average of input values
	JPY			
FVPL	1,488	Discounted cash flow method	Discount rate	3.3%
FVPL	894	Net asset value method	—	—
FVOCI	12,125	Market multiple method	P/B ratio Illiquidity discount	1.1times 30.0%
FVOCI	1,120	Net asset value method	—	—

The significant unobservable inputs used in measuring the fair value of unlisted shares are the discount rate, illiquidity discount and P/B ratio (price-to-book ratio). A substantial increase (or decrease) in the discount rate or illiquidity discount causes the fair value to substantially fall (or rise), while a substantial increase (or decrease) in the P/B ratio causes the fair value to substantially rise (or fall).

(7) Financial assets measured at fair value through other comprehensive income

With respect to investments in equity instruments held for the purpose of maintaining and strengthening relationships with business partners, the Consolidated Group has designated such investments as financial assets to be measured at fair value through other comprehensive income in view of the holding purpose.

1) Fair value of major items of investment

The following tables present the fair value of major items of investment in equity instruments designated as financial assets measured at fair value through other comprehensive income.

As of March 31, 2023

Name of issuer	Amount	
	JPY	USD
PT Cisarua Mountain Dairy Tbk	4,602	34,471
Tokio Marine Holdings, Inc.	4,573	34,249
SOTSU CORPORATION	2,130	15,955
MARUDAI FOOD CO., LTD.	1,748	13,092
The Monogatari Corporation	1,615	12,101
Nisshin Seifun Group Inc.	1,411	10,570
SHIN KURUSHIMA DOCKYARD CO., LTD.	1,069	8,008
Hitachi Astemo Chassis Systems (Guangzhou) Ltd.	871	6,529
Alpha Group Inc.	608	4,555
Nabesho Co., Ltd.	550	4,123
Other	15,932	119,314

As of March 31, 2022

Name of issuer	Amount
	JPY
Tokio Marine Holdings, Inc.	4,266
PT Cisarua Mountain Dairy Tbk	3,369
MARUDAI FOOD CO., LTD.	1,779
Nisshin Seifun Group Inc.	1,552
GLOBAL SECURITY EXPERTS Inc.	1,548
SOTSU CORPORATION	1,452
The Norinchukin Bank	1,095
SHIN KURUSHIMA DOCKYARD CO., LTD.	1,066
Hitachi Astemo Chassis Systems (Guangzhou) Ltd.	867
BOT Lease Co., Ltd.	781
Other	15,833

2) Dividend income

	JPY		USD
	2023	2022	2023
Investments derecognized during the year	39	14	292
Investments held at the end of the year	821	949	6,149
Total	860	964	6,441

3) Financial assets measured at fair value through other comprehensive income that were derecognized during the fiscal year
The Consolidated Group periodically reviews its held shares and sells those shares that it holds without a strong rationale with gains or losses on sale recognized in other comprehensive income. The following table presents the fair value on the date of sale and cumulative gains or losses on sale.

	JPY		USD
	2023	2022	2023
Fair value on the date of sale	2,004	1,287	15,009
Cumulative gains (losses) on sale	498	431	3,733

4) Reclassification to retained earnings
The Consolidated Group reclassifies to retained earnings cumulative gains or losses arising from changes in the fair value of financial assets measured at fair value through other comprehensive income in either of the following cases: when an investment is disposed of, or when there is a significant decline in the fair value. Such cumulative gains or losses in other comprehensive income that were reclassified to retained earnings for the years ended March 31, 2023 and March 31, 2022 were ¥365 million ($2,735 thousand) and ¥210 million, respectively.

(8) Hedge Accounting

(Cash Flow Hedge)
A cash flow hedge is a hedge of the exposure to variability in future cash flows arising from a forecast transaction or recognized assets or liabilities. While a hedge is designated as cash flow hedge as long as the hedge is effective, the changes in the fair value of qualifying hedging instrument should be recorded as other comprehensive income in the Consolidated Statement of Comprehensive Income. The Consolidated Group continues such accounting treatment until variability in future cash flows arising from unrecognized forecast transactions or recognized assets or liabilities designated as hedged items are recorded in profit or loss. Moreover, portions determined to be ineffective for hedging accounting are recognized in profit or loss.

The Consolidated Group designates the following instruments as cash flow hedges: forward exchange contracts to fix cash flows from foreign currency denominated receivables and payables, foreign currency denominated firm commitments and foreign currency denominated forecast transactions, interest rate swaps to fix variable interest rate on floating rate financial liabilities, and commodity futures to fix cash flows from forecast transactions of commodity trade.

When applying hedge accounting, the Consolidated Group confirms that there are economic relationships between the hedged items and hedging instruments through qualitative assessments, which show whether the critical terms of the hedging instruments and the hedged items match exactly or are closely aligned, and quantitative assessments, which show fluctuations of the value of hedged items and hedging instruments by the same risk offset each other, in order to confirm there are economic relationships that variability in fair value or cash flows of the hedged items that are attributable to the hedged risk shall be offset by the changes in fair value or cash flows of the hedging instruments. The Consolidated Group also establishes appropriate hedge ratios considering an economic relationship between hedging instruments and hedged items as well as risk management strategy.

The amounts recognized in profit or loss for the ineffective portion of the hedge are not material both for the fiscal years ended March 31, 2023 and March 31, 2022. In addition, the amounts reclassified from valuation differences on cash flow hedges to profit or loss are immaterial because the forecast transactions are no longer expected to occur.

Following are the carrying amounts of the hedging instruments as of March 31, 2023 and March 31, 2022. The fair value of financial assets related to hedging instruments is included in “Other financial assets” while the fair value of financial liabilities related to hedging instruments is included in “Other financial liabilities” in the consolidated statements of financial position.

As of March 31, 2023

	Notional amount		Carrying amount			
			Derivative assets		Derivative liabilities	
	JPY	USD	JPY	USD	JPY	USD
Foreign currency risk						
Forward exchange contracts	52,345	392,015	1,129	8,461	461	3,453
Commodity price risk						
Commodity futures contracts	2,755	20,639	81	609	24	181

As of March 31, 2022

	Notional amount	Carrying amount	
		Derivative assets	Derivative liabilities
	JPY	JPY	JPY
Foreign currency risk			
Forward exchange contracts	64,587	3,156	1,037
Interest rate risk			
Interest rate swap contracts	4,724	—	16
Commodity price risk			
Commodity futures contracts	1,189	93	87

The following tables present the notional amount and average rates of main hedging instruments.

Exchange contracts	Type	Notional amount and average rates	JPY		USD
			2023	2022	2023
Forward exchange in USD	Export	Notional amount	5,881	9,626	44,047
		Average rate（Yen/U.S. dollers）	133.91	113.67	—
	Import	Notional amount	41,236	47,856	308,822
		Average rate（Yen/U.S. dollers）	126.53	113.60	—

The longest terms of hedging cash flow fluctuation risks by “Forward exchange contracts” and “Commodity price risk” are about 2 years 1 month and 1 year 10 months, respectively.

The following tables present the carrying amount of cash flow hedge reserve as of March 31, 2023 and March 31, 2022.

As of March 31, 2023

	Cash flow hedge reserve for continuing hedges (before tax)		Cash flow hedge reserve for discontinuing hedge accounting (before tax)	
	JPY	USD	JPY	USD
Foreign currency risk				
Forward exchange contracts	668	5,008	—	—
Commodity price risk				
Commodity futures contracts	57	428	349	2,618

As of March 31, 2022

	Cash flow hedge reserve for continuing hedges (before tax)	Cash flow hedge reserve for discontinuing hedge accounting (before tax)
	JPY	JPY
Foreign currency risk		
Forward exchange contracts	2,119	(123)
Interest rate risk		
Interest rate swap contracts	(16)	—
Commodity price risk		
Commodity futures contracts	6	(263)

The following tables present the carrying amounts of transactions that affected the consolidated statements of comprehensive income as a result of applying hedge accounting for the fiscal years ended March 31, 2023 and March 31, 2022.

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

	Change in value of hedging instruments recognized in other comprehensive income		Reclassification from cash flow hedge reserve to profit or loss		Line item for which profit or loss was affected by reclassification
	JPY	USD	JPY	USD	
Foreign currency risk					
Forward exchange contracts	624	4,681	(1,951)	(14,618)	Other income
Interest rate risk					
Interest rate swap contracts	0	6	15	115	Interest expenses
Commodity price risk					
Commodity futures contracts	406	3,047	257	1,929	Cost of sales

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

	Change in value of hedging instruments recognized in other comprehensive income	Reclassification from cash flow hedge reserve to profit or loss	Line item for which profit or loss was affected by reclassification
	JPY	JPY	
Foreign currency risk			
Forward exchange contracts	2,031	(1,004)	Other income
Interest rate risk			
Interest rate swap contracts	5	80	Interest expenses
Commodity price risk			
Commodity futures contracts	(257)	70	Cost of sales

(9) Transfer of financial assets

The Consolidated Group liquidates certain trade receivables by discounting notes or the like. However, with respect to some liquidated receivables, the Consolidated Group may be obligated to make payments as recourse for non-payment by the debtor. The Consolidated Group continues to recognize such liquidated receivables as they do not meet the criteria for derecognition of financial assets.

The Consolidated Group recognized such liquidated assets as “Trade and other receivables” in the amount of ¥1,901 million ($14,240 thousand) and ¥1,784 million as of March 31, 2023 and March 31, 2022, respectively. In addition, liabilities relating to the deposit amounts which arose upon the transfer of such assets were accounted for as “Bonds and borrowings” in the amount of ¥1,901 million ($14,240 thousand) and ¥1,784 million as of March 31, 2023 and March 31, 2022, respectively. Such liabilities are settled when payments for such liquidated assets are made, and the Consolidated Group may not use such liquidated assets until such settlement occurs.

(10) Offsetting financial assets and financial liabilities

The following tables present the financial assets and financial liabilities recognized for the same counterparties including financial instruments that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria as of March 31, 2023 and March 31, 2022.

	JPY		USD
	2023	2022	2023
Amounts of financial assets presented in the consolidated statement of financial position	2,239	8,043	16,774
Foreign exchange	2,074	7,603	15,539
Interest rate	—	—	—
Commodity	164	440	1,234
Amounts that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria	(1,251)	(1,005)	(9,370)
Net amounts	988	7,038	7,404

	JPY		USD
	2023	2022	2023
Amounts of financial liabilities presented in the consolidated statements of financial position	1,644	3,544	12,312
Foreign exchange	1,582	2,779	11,850
Interest rate	—	16	—
Commodity	61	749	462
Amounts that were not offset even though they were covered by an enforceable master netting arrangement or similar agreement because they did not meet some or all of the offsetting criteria	(1,251)	(1,005)	(9,370)
Financial collateral pledged	—	(506)	—
Net amounts	392	2,033	2,942

Certain financial assets and financial liabilities have not been offset because they do not meet some or all of the criteria for offsetting financial assets and financial liabilities. The rights to offset such financial assets and financial liabilities become enforceable only under particular circumstances, such as when the other party fails to discharge an obligation due to its bankruptcy or other such reasons.

31. Leases

(1) Lessee

The Consolidated Group leases office building, computer-related equipment for the enterprise system (tools, furniture and fixtures) and other assets.
The profit or loss amounts recognized as lessee are presented as follows:

	JPY		USD
	2023	2022	2023
Depreciation of right-of-use assets			
Buildings and structures	8,188	7,506	61,320
Machinery, vehicles, tools, furniture and fixtures	765	704	5,733
Others	115	94	861
Total	9,068	8,306	67,914
Interest expense on lease liabilities	80	37	606
Short-term lease expenses	394	397	2,952
Sublease income	59	49	449

The cash outflow related to lease payments are presented as follows:

	JPY		USD
	2023	2022	2023
Cash outflow for leases	9,182	8,664	68,766

The information on the balance and increase or decrease of the right-of-use assets are provided in *Note 9. Property, Plant and Equipment* and *Note 10. Goodwill and Intangible Assets*.
And the information on the breakdown of lease liabilities by due date is presented in *Note 30. Financial Instruments: (4) Liquidity risk management.*

(2) Lessor

The Consolidated Group engages in leasing of machinery, plumping equipment of LPG, aircraft parts and other assets.
The profit or loss amounts recognized as lessor are presented as follows:

	JPY		USD
	2023	2022	2023
Profit or loss from finance leases	6	5	47
Lease income from operating leases	109	121	821

The breakdown of lease receivables of finance lease and lease payments to be received of operating lease are presented as follows:

	JPY				USD	
	2023		2022		2023	
	Lease receivables	Lease payments to be received	Lease receivables	Lease payments to be received	Lease receivables	Lease payments to be received
Within one year	8	161	13	100	63	1,209
Over one year and within two years	8	62	6	66	65	468
Over two years and within three years	8	11	5	55	64	88
Over three years and within four years	7	11	5	8	53	84
Over four years and within five years	6	9	4	8	47	73
Over five years	4	7	7	7	32	58
Total	43	264	41	245	323	1,979

32. Pledged Assets

(1) Pledged assets and associated secured liabilities

Details of pledged assets and associated secured liabilities are as follows:

	JPY		USD
	2023	2022	2023
Pledged assets:			
Other financial assets (non-current)	46	46	348
Property, plant and equipment	517	541	3,876
Total	563	587	4,223
Associated secured liabilities:			
Borrowings (current)	1,121	1,054	8,396
Borrowings (non-current)	389	542	2,918
Total	1,510	1,597	11,314

Trust receipts issued under customary import financing arrangements give banks a security interest in the goods imported or sales proceeds resulting from the sales of the goods. However, due to the large volume of transactions, it is impracticable to determine the aggregate amounts of assets covered by outstanding trust receipts and those transactions were not included in the above amounts.

(2) Assets pledged in lieu of guarantee money

The breakdown of assets pledged in lieu of guarantee money or the like is as follows:

	JPY		USD
	2023	2022	2023
Assets pledged in lieu of guarantee money or guarantee funds			
Other investments	4,355	4,167	32,617
Total	4,355	4,167	32,617

33. Contingent Liabilities

(1) Liabilities for guarantees

The Consolidated Group is contingently liable for guarantees on bank borrowings and trade payables owed by entities that do not belong to the Consolidated Group.

The Group may become responsible for the amounts that are unpayable by the borrower and for losses attached to the unpayable amounts.

	JPY		USD
	2023	2022	2023
Liabilities for guarantees for equity method investees	63	82	476
Liabilities for guarantees for third parties	1,228	1,194	9,201
Total	1,292	1,276	9,677

(Notes) 1. The above amounts include those for quasi-guarantee acts.
2. Liabilities for guarantees for third parties include the liabilities for guarantees covered by the insurance agreements that is limited to ¥1,225 million ($9,174 thousand) for the fiscal year ended March 31, 2023 and ¥1,189 million for the fiscal year ended March 31, 2022, respectively.

(2) Legal proceedings

1）Legal proceeding
The Company's subsidiary, Kanematsu Communications Ltd., was subject to a claim brought by its business partner to the Tokyo District Court in April 2021 for damages and other items caused by its default in connection with the transactions of communication services (the business partner claimed damages in the suit of ¥14,664 million ($109,820 thousand)). However, it is difficult to make an estimation of the loss at present.

2) Arbitration
In May 2022, the Company was subject to a petition for arbitration (in the amount of US$25 million), in which the Company is the respondent, with the American Arbitration Association from the seller's representative of a business investment project that was considered and abandoned in the United States of America, in connection with a claim for damages for breach of a nondisclosure agreement. However, it is difficult to make an estimation of the loss at present.

34. Significant Subsidiaries

(1) Significant subsidiaries of the Company are as follows:

Trade name	Location	Details of major operations	Percentage of voting rights (%)	
			2023	2022
[Electronics and Devices]				
Kanematsu Electronics Ltd. (Notes) 1	Chuo-ku, Tokyo, Japan	System integration of ICT and communications equipment	100.00	58.39 (0.40)
Nippon Office Systems Ltd.	Koto-ku, Tokyo, Japan	Development, sales, and maintenance of software for computers and computer peripherals, etc.	100.00 (100.00)	100.00 (100.00)
Kanematsu Communications Ltd.	Shibuya-ku, Tokyo, Japan	Sales of mobile communications devices; Mobile internet systems and services	100.00	100.00
Kanematsu Granks, Corp.	Shinjuku-ku, Tokyo, Japan	Website planning, building, and operation; Content planning, production, and sales	100.00 (100.00)	100.00 (100.00)
Kanematsu Sustech Corp.	Chuo-ku, Tokyo, Japan	Manufacture and sales of preservation treated wood; Ground inspection services and improvement work; Installation and sales of security cameras	89.98	52.97
Kanematsu Advanced Materials Corp.	Chuo-ku, Tokyo, Japan	Import, export, storage, sales, and processing of materials and components for vehicle equipment, industrial electronics, and communication devices	100.00	100.00
G-Printec, Inc.	Saiwai-ku, Kawasaki-shi, Kanagawa, Japan	Design, development, manufacture, sales and maintenance services (OEM) for card printers and related equipment	100.00	100.00
Kanematsu Futuretech Solutions Corporation	Chuo-ku, Tokyo, Japan	Import, export, processing, development, design, manufacture, sales of semiconductors, electronic components, and module products; EMS business	100.00	100.00
NS Technologies Inc.	Okaya-shi, Nagano, Japan	Design, development, and manufacture of IC test handlers	100.00	100.00
Kanekoh Electronics (Shanghai) Co., Ltd.	Shanghai, China	Design, development, manufacture, and sales of control modules for lithium-ion batteries	70.00	70.00
Kanematsu Industrial and Trading (Dalian F.T.Z.) Co., Ltd.	Dalian, China	Manufacture of materials for electronic precision parts and import, export and sales of electronic components	100.00 (100.00)	100.00 (100.00)
Kanematsu Advanced Materials USA, Inc.	Texas, U.S.A.	Import, export, sales and processing of materials and components for vehicle equipment, industrial electronics, and communication devices	100.00 (100.00)	100.00 (100.00)
[Foods, Meat and Grain]				
Kanematsu Foods Corp.	Chuo-ku, Tokyo, Japan	Food wholesaling and cold storage	100.00	100.00
Kanematsu Agritec Co., Ltd.	Koshigaya-shi, Saitama, Japan	Manufacture and sales of feed and fertilizer	100.00	100.00

Trade name	Location	Details of major operations	Percentage of voting rights (%)	
			2023	2022
Kanematsu Soytech Corp.	Chuo-ku, Osaka, Japan	Sales of soybeans, pulses & peas, and grain; Development and marketing of tofu and other ingredients for processed foods	100.00	100.00
KG Agri Products, Inc.	Ohio, U.S.A.	Seed development; Contract farming; Sorting, processing, and sales of food soybeans	100.00	100.00
Kai Enterprises, Inc.	Washington, U.S.A.	Sales of hay and roughage	100.00 (15.00)	100.00 (15.00)
P.T. Kanemory Food Service	Serang, Indonesia	Manufacture of processed foods; Management of central kitchen	59.90 (10.00)	59.90 (10.00)
[Steel, Materials and Plants]				
Kanematsu Trading Corp.	Chuo-ku, Tokyo, Japan	Sales of steel and construction materials	100.00	100.00
Kyowa Steel Co., Ltd.	Kasai-shi, Hyogo, Japan	Cutting and processing of steel sheet; Sales of construction materials	100.00 (100.00)	100.00 (100.00)
Kanematsu Chemicals Corp.	Chuo-ku, Tokyo, Japan	Domestic sales, import, and export of chemical products, pharmaceuticals, pharmaceutical ingredients, and functional food materials	100.00	100.00
Kanematsu Wellness Corp.	Chuo-ku, Tokyo, Japan	Sales of health foods and provision of medical information	100.00 (100.00)	100.00 (100.00)
Kanematsu Petroleum Corp.	Chiyoda-ku, Tokyo, Japan	Sales of petroleum products and LPG	100.00	100.00
Kanematsu Yuso Co., Ltd.	Chiyoda-ku, Tokyo, Japan	Delivery and storage of petroleum products	100.00	100.00
Kanematsu KGK Corp.	Chuo-ku, Tokyo, Japan	Sales of machine tools and industrial machinery	100.00	100.00
Benoit Holding Company	Illinois, U.S.A.	Holding company	85.18 (85.18)	85.18 (85.18)
Benoit Premium Threading, LLC	Louisiana, U.S.A.	Steel tubing fabrication; Manufacture and sales of steel tubing-related parts	54.00 (54.00)	54.00 (54.00)
Steel Service Oilfield Tubular, Inc.	Oklahoma, U.S.A.	Sales of steel materials for natural resource excavation	51.00 (51.00)	51.00 (51.00)
KGK International Corp.	Illinois, U.S.A.	Sales of machine tools and industrial machinery	100.00 (100.00)	100.00 (100.00)
[Motor Vehicles and Aerospace]				
Kanematsu Aerospace Corp.	Minato-ku, Tokyo, Japan	Sales of aircraft, defense, and aerospace-related products as well as 3D laser scanners and XR solution equipment	100.00	100.00
KANEYO Co., Ltd.	Chuo-ku, Osaka, Japan	Sales of bedding, fiber raw materials for industrial materials, and synthetic fiber raw materials	100.00	100.00
Datatec Co., Ltd.	Ota-ku, Tokyo, Japan	Development and sales of network services for vehicle operation management, driving safety analysis, etc.; Development and sales of vehicle measuring instruments	90.01	90.01

Trade name	Location	Details of major operations	Percentage of voting rights (%)	
			2023	2022
Aries Motor Ltd.	Warsaw, Poland	Sales and maintenance of automobiles	93.59	93.59
Aries Power Equipment Ltd.	Warsaw, Poland	Sales of engines, generators, lawnmowers, and other general-purpose machinery	60.00	60.00
KG Aircraft Rotables Co., Ltd.	Dublin, Ireland	Replacement and maintenance of aircraft rotable components; Leasing; Sales	96.97	96.67
[Others]				
Shintoa Corp.	Chiyoda-ku, Tokyo, Japan	Import, export, and sales of pet supplies, soft drinks for vending machines, aero-engines, feed materials, and metal products	100.00	100.00
Kanematsu Logistics & Insurance Ltd.	Chuo-ku, Tokyo, Japan	Insurance agency and forwarding business; Consigned freight forwarding business	100.00	100.00
[Overseas local subsidiaries]				
Kanematsu USA Inc.	Illinois, U.S.A.	Export, import and sales of merchandise	100.00	100.00
Kanematsu (China) Co., Ltd.	Shanghai, China	Export, import and sales of merchandise	100.00	100.00
Kanematsu (Thailand) Ltd.	Bangkok, Thailand	Export, import and sales of merchandise	100.00	100.00
Watana Inter-Trade Co., Ltd. (Notes) 2	Bangkok, Thailand	Export, import and sales of merchandise	49.00 (24.00)	49.00 (24.00)
Kanematsu (Singapore) Pte. Ltd.	Singapore, Singapore	Export, import and sales of merchandise	100.00	100.00
Kanematsu Taiwan Corp.	Taipei, Taiwan	Export, import and sales of merchandise	100.00	100.00
Kanematsu Europe Plc	London, U.K.	Export, import and sales of merchandise	100.00 (100.00)	100.00 (100.00)
Kanematsu GmbH	Duesseldorf, Germany	Export, import and sales of merchandise	100.00	100.00
Kanematsu Australia Ltd.	Sydney, Australia	Export, import and sales of merchandise	100.00	100.00
Kanematsu New Zealand Ltd.	Auckland, New Zealand	Export, import and sales of merchandise	100.00	100.00
Kanematsu Korea Corporation.	Seoul, Korea	Export, import and sales of merchandise	100.00	100.00
Kanematsu Trading (Hong Kong) Ltd. (Notes) 3	Hong Kong, China	Export, import and sales of merchandise	100.00	100.00

(Notes) 1. As described in *(3) Transaction with non-controlling interests 1) Additional acquisition of shares of Kanematsu Electronics Ltd.*, the Company reported in its accounting records that it owned a 100% equity in Kanematsu Electronics Ltd. as of the end of the current fiscal year.
2. It is treated as a subsidiary because the Consolidated Group has a substantial control of the finance and management policy over the company through the dispatch of the majority of board members.
3. Kanematsu (Hong Kong) Ltd. was excluded from significant subsidiaries because its business was transferred to Kanematsu Trading (Hong Kong) Ltd., and its business activities ceased in the previous fiscal year.
4. The figures in the parentheses in “Percentage of voting rights” indicate the indirect ownership ratio included in the total.

(2) Non-controlling interests

The subsidiary with non-controlling interests that is significant for the Consolidated Group is Kanematsu Electronics Ltd. for the fiscal year ended March 31, 2022. Its condensed financial information is presented as follows. The amounts presented below are before the elimination of intra-company transactions.

As a result of additional acquisition of shares of Kanematsu Electronics Ltd., there has been no subsidiaries with non-controlling interests that is significant for the Consolidated Group for the fiscal year ended March 31, 2023.

[Condensed statement of financial position]

	JPY
	2022
Current assets	75,012
Current liabilities	18,975
Current assets (net)	56,037
Non-current assets	9,120
Non-current liabilities	3,360
Non-current assets (net)	5,759
Equity	61,796
Cumulative amounts of non-controlling interests	25,837

[Condensed statements of income and comprehensive income]

	JPY
	2022
Revenue	71,257
Profit for the year	8,651
Other comprehensive income	881
Total comprehensive income	9,533
Profit for the year attributable to non-controlling interests	3,604
Dividends paid to non-controlling interests	1,731

[Condensed statement of cash flows]

	JPY
	2022
Cash flows from operating activities	9,216
Cash flows from investing activities	(1,073)
Cash flows from financing activities	(5,367)
Increase (decrease) in cash and cash equivalents, net	2,774

(3) Transaction with non-controlling interests

1) Additional acquisition of shares of Kanematsu Electronics Ltd.

In the current fiscal year, the Company conducted a tender offer based on the Financial Instruments and Exchange Act for the common shares of its consolidated subsidiary Kanematsu Electronics Ltd., and acquired 90.71% of its shares as of March 20, 2023.

On March 31, 2023, the Company requested non-controlling interests of Kanematsu Electronics Ltd., based on Article 179, Paragraph 1 of the Companies Act, to sell all the shares they owned (9.29%) to the Company, which was approved on the same day by the Board of Directors of Kanematsu Electronics Ltd. As a result of the transaction, the Company became the owner of 100% of the shares of Kanematsu Electronics Ltd. as of the end of the current fiscal year.

Outline of the transactions with non-controlling interests following the aforementioned is as follows.

	JPY	USD
	2023	2023
Consideration paid	74,088	554,847
Decrease in non-controlling interest	(27,519)	(206,095)
Decrease in capital surplus	(46,568)	(348,752)

(Notes) 1. Consideration paid does not include transaction costs. ¥16,482 million ($123,435 thousand)) of the consideration paid is outstanding as at the end of the current fiscal year, which is recorded in “other financial liabilities” in the consolidated statement of financial position.

2. The negative capital surplus resulting from the aforementioned transaction is replenished by a transfer from retained earnings.

As a demand to cash out became effective, the Company acquired all shares of Kanematsu Electronics Ltd. as of May 9, 2023, and Kanematsu Electronics Ltd. became a wholly owned subsidiary of the Company.

2) Additional acquisition of shares of Kanematsu Sustech Corporation

In the current fiscal year, the Company conducted a tender offer based on the Financial Instruments and Exchange Act for the common shares of its consolidated subsidiary Kanematsu Sustech Corporation, and acquired 89.86% of its shares as of March 20, 2023.

As a result of the equity transaction with non-controlling interests following the aforementioned tender offer, non-controlling interests and capital surplus decreased, which, however, is not financially material.

Based on the results of the aforementioned tender offer, the Company requested Kanematsu Sustech Corporation to conduct a consolidation of its shares based on Article 180 of the Companies Act, in order to acquire all shares of Kanematsu Sustech Corporation, and is scheduled, upon completion of the procedure, to became the owner of 100% of the shares of Kanematsu Sustech Corporation.

35. Related Parties

(1) Related party transactions

Fiscal year ended March 31, 2023

Type	Name	Detail of related party relationship	Transaction amount		Outstanding amount	
			JPY	USD	JPY	USD
Associate (including subsidiaries of the associate)	AJUSTEEL Co., Ltd.	Sales of merchandise	251	1,885	4,463	33,427
		Loans of funds	1,068	8,000	1,068	8,000
Associate	ATAD Steel Structure Corp.	Sales of merchandise	44	330	3,068	22,982
Associate	Sage Hill Northwest, Inc.	Purchase of merchandise	2,956	22,143	439	3,289
		Loans of funds	1,068	8,000	1,068	8,000
Associate	Hokushin Co., Ltd.	Sales of merchandise	117	879	1,732	12,971

(Notes) 1. The related party transaction amounts are determined through negotiation with consideration given to the prevailing market prices.
2. As described in *Note 33 Contingent Liabilities: (1) Liabilities for Guarantees,* debt guarantees are provided to the equity method investees.
3. As the Consolidated Group conducts a transaction as a party involved, transaction amount of AJUSTEEL Co., Ltd., ATAD Steel Structure Corp. and Hokushin Co., Ltd. are presented in the net amount of the commission.
4. Loans of funds are under general terms and conditions that are the same as those of transactions with a third party.
5. There is no allowance for doubtful accounts on the outstanding amounts.

Fiscal year ended March 31, 2022

Type	Name	Detail of related party relationship	Transaction amount	Outstanding amount
			JPY	JPY
Associate (including subsidiaries of the associate)	AJUSTEEL Co., Ltd.	Sales of merchandise	279	5,839
Associate	Sage Hill Northwest, Inc.	Purchase of merchandise	1,975	326
Associate	Hokushin Co., Ltd.	Sales of merchandise	93	1,376

(Notes) 1. The related party transaction amounts are determined through negotiation with consideration given to the prevailing market prices.
2. As described in *Note 33 Contingent Liabilities: (1) Liabilities for Guarantees,* debt guarantees are provided to the equity method investees.
3. As the Consolidated Group conducts a transaction as a party involved, transaction amount of AJUSTEEL Co., Ltd. and Hokushin Co., Ltd. are presented in the net amount of the commission.

(2) Remuneration to management executives

The remuneration to the Company's directors and auditors consists of base compensation, performance-linked compensation and performance-linked stock compensation.

The amount of remuneration to the Company's directors and audit and supervisory board members are as follows:

	JPY		USD
	2023	2022	2023
Base compensation and performance-linked compensation	295	287	2,214
Performance-linked stock compensation	49	43	367
Total	344	331	2,582

(Note) The amount of performance-linked stock compensation for the fiscal years ended March 31, 2023 and March 31, 2022 are expenses of performance-linked stock compensation during the fiscal years ended March 31, 2023 and March 31, 2022.

36. Share-based Payments

(1) Performance-Linked Stock Compensation Plan

The Company and certain subsidiaries implemented a Performance-Linked Stock Compensation Plan for Directors and Executive Officers. The aim of adoption of the Plan is to further clarify the linkage between compensation of Directors and Executive Officers and the corporate performance and stock value of the Company and certain subsidiaries, and to encourage them to contribute to mid- to long-term improvement in the corporate performance and expansion of corporate value because they will share the benefits and risks of stock price fluctuations with the shareholders.
Expenses related to the Performance-Linked Stock Compensation Plan for certain subsidiaries are not presented because they are not significant.
The vesting condition for the Performance-Linked Stock Compensation Plan for Directors and Executive Officers of the Company is that after granted date they will work continuously until achieving certain performance goals and vesting. The stocks will be granted to Directors and Executive Officers in the final year of the medium-term vision (from April 1, 2018 to March 31, 2024), or the fiscal year that achieved the medium-term vision.

(2) Granted stocks and granted prices of shares

The fair value of the granted date was estimated using the Black-Scholes model considering expected dividends based on past dividend payments. The number of shares granted during the fiscal years ended March 31, 2023 and March 31, 2022 and the weighted average share price are as follows.

	2023			2022	
	Number of shares	Weighted average share price		Number of shares	Weighted average share price
	Share	Yen	U.S.dollar	Share	Yen
As of the beginning of the year	179,432	1,464	11	102,036	1,490
Granted	92,838	1,416	11	82,564	1,439
Exercised (Note)	(30,113)	1,583	12	(5,168)	1,583
Forfeited	—	—	—	—	—
As of the end of the year	242,157	1,431	11	179,432	1,464
Exercisable balance as of the end of the year	—	—	—	—	—

(Note) The number of shares exercised during the fiscal year ended March 31, 2023 are the shares granted to a Director and an Executive Officer who resigned in the period. The number of shares exercised during the fiscal year ended March 31, 2022 are the shares granted to an Executive Officer who resigned in the period.

(3) Stock compensation expenses

The performance-Linked Stock Compensation Plan is an equity-settled share-based payment transaction. The stock compensation expenses for the fiscal years ended March 31, 2023 and March 31, 2022 are ¥131 million ($984 thousand) and ¥118 million, respectively.

37. Subsequent Events

Not applicable.

Independent Auditor's Report

To the Board of Directors of Kanematsu Corporation

Opinion

We have audited the non-consolidated financial statements of Kanematsu Corporation (the Company), which comprise the non-consolidated balance sheet as at March 31, 2023, and the non-consolidated statement of income and non-consolidated statement of changes in net assets for the year then ended, and notes to the non-consolidated financial statements.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2023, and its financial performance 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 Non-Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-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 non-consolidated financial statements of the current period. These matters were addressed in the context of our audit of the non-consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of the recoverability of deferred tax assets (Notes to non-consolidated financial statements “Significant Accounting Estimates” “Deferred tax assets and tax liabilities”)	
Key Audit Matter Description	How Our Audit Addressed the Key Audit Matter
The Company recognizes deferred tax assets, those amounts of significant tax loss carryforwards and deductible temporary differences that are expected to be recovered in the future. The balance of deferred tax assets before valuation allowances was ¥6,848 million, and valuation allowances were ¥5,228 million as of the end of March 2023. The balance of deferred tax assets net of valuation allowances was ¥1,620 million (0.4% of total assets). The net deferred tax assets (liabilities) balance in the non-consolidated statement of financial position after netting deferred tax liabilities is deferred tax liabilities of ¥1,303 million. The Company applies the Group Tax Sharing System and assesses the recoverability of deferred tax assets in accordance with the Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standards Board of Japan Guidance No. 26) and Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Accounting Standards Board of Japan Practical Solution No.42). Gross profit included in the future business plan used as an assumption of future taxable income estimation is affected by fluctuations in various market trends and conditions in various countries around the world. Therefore, there is a relatively high degree of estimation uncertainty present in the assessment of the recoverability of deferred tax assets. In addition, the timing and related availability of taxable and deductible temporary differences which can be used to offset taxable income could be affected by changes in the external environment and also management decisions based on changes in internal circumstances. These factors could result in an increase or a decrease in deferred tax assets. The balance of deferred tax assets is quantitatively material and there is a relatively high degree of estimation uncertainty and subjective judgment by management in estimating future taxable income as well as the timing and related availability of taxable and deductible temporary differences. As such, we concluded that the recoverability of deferred tax assets is a key audit matter.	We performed mainly the following audit procedures in relation to the recoverability of deferred tax assets. ● We evaluated the design and implementation, and tested the operating effectiveness of internal controls over the deferred tax assets recoverability assessment process. ● We examined whether the classification of the company is appropriate in accordance with criteria of the Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standards Board of Japan Guidance No. 26) and Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Accounting Standards Board of Japan Practical Solution No.42). ● We inspected the management meeting minutes and compared the schedule of reversals of deductible and taxable temporary differences expected in respective financial years with the schedule approved by management. ● We examined the reasonableness of estimates made in the previous year by comparing the scheduling of expected reversals made in the previous year with the actual reversals in the current year. We also examined whether the changes of the timing of reversals of temporary differences reflect reasonable facts. ● We inspected the management meeting minutes and compared the estimated future taxable income including subsidiaries in the tax sharing group with the forecasts approved by management. ● With regard to the Company's business segment forecasts including gross profit for the current and following year, which is the basis for estimating future taxable income, we compared the actual results of previous years and current year, and also compared those forecasts to information obtained, such as changes in market trends for each business segment, to determine whether the forecast is consistent. ● We compared the estimate of taxable income for the current year of each group subsidiaries

	in the tax sharing group with the current year's actual taxable income. ● We assessed the reasonableness of the forecasted taxable income of major group subsidiaries in the tax sharing group by comparing their forecasted taxable incomes with the past and actual results for the current year and with relevant internal and external information obtained in the audit. ● We examined the calculation of taxable income by using tax specialists.

Other Information

Other information comprises information included in a document containing audited non-consolidated financial statements, but does not include the non-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, Audit & Supervisory Board and each Audit & Supervisory Board Member for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as applicable, matters related to going concern.

The audit & supervisory board and each audit & supervisory board member are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-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 non-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 non-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 non-consolidated financial statement audit is not to express an opinion on the effectiveness of the Company'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 Company'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 non-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 Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the non-consolidated financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit & supervisory board and each audit & supervisory board member 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 the audit & supervisory board and each audit & supervisory board member with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit & supervisory board and each audit & supervisory board member, we determine those matters that were of most significance in the audit of the non-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 non-consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the non-consolidated financial statements.

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

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

Takayoshi Yano
Designated Engagement Partner
Certified Public Accountant

Masaki Nitta
Designated Engagement Partner
Certified Public Accountant

Shinya Hiraoka
Designated Engagement Partner
Certified Public Accountant

PricewaterhouseCoopers Aarata LLC
July 25, 2023

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

KANEMATSU CORPORATION

NON-CONSOLIDATED FINANCIAL STATEMENTS
For the fiscal year ended March 31, 2023

~NON-CONSOLIDATED FINANCIAL STATEMENTS~

~NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS~

KANEMATSU CORPORATION
NON-CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2023

Non-consolidated Balance Sheet

	JPY		USD (Note 3)
	2023	2022	2023
(Assets)			
I. Current assets			
1. Cash and bank deposits	9,833	14,792	73,641
2. Notes receivable (Note 6-6)	1,384	1,338	10,372
3. Accounts receivable (Note 6-6)	76,013	73,235	569,265
4. Short-term investments	1	1	12
5. Inventories (Note 6-1)	61,812	51,346	462,913
6. Advance payments to suppliers	2,625	8,537	19,661
7. Prepaid expenses	1,095	791	8,203
8. Short-term loans receivable	4	2	32
9. Short-term loans to affiliates	34,596	25,854	259,090
10. Other accounts receivable (Note 6-6)	4,625	5,632	34,641
11. Derivatives	2,014	7,776	15,089
12. Other (Note 6-6)	5,329	4,146	39,911
13. Allowance for doubtful accounts	(21)	(29)	(161)
Total current assets	199,316	193,427	1,492,669
II. Long-term assets			
1. Tangible fixed assets			
1) Buildings	1,435	130	10,753
2) Structures	—	0	—
3) Machinery and equipment	207	50	1,553
4) Vehicles	0	0	0
5) Tools and fixtures	483	129	3,620
6) Land	5	5	41
7) Lease assets	351	314	2,636
8) Construction in progress	—	98	—
Total tangible fixed assets	2,484	729	18,603

(Notes) Presentation of fiscal year and amount (Japanese Yen and U.S. dollars)

1. “2023” refers to the Company’s non-consolidated fiscal year ended March 31, 2023 and the other fiscal year is referred to in the corresponding manner.
2. “JPY” means millions of Japanese Yen and “USD” means thousands of U.S. dollars.

KANEMATSU CORPORATION
NON-CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2023

	JPY		USD (Note 3)
	2023	2022	2023
2. Intangible assets			
1) Software	652	731	4,886
2) Telephone subscription rights	—	7	—
3) Other	45	69	339
Total intangible assets	697	808	5,225
3. Investments and other assets			
1) Investments in securities (Note 6-2)	23,245	21,030	174,082
2) Shares of affiliates	143,890	84,051	1,077,586
3) Equity investments	1,578	2,195	11,820
4) Equity investments in affiliates	6,141	6,141	45,996
5) Long-term loans receivable	1,257	1,257	9,414
6) Long-term loans to employees	7	23	53
7) Long-term loans to subsidiaries and affiliates	2,521	1,716	18,880
8) Doubtful accounts (Note 6-3)	265	252	1,985
9) Long-term prepaid expenses	133	15	1,001
10) Prepaid Pension Cost	279	37	2,093
11) Other	1,642	2,259	12,302
12) Allowance for doubtful accounts	(2,807)	(2,779)	(21,029)
Total investments and other assets	178,153	116,202	1,334,184
Total long-term assets	181,335	117,740	1,358,012
III. Deferred assets			
1. Bond issuance costs	65	87	494
Total deferred assets	65	87	494
Total assets	380,717	311,255	2,851,176

KANEMATSU CORPORATION
NON-CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2023

	JPY		USD (Note 3)
	2023	2022	2023
(Liabilities)			
I. Current liabilities			
1. Notes payable	119	127	895
2. Import bills payable (Note 6-6)	57,907	65,182	433,663
3. Accounts payable (Note 6-6)	24,245	23,977	181,570
4. Current portion of bonds	—	5,000	—
5. Short-term borrowings	108,119	22,390	809,700
6. Lease obligations (Note 6-6)	228	176	1,709
7. Other accounts payable (Note 6-6)	9,099	7,673	68,147
8. Accrued expenses (Note 6-6)	2,682	604	20,089
9. Accrued income taxes	393	598	2,943
10. Advances received from customers	2,173	8,402	16,277
11. Deposits received (Note 6-6)	4,310	2,640	32,280
12. Deferred revenue	39	23	296
13. Asset Retirement Obligations	280	263	2,097
14. Derivatibes liabilities	1,310	3,141	9,817
15. Other provisions	19	192	144
16. Other (Note 6-6)	17	18	131
Total current liabilities	210,945	140,413	1,579,758
II. Non-current liabilities			
1. Bonds	15,000	15,000	112,334
2. Long-term borrowings	46,234	50,579	346,247
3. Lease obligations (Note 6-6)	169	190	1,266
4. Provision for employees' retirement and severance benefits	18	17	138
5. Provision for loss on affiliated business	—	13	—
6. Provision for stock benefits	383	284	2,871
7. Asset retirement obligations	356	27	2,668
8. Deferred tax liabilities	1,303	1,894	9,760
9. Other (Note 6-6)	134	188	1,011
Total non-current liabilities	63,599	68,195	476,295
Total liabilities	274,544	208,608	2,056,053

KANEMATSU CORPORATION
NON-CONSOLIDATED FINANCIAL STATEMENTS
For the fiscal year ended March 31, 2023

	JPY		USD (Note 3)
	2023	2022	2023
(Net assets)			
I. Shareholders' equity			
1. Common stock	27,781	27,781	208,052
2. Capital surplus			
1) Legal capital surplus	26,887	26,887	201,356
2) Other capital surplus	0	0	4
Total capital surplus	26,887	26,887	201,361
3. Retained earnings			
1) Legal retained earnings	131	131	988
2) Other retained earnings			
Voluntary reserve	1,836	1,836	13,750
Retained earnings brought forward	44,733	42,093	335,004
Total retained earnings	46,701	44,061	349,742
4. Treasury stock	(1,248)	(1,294)	(9,353)
Total shareholders' equity	100,120	97,435	749,801
II. Valuation and translation adjustments			
1. Net unrealized gains (losses) on securities, net of tax	5,237	4,025	39,220
2. Net gains (losses) on deferred hedges, net of tax	814	1,186	6,101
Total valuation and translation adjustments	6,051	5,211	45,321
Total net assets	106,172	102,646	795,123
Total liabilities and net assets	380,717	311,255	2,851,176

KANEMATSU CORPORATION
NON-CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2023

Non-consolidated Statement of Income

	JPY		USD (Note 3)
	2023	2022	2023
Ⅰ. Revenue (Note 7-1)	393,934	336,492	2,950,155
Ⅱ. Cost of sales (Notes 7-1, 7-2)	375,563	323,272	2,812,576
Gross profit	18,370	13,220	137,579
III. Selling, general and administrative expenses (Note 7-3)	18,416	14,068	137,918
Operating loss	(45)	(848)	(338)
Ⅳ. Non-operating income			
1. Interest income (Note 7-1)	885	447	6,630
2. Dividend income (Note 7-1)	9,757	10,057	73,073
3. Foreign exchange gains	4,157	1,274	31,134
4. Other (Note 7-1)	465	463	3,488
Total	15,266	12,242	114,326
V. Non-operating expenses			
1. Interest expenses (Note 7-1)	2,634	1,019	19,729
2. Other (Note 7-1)	374	207	2,806
Total	3,009	1,227	22,534
Ordinary income	12,211	10,166	91,454
Ⅵ. Extraordinary gains			
1. Gain on sale of tangible fixed assets	12	26	90
2. Gain on sale of intangible fixed assets	1	—	15
3. Gain on sale of investments in securities	413	618	3,098
Total	427	645	3,203
Ⅶ. Extraordinary losses			
1. Loss on disposal of fixed assets	36	2	271
2. Loss on sale of investments in securities	2	2	15
3. Loss on valuation of investment securities	1,504	1,598	11,267
4. Loss on refunding due to capital reduction of subsidiaries and affiliates	2,278	3	17,061
5. Provision of allowance for doubtful accounts for subsidiaries and affiliates and loss on affiliated business	3	207	22
Total	3,823	1,813	28,636
Income before income taxes	8,815	8,998	66,021
Income taxes-current	1,030	1	7,720
Income taxes-deferred	(962)	414	(7,207)
Total	68	416	513
Net income	8,747	8,582	65,508

KANEMATSU CORPORATION
NON-CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2023

Non-consolidated Statement of Changes in Net Assets

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(JPY)

	Shareholders' equity									
	Common stock	Capital surplus			Retained earnings				Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
						Voluntary reserve	Retained earnings brought forward			
Balance at the beginning of the fiscal year	27,781	26,887	0	26,887	131	1,836	42,093	44,061	(1,294)	97,435
Changes during the fiscal year										
Dividends				–			(6,107)	(6,107)		(6,107)
Net income				–			8,747	8,747		8,747
Acquisition of treasury stock				–				–	(2)	(2)
Disposition of treasury stock				–				–	47	47
Net changes of items other than shareholders' equity during the fiscal year				–				–		–
Total changes during the fiscal year	–	–	–	–	–	–	2,640	2,640	45	2,685
Balance at the end of the fiscal year	27,781	26,887	0	26,887	131	1,836	44,733	46,701	(1,248)	100,120

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on securities, net of tax	Net gains (losses) on deferred hedges, net of tax	Total valuation and translation adjustments	
Balance at the beginning of the fiscal year	4,025	1,186	5,211	102,646
Changes during the fiscal year				
Dividends			–	(6,107)
Net income			–	8,747
Acquisition of treasury stock			–	(2)
Disposition of treasury stock			–	47
Net changes of items other than shareholders' equity during the fiscal year	1,211	(371)	840	840
Total changes during the fiscal year	1,211	(371)	840	3,525
Balance at the end of the fiscal year	5,237	814	6,051	106,172

KANEMATSU CORPORATION
NON-CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2023

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(JPY)

	Shareholders' equity									
	Common stock	Capital surplus			Retained earnings				Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
						Voluntary reserve	Retained earnings brought forward			
Balance at the beginning of the fiscal year	27,781	26,887	0	26,887	131	1,836	38,565	40,533	(1,300)	93,901
Changes during the fiscal year										
Dividends				–			(5,054)	(5,054)		(5,054)
Net income				–			8,582	8,582		8,582
Acquisition of treasury stock				–				–	(2)	(2)
Disposition of treasury stock			0	0				–	8	8
Net changes of items other than shareholders' equity during the fiscal year				–				–		–
Total changes during the fiscal year	–	–	0	0	–	–	3,527	3,527	5	3,533
Balance at the end of the fiscal year	27,781	26,887	0	26,887	131	1,836	42,093	44,061	(1,294)	97,435

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on securities, net of tax	Net gains (losses) on deferred hedges, net of tax	Total valuation and translation adjustments	
Balance at the beginning of the fiscal year	3,631	611	4,243	98,144
Changes during the fiscal year				
Dividends			–	(5,054)
Net income			–	8,582
Acquisition of treasury stock			–	(2)
Disposition of treasury stock			–	8
Net changes of items other than shareholders' equity during the fiscal year	394	574	968	968
Total changes during the fiscal year	394	574	968	4,502
Balance at the end of the fiscal year	4,025	1,186	5,211	102,646

KANEMATSU CORPORATION
NON-CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2023

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

USD (Note 3)

	Shareholders' equity									
	Common stock	Capital surplus			Retained earnings				Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
						Voluntary reserve	Retained earnings brought forward			
Balance at the beginning of the fiscal year	208,052	201,356	4	201,361	988	13,750	315,233	329,971	(9,695)	729,688
Changes during the fiscal year										
Dividends				–			(45,737)	(45,737)		(45,737)
Net income				–			65,508	65,508		65,508
Acquisition of treasury stock				–				–	(16)	(16)
Disposition of treasury stock				–				–	358	358
Net changes of items other than shareholders' equity during the fiscal year				–				–		–
Total changes during the fiscal year	–	–	–	–	–	–	19,771	19,771	342	20,113
Balance at the end of the fiscal year	208,052	201,356	4	201,361	988	13,750	335,004	349,742	(9,353)	749,801

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on securities, net of tax	Net gains (losses) on deferred hedges, net of tax	Total valuation and translation adjustments	
Balance at the beginning of the fiscal year	30,147	8,883	39,030	768,718
Changes during the fiscal year				
Dividends			–	(45,737)
Net income			–	65,508
Acquisition of treasury stock			–	(16)
Disposition of treasury stock			–	358
Net changes of items other than shareholders' equity during the fiscal year	9,073	(2,782)	6,291	6,291
Total changes during the fiscal year	9,073	(2,782)	6,291	26,404
Balance at the end of the fiscal year	39,220	6,101	45,321	795,123

KANEMATSU CORPORATION
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2023

1. Basis of Preparing Non-consolidated Financial Statements

(1) The Method of Producing the Non-consolidated Financial Statements

The non-consolidated financial statements of Kanematsu Corporation (the "Company") are prepared in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Ordinance No.59, 1963; hereinafter, the "Regulations").

The non-consolidated financial statements are prepared in accordance with Article 127 of the Regulations.

The Company maintains its accounts and records in accordance with the provisions set forth in the Companies Act of Japan and the Financial Instruments and Exchange Act of Japan, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

(2) Japanese Yen Amount

Amounts less than one million yen have been omitted, since the Regulations require such amounts to be rounded down for presentation. As a result, the totals shown in the non-consolidated financial statements and notes thereto do not necessarily agree with the sum of the individual account balances or breakdowns.

2. Summary of Significant Accounting Policies

(1) Bases and Methods of Valuation of Assets

1) Short-term Investments and Investments in Securities

(i) Held-to-maturity bonds

Debt securities are stated at cost less the amortization of any premium or discounts, which are amortized over the period to maturities.

(ii) Equity securities in subsidiaries and affiliates

Cost method based on the moving average method.

(iii) Other securities (Non-trading purpose)

・Securities other than shares, etc. in the absence of market prices

Marketable securities are stated at fair value based on the market price at the end of the fiscal year.

Net unrealized gains or losses on securities are recorded in the equity. The cost of sales for marketable securities are determined by the moving average method.

・Shares, etc. in the absence of market prices

Non-marketable securities are stated at cost determined by the moving average method.

2) Derivatives

Derivatives are stated at fair value.

3) Inventories

Inventories are principally stated at cost determined by the moving average method (carried at the lower of cost or market value on the balance sheet).

(2) Tangible Fixed Assets and Intangible Assets

1) Tangible fixed assets (excluding lease assets)

The straight-line method is used.

2) Intangible assets

The straight-line method is used.

Additionally, software for internal use is amortized using the straight-line method over the estimated useful life of five years.

3) Lease assets

Depreciation on lease assets relating to finance lease transactions that do not transfer ownership is recorded using the straight-line method over the lease term, assuming a residual value of zero.

Finance lease transactions that commenced on or before March 31, 2008 are accounted for as operating leases.

KANEMATSU CORPORATION
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2023

(3) Provisions

1) Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts to cover credit losses, based on estimates of collectability of individual accounts and past bad debt loss experiences.

2) Provision for Employees' Retirement and Severance Benefits (Prepaid Pension Costs)

The Company provides for retirement provision based on the present value of projected benefit obligations and the fair value of the plan assets at the end of the fiscal year.
In calculating retirement benefit obligation, the benefit formula basis is used to attribute projected benefits to the period up to the end of the fiscal year.
Prior service costs are amortized as expenses using the straight-line method over five years, a period selected by the Company within the average expected remaining service period of the employees.
Actuarial gains and losses are amortized using the straight-line method over five years, a period selected by the Company within the average expected remaining service period of the employees, from the following fiscal years after the actuarial gains or losses are recognized.
At the end of the current fiscal year, since plan assets exceeded retirement benefit obligations less unrecognized actuarial differences, the excess amount is recorded as prepaid pension cost.

3) Provision for Directors' and Executive Officers' stock benefits

The Company provides a provision for stock benefits of shares of the Company in accordance with the stock delivery rules based on the projected amount of payment for stock benefits at the end of the current fiscal year.

4) Provision for Loss on Affiliated Business

The Company provides a provision for potential losses considering affiliated companies' financial conditions to be prepared for future finance.

(4) Revenue and Expense Recognition

1) Revenue recognition policies

The Company recognizes revenue from contracts with customers based on the following five-step approach.

Step 1: Identifying contracts with customers

Step 2: Identifying performance obligations in contracts

Step 3: Determining the transaction price

Step 4: Allocating the transaction price to performance obligations in contracts

Step 5: Recognizing revenue when (or as) the Company satisfies the performance obligations

When a single contract consists of multiple performance obligations, the Company divides the transaction into separate performance obligations and recognizes revenue for each performance obligation. When multiple contracts must be combined and considered a single contract because of the economic substance of those contracts the Company recognizes revenue from the combined contracts.
In identifying a performance obligation, the Company reviews whether it is a principal or an agent, and if the nature of the Company's promise is a performance obligation to provide the identified goods or services itself, the Company recognizes revenue at the total amount of consideration received from the customer as a principal. On the other hand, if the performance obligation is to arrange for the identified goods or services to be provided by another party, the Company recognizes revenue at the net amount of the commission, and other contract-related costs, as an agent.
In reviewing to identify whether a principal or an agent, the Company makes a comprehensive judgement based on the following indicators.

- Whether the Company is primarily responsible for fulfilling the contract.
- Whether the Company has the inventory risk both when goods are shipped and when goods are returned before and after the customer places an order for the goods.
- Whether the Company has discretion in establishing the price for the goods or services of the other party.

The Company measures revenues based on the consideration promised under contracts with customers, but there is no significant variable consideration.
Consideration for transactions does not include material financial elements, since it is received usually within one year after performance obligations are fulfilled.

2) Timing of revenue recognition

The Company mainly sells goods such as semiconductor manufacturing equipment, electronic components and materials, grain, meat products & seafoods, steel products, petroleum products, vehicles parts, aerospace-related products in the four segments of Electronics & Devices, Foods, Meat & Grain, Steel, Materials & Plant, and Motor Vehicles & Aerospace. It recognizes revenue at the time when performance obligations are delivered because customers obtain control of the goods and the performance obligations are generally satisfied at the time of delivery.

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(5) Other Significant Matters

1) Translation of Foreign Currencies

All monetary assets and liabilities denominated in foreign currencies are translated into yen at spot exchange rates prevailing at the balance sheet date. Resulting translation gains and losses are included in determination of net income for the period.

2) Hedge Accounting

(i) Hedge accounting method

The Company applies hedge accounting whereby gains and losses on hedged transactions are deferred and recognized over future periods. For certain interest rate swaps designated as hedging instruments that meet specific matching criteria, the amounts received or paid under such interest rate swap agreements are added to or deducted from the interest on the hedged assets or liabilities when paid.

(ii) Hedging instruments and hedged items

(Hedging instruments)

・Commodity-related: Commodity futures contracts / Commodity forward contracts
・Foreign exchange-related: Forward exchange contracts / Foreign currency swaps / Foreign currency options
・Interest rate-related: Interest rate swaps / Interest rate options

(Hedged items)

・Commodity-related: Forecasted transactions on commodity trading
・Foreign exchange-related: Foreign currency-denominated monetary assets and liabilities / Forecasted foreign currency transactions
・Interest-related: Borrowings

(iii) Hedging policy

The Company has internal policies to utilize the hedging instruments for the purpose of reducing exposures to the risk of fluctuations in commodity prices, foreign currencies and interest rates for its operating and financing activities.

(iv) Method of evaluating the effectiveness of hedging activities

The Company evaluates the effectiveness of its hedging activities by comparing accumulated fluctuations in prices or cash flows of the hedged items with those of the hedging instruments and examining the degree of their correlation.

(v) Others

Risk management is performed by the management division, which is independent of the trading section. Also, reporting to management is performed in accordance with the internal rules of the Company on a regular basis.

3) Deferred Assets

Bond issuance costs are amortized based on the interest method over the redemption period.

4) Application of the Group Tax Sharing System

The Group Tax Sharing System is applied.

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3. United States Dollar Amounts
The U.S. dollar amounts appearing in the non-consolidated financial statements and the notes thereto represent the arithmetical results of translating yen to dollars at the rate of ¥133.53 to U.S.$1.00, the exchange rate prevailing on March 31, 2023. The translation of such dollar amounts is solely for convenience of the readers outside Japan and does not imply those yen amounts have been or could be readily converted, realized or settled in dollars at the above, or any other rate.

4. Significant Accounting Estimates
(Deferred tax assets and deferred tax liabilities)

1) Amount reported on the financial statements for the current fiscal year (before offsetting)

	JPY		USD
	2023	2022	2023
Deferred tax assets	1,620	592	12,135
Deferred tax liabilities	2,923	2,487	21,895

2) Information on significant accounting estimates for the items identified

Deferred tax assets and liabilities are recognized for temporary differences that are the differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss carryforwards. They are measured at the tax rates applicable to the period in which the asset or the liability is expected to be recovered or settled, in accordance with tax laws that have been enacted at the Diet on or before the current fiscal year-end and based on tax rates specified in the tax laws.

The Company recognizes deferred tax assets to the extent that it believes that these assets will reduce taxable profits, when deductible temporary differences and tax loss carryforwards will reverse, and will reduce future tax payments. The recoverability of deferred tax assets is reviewed each period. In cases where it is considered that part or all of the deferred tax assets for deductible temporary differences and tax loss carryforwards no longer has the effect of reducing future tax payments, the unrecoverable amount of the deferred tax assets recognized is reversed. The amount deducted from deferred tax assets in prior years is also reviewed each period, and in cases where it is considered that the amount now has the effect of reducing future tax payments, the amount expected to be recovered is recognized as deferred tax assets. Future taxable profit is estimated using the performance forecasts based on reasonable assumptions that are approved by the Company's management.

Future taxable income including gross profit estimated is affected by fluctuations in various market trends and conditions in various countries around the world. Therefore, there is an uncertainty present in the assessment of the recoverability of deferred tax assets.
In addition, the timing and related availability of taxable and deductible temporary differences which can be used to offset taxable income could be affected by changes in the external environment and also management decisions based on changes in internal circumstances. These factors could result in an increase or a decrease in deferred tax assets.

5. Changes in Accounting Policies
(Application of "Implementation Guidance on Accounting Standard for Fair Value Measurement")
The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021 hereinafter the "Fair Value Measurement Guidance") from the beginning of the fiscal year, thereby prospectively applying the new accounting policies set out under the Fair Value Measurement Guidance in accordance with the transitional treatment set out under Paragraph 27-2 of the Fair Value Measurement Guidance.
The application of the Fair Value Measurement Guidance has no impact on the financial statements.

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6. Notes to Non-Consolidated Balance Sheet

*1. Details of Inventories are as follows:

	JPY		USD
	2023	2022	2023
Merchandise	51,256	39,167	383,861
Goods in transit	10,481	12,037	78,493
Work in progress	74	142	559

*2. Pledged assets and associated secured liabilities

There is no balance for pledged assets and associated secured liabilities for the fiscal years ended March 31, 2023 and March 31, 2022, but the following items are tendered as security deposit or substitution for trading.

	JPY		USD
	2023	2022	2023
Investments in securities	4,355	4,167	32,617

*3. Doubtful accounts

Those are receivables set out in Article 32, Paragraph 1, Item 10 of the Regulations.

*4. Contingent liabilities

(1) Liabilities for guarantees

The Company guarantees payments relating to financial institutions loans and business transactions of the following companies.

	2023			2022
	JPY	USD		JPY
Kanematsu (China)	6,189	46,355	Kanematsu (China)	5,798
Kanematsu USA	5,341	40,000	Kanematsu Korea	5,136
Kanematsu Korea	4,120	30,855	Kanematsu USA	3,671
Kanematsu GmbH	1,565	11,723	Kanematsu (Singapore)	2,302
KG Agri Products	1,128	8,450	KG Agri Products	840
Other	3,610	27,035	Other	3,080
Total	21,954	164,418	Total	20,830

(2) Legal proceedings

The details of legal proceedings are provided in *Notes to CONSOLIDATED FINANCIAL STATEMENTS: 33. Contingent Liabilities: (2) Legal proceedings: 2) Arbitration*.

*5. Discounted notes receivable

	JPY		USD
	2023	2022	2023
Discounted notes receivable	5,384	3,370	40,328

*6. Monetary receivables from and payables to subsidiaries and affiliates except for the balances presented separately in the non-consolidated balance sheet

	JPY		USD
	2023	2022	2023
Short-term monetary receivables	29,018	31,099	217,321
Short-term monetary payables	29,940	37,806	224,222
Long-term monetary payables	159	232	1,198

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
For the fiscal year ended March 31, 2023

7. Notes to Non-Consolidated Statement of Income
*1. Transactions with subsidiaries and affiliates

	JPY		USD
	2023	2022	2023
Revenue	75,204	76,649	563,207
Purchases	120,685	100,701	903,808
Non-operating transactions	10,307	10,471	77,191

*2. Cost of sales
Cost of sales includes direct costs such as storage charges, packing charges and freight charges.

*3. The percentage of selling expenses to total expenses is approximately 52% in the previous fiscal year and 52% in the current fiscal year.The percentage of general and administrative expenses to total expenses is approximately 48% in the previous fiscal year and 48% in the current fiscal year.
Details of selling, general and administrative expenses are as follows:

	JPY		USD
	2023	2022	2023
Employees’ salaries and allowances	4,983	4,789	37,320
Employees’ bonuses	3,210	1,553	24,041
Outsourcing service charges	2,925	2,142	21,908
Depreciation and amortization	715	529	5,361
Provision of allowance for doubtful accounts	19	24	143

8. Short-term Investments and Investments in Securities
Investments in securities
Equity securities in subsidiaries and affiliates with fair value

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

	Balance sheet amount		Fair value		Difference	
	JPY	USD	JPY	USD	JPY	USD
Shares in subsidiaries	78,586	588,530	169,062	1,266,099	90,475	677,569
Shares in affiliates	5,279	39,539	6,425	48,117	1,145	8,579
Total	83,866	628,069	175,487	1,314,217	91,621	686,147

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

	Balance sheet amount	Fair value	Difference
	JPY	JPY	JPY
Shares in subsidiaries	16,272	67,323	51,050
Shares in affiliates	5,279	10,732	5,452
Total	21,552	78,055	56,503

(Note) Balance sheet amount of equity securities without a market price not included in the table above

	JPY		USD
	2023	2022	2023
Shares in subsidiaries	55,096	57,226	412,613
Shares in affiliates	4,927	5,272	36,904

9. Deferred Taxes

1. Major components of deferred tax assets and deferred tax liabilities are as follows:

	JPY		USD
	2023	2022	2023
Deferred tax assets			
Allowance for doubtful accounts in excess of the limit for income tax deduction	866	860	6,488
Inventories	291	297	2,186
Investments in securities	3,214	2,755	24,074
Provision for bonuses	620	90	4,644
Tax losses carried forward	1,033	1,684	7,738
Other	822	635	6,161
Deferred tax assets subtotal	6,848	6,323	51,291
Valuation allowance related to tax losses carried forward	(865)	(1,521)	(6,483)
Valuation allowance related to total deductible temporary difference, etc.	(4,362)	(4,209)	(32,673)
Valuation allowance	(5,228)	(5,730)	(39,156)
Total deferred tax assets	1,620	592	12,135
Deferred tax liabilities			
Net gains (losses) on deferred hedges	(359)	(523)	(2,693)
Net unrealized gains on securities	(2,311)	(1,776)	(17,309)
Other	(252)	(187)	(1,893)
Total deferred tax liabilities	(2,923)	(2,487)	(21,895)
Net deferred tax assets	(1,303)	(1,894)	(9,760)

(Note) “Provision for bonuses” which was included in “Other” in the previous fiscal year is presented separately in the current fiscal year because the amount has increased in significance.

2. Major reconciliation items between the statutory effective tax rate and the effective income tax rate after the application of deferred tax accounting.

	2023	2022
Statutory effective tax rate	30.6%	30.6%
(Reconciliation)		
Permanent difference additions such as entertainment expenses	0.4%	0.2%
Permanent difference deductions such as dividend income	(30.7%)	(30.9%)
Change in valuation allowance	1.3%	2.9%
Other	(0.8%)	1.9%
Effective income tax rate	0.8%	4.6%

3. The accounting treatment of income taxes, local income taxes, and tax effect accounting.
From the beginning of the fiscal year ending March 31, 2023, the Group Tax Sharing System is applied. 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.

10. Revenue Recognition

The useful information for understanding revenue is provided in *Note 2. Summary of Significant Accounting Policies: (4) Revenue and Expense Recognition*.

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11. Subsequent Events
In the current fiscal year, the Company conducted a tender offer based on the Financial Instruments and Exchange Act for the common shares of its consolidated subsidiary Kanematsu Electronics Ltd., and acquired 90.71% of its shares as of March 20, 2023. In addition, as of March 31, 2023, the Company requested non-controlling interests of Kanematsu Electronics Ltd., based on Article 179, Paragraph 1 of the Companies Act, to sell all the shares they owned (9.29%) at ¥16,482 million ($123,436 thousand) as total amount, which was approved on the same day by the Board of Directors of Kanematsu Electronics Ltd.

As a demand for sale became effective, the Company acquired all shares of Kanematsu Electronics Ltd. as of May 9, 2023, and Kanematsu Electronics Ltd. became a wholly owned subsidiary of the Company.

12. Supplemental Schedules
(a) Schedules of Fixed Assets

(JPY)

Category	Type of assets	Balance at the beginning of the fiscal year	Amounts of increases	Amounts of decreases	Amounts of depreciation and amortization for the fiscal year	Balance at the end of the fiscal year	Balance of accumulated depreciation and amortization at the end of the fiscal year
Tangible fixed assets	Buildings	130	1,508	1	201	1,435	203
	Structures	0	—	0	—	—	—
	Machinery and equipment	50	192	12	23	207	130
	Vehicles	0	—	0	—	0	42
	Tools and fixtures	129	442	20	68	483	172
	Land	5	—	—	—	5	—
	Lease assets	314	229	0	191	351	454
	Construction in progress	98	—	98	—	—	—
	Total	729	2,371	131	485	2,484	1,003
Intangible assets	Software	731	159	8	230	652	—
	Telephone subscription rights	7	—	7	—	—	—
	Other	69	39	56	7	45	—
	Total	808	199	71	238	697	—

(USD)

Category	Type of assets	Balance at the beginning of the fiscal year	Amounts of increases	Amounts of decreases	Amounts of depreciation and amortization for the fiscal year	Balance at the end of the fiscal year	Balance of accumulated depreciation and amortization at the end of the fiscal year
Tangible fixed assets	Buildings	976	11,296	11	1,508	10,753	1,524
	Structures	0	—	0	—	—	—
	Machinery and equipment	381	1,440	90	178	1,553	978
	Vehicles	0	—	0	—	0	318
	Tools and fixtures	969	3,311	150	510	3,620	1,291
	Land	41	—	—	—	41	—
	Lease assets	2,357	1,715	1	1,437	2,636	3,401
	Construction in progress	735	—	735	—	—	—
	Total	5,461	17,763	987	3,633	18,603	7,512
Intangible assets	Software	5,481	1,195	60	1,730	4,886	—
	Telephone subscription rights	53	—	53	—	—	—
	Other	520	299	421	60	339	—
	Total	6,055	1,494	534	1,789	5,225	—

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(b) Schedules of Allowances / Provisions and Reserves

(JPY)

Account	Balance at the beginning of the fiscal year	Amounts of increases	Amounts of decreases	Balance at the end of the fiscal year
Allowance for doubtful accounts	2,809	40	20	2,829
Provision for stock benefits	284	146	47	383
Provision for loss on affiliated business	13	—	13	—
Other provisions	192	—	173	19

(USD)

Account	Balance at the beginning of the fiscal year	Amounts of increases	Amounts of decreases	Balance at the end of the fiscal year
Allowance for doubtful accounts	21,040	303	153	21,190
Provision for stock benefits	2,127	1,101	357	2,871
Provision for loss on affiliated business	97	—	97	—
Other provisions	1,440	—	1,296	144