

NIPPON CHEMI-CON CORPORATION

**REPORT OF CONSOLIDATED
FINANCIAL STATEMENTS**

As of and for the year ended
March 31, 2024

NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Balance Sheet
As of March 31, 2024

FINANCIAL HIGHLIGHTS
NIPPON CHEMI-CON CORPORATION

Five fiscal years ended March 31

	Millions of yen except for per share amounts				
	2024	2023	2022	2021	2020
Net sales	¥ 150,740	¥ 161,881	¥ 140,316	¥ 110,788	¥ 114,599
Profit (loss) attributable to owners of the parent company	¥ (21,291)	¥ 2,273	¥ (12,124)	¥ 2,038	¥ (5,926)
Profit (loss) per share:					
Basic	¥ (1,029.15)	¥ 112.09	¥ (597.88)	¥ 114.76	¥ (363.96)
Diluted	¥ -	¥ -	¥ -	¥ 114.63	¥ -
Net assets per share	¥ 1,776.97	¥ 2,478.43	¥ 2,190.33	¥ 2,544.62	¥ 2,422.68

	Thousands of U.S. dollars except for per share amounts				
	2024	2023	2022	2021	2020
Net sales	\$ 995,576	\$ 1,069,161	\$ 926,730	\$ 731,713	\$ 756,882
Profit (loss) attributable to owners of the parent company	\$ (140,619)	\$ 15,012	\$ (80,080)	\$ 13,464	\$ (39,140)
Profit (loss) per share:					
Basic	\$ (6.80)	\$ 0.74	\$ (3.95)	\$ 0.76	\$ (2.40)
Diluted	\$ -	\$ -	\$ -	\$ 0.76	\$ -
Net assets per share	\$ 11.74	\$ 16.37	\$ 14.47	\$ 16.81	\$ 16.00

- Notes:
1. Basic profit (loss) per share amounts are based on the average number of common shares outstanding during each year.
 2. Net assets per share amounts are based on the number of common shares outstanding at the end of each year.
 3. U.S. dollar amounts have been translated from yen at the rate of ¥151.41 = U.S. \$1, as referred to in Note 1 to the consolidated financial statements.
 4. Diluted earnings per share for the fiscal years 2020 and from 2022 to 2023 is not presented because dilutive stock was not existed and 2024 is not presented because of loss per share even dilutive is existed.

To Our Stakeholders



Norio Kamiyama

Overview of Operating Results

Looking at the global economy during the Fiscal Year Ended March 2024, in the USA, the economy benefitted from the firm consumer spending. On the other hand, in Europe, the overall sense of stagnation intensified due to the prolonged situation in Ukraine and the effects of monetary tightening, and in China, the pace of economic recovery slowed because of adjustments in the real estate market. In Japan, the economy trended towards a moderate recovery supported by solid demand for capital investment and a recovery in inbound demand, although corporate production activities were stagnant because of the global economic slowdown.

Looking at the market environment influencing the Nippon Chemi-Con Group, automotive electronics market remained firm. Automobile production activities normalized due to the easing of the semiconductor supply shortage, and demand for parts used in vehicle electrification also increased. On the other hand, the industrial equipment-related market remained stagnant overall due to sluggish capital investment due to the deterioration of business confidence in China. In the ICT-related market, the downturn after the special demand caused by the COVID-19 pandemic was larger than expected, and inventory adjustments for PCs, servers for data centers, and other products were prolonged.

Amid this operating environment, our Group steadily advanced the policies outlined in our 10th Medium-term Management Plan. We focused on expanding sales of high-value-added products targeting our strategic markets such as automotive electronics and ICT. We worked to expand sales of hybrid capacitors and coil products that are expected to be used in on-board chargers for electric vehicles. At the same time, to improve profitability, we stopped production of some of our products, which had been a factor in increasing costs, and promoted the transition to products with higher production efficiency.

Our product development efforts included the development of the HXK series of conductive polymer hybrid aluminum electrolytic capacitors for automotive applications that offer both the highest capacity in the industry and higher ripple current than conventional products. We also enhanced our competitiveness in strategic markets by expanding the selection of sizes of radial lead type aluminum electrolytic capacitors that are used in applications such as power supplies for digital home appliances.

In addition, as part of our capital policy, we concluded an investment agreement with Japan Industrial Solutions III Investment Limited Partnership and raised a total of 15 billion yen through third-party allotment of class shares. We also concluded an investment agreement with Samyoung Electronics Co., Ltd., and raised 2.4 billion yen through third-party allotment of common shares. The proceeds will be used to finance capital investment in growth areas under the medium-term management plan, such as the construction of a manufacturing building to increase production capacity for hybrid capacitors, where demand is expected to increase in the future.

As a result of these efforts, consolidated earnings for the fiscal year ended March 2024 resulted in net sales of 150,740 million yen (down 6.9% YoY), operating income of 9,422 million yen (down 27.2% YoY), and ordinary income of 7,913 million yen (down 28.0% YoY). Furthermore, net losses attributable to owners of parent was 21,291 million yen (previous fiscal year resulted in profit attributable to owners of parent of 2,273 million yen), having recorded extraordinary losses related antitrust law.

It is with sincere regret that we have decided to forego issuing a year-end dividend on common share for the consolidated fiscal year ended March 2024. We offer our deepest apologies to our shareholders.

Operating Results by Division

Status by business division for FY2023 is as follows.

1. Capacitors (141,082 million yen, 93.6% of total sales)

Division net sales decreased by 5.5% YoY due to decreased demand in the ICT market and industrial equipment market.

2. Mechanical Parts and Other Parts (3,500 million yen, 2.3% of total sales)

Division net sales decreased by 22.2% YoY due to decreased demand for CMOS camera modules and inductors (coils).

3. Capacitor Materials (4,615 million yen, 3.1% of total sales)

Division net sales decreased by 19.5% YoY due to decreased demand for electrode foils used in aluminum electrolytic capacitors.

4. Other Products (1,541 million yen, 1.0% of total sales)

Division net sales decreased by 34.3% YoY due to decreased demand for resale products.

Outlook for Fiscal 2024

Looking ahead, the domestic economy is projected to trend towards a mild recovery. An improved economy is expected to benefit from consumer spending thanks to an improved employment and income conditions. Looking at the global economy overall, however, there remains the risk of economic downturn due to the impact of monetary tightening policies in Europe and the United States and geopolitical risks such as the situation in the Middle East and Ukraine. As a result, we project the operating environment influencing the Nippon Chemi-Con Group will continue to lack certainty. In addition, as sustainability initiatives become a central issue in corporate management, companies are expected to contribute to solving social issues through their business activities. Increasing importance is being placed on carbon neutrality and other initiatives to reduce environmental load amid increasing global concerns of climate risks.

For the market environment influencing the Group, demand is expected to increase in automotive electronics market due to an increase in automobile production and in number of parts per vehicle due to continued vehicle electrification and computerization. Demand is expected to recover in ICT market, including demand for personal computers. A rapid growth in generated AI servers and an end to inventory adjustment of conventional servers are expected. In the industrial equipment market, labor saving investment and recovery in semiconductor manufacturing equipment are also expected in the second half of the fiscal year.

Our Group will continue to steadily implement each of the key measures in our 10th Medium-term Management Plan to transform itself into a highly profitable business structure. Among the five strategic markets, the automotive electronics market, the ICT market and the industrial equipment market will be positioned as the most important strategic markets, and we will conduct sales expansion activities of high-value-added products, mainly hybrid capacitors, for growth fields such as electric vehicles and AI servers. In addition, we will further improve profitability by thoroughly implementing TPM (Total Productive Management) at production plants and introducing production execution systems.

July 5, 2024



Norio Kamiyama
President

NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Balance Sheet
As of March 31, 2024

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Current assets:			
Cash and deposits (Note 3)	¥ 45,300	¥ 26,141	\$ 299,193
Notes and accounts receivable-trade (Note 4)	25,853	32,555	170,752
Inventories (Note 5)	29,154	33,003	192,553
Accounts receivable-other	3,714	5,356	24,531
Other current assets	849	761	5,613
Less allowance for doubtful accounts	(58)	(59)	(385)
Total current assets	<u>104,815</u>	<u>97,758</u>	<u>692,260</u>
Fixed assets:			
Property, plant and equipment:			
Buildings and structures	45,276	43,743	299,033
Machinery, equipment and others	158,800	150,850	1,048,812
Land	6,966	6,946	46,010
Lease assets	1,607	1,568	10,619
Right-of-use assets	5,225	4,615	34,510
Construction in progress	8,470	3,306	55,946
Sub total	<u>226,347</u>	<u>211,030</u>	<u>1,494,931</u>
Less accumulated depreciation	<u>(178,563)</u>	<u>(169,149)</u>	<u>(1,179,334)</u>
Property, plant and equipment, net	<u>47,784</u>	<u>41,880</u>	<u>315,597</u>
Intangible fixed assets	2,339	2,146	15,450
Investments and other assets :			
Investment securities (Notes 6 and 14)	14,649	18,318	96,752
Deferred tax assets (Note 8)	1,307	1,224	8,633
Other	2,043	1,431	13,496
Less allowance for doubtful accounts	(17)	(17)	(116)
Total investments and other assets	<u>17,982</u>	<u>20,957</u>	<u>118,766</u>
Total fixed assets	<u>68,106</u>	<u>64,983</u>	<u>449,814</u>
Total assets	<u>¥ 172,921</u>	<u>¥ 162,741</u>	<u>\$ 1,142,074</u>

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

Consolidated Balance Sheet
As of March 31, 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Liabilities and Net Assets			
Current liabilities:			
Notes and accounts payable-trade	¥ 7,143	¥ 9,850	\$ 47,177
Electronically recorded obligations	6,453	7,569	42,625
Short-term debt (Note 7)	46,560	23,698	307,515
Lease obligations (Short-term)	810	1,086	5,349
Accounts payable-other	7,501	8,932	49,542
Income taxes payable	1,161	1,206	7,670
Accrued expenses	2,254	2,890	14,890
Bonus reserve	1,231	1,877	8,132
Notes payable-equipment	181	139	1,199
Other current liabilities	1,719	1,929	11,357
Total current liabilities	<u>75,017</u>	<u>59,181</u>	<u>495,459</u>
Long-term liabilities:			
Long-term debt (Note 7)	38,904	42,022	256,947
Lease obligations (Long-term)	3,120	3,402	20,609
Deferred tax liabilities (Note 8)	233	769	1,544
Net defined benefit liability (Note 10)	-	3,784	-
Other long-term liabilities	2,034	2,903	13,437
Total long-term liabilities	<u>44,293</u>	<u>52,881</u>	<u>292,539</u>
Total liabilities	<u>119,310</u>	<u>112,062</u>	<u>787,998</u>
Net assets:			
Shareholders' equity			
Common stock			
Authorized 55,000,000 shares in 2024 and 39,613,200 shares in 2023			
issued and outstanding, 21,939,933 shares in 2024 and 20,314,833 in 2023	5,452	24,310	36,011
Capital surplus	57,487	21,224	379,680
Retained earnings	(26,702)	(5,411)	(176,360)
Treasury shares (Note 12)	(917)	(110)	(6,057)
Total shareholders' equity	<u>35,320</u>	<u>40,012</u>	<u>233,274</u>
Accumulated other comprehensive income			
Net unrealized gains on securities	(8)	1,314	(57)
Foreign currency translation adjustments	11,790	7,322	77,874
Remeasurements of defined benefit plans	5,994	1,607	39,593
Total accumulated other comprehensive income	<u>17,777</u>	<u>10,244</u>	<u>117,410</u>
Non-controlling interests	513	421	3,391
Total net assets	<u>53,610</u>	<u>50,678</u>	<u>354,076</u>
Total liabilities and net assets	<u>¥ 172,921</u>	<u>¥ 162,741</u>	<u>\$ 1,142,074</u>

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

Consolidated Statement of Operations
For the year ended March 31,2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Net sales	¥ 150,740	¥ 161,881	\$ 995,576
Cost of sales	118,875	124,954	785,120
Gross profit	31,865	36,927	210,455
Selling, general and administrative expenses (Notes 15 and 16)	22,442	23,987	148,224
Operating income	9,422	12,939	62,231
Non-operating income:			
Interest income	140	91	925
Dividend income	82	134	543
Foreign exchange gains	85	-	564
Equity in earnings of affiliated companies	508	619	3,356
Other	77	61	510
Total non-operating income	893	906	5,900
Non-operating expenses:			
Interest expenses	1,472	1,001	9,725
Financing expenses	687	636	4,537
Foreign exchange losses	-	1,115	-
Other	242	98	1,599
Total non-operating expenses	2,401	2,852	15,862
Ordinary income	7,913	10,994	52,268
Extraordinary income:			
Gain on sales of property, plant and equipment (Note 17)	4	0	31
Gain on sales of investment securities (Note 17)	2,686	-	17,746
Total extraordinary income	2,691	0	17,778
Extraordinary loss:			
Loss on disposal of property, plant and equipment (Note 18)	43	55	286
Loss on antitrust law (Note 25 (1))	29,604	6,409	195,525
Total extraordinary loss	29,647	6,465	195,811
Profit (loss) before income taxes	(19,041)	4,528	(125,764)
Income taxes (Note 8):			
Current	2,209	1,857	14,594
Deferred	9	320	62
	2,219	2,177	14,656
Profit (loss)	(21,261)	2,350	(140,421)
Profit (loss) attributable to non-controlling interests	29	77	198
Profit (loss) attributable to owners of parent	¥ (21,291)	¥ 2,273	\$ (140,619)

Profit (loss) per share:	Yen		U.S. dollars (Note 1)
	2024	2023	2024
Basic	¥ (1,029.15)	¥ 112.09	\$ (6.80)

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

NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Statement of Comprehensive Income
For the year ended March 31, 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Profit (loss)	¥ (21,261)	¥ 2,350	\$ (140,421)
Other comprehensive income			
Net unrealized holding gains on securities	(1,308)	425	(8,645)
Foreign currency translation adjustments	4,518	3,402	29,842
Remeasurements of defined benefit plans	4,395	(226)	29,027
Share in other comprehensive income of affiliated companies accounted for using the equity method	(10)	(8)	(68)
Total other comprehensive income (Note 20)	7,594	3,592	50,155
Comprehensive income	¥ (13,667)	¥ 5,943	\$ (90,265)
Attributable to:			
Owners of parent	(13,758)	5,819	(90,872)
Non-controlling interests	91	124	606

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

Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2024

Shareholders' equity (Note 11)					
Millions of yen					
	Common stock	Capital surplus	Retained earnings	Treasury shares (Note 12)	Total shareholders' equity
Balance at April 1, 2023	¥ 24,310	¥ 21,224	¥ (5,411)	¥ (110)	¥ 40,012
Changes of items during year					
Issuance of new shares	8,702	8,702			17,405
Transfer from common stocks to capital surplus	(27,560)	27,560			-
Profit (loss) attributable to owners of parent			(21,291)		(21,291)
Purchase of treasury shares				(2)	(2)
Share of parent company held by equity method affiliated company				(803)	(803)
Net changes of items other than shareholders' equity					
Total changes of items during year	(18,858)	36,263	(21,291)	(806)	(4,692)
Balance as of March 31, 2024	¥ 5,452	¥ 57,487	¥ (26,702)	¥ (917)	¥ 35,320

Accumulated other comprehensive income (Note 19)						
Millions of yen						
	Net unrealized gains on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non- controlling interests	Total net assets
Balance at April 1, 2023	¥ 1,314	¥ 7,322	¥ 1,607	¥ 10,244	¥ 421	¥ 50,678
Changes of items during year						
Issuance of new shares						17,405
Transfer from common stocks to capital surplus						-
Profit (loss) attributable to owners of parent						(21,291)
Purchase of treasury shares						(2)
Share of parent company held by equity method affiliated company						(803)
Net changes of items other than shareholders' equity	(1,323)	4,468	4,387	7,532	91	7,623
Total changes of items during year	(1,323)	4,468	4,387	7,532	91	2,931
Balance as of March 31, 2024	¥ (8)	¥ 11,790	¥ 5,994	¥ 17,777	¥ 513	¥ 53,610

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

NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2024

	Shareholders' equity (Note 11)				
	Thousands of U.S. dollars (Note 1)				
	Common stock	Capital Surplus	Retained earnings	Treasury shares (Note 12)	Total shareholders' equity
Balance at April 1, 2023	\$ 160,561	\$ 140,176	\$ (35,741)	\$ (732)	\$ 264,264
Changes of items during year					
Issuance of new shares	57,476	57,476			114,953
Transfer from common stocks to capital surplus	(182,026)	182,026			-
Profit (loss) attributable to owners of parent			(140,619)		(140,619)
Purchase of treasury shares				(18)	(18)
Share of parent company held by equity method affiliated company				(5,305)	(5,305)
Net changes of items other than shareholders' equity					
Total changes of items during year	<u>(124,549)</u>	<u>239,503</u>	<u>(140,619)</u>	<u>(5,324)</u>	<u>(30,989)</u>
Balance as of March 31, 2024	<u>\$ 36,011</u>	<u>\$ 379,680</u>	<u>\$ (176,360)</u>	<u>\$ (6,057)</u>	<u>\$ 233,274</u>

	Accumulated other comprehensive income (Note 19)					
	Thousands of U.S. dollars (Note 1)					
	Net unrealized gains on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2023	\$ 8,684	\$ 48,360	\$ 10,618	\$ 67,663	\$ 2,785	\$ 334,712
Changes of items during year						
Issuance of new shares						114,953
Transfer from common stocks to capital surplus						-
Profit (loss) attributable to owners of parent						(140,619)
Purchase of treasury shares						(18)
Share of parent company held by equity method affiliated company						(5,305)
Net changes of items other than shareholders' equity	<u>(8,741)</u>	<u>29,513</u>	<u>28,975</u>	<u>49,747</u>	<u>606</u>	<u>50,353</u>
Total changes of items during year	<u>(8,741)</u>	<u>29,513</u>	<u>28,975</u>	<u>49,747</u>	<u>606</u>	<u>19,363</u>
Balance as of March 31, 2024	<u>\$ (57)</u>	<u>\$ 77,874</u>	<u>\$ 39,593</u>	<u>\$ 117,410</u>	<u>\$ 3,391</u>	<u>\$ 354,076</u>

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

Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2024

	Shareholders' equity (Note 11)				
	Millions of yen				
	Common stock	Capital surplus	Retained earnings	Treasury shares (Note 12)	Total shareholders' equity
Balance at April 1, 2022	¥ 24,310	¥ 21,224	¥ (7,684)	¥ (108)	¥ 37,741
Changes of items during year					
Profit (loss) attributable to owners of parent			2,273		2,273
Purchase of treasury shares				(2)	(2)
Net changes of items other than shareholders' equity					
Total changes of items during year			2,273	(2)	2,270
Balance as of March 31, 2023	¥ 24,310	¥ 21,224	¥ (5,411)	¥ (110)	¥ 40,012

	Accumulated other comprehensive income (Note 19)					
	Millions of yen					
	Net unrealized gains on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2022	¥ 904	¥ 3,970	¥ 1,800	¥ 6,676	¥ 297	¥ 44,715
Changes of items during year						
Profit (loss) attributable to owners of parent						2,273
Purchase of treasury shares						(2)
Net changes of items other than shareholders' equity	410	3,351	(193)	3,568	124	3,692
Total changes of items during year	410	3,351	(193)	3,568	124	5,963
Balance as of March 31, 2023	¥ 1,314	¥ 7,322	¥ 1,607	¥ 10,244	¥ 421	¥ 50,678

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

NIPPON CHEMI-CON CORPORATION and its consolidated subsidiaries

Consolidated Statement of Cash Flows
For the year ended March 31, 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Cash flows from operating activities:			
Profit (loss) before income taxes	¥ (19,041)	¥ 4,528	\$ (125,764)
Depreciation and amortization	6,762	6,332	44,666
Loss on antitrust laws	29,604	6,409	195,525
(Decrease) increase in net defined benefit liability	(416)	(615)	(2,751)
(Decrease) increase in allowance for doubtful accounts	(9)	49	(64)
Interest and dividend income	(222)	(225)	(1,468)
Interest expenses	1,472	1,001	9,725
Foreign exchange loss (gain)	(72)	(359)	(478)
Equity in earnings of affiliated companies	(508)	(619)	(3,356)
Loss (gain) on disposal of property, plant and equipment, net	38	55	254
Loss (gain) on sale of investment securities	(2,686)	-	(17,746)
(Increase) decrease in notes and accounts receivable	8,425	(319)	55,646
(Increase) decrease in inventories	6,065	246	40,057
(Decrease) increase in notes and accounts payable	(5,802)	(182)	(38,324)
(Decrease) increase in accounts payable – other	(1,368)	(663)	(9,039)
Other	1,093	3,107	7,223
Sub total	<u>23,332</u>	<u>18,747</u>	<u>154,104</u>
Interest and dividends received	426	422	2,813
Interest paid	(1,452)	(985)	(9,591)
Income taxes paid	(2,358)	(1,906)	(15,575)
Payments related to antitrust laws	(32,907)	(21,140)	(217,342)
Net cash provided by (used in) operating activities	<u>(12,959)</u>	<u>(4,862)</u>	<u>(85,590)</u>
Cash flows from investing activities:			
Purchase of property, plant and equipment	(8,911)	(6,257)	(58,858)
Proceeds from sales of property, plant and equipment	5	0	39
Purchase of intangible fixed assets	(553)	(571)	(3,657)
Proceeds from sale of investment securities	4,576	-	30,225
Payments of loans receivable	(5)	(13)	(36)
Collections of loans receivable	9	14	65
Other	61	(6)	404
Net cash provided by (used in) investing activities	<u>(4,817)</u>	<u>(6,834)</u>	<u>(31,817)</u>
Cash flows from financing activities:			
Net increase (decrease) in short-term debt	28,791	(8,323)	190,153
Proceeds from long-term debt	5,550	23,000	36,655
Repayments of long-term debt	(14,867)	(3,355)	(98,194)
Proceeds from issuance of shares	17,405	-	114,953
Repayments of lease obligations	(1,205)	(1,179)	(7,959)
Purchase of treasury shares	(2)	(2)	(18)
Proceeds from sale and installment back transactions	-	2,000	-
Repayments of installment payables	(249)	(89)	(1,645)
Net cash provided by (used in) financing activities	<u>35,421</u>	<u>12,049</u>	<u>233,943</u>
Effect of exchange rate changes on cash and cash equivalents	1,514	1,029	10,005
Net increase (decrease) in cash and cash equivalents	<u>19,159</u>	<u>1,381</u>	<u>126,540</u>
Cash and cash equivalents at beginning of year	<u>26,135</u>	<u>24,754</u>	<u>172,617</u>
Cash and cash equivalents at end of year (Note 3)	<u>¥ 45,295</u>	<u>¥ 26,135</u>	<u>\$ 299,157</u>

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

1. Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Nippon Chemi-Con Corporation (the "Company") and its subsidiaries. The Company and its domestic subsidiaries maintain their accounts in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of the Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥151.41 = U.S. \$1, the rate of exchange on March 31, 2024 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this or any other rates.

As permitted by the Japanese Financial Instruments and Exchange Law, amounts presented in millions of yen are rounded down to the nearest complete million yen. The U.S. dollar amounts shown are equivalent to the Japanese yen amounts as rounded, translated at the rate stated above and then rounded down to the nearest complete thousand dollars.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. The accounts of certain subsidiaries are included in the consolidated financial statements on the basis of a December 31 fiscal year end. These financial statements are prepared in conformity with financial accounting standards in Japan which require elimination of intercompany accounts and transactions.

The number of consolidated subsidiaries and an affiliated company is as follows:

	<u>2024</u>
Consolidated subsidiaries	19
Affiliated company	1

Investments in all affiliated companies, with minor exceptions, are stated at their underlying equity value. The fiscal year end of the affiliated company is December 31, and the financial statements for that date are used, as the basis of the consolidated financial statements.

CHEMI-CON MACHINERY CORP. which was a consolidated subsidiary was merged with CHEMI-CON EAST JAPAN CORP. at October 1, 2023, due to promoting strengthened coordination between equipment design for aluminum electrolytic capacitor and production engineering department. And CHEMI-CON NAGAOKA CORP. which was a consolidated subsidiary was merged with CHEMI-CON YAMAGATA at October 1, 2023, due to improving productivity of DLCAP™ and promote streamlining of

staff section.

At the same time, CHENI-CON YAMAGATA CORP. changed the name to CHEMI-CON DEVICE CORP.

(2) Financial Instruments

1) Securities

Other securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in net assets at a net-of-tax amount.

Other securities for which market quotations are unavailable are stated at cost, except as stated in the paragraph below.

In cases where the fair value of equity securities issued by unconsolidated subsidiaries and affiliates, or other securities has declined significantly and such impairment of value is not deemed temporary, those securities are written down to the fair value and the resulting losses are included in the net profit or loss for the period. The cost of securities sold is determined by the moving average method.

2) Derivatives

All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise. However, for interest rate swap contracts meeting certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is, as permitted under the "Accounting Standard for Financial Instruments", added to or deducted from the interest on the assets or liabilities for which the swap contract is executed.

(3) Inventories

Merchandise and supplies are stated at cost, determined by the last purchase price method, but written down based on the declines in profitability.

Inventories other than merchandise and supplies are stated at cost, but written down based on the declines in profitability. In determining cost, either the total average method or the first-in, first-out method for finished goods and work in process, and either the first-in first-out method or the last purchase price method for raw materials are used.

(4) Depreciation and Amortization

Depreciation for property, plant and equipment (except for lease assets and right-of use assets) is computed primarily using the straight-line method over the estimated useful lives of the assets. The main useful lives are as follows.

Buildings: From 2 years through 41 years

Machinery, equipment: From 2 years through 10 years

Amortization for the intangible assets (except for lease assets) are computed primarily using the straight-line method over the estimated useful lives of the assets. Internal used software is amortized for 5 years using the straight-line method.

Finance lease assets that transfer ownership are depreciated or amortized as the same method as property, plant and

equipment is adopted. Finance lease assets that do not transfer ownership are depreciated or amortized on a straight-line basis over the period of the lease with no residual value. Right-of-use assets are depreciated or amortized on a straight-line basis over the period of the lease with no residual value.

(5) Allowance for Doubtful Accounts

The Company and its consolidated subsidiaries provide an allowance for doubtful accounts using a percentage of their own actual experience of bad debt loss against the balance of total receivables plus the amount deemed necessary to cover individual accounts estimated to be uncollectible.

(6) Bonus Reserve

The Company, its domestic consolidated subsidiaries and certain overseas consolidated subsidiaries provide for estimated bonus payments attributable to the services provided by the employees during the year.

(7) Retirement Benefit

The retirement benefit obligations for employees are attributed to each period by the benefit formula method.

Prior service costs are amortized on a straight-line basis over the period, the average remaining year of service of employees from the year in which they arise. Actuarial differences are amortized on a straight-line basis over the period, the average remaining year of service of employees from the year following the year in which they arise.

Unrecognized prior service costs and unrecognized actuarial differences are included in remeasurements of defined benefit plans under accumulated other comprehensive income in net assets after the tax effect adjustment.

(8) Significant Hedge Accounting

1) Hedge accounting

The Interest swap agreements meeting the requirements for exceptional accounting method are accounted for using the exceptional accounting method.

2) Hedging instruments and hedged items

Hedging instruments

Interest swap

Hedged items

Interest of debts

3) Hedge policy

The Company and its consolidated subsidiaries enter into interest swap agreements to hedge risks from fluctuation in interest rate of debts. The hedged items are assessed for each agreement.

4) Assessment of hedge effectiveness

Assessment of hedge effectiveness of interest swap agreements are omitted as permitted under the exceptional accounting method.

(9) Foreign Currency Translation

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in the net profit or loss for the period.

Assets and liabilities of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.

Shareholders' equity at the beginning of the year is translated into Japanese yen at historical rates. Profit and loss accounts for the year are translated into Japanese yen using the average rate during the year. Differences in the yen amounts, arising from the use of different rates, are presented as "Foreign currency translation adjustments" and "Non-controlling interests" in Net Assets.

(10) Income Taxes

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants' taxes and enterprise taxes. The Company and its wholly-owned domestic subsidiaries adopt the Japanese Group Relief System. Deferred income taxes are provided for in respect of temporary differences between the tax basis of assets, liabilities and those as reported in the consolidated financial statements.

(11) Consumption Taxes

Consumption taxes are excluded from presentation of sales, cost of sales, income and expenses.

(12) Profit and Net assets per Share

1) Basic profit (loss) per share amounts are based on the average number of common shares outstanding during each year. On the other hand, net assets per share amounts are based on the number of common shares outstanding at the end of each year.

	yen		U.S. dollars (Note 1)
	<u>2024</u>	2023	<u>2024</u>
Basic profit (loss) per share	¥ (1,029.15)	¥ 112.09	\$ (6.80)
Net assets per share	¥ 1,776.97	¥ 2,478.43	\$ 11.74

2) Basic profit (loss) per share are as below

	Millions of yen		Thousands of U.S. dollars (Note 1)
	<u>2024</u>	2023	<u>2024</u>
Basic profit (loss) per share			
Profit (loss) attributable to owners of parent	¥ (21,291)	¥ 2,273	\$ (140,421)

Amount non-attributable to common shareholders	-	-	-
(Within preferred dividends)	-	-	-
Profit (loss) attributable to owners of parent for common shareholders	(21,291)	2,273	(140,421)
The average number of shares outstanding during the period (Thousands of number shares)	20,688	20,278	20,688

Because the funding of preferred dividend for the current consolidated fiscal year to preferred owners is capital surplus, the preferred dividend was not deducted from profit (loss) attributable to owners of parent.

3) Net asset per share are as below

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Net asset	¥ 53,610	¥ 50,678	\$ 354,076
Deduction from net asset	15,657	421	103,412
(Within paid preferred share)	(15,000)	-	(99,068)
(Within preferred dividends)	(144)	-	(952)
(Within non-controlling interests)	(513)	(421)	(3,391)
Amount attributable to common share	37,952	50,257	250,663
The number of shares at end of year to use as computation (Thousands of number shares)	21,358	20,277	21,358

(13) Research and Development Expense and Computer Software

Research and development expense are charged to income when incurred. Expenditure relating to computer software developed for internal use is charged to income when incurred, except where it contributes to the generation of income or future cost savings. Such expenditure is capitalized as an intangible fixed asset and is amortized using the straight-line method over its estimated useful life of 5 years.

(14) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows comprise cash on hand, bank deposits which can be withdrawn on demand and short-term investments with an original maturity of 3 months or less and which represent a minor risk of fluctuations in value.

(15) Significant Accounting Estimates

Recoverability of Deferred Tax Assets

- 1) The amount of deferred tax assets presented on the consolidated balance sheet at March 31, 2023 and 2024 is ¥1,224 million and ¥1,307 million (US\$8,633 thousands), respectively.
- 2) Details of significant accounting estimates related to the identified items

i) Calculation method

The Company determines the recoverability of deferred tax assets for deductible temporary differences and

tax loss carryforwards by estimating taxable income for next year. Estimate of taxable income for next year is calculated based on the business plan for next year.

ii) Significant assumptions

The significant assumptions in the business plan for next year are sales volume and sales price.

iii) Impact on financial statements for the following year

Recoverability of deferred tax assets depends on estimation of taxable income in the future. Therefore, if the conditions and the assumptions are changed and the estimated taxable income in the future is reduced, there is the possibility of reducing the deferred tax assets.

(16) Standards for recording important income and expenses

The Company's main businesses are manufacturing and selling of capacitors, and revenues are recognized at the time of product delivery. They are recognized when the customers obtain control of the product at the time of delivery or the performance obligation is satisfied. Regarding domestic sales of goods or products, the alternative method (stipulated in the Paragraph 98 of "Guidelines for Applying Accounting Standards for Revenue Recognition" Corporate Accounting Standards Application Guideline No. 30, March 26, 2021) is applied. If the period from the time of shipment to the time of transferring control is considered normal in light of the business practice of the Company, revenues are recognized at the time of shipment.

Revenue is measured by deducting returns, discounts, rebates, etc. from the consideration promised in the contract with the customer.

The consideration for the transactions is received within one year after the performance obligation is satisfied, and it does not include important financial elements.

3. Unapplied accounting standards

The Practical Solution No.46, the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules.

(1) Overview

In October 2021, each participating country of the Organization for Economic Cooperation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) agreed on global minimum taxation.

In response to this, the treatment of the income inclusion rule (IIR), which is one of the internationally agreed global minimum tax rules, was established in Japan in the Act to partially amend the income tax act (Act No. 3 of 2023), which was enacted on March 28, 2023, and is to be applied from the fiscal year starting on or after April 1, 2024.

Global minimum taxation aims to impose a minimum corporate tax rate of 15% on the profits of multinational corporate groups that meet certain requirements.

This new tax system is designed to be applied to the companies that generate the net income (profits) as a source of the tax and the companies that pay the tax are different.

The Accounting for and Disclosure of Current Taxes Related to the global Minimum Tax Rules related to the global minimum taxation system shows the accounting and disclosure treatment of the Corporate tax and local corporate tax related to the global minimum taxation system.

(2) Scheduled application date

It will be applied from the beginning of the fiscal year ending March 2025.

(3) Impact of the application of the accounting standards, etc.

The impact on the consolidated financial statements of the application of the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules is currently being evaluated.

4. Cash and Cash Equivalents

Reconciliation of cash and cash equivalents to the amount presented on the consolidated balance sheet at March 31, 2024 and 2023 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Cash and deposits	¥ 45,300	¥ 26,141	\$ 299,193
Time deposits with a deposit term of over 3 months	(5)	(5)	(36)
Cash and cash equivalents	¥ 45,295	¥ 26,135	\$ 299,157

5. Notes and accounts receivable-trade

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Notes receivable-trade	¥ 1,105	¥ 1,595	\$ 7,303
Accounts receivable-trade	24,747	30,959	163,449
Notes and accounts receivable-trade	¥ 25,853	¥ 32,555	\$ 170,752

(1) Notes receivable-trade matured as of the consolidated fiscal year

Notes receivable-trade matured as of the consolidated fiscal year is settled by day of clearance. The following notes receivable-trade was included in the consolidated balance sheet of the current consolidated fiscal year due to a holiday of financial institutions.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Notes receivable-trade	¥ 2	¥ -	\$ 19
Notes payable-trade	69	-	461
Notes payable-equipment	¥ 37	¥ -	\$ 250

6. Inventories

Inventories at March 31, 2024 and 2023 comprised of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Finished goods and merchandise	¥ 11,186	¥ 14,308	\$ 73,879
Work-in-process	11,731	11,752	77,484
Raw materials and supplies	6,236	6,942	41,190
Total	¥ 29,154	¥ 33,003	\$ 192,553

7. Investment Securities

At March 31, 2024 and 2023, the acquisition cost, fair value and unrealized gains or losses of investment securities, whose fair value is available, are as follows:

	Millions of yen							
	2024				2023			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Fair value	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Fair value
Other securities:								
Equity securities	¥ -	¥ -	¥ -	¥ -	¥ 1,985	¥ 1,849	¥ 59	¥ 3,776
Total	¥ -	¥ -	¥ -	¥ -	¥ 1,985	¥ 1,849	¥ 59	¥ 3,776

Thousands of U.S. dollars (Note 1)

	2024			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Fair value
Other securities:				
Equity securities	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -

8. Short-Term and Long-Term Debt

The weighted average interest rates applicable to loans for the years ended March 31, 2024 and 2023 are 1.92% and 1.82%, respectively.

Short-term debt at March 31, 2024 and 2023 comprised of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Bank loans and overdrafts	¥ 37,893	¥ 8,830	\$ 250,268
Current portion of long-term debt	8,667	14,867	57,245
Current lease obligations	810	1,086	5,349
Total	¥ 47,370	¥ 24,784	\$ 312,864

Long-term debt at March 31, 2024 and 2023 comprised of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Loans:			
Loans, principally from banks and insurance companies due from 2024 to 2028 with interest rates ranging from 0.76% to 6.16%	¥ <u>47,572</u>	¥ 56,889	\$ <u>314,193</u>
	<u>47,572</u>	56,889	<u>314,193</u>
Less: current portion	<u>(8,667)</u>	(14,867)	<u>(57,245)</u>
Lease obligations (Long-term)			
Lease, principally due from 2024 to 2045	<u>3,120</u>	3,402	<u>20,609</u>
Total	¥ <u>42,024</u>	¥ 45,424	\$ <u>277,556</u>

Note: (1) The Company has a syndicate loan contract, a term loan contract and a commitment line with financial institutions. These include financial covenants referring to certain indices that are computed based on the consolidated balance sheet, etc.

(2) Here is the 5yeras redemption schedule after consolidated closing day.

	Lease obligations (Long-term)		
	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
2025	¥ 512	¥ 656	\$ 3,383
2026	299	416	1,979
2027	248	244	1,639
2028	234	212	1,549

9. Income Taxes

The Company is subject to various taxes based on income which, in aggregate, resulted in a statutory tax rate of approximately 30.62 % for the year ended March 31, 2024.

Significant components of deferred tax assets and liabilities as at March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Deferred tax assets:			
Net defined benefit liability	¥ 726	¥ 999	\$ 4,799
Bonus reserve	296	499	1,955
Tax loss carryforwards	11,531	6,423	76,162
Loss on devaluation of inventories	153	171	1,012
Accrued expenses	231	367	1,528
Unrealized gain on inventories	210	187	1,390
Accounts payable-other	82	245	543
Other	568	558	3,753
Total gross deferred tax assets	<u>13,800</u>	9,451	<u>91,145</u>
Valuation allowance for tax loss carryforwards	(10,814)	(6,066)	(71,426)
Valuation allowance for total deductible temporary differences	<u>(475)</u>	(1,008)	<u>(3,140)</u>
Subtotal of valuation allowance ²	<u>(11,290)</u>	<u>(7,075)</u>	<u>(74,566)</u>

Total deferred tax assets	<u>2,510</u>	<u>2,376</u>	<u>16,578</u>
Deferred tax liabilities:			
Net unrealized gains on securities	-	(548)	-
Depreciation recorded by foreign subsidiaries	(269)	(266)	(1,778)
Undistributed earnings of foreign subsidiaries	(1,162)	(1,066)	(7,679)
Other	(4)	(40)	(31)
Total deferred tax liabilities	<u>(1,436)</u>	<u>(1,921)</u>	<u>(9,489)</u>
Net deferred tax assets	<u>¥ 1,073</u>	<u>¥ 454</u>	<u>\$ 7,089</u>

- Notes: 1. Valuation allowance increased by ¥4,215 million (\$27,839 thousands) from the previous fiscal year. The main reason for the change is an increase in valuation allowance for tax loss carryforwards of ¥4,748 million (\$31,358 thousands).
2. Amounts of tax loss carryforward and related deferred tax assets by expiry date as of March 31, 2024 and 2023 are as follows:

Millions of yen							
2024							
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	After five years	Total
Tax loss carryforwards	¥ -	¥ 60	¥ -	¥ -	¥ 496	¥ 10,974	¥ 11,531
Valuation allowance	¥ -	¥ 60	¥ -	¥ -	¥ 454	¥ 10,299	¥ 10,814
Deferred tax assets(*)	<u>¥ -</u>	<u>¥ -</u>	<u>¥ -</u>	<u>¥ -</u>	<u>¥ 41</u>	<u>¥ 675</u>	<u>¥ 717</u>

Thousands of U.S. dollars (Note 1)							
2024							
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	After five years	Total
Tax loss carryforwards	\$ -	\$ 398	\$ -	\$ -	\$ 3,281	\$ 72,482	\$ 76,162
Valuation allowance	\$ -	\$ 398	\$ -	\$ -	\$ 3,005	\$ 68,022	\$ 71,426
Deferred tax assets(*)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276</u>	<u>\$ 4,460</u>	<u>\$ 4,736</u>

Millions of yen							
2023							
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	After five years	Total
Tax loss carryforwards	¥ 26	¥ 5	¥ 86	¥ 30	¥ -	¥ 6,273	¥ 6,423
Valuation allowance	¥ 14	¥ 5	¥ 84	¥ -	¥ -	¥ 5,962	¥ 6,066
Deferred tax assets(*)	<u>¥ 12</u>	<u>¥ -</u>	<u>¥ 1</u>	<u>¥ 30</u>	<u>¥ -</u>	<u>¥ 311</u>	<u>¥ 356</u>

(*): The amount is determined by multiplying the corresponding net operating loss carryforwards by the effective statutory tax rate.

For the year ended March 31, 2024, the reconciliation between the statutory tax rate and the effective income tax rate is as follows:

	2024	2023
Statutory tax rate	- %	30.62 %
Increase (decrease) in taxes resulting from:		
Expenses not deductible for income tax purposes	-	27.12
Capita levy on inhabitant tax	-	1.04
Overseas withholding taxes	-	1.75
Nontaxable dividend income	-	(14.86)
Change in the valuation allowance	-	(1.58)
Difference in foreign subsidiaries' tax rates	-	(11.53)
Effect of eliminated dividend income	-	16.79
Other	-	(1.27)
Effective income tax rate	<u>- %</u>	<u>48.09 %</u>

Due to the recording of a loss before income taxes, a reconciliation of the difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2024 has been omitted.

10. The Breakdown Concerning Financial Instruments by Fair Value Level

The Company uses a three-level hierarchy that is observable and prioritizes fair value measurements based on the types of inputs. The levels of the fair value hierarchy are described below:

Level 1: Fair value based on quoted prices in active markets for identical assets or liabilities.

Level 2: Fair value calculated using the observable inputs other than the level 1 input.

Level 3: Unobservable inputs with no market data.

Financial assets and liabilities are classified in their entirety based on the most conservative level of input that is significant to the fair value measurement, if more than one input is used.

Financial instruments recognized on the consolidated balance sheet with the fair value

	Millions of yen			
	2024			
	Level 1	Level 2	Level 3	Total
Derivative transactions				
Currency-related transactions	-	32	-	32
Total	¥ -	¥ 32	¥ -	¥ 32

	Thousands of U.S. dollars (Note 1)			
	2024			
	Level 1	Level 2	Level 3	Total
Derivative transactions				
Currency-related transactions	-	217	-	217
Total	\$ -	\$ 217	\$ -	\$ 217

	Millions of yen			
	2023			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Equity securities	¥ 3,776	¥ -	¥ -	¥ 3,776
Derivative transactions				
Currency-related transactions	-	27	-	27
Total	¥ 3,776	¥ 27	¥ -	¥ 3,803

Financial instruments other than those recognized on the consolidated balance sheet at fair value

	Millions of yen			
	2024			
	Level 1	Level 2	Level 3	Total

Investments in securities				
Investments in stock of affiliates	¥ 7,161	¥ -	¥ -	¥ 7,161
Total assets	7,161	-	-	7,161
Long-term debt	-	38,175	-	38,175
Total liabilities	¥ -	¥ 38,175	¥ -	¥ 38,175

Thousands of U.S. dollars (Note 1)

	2024			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Investments in stock of affiliates	\$ 47,301	\$ -	\$ -	\$ 47,301
Total assets	47,301	-	-	47,301
Long-term debt	-	252,134	-	252,134
Total liabilities	\$ -	\$ 252,134	\$ -	\$ 252,134

Millions of yen

	2023			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Investments in stock of affiliates	¥ 6,453	¥ -	¥ -	¥ 6,453
Total assets	6,453	-	-	6,453
Long-term debt	-	41,266	-	41,266
Total liabilities	¥ -	¥ 41,266	¥ -	¥ 41,266

Explanation of the Company's fair value measurement process and the inputs related to the calculation of the fair value

1. Investment securities

Listed stocks are valued using quoted market prices. The prices are classified as Level 1 fair value because they are traded in active markets.

2. Derivative transactions

The fair value of forward exchange contract transactions is classified as Level 2 fair value based on the futures exchange rate.

Fair value of interest rate swaps accounted for under the exceptional treatment is included in fair value of the corresponding long-term debt to which hedge accounting is applied (see the following "Long-term debt").

3. Long-term debt

The fair value of long-term debt is classified as Level 2 fair value because the price is based on the total amount of the principal and interest discounted by the estimated interest rate that would be applied to an equivalent new debt.

Long-term borrowings with floating interest rates are subject to the exceptional treatment of interest rate swaps (see the above "Derivative transactions"), and if the total amount of principal and interest amount processed with the interest rate swaps applying to an equivalent new debt. It is calculated by discounting at the applicable

reasonably estimated interest rate.

11. Retirement Benefit Plan

The Company, its domestic consolidated subsidiaries and certain overseas consolidated subsidiaries have defined benefit plans which consist of defined benefit pension plans, lump-sum retirement payment plans and defined contribution plans covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.

In addition, in certain cases, the Company pays special retirement allowances to retiring employees, which are not covered by employee retirement regulations.

The changes in the defined benefit obligation for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Balance at the beginning of the year	¥ 25,064	¥ 26,160	\$ 165,538
Service cost	941	933	6,215
Interest cost	190	179	1,260
Actuarial loss	(2,248)	(260)	(14,853)
Retirement benefit paid	(1,490)	(1,603)	(9,842)
Other	223	(345)	1,476
Balance at the end of the year	¥ 22,680	¥ 25,064	\$ 149,794

The changes in the plan assets for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Balance at the beginning of the year	¥ 21,279	¥ 22,109	\$ 140,544
Expected return on plan assets	271	272	1,790
Actuarial loss	2,058	(742)	13,597
Contributions by the company	344	359	2,274
Retirement benefit paid	(690)	(738)	(4,563)
Other	60	19	399
Balance at the end of the year	¥ 23,323	¥ 21,279	\$ 154,043

The reconciliations of the defined benefit obligations and pension assets to the liabilities and assets on retirement benefit recognized in the consolidated balance sheets as of March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Funded defined benefit obligations	¥ 14,954	¥ 16,754	\$ 98,766
Pension assets	(23,323)	(21,279)	(154,043)
	(8,369)	(4,525)	(55,276)
Unfunded defined benefit obligations	7,726	8,309	51,028
Net amount of liabilities and assets in consolidated balance sheet	(643)	3,784	(4,248)
Defined benefit liability	-	3,784	-
Defined benefit Asset	643	-	4,248
Net amount of liabilities and assets in consolidated balance sheet	¥ (643)	¥ 3,784	\$ (4,248)

Note: Certain domestic consolidated subsidiaries calculate the defined benefit obligations using the simplified method in calculating of defined benefit obligation.

The components of retirement benefit expense for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Service cost	¥ 941	¥ 933	\$ 6,215
Interest cost	190	179	1,260
Expected return on plan assets	(271)	(272)	(1,790)
Amortization of unrecognized actuarial loss	75	280	501
Amortization of prior service cost	13	13	88
Retirement benefit expense	¥ 950	¥ 1,134	\$ 6,274

The breakdown of items in other comprehensive income before tax effect for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Actuarial loss	¥ (4,383)	¥ 201	\$ (28,952)
Prior service cost	(13)	(13)	(88)
Total	¥ (4,397)	¥ 188	\$ (29,040)

The breakdown of items in accumulated other comprehensive income before tax effect as of March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Unrecognized actuarial loss	¥ (6,039)	¥ (1,642)	\$ (39,889)
Unrecognized prior service cost	53	67	356
Total	¥ (5,985)	¥ (1,575)	\$ (39,532)

The breakdown of pension assets by major category as of March 31, 2024 and 2023 are as follows:

	2024	2023
Equity securities	48%	42%
General account	18%	20%
Alternatives	10%	11%
Bonds	22%	25%
Other	2%	2%
Total	100%	100%

- Notes: 1. Alternatives mainly consisted of investments in hedge funds.
2. The total of plan assets includes employee pension trusts for the benefit pension plans, which accounts for 18% of the total as of March 31, 2024 and 18% as of March 31, 2023.

The setting method of Expected rate of long-term return on plan assets.

The current and projected pension asset allocation and the current and expected long-term rate of return from the various assets that consist the pension assets is considered to decide expected rate of long-term return on plan assets of pension assets.

The items of actuarial assumptions as of March 31, 2024 and 2023 are as follows (The discount rate is shown as weighted average.):

	2024	2023
Discount rate	1.2%	0.3%
Expected rate of long-term return on plan assets	1.25%	1.25%

The amounts paid to the defined contribution pension plans for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Defined contribution pension plans	¥ 220	¥ 231	\$ 1,458

12. Derivatives

The Company and its consolidated subsidiaries selectively engage in derivative financial instrument transactions in order to manage the market risks from fluctuations in foreign currency exchange rates and interest rates. The Company and its consolidated subsidiaries do not hold or issue derivative financial instruments for speculative trading purposes.

(1) Derivative transactions to which hedge accounting is not applied

1) Currency-related transactions

	Millions of yen					
	March 31, 2024			March 31, 2023		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts out of the trading markets						
Sell:						
US\$	¥ 2,679	¥ 7	¥ 7	¥ 6,854	¥ (0)	¥ (0)
Euro	322	2	2	1,470	(2)	(2)
Buy:						
US\$	1,879	(42)	(42)	2,663	30	30
	¥ 4,881	¥ (32)	¥ (32)	¥ 10,989	¥ 27	¥ 27

	Thousands of U.S. dollars (Note 1)		
	March 31, 2024		
	Notional amount	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts out of the trading markets			
Sell:			
US\$	\$ 17,698	\$ 52	\$ 52
Euro	2,128	14	14
Buy:			
US\$	12,413	(282)	(282)
	\$ 32,240	\$ (216)	\$ (216)

2) Interest-related transactions

None

(2) Derivative transactions to which hedge accounting is applied

1) Currency-related transactions

None

2) Interest-related transactions

			Millions of yen					
			March 31, 2024			March 31, 2023		
Classification	Item	Hedged liabilities	Notional amount	Notional amount due after one year	Fair value	Notional amount	Notional amount due after one year	Fair value
Exceptional treatment for an interest rate swap	Interest rate swap: Fixed rate payment / floating rate receipt	Long - term debt	33,950	28,450	(*)	36,700	29,700	(*)

			Thousands of U.S. dollars (Note 1)					
			March 31, 2024					
Classification	Item	Hedged liabilities	Notional amount	Notional amount due after one year	Fair value			
Exceptional treatment for an interest rate swap	Interest rate swap: Fixed rate payment / floating rate receipt	Long - term debt	224,225	187,900	(*)			

(*) Fair value of interest rate swaps accounted for under the exceptional treatment is included in fair value of the corresponding long-term debt to which hedge accounting is applied.

13. Treasury Shares

A reconciliation of the beginning and ending amount of treasury shares is as follows:

	2023	Increase during the year	Decrease during the year	2024
Number of shares	37,017	544,727	-	581,744
Total price (Millions of yen) ¥	110	¥ 806	¥ -	¥ 917

The 544,727 increase in the number of treasury shares of common stock are due to 1,944 purchasing the shares less than one unit and due to 542,783 attributing to treasury stock that affiliated company acquired.

	2022	Increase during the year	Decrease during the year	2023
Number of shares	35,640	1,377	-	37,017
Total price (Millions of yen) ¥	108	¥ 2	¥ -	¥ 110

The 1,377 increase in the number of treasury shares of common stock is due to purchasing the shares less than one unit.

14. Pledged Assets and Secured Debt

The following are the pledged assets for the years ended March 31, 2024 and 2023.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
	¥	¥	\$
Inventories	13,344	-	88,132
Buildings and Structures	3,337	-	22,041
Land	7,222	-	47,699
Total	¥ 23,903	¥ -	\$ 157,872

The following are the secured debt for the years ended March 31, 2024 and 2023.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
	¥	¥	\$
Short-term debt	26,000	-	171,719
Total	¥ 26,000	¥ -	\$ 171,719

15. Related Party Transactions

Samyoung Electronics Co., Ltd. (Samyoung) is a 33.4%-owned affiliated company of the Company. The Company principally purchases Samyoung's products and the Company sells its products and materials.

Transaction's terms and policy

- (1) Purchase prices of Samyoung's products are determined in consideration of the market prices and total costs.
- (2) Sales prices of materials for capacitors and equipment are determined in consideration of the market prices and total costs.
- (3) The transaction prices of materials supplied to Samyoung are determined in consideration of the market prices and total costs.

Significant balances at March 31, 2024 and 2023 and transactions for the years ended March 31, 2024 and 2023 with related parties are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2024	2023	2024	
Investment securities	¥ 14,553	¥ 14,446	\$ 96,117	

	Millions of yen					
	2024			2023		
	Transaction amount	Account Title	Balance at end of year	Transaction amount	Account Title	Balance at end of year
Purchase of affiliates' products	¥ 3,481	Accounts payable	¥ 192	¥ 6,969	Accounts payable	¥ 477
Sales of materials and equipment	651	Accounts receivable -trade	49	602	Accounts receivable -trade	46
Supply of materials	¥ 1,169	Accounts receivable -other	¥ 41	¥ 1,837	Accounts receivable -other	¥ 71
Issuance of new shares	¥ 2,405	-	¥ -	¥ -	-	¥ -

	Thousands of U.S. dollars (Note 1)		
	2024		
	Transaction amount	Account Title	Balance at end of year
Purchase of affiliates' products	\$ 22,994	Accounts payable	\$ 1,269
Sales of materials and equipment	4,299	Accounts receivable -trade	324
Supply of materials	\$ 7,721	Accounts receivable - other	\$ 272
Issuance of new shares	\$ 15,885	-	-

Samyoung Electronics Co., Ltd accepted third party allocation that company had by 1,480yen per one share.

Condensed financial information of the significant affiliated companies, for which the equity method is applied, as of March 31, 2024 and 2023, and for the years then ended, is follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2024	2023	2024	
Total current assets	¥ 39,500	¥ 39,490	\$ 260,881	
Total fixed assets	20,616	17,409	136,164	
Total current liabilities	1,068	1,731	7,060	
Total long-term liabilities	524	123	3,461	
Total net assets	58,523	55,045	386,524	
Net sales	19,111	23,185	126,225	
Profit before income taxes	1,983	2,488	13,098	
Net profit	1,491	1,850	9,850	

16. Selling, General and Administrative Expenses

The following are the major components of selling, general and administrative expenses for the years ended March 31, 2024 and 2023.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Freight and transportation	¥ 3,845	¥ 5,915	\$ 25,396
Salaries and wages	4,840	4,746	31,971
Provision for bonus reserve	729	924	4,818
Retirement benefit expenses	337	393	2,225
Depreciation	1,273	1,136	8,407
Research and development expenses	4,489	4,383	29,651

17. Research and Development Expenses

The total amounts of research and development expenses for the years ended March 31, 2024 and 2023 are as follows and all of them are charged to income as incurred.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Research and development expenses	¥ 4,489	¥ 4,383	\$ 29,651

18. Gain on Sales of Property, Plant and Equipment and Gain on Sales of Investment securities

1) Gain on sales of property, plant and equipment for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Machinery, equipment and others	¥ 4	¥ 0	\$ 31
Total	¥ 4	¥ 0	\$ 31

2) Gain on sales of investment securities was recorded due to the sale of domestically listed stock held by Nippon Chemi-Con Corporation.

19. Loss on Disposal of Property, Plant and Equipment

Loss on disposal of property, plant and equipment for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Buildings and structures	¥ 18	¥ 11	\$ 119
Machinery, equipment and others	25	44	166
Total	¥ 43	¥ 55	\$ 286

20. Other Comprehensive Income

For the years ended March 31, 2024 and 2023, other comprehensive income is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Net unrealized holding gains on securities			
Amount arising during the year	¥ 800	¥ 613	\$ 5,283
Reclassification adjustments	(2,686)	-	(17,746)
Before deferred tax adjustments	(1,886)	613	(12,462)
Deferred tax amounts	577	(187)	3,817
Net unrealized holding gains on securities	(1,308)	425	(8,645)
Foreign currency translation adjustments			
Amount arising during the year	4,518	3,402	29,842
Reclassification adjustments	-	-	-
Foreign currency translation adjustments	4,518	3,402	29,842
Remeasurements of defined benefit plans			
Amount arising during the year	4,307	(482)	28,450
Reclassification adjustments	89	294	590
Before deferred tax adjustments	4,397	(188)	29,040
Deferred tax amounts	(2)	(38)	(13)
Remeasurements of defined benefit plans	4,395	(226)	29,027
Share in other comprehensive income of affiliated companies accounted for using the equity method			
Amount arising during the year	(10)	(8)	(68)
Reclassification adjustments	-	-	-
Share in other comprehensive income of affiliated companies accounted for using the equity method	(10)	(8)	(68)
Total other comprehensive income	¥ 7,594	¥ 3,592	\$ 50,155

21. Dividends

(1) Year ended March 31, 2024

1) Dividends paid

None.

2) Dividends with effective date falling in the following fiscal year are as follows.

Resolution	Type of shares	Total dividend (millions of yen)	Total dividends (thousands of U.S. dollars) (Note 1)	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. Dollars) (Note 1)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 27, 2024	Class A Shares	¥ 144	\$ 952	Capital surplus	¥ 14,426.20	\$ 95.28	March 31, 2024	June 28 2024

22. Financial Instruments

(1) Status of financial instruments

1) Policies for financial instruments

The Company and its consolidated subsidiaries invest only in short-term deposits and raise funds from bank borrowings, issuance of corporate bonds and equity securities. The Company and certain consolidated subsidiaries use derivative financial instruments for the purpose of reducing risks of fluctuations in exchange rates and interest rates.

2) Details of financial instruments and related risk

Trade receivables are exposed to the credit risk of customers. In addition, trade receivables denominated in foreign currencies generated by worldwide operations are exposed to the risk of exchange rate fluctuations. This risk is hedged by using forward exchange contracts for, in principle, the net position after offsetting trade receivables denominated in foreign currencies with trade payables denominated in foreign currencies. Investments in securities, which primarily consist of shares of the companies with which the Companies have operational relationships, are exposed to market volatility risk. Trade payables are mostly due within one year. Short-term debt is used for the Company's operation and long-term debt (within 7 years in principle) is mainly used for capital expenditure. Variable interest rate debts are exposed to the risk of interest rate fluctuations. Trade payable, account payables – other and debts are exposed to liquidity risk.

Derivative transactions primarily consist of foreign exchange forward contracts for the purpose of hedging exchange rate fluctuation risk related to trade receivables and payables denominated in foreign currencies and hedging interest rate fluctuation risk related to loans. Interest rate swap transactions meet the requirements for special treatment.

3) Risk management of financial instruments

i) Management of credit risk (customers or counterparties' default risk)

The credit risk monitoring activities of the Company and its consolidated subsidiaries include review of overdue and balance amounts of each customer as well as review of credit worthiness of major customers on a regular basis in accordance with the sales credit management policies.

The Company enters into derivative transaction with highly rated financial institutions to reduce counterparty risk.

ii) Management of market risk (risks of fluctuations in foreign currency exchange rates and interest rates)

The Company and its subsidiaries hedge against risks of fluctuations in foreign currency exchange rates related to trade receivables and payables denominated in foreign currencies by entering into foreign exchange forward contracts with contract periods generally not more than half year. The contracts are entered into foreign currency transactions that are certainly expected to occur as a result of scheduled transactions. The Company and its subsidiaries enter into the interest swap contract to mitigate the risk of interest rate fluctuations on debts.

With respect to investments in securities, the Company assesses the fair value and financial status of the issuing entities (transaction partner) at each quarter, and periodically reviews the necessity of such securities, taking into account the Company's relationship with respective transaction partners.

The Company and its subsidiaries enter into and manages the derivative transactions in accordance with internal rules stipulating authorization and maximum limits of transactions. The accounting division makes journal entries and performs direct confirmation of transaction balances with counterparties.

iii) Management of liquidity risk in financing activities (Default risk)

The Company manages the liquidity risk by preparing the financial plans on a semiannual and monthly basis, and by entering into commitment line agreements with transacting financial institutions.

4) Supplementary explanation of fair value of financial instruments

The fair value of financial instruments is based on quoted market prices, or, if there are no market prices, based on reasonably estimated prices. Because estimations of the said prices incorporate fluctuating factors, applying different assumptions can in some cases change the said prices. The notional amount of derivatives that are shown in Note 10. "Derivatives" does not represent the amounts exchanged by the parties and do not measure the Company's exposure to market risk.

5) Concentration of credit risk

There is no trade receivables for a specific large customer as of the consolidated balance sheet date.

(2) Fair value of financial instruments

The carrying amounts recognized on the consolidated balance sheets, fair values and the differences between them at March 31, 2024 and 2023 are as shown below. Financial instruments for which it is extremely difficult to determine the fair value is not included in the following table. Refer to "Note 2. Summary of Significant Accounting Policies".

	Millions of yen					
	March 31, 2024			March 31, 2023		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Investment securities						
i) Investments in securities	¥ -	¥ -	¥ -	¥ 3,776	¥ 3,776	¥ -
ii) Investments in stock of affiliates	<u>14,467</u>	<u>7,161</u>	<u>(7,305)</u>	<u>14,360</u>	<u>6,453</u>	<u>(7,907)</u>
Total assets	¥ <u>14,467</u>	¥ <u>7,161</u>	¥ <u>(7,305)</u>	¥ <u>18,136</u>	¥ <u>10,229</u>	¥ <u>(7,907)</u>
Long-term debt	<u>38,904</u>	<u>38,175</u>	<u>(728)</u>	<u>42,022</u>	<u>41,266</u>	<u>(755)</u>
Total liabilities	¥ <u>38,904</u>	¥ <u>38,175</u>	¥ <u>(728)</u>	¥ <u>42,022</u>	¥ <u>41,266</u>	¥ <u>(755)</u>
Derivative transactions	¥ <u>(32)</u>	¥ <u>(32)</u>	¥ <u>-</u>	¥ <u>27</u>	¥ <u>27</u>	¥ <u>-</u>

	Thousands of U.S. dollars (Note 1)		
	March 31, 2024		
	Carrying amount	Fair value	Difference
Investment securities			
i) Investments in securities	\$ -	\$ -	\$ -
ii) Investments in stock of affiliates	<u>95,548</u>	<u>47,300</u>	<u>(48,248)</u>
Total assets	\$ <u>95,548</u>	\$ <u>47,300</u>	\$ <u>(48,248)</u>
Long-term debt	<u>256,947</u>	<u>252,133</u>	<u>(4,813)</u>
Total liabilities	\$ <u>256,947</u>	\$ <u>252,133</u>	\$ <u>(4,813)</u>
Derivative transactions	\$ <u>(216)</u>	\$ <u>(216)</u>	\$ <u>-</u>

The value of assets and liabilities arising from derivatives is shown at net value, and with the amount in parentheses representing a net liability position.

Note 1: Description of cash and deposits, notes and accounts receivable-trade, notes and accounts payable-trade, and short-term debt is omitted, as their book values approximate their fair values due to their short maturity. The fair values of investment securities are based on quoted market prices of stock exchanges. The fair value of long-term debt (except for lease obligations) is based on the total amount of the principal and interest discounted by the estimated interest rate that would be applied to an equivalent new debt.

Note 2: Financial instruments of which fair value is extremely difficult to determine

	Consolidated balance sheet				Thousands of U.S. dollars (Note 1)	
	Millions of yen				2024	
	2024		2023			
Unlisted shares	¥	182	¥	182	\$	1,203

These items are excluded from "Note 6. Investment securities" since there are no quoted market prices and it is extremely difficult to determine the fair value of such items.

Note 3: Monetary claims at March 31, 2024 and 2023 due within one year

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2024				2024	
	2024		2023			
Cash and deposits	¥	45,300	¥	26,141	\$	299,193
Trade receivables		25,853		32,555		170,752
Total	¥	71,154	¥	58,696	\$	469,946

Note 4: Redemption schedules of long-term debt with maturities at March 31, 2024 and 2023

	Long-term debt				Thousands of U.S. dollars (Note 1)	
	Millions of yen				2024	
	2024		2023			
2024	¥	8,667	¥	14,867	\$	57,245
2025		17,354		8,667		114,618
2026		15,250		17,354		100,719
2027		750		15,250		4,953
2028 and thereafter		5,550		750		36,655

23. Lease

Finance lease assets that transfer ownership are depreciated or amortized on the straight-line method over the estimated useful lives of the assets with no residual value. Assets applicable to finance lease assets that transfer ownership are mainly substation equipment. Finance lease assets that do not transfer ownership are depreciated or amortized on a straight-line basis over the period of the lease with no residual value. Assets applicable to finance lease assets that do not transfer ownership are mainly LNG satellite facilities and servers.

The assumed interest expense is computed using the interest method over the lease terms based on the difference between the acquisition cost of the lease assets and the total lease payments.

24. Revenue Recognition

- (1) The information that disaggregates the revenue generated from the contracts with the customers are described in Note 25. Segment Information, etc.
- (2) The Basic information for understanding the revenue generated from contracts with customers
The basic information for understanding the revenue generated from contracts with customers are described as Notes (1. Basis of Presenting the Consolidated Financial Statements, 2. (16) Summary of Significant Accounting Policies, Standards for recording important income and expenses).
- (3) The information regarding relationship between the satisfaction of performance obligations based on the contracts with the customers, the cash flow generated from the contract and the amount of revenue expected to be recognized after the next fiscal year from the contract existing at the end of the current fiscal year.
 - 1) The balances of assets and liabilities from contracts with customers.
The balances of assets and liabilities from contracts with customers are as follows.

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2024	2023	2024	
Assets from contracts with customers (Balance at the beginning of the year)	¥ 32,555	¥ 31,100	\$	215,012
Assets from contracts with customers (Balance at the end of the year)	25,853	32,555		170,753
Contract liability (Balance at the beginning of the year)	29	49		195
Contract liability (Balance at the end of the year)	43	29		289

The contract liabilities are included in other current liabilities on the consolidated balance sheet. Contract liabilities are primarily the consideration received from the customers before delivery of the products. The recognized revenue in the current consolidated fiscal year included in the balance of contract liabilities in opening balance is not significant.

- 2) Allocating the transaction price to residual obligations
The Company and its subsidiaries apply simplified method and omits the disclosure for allocating the transaction prices to residual obligations because there are no significant contracts with an initially expected more than one year. Also, there are no significant amounts not included in the transaction price in the consideration generated from the contract with the customer.

25. Segment Information

- (1) Overview of reportable segments

The Company defines its reportable segments as those operating units of which discrete financial information is available and results are reviewed by the Board of Directors periodically for the purpose of allocating resources and evaluating performance.

The Company has established a functional business division for the capacitor business that mainly manufactures and sells capacitors. The business division formulates comprehensive strategies for Japan and overseas. Accordingly, the Company has a single segment "Capacitor".

The "Capacitor" business mainly manufactures and sells aluminum capacitors related products including processed aluminum foils that are used as raw materials.

(2) Method of calculating amounts of net sales, income (loss), assets, and other items

The accounting policies of the segments are substantially the same as those described in the significant policies in Note 2. "Summary of Significant Accounting Policies". Profits of reportable segments correspond to operating income.

(3) Information concerning net sales and income (loss), assets and other items by reportable segment

	Millions of yen					
	2024			2023		
	Capacitor	Other	Consolidated	Capacitor	Other	Consolidated
Net sales:						
Sales to unaffiliated customers	¥ 145,698	¥ 5,041	¥ 150,740	¥ 155,040	¥ 6,841	¥ 161,881
Intersegment sales	-	-	-	-	-	-
Total	¥ 145,698	¥ 5,041	¥ 150,740	¥ 155,040	¥ 6,841	¥ 161,881
Segment profit (loss)	8,824	597	9,422	12,043	896	12,939
Other:						
Depreciation	6,663	99	6,762	6,249	83	6,332
Increase in fixed assets	11,056	138	11,195	7,558	145	7,704

	Thousands of U.S. dollars (Note 1)		
	2024		
	Capacitor	Other	Consolidated
Net sales:			
Sales to unaffiliated customers	\$ 962,277	\$ 33,299	\$ 995,576
Intersegment sales	-	-	-
Total	\$ 962,277	\$ 33,299	\$ 995,576
Segment profit (loss)	58,284	3,946	62,231
Other:			
Depreciation	44,008	655	44,664
Increase in fixed assets	73,022	916	73,939

- Notes:
- "Other" includes business segments other than the reportable segment such as CMOS Camera modules and Amorphous Choke Coils.
 - Total segment profit (loss) corresponds to operating profit (loss) in the consolidated statements of operations.
 - Segment assets are not disclosed since the assets are not allocated to each business segment.

(4) Related information

Related information for the years ended March 31, 2024 and 2023 are as follows:

1) Information by product and service

Information by product and service is omitted because the information is same as that of reporting segments.

2) Information by geographic area

i) Net Sales

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Japan	¥ 30,489	¥ 31,074	\$ 201,368
China	44,115	51,688	291,366
America	20,681	19,302	136,593
Europe	22,608	23,143	149,321
Others	32,844	36,672	216,927
Total	¥ 150,740	¥ 161,881	\$ 995,576

ii) Property, plant and equipment

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Japan	¥ 32,204	¥ 27,679	\$ 212,696
China	2,770	2,639	18,299
America	2,753	2,617	18,184
Europe	2,954	2,831	19,511
Others	7,101	6,113	46,904
Total	¥ 47,784	¥ 41,880	\$ 315,597

iii) Information about major customers

Information about major customers for the years ended March 31, 2024 and 2023 are not presented as there is no customer to whom sales is over 10% in the consolidated statements of operations.

26. Other

(1) Antitrust Law

The Company and its subsidiary United Chemi-Con, Inc (hereinafter “the Companies”) have paid settlement of 125 million US dollars to Avnet, Inc and three individual plaintiffs in July, 2023 with respects to civil lawsuits regarding capacitors and film capacitors with multiple plaintiffs in the United States as a result of having taken consideration of the various circumstance.

In addition, the Companies have paid settlement of 75 million US dollars to Arrow Electronics, Inc in September 2023 among the multiple plaintiffs mentioned above as a result of having taken consideration of the various circumstance..

In accordance with these, the loss on antitrust law was recorded as an extraordinary loss in the consolidated statement of operations. As a result of the above settlement, all civil cases regarding capacitors and film capacitors seeking compensation for damages of the U.S. antitrust law that had been filed against the Companies in the United States was resolved.

Civil lawsuits with multiple plaintiffs in other countries to seek compensation for damages regarding transactions of capacitors and film capacitors are during the pendency of action. As a result, there is a possibility that the business result of our group will be affected.

(2) Type of Financing for Class A and B shares and Specific Purposes of Use for Issue Amounts.

The plan is to procure 15 billion yen in financing though the Japan Industrial Solutions III Investment Limited Partnership,

via a third-party allocation of new classified shares. The number of shares is 10,000 for class A and 5,000 for class B.

Our plan also includes procurement of roughly 2.4 billion yen in financing via third-party allocation of new common shares by SAMYOUNG ELECTRONICS CO., LTD.

of South Korea, an equity method affiliated company. The number of shares is 1,625,100.

We plan to use the proceeds from these financings for key measures in the 10th Medium-term Management Plan, mainly for capital investment in the hybrid capacitor business, capital investment in conversion of a plant to a smart factory, and R&D-related investment.

27. Subsequent events

Providing significant pledged asset

Regarding the debt for payment settlement on the civil case in the United States, the Company have set a following pledge asset on June 28th 2024.

(1) The reason of providing a significant asset for collateral

The Company provide the collateral to obtain a loan of ¥26,000millions (\$171,719thousands) from financial institutions.

(2) Pledged asset providing as of March 31th 2024.

Investment securities will be ¥14,467millions. (\$95,548thousands)

- (3) Period of providing pledged asset.
From June 28th 2024 to September 30th 2024.

Independent Auditor's Report

The Board of Directors
Nippon Chemi-Con Corporation

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Nippon Chemi-Con Corporation (the Company) and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2024, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Recoverability of Deferred Tax Assets of Nippon Chemi-Con Corporation	
Description of Key Audit Matter	Auditor's Response
The Group recognized deferred tax assets of ¥1,307 million on consolidated balance sheet as of March 31, 2024. As described in Note 8. Income Taxes, the amount of deferred tax assets before offsetting against the deferred tax liabilities is ¥2,510 million, which is a total gross deferred tax assets for deductible temporary differences and tax loss carryforwards of ¥13,800 million offset by the valuation allowance of ¥11,290 million. Of this amount, deferred tax assets recorded by the	The audit procedures we performed to assess the recoverability of deferred tax assets included the following, among others: <ul style="list-style-type: none">• We examined the amount of deductible temporary differences and tax loss carryforwards by involving our tax professionals.• We examined the schedule of the years in which deductible temporary differences and tax loss carryforwards were expected to be reversed or

<p>Company are ¥1,048 million.</p> <p>The Company determines the recoverability of deferred tax assets for deductible temporary differences and tax loss carryforwards by estimating the taxable income for next year.</p> <p>The Company's taxable income for next year is calculated based on the business plan for next year and as described in Note 2 (15) Significant Accounting Estimates, the significant assumptions in the business plan for next year are sales volume and sales price.</p> <p>Given that the significant assumptions in the business plan for next year involve uncertainties and require management's judgement in assessing the recoverability of deferred tax assets, we determined recoverability of deferred tax assets to be a key audit matter.</p>	<p>expired.</p> <ul style="list-style-type: none"> • We assessed the underlying business plan for next year to evaluate the estimate of taxable income for next year. We assessed the business plan for next year, by examining its consistency with the business plan approved by the Board of Directors. • In order to evaluate the effectiveness of management's estimation process in business planning, we compared the Company's business plans in previous years to actual operating results. • In order to evaluate management's assessment of uncertainties reflecting certain risks in the business plan for next year, we compared the forecasted sales to sales in previous years and performed trend analysis on sales volume and sales price as significant assumptions. • In order to evaluate the estimated taxable income for next year, we compared it with external market forecast data for the industries where major customers belong.
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Other Information

The other information comprises the information included in the Annual Financial Report 2024 that contains audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Audit & Supervisory Board Member and the Audit & Supervisory Board are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Audit & Supervisory Board Member and the Audit & Supervisory Board for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit & Supervisory Board Member and the Audit & Supervisory Board responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board Member and the Audit & Supervisory Board 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 Member and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Fee-related Information

The fees for the audits of the financial statements of the Company and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2024 are 93 million yen and 54 million yen, respectively.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

July 5, 2024

Yoshiyuki Nomizu
Designated Engagement Partner
Certified Public Accountant

Takehiro Kaneko
Designated Engagement Partner
Certified Public Accountant