Appendix

TOKYO OHKA KOGYO CO., LTD. and Subsidiaries

Fiscal year ended December 31, 2023
(January 1, 2023 — December 31, 2023)

Consolidated financial statements,
Notes to consolidated financial statements

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TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

Consolidated Balance Sheet
December 31, 2023 and 2022

Assets	Millions of yen 2023	Millions of yen 2022	Thousands of U.S. dollars (Note 1) 2023
Current assets:			
Cash and deposits (Notes 6 and 16)	¥ 41,788	¥ 39,856	$ 296,371
Time deposits (Note 16)	15,027	15,514	106,581
Trade notes receivable (Note 16)	916	911	6,498
Accounts receivable (Note 16)	32,982	34,900	233,919
Securities (Notes 6, 7 and 16)	3,999	3,999	28,368
Inventories (Note 8)	33,083	30,006	234,631
Prepaid expenses and other current assets	6,604	5,535	46,840
Allowance for doubtful accounts	(74)	(89)	(528)
Total current assets	134,328	130,636	952,682
Property, plant and equipment (Note 9):			
Land	10,687	10,570	75,800
Buildings and structures	90,161	83,665	639,440
Machinery, equipment and vehicles	69,382	68,318	492,073
Tool, furniture, and fixtures	26,669	26,873	189,142
Right-of-use assets	759	1,060	5,384
Construction in progress accounts	5,653	3,565	40,094
Subtotal	203,313	194,054	1,441,936
Accumulated depreciation	(130,078)	(128,044)	(922,539)
Net property, plant and equipment	73,235	66,010	519,397
Investments and other assets:			
Intangible assets	1,389	1,295	9,852
Investment securities (Notes 7 and 16)	20,777	16,097	147,360
Investments in and advances to an unconsolidated subsidiary and associated companies	1,996	7	14,158
Investments in capital	88	100	629
Assets pertaining to retirement and severance benefits (Note 11)	4,267	3,682	30,262
Deferred tax assets (Note 14)	1,299	1,176	9,218
Long-term time deposit (Note 16)	12,000	18,000	85,106
Other assets	2,482	1,069	17,605
Total investments and other assets	44,301	41,429	314,193
Assets total	¥ 251,864	¥ 238,075	$ 1,786,273

Liabilities and net equity	Millions of yen 2023	Millions of yen 2022	Thousands of U.S. dollars (Note 1) 2023
Current liabilities:			
Trade notes and accounts payable (Note 16)	¥ 20,331	¥ 21,617	$ 144,192
Short-term loans payable	486	—	3,450
Construction and other arrears	8,259	8,114	58,579
Income taxes payable	1,391	3,308	9,869
Accrued expenses	2,314	2,720	16,414
Allowance for doubtful receivables	2,733	3,322	19,385
Other current liabilities	3,110	1,698	22,063
Total current liabilities	38,627	40,781	273,955
Non-current liabilities:			
Long-term loans payable (Note 10 and 16)	10,000	10,222	70,921
Deferred tax liabilities (Note 14)	3,704	1,084	26,273
Liabilities pertaining to retirement and severance benefits (Note 11)	809	853	5,737
Asset retirement obligation	81	80	576
Other non-current liabilities	3,161	4,092	22,423
Total non-current liabilities	17,756	16,333	125,932
Equity (Notes 12 and 19):			
Common stock			
−Common shares			
−Total number of shares authorized: 197,000,000 shares (2023 and 2022)			
−Total number of shares issued: 42,600,000 shares (2023 and 2022)	14,640	14,640	103,832
Capital surplus	15,315	15,303	108,623
Retained earnings	143,630	137,551	1,018,658
Treasury stock—2,245,134 shares (2023), 2,321,258 shares (2022)	(10,940)	(11,276)	(77,590)
Accumulated other comprehensive income			
Other securities valuation difference	9,759	5,280	69,213
Foreign currency translation adjustment	11,603	8,877	82,291
Adjustment cumulative total pertaining to retirement and severance benefits	(354)	(630)	(2,514)
Subtotal	183,654	169,745	1,302,515
Stock acquisition right	140	174	997
Non-controlling interest	11,684	11,039	82,871
Net assets total	195,480	180,960	1,386,384
Total	¥ 251,864	¥ 238,075	$ 1,786,273

(Note) The Company conducted a three-for-one stock split of common shares on January 1, 2024. The above number of shares is stated as the number of shares before the stock split.

See notes to consolidated financial statements.

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Income
Years Ended December 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Net sales	¥ 162,270	¥ 175,434	$ 1,150,853
Cost of sales (Note 15)	104,319	112,319	739,855
Gross profit	57,950	63,115	410,997
Selling, general, and administrative expenses (Note 15)	35,243	32,934	249,956
Operating income	22,706	30,181	161,041
Other income/expenses:			
Interest receivable	353	150	2,506
Dividend receivable	599	494	4,248
Investment income based on equity method	6	—	43
Exchange profit (loss)	198	280	1,407
Interest expense	(81)	(73)	(580)
Loss on valuation of derivatives	(69)	(326)	(492)
Gain on the sale of fixed assets	220	14	1,563
Gain on the sale of investment securities	103	243	735
Loss on impairment (Note 9)	—	(195)	—
Loss on the retirement of fixed assets	(147)	(239)	(1,043)
Loss on sale of shares of affiliated companies	(837)	—	(5,937)
Loss on business transfer	(1,720)	—	(12,199)
Others	586	260	4,158
Other income/expenses	(788)	608	(5,591)
Income before income taxes	21,918	30,790	155,450
Corporate income tax, resident tax, and business tax (Note 14):			
Current fiscal year	5,332	7,537	37,820
Deferred	532	97	3,777
Corporate income tax total	5,865	7,634	41,597
Net income before non-controlling interests	16,053	23,155	113,852
Non-controlling interests in net income	3,340	3,461	23,692
Profit attributable to owners of the parent	¥ 12,712	¥ 19,693	$ 90,159

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Income
Years Ended December 31, 2023 and 2022

	Yen		U.S. dollars
	2023	2022	2023
Per share of common stock (Notes 12 and 19):			
Basic earnings per share	¥ 105.10	¥ 163.18	$ 0.74
Diluted earnings per share	104.97	162.93	0.74
Cash dividends attributable to the year	168.00	160.00	1.19

See notes to consolidated financial statements.

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Years Ended December 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Net income before non-controlling interests	¥ 16,053	¥ 23,155	$ 113,852
Other comprehensive income (Note 18):			
Unrealized gain on available-for-sale securities	4,479	(1,571)	31,766
Foreign currency translation adjustment	3,410	3,649	24,185
Remeasurements of defined benefit plans	276	(1,153)	1,959
Other comprehensive income total	8,165	923	57,911
Comprehensive income	¥ 24,218	¥ 24,079	$ 171,764
(Breakdown)			
Owners of the parent	¥ 20,193	¥ 20,226	$ 143,219
Non-controlling interests	4,024	3,852	28,544

See notes to consolidated financial statements.

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Years Ended December 31, 2023 and 2022

	Thousand shares	Millions of yen										
						Accumulated other comprehensive income (loss)						
	Number of shares of common shares outstanding	Share capital	Capital surplus	Retained earnings	Treasury shares	Other securities valuation difference	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Subtotal	Subscription rights to shares	Non-controlling interest	Total equity
(As of January 1, 2022)	40,160	¥ 14,640	¥ 15,207	¥ 124,806	¥ (11,818)	¥ 6,851	¥ 5,618	¥ 522	¥ 155,829	¥ 215	¥ 9,146	¥ 165,190
Profit attributable to owners of the parent	–	–	–	19,693	–	–	–	–	19,693	–	–	19,693
Cash dividends paid:												
Previous fiscal year-end: 94 yen	–	–	–	(3,794)	–	–	–	–	(3,794)	–	–	(3,794)
Q2-end: 78 yen	–	–	–	(3,153)	–	–	–	–	(3,153)	–	–	(3,153)
Purchase of treasury stock	0	–	–	–	(0)	–	–	–	(0)	–	–	(0)
Disposal of treasury stock	118	–	95	–	542	–	–	–	638	(40)	–	598
Net change in items other than shareholders' equity during the year	–	–	–	–	–	(1,571)	3,258	(1,153)	533	–	1,893	2,426
(As of December 31, 2022)	40,278	¥ 14,640	¥ 15,303	¥ 137,551	¥ (11,276)	¥ 5,280	¥ 8,877	¥ (630)	¥ 169,745	¥ 174	¥ 11,039	¥ 180,960
Profit attributable to owners of the parent	–	–	–	12,712	–	–	–	–	12,712	–	–	12,712
Cash dividends paid:												
Previous fiscal year-end:82 yen	–	–	–	(3,315)	–	–	–	–	(3,315)	–	–	(3,315)
Q2-end: 82 yen	–	–	–	(3,317)	–	–	–	–	(3,317)	–	–	(3,317)
Purchase of treasury stock	0	–	–	–	(2)	–	–	–	(2)	–	–	(2)
Disposal of treasury stock	76	–	12	–	338	–	–	–	350	(34)	–	316
Net change in items other than shareholders' equity during the year	–	–	–	–	–	4,479	2,726	276	7,481	–	645	8,126
(As of December 31, 2023)	40,354	¥ 14,640	¥ 15,315	¥ 143,630	¥ (10,940)	¥ 9,759	¥ 11,603	¥ (354)	¥ 183,654	¥ 140	¥ 11,684	¥ 195,480

(Note) The Company conducted a three-for-one stock split of common shares on January 1, 2024. The above number of shares and dividend per share are stated as the number of shares and amount before the stock split, respectively.

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Years Ended December 31, 2023 and 2022

	Thousands of U.S. dollars (Note 1)										
					Accumulated other comprehensive income (loss)						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Subtotal	Subscription rights to shares	Non-controlling interest	Total equity
(As of December 31, 2022)	$ 103,832	$ 108,536	$ 975,542	$ (79,972)	$ 37,447	$ 62,957	$ (4,474)	$ 1,203,870	$ 1,240	$ 78,295	$ 1,283,405
Profit attributable to owners of the parent	–	–	90,159	–	–	–	–	90,159	–	–	90,159
Cash dividends paid:											
Previous year-end: USD 0.58	–	–	(23,514)	–	–	–	–	(23,514)	–	–	(23,514)
Q2-end: USD 0.58	–	–	(23,529)	–	–	–	–	(23,529)	–	–	(23,529)
Purchase of treasury stock	–	–	–	(19)	–	–	–	(19)	–	–	(19)
Disposal of treasury stock	–	87	–	2,401	–	–	–	2,488	(242)	–	2,246
Net change in items other than shareholders' equity during the year	–	–	–	–	31,766	19,333	1,959	53,059	–	4,576	57,636
(As of December 31, 2023)	$ 103,832	$ 108,623	$ 1,018,658	$ (77,590)	$ 69,213	$ 82,291	$ (2,514)	$ 1,302,515	$ 997	$ 82,871	$ 1,386,384

See notes to consolidated financial statements.

TOKYO OHKA KOGYO CO., LTD. And Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Years Ended December 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Cash flows from operating activities:			
Income before income taxes	¥ 21,918	¥ 30,790	$ 155,450
Adjustments for:			
Depreciation and amortization	7,713	6,762	54,706
Impairment loss on long-lived assets	—	195	—
Decrease in allowance for doubtful receivables	(10)	(31)	(77)
Increase (decrease) in provision for bonuses	(557)	593	(3,955)
Decrease in provision for officer bonuses	(18)	(401)	(134)
Increase in assets pertaining to retirement and severance benefits	(170)	(371)	(1,208)
Decrease in liabilities pertaining to retirement and severance benefits	(74)	(77)	(525)
Interest receivable and dividend receivable	(952)	(644)	(6,755)
Interest expenses	81	73	580
Foreign exchange gain—net	(725)	(1,066)	(5,145)
Loss on valuation of derivatives	69	326	492
Investment income based on equity method	(6)	—	(43)
Gain on the sale of fixed assets	(218)	(14)	(1,552)
Loss on the retirement of fixed assets	147	239	1,043
Gain on the sale of investment securities	(103)	(243)	(735)
Loss on sale of shares of affiliated companies	837	—	5,937
Loss on business transfer	1,720	—	12,199
Increase in trade receivables	(262)	(858)	(1,862)
Increase in inventories	(4,887)	(7,510)	(34,663)
Increase in trade notes and accounts payable	140	1,870	997
Increase in advance received	752	66	5,336
Interest and dividend receivables	951	646	6,747
Interest paid	(81)	(73)	(580)
Corporate income tax paid	(7,558)	(8,557)	(53,605)
Others	(1,493)	(2,721)	(10,589)
Cash flows from operating activities	17,210	18,991	122,057
Cash flows from investing activities:			
Expenses on the acquisition of securities	(12,000)	(12,000)	(85,106)
Income on the redemption of securities	12,000	12,000	85,106
Expenses on the acquisition of property, plant and equipment	(14,712)	(10,698)	(104,346)
Income on the sale of property, plant and equipment	238	10	1,694
Expenses on the acquisition of intangible assets	(516)	(752)	(3,666)
Expenses on the acquisition of investment securities	(372)	(2,082)	(2,641)
Income on the sale of investment securities	133	371	948
Net decrease in fixed-term deposits	595	982	4,221
Expenses on the deposit of long-term deposits	(6,000)	(14,000)	(42,553)
Income on the refund of long-term deposits	12,000	14,000	85,106
Income on business transfer	682	—	4,838
Expenses on sale of shares of subsidiaries resulting in change in scope of consolidation	(2,012)	—	(14,271)
Others	586	(214)	4,156
Cash flows from investing activities	(9,378)	(12,383)	(66,513)

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Years Ended December 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Cash flows from financing activities:			
Income on short-term loans payable	482	—	3,421
Income on long-term loans payable	—	3,900	—
Expenses on the payment of long-term loans payable	(222)	(4,289)	(1,576)
Income on the issuance of shares	—	184	—
Income on the sale of treasury stock	316	769	2,246
Expenses on the acquisition of treasury stock	(2)	(0)	(19)
Dividend paid	(6,628)	(6,941)	(47,009)
Dividend paid to non-controlling shareholders	(1,163)	(2,160)	(8,248)
Others	(159)	(71)	(1,128)
Cash flows from financing activities	(7,376)	(8,610)	(52,312)
Conversion difference pertaining to cash and cash equivalents	¥ 1,475	¥ 1,389	$ 10,467
Decrease in cash and cash equivalents	1,931	(612)	13,699
Initial balance of cash and cash equivalents	40,856	41,469	289,763
Year-end balance of cash and cash equivalents (Note 6)	¥ 42,788	¥ 40,856	$ 303,463

See notes to consolidated financial statements.

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain amounts reported in prior years have been reclassified to conform to the current year's presentation.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which TOKYO OHKA KOGYO CO., LTD. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥141 to $1, the approximate rate of exchange at December 31, 2023. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Amounts of less than one million yen have been rounded down. As a result, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation***— The consolidated financial statements include the accounts of the Company and its six consolidated subsidiaries (together, the "Group").

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

Investments in an unconsolidated subsidiary and associates are not accounted for by the equity method but are stated at cost as their impact on the consolidated financial statements is immaterial.

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

b. ***Cash Equivalents***— Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less that are readily convertible into cash and exposed to insignificant risk of changes in value.

c. ***Allowance for Doubtful Accounts***—Allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in outstanding receivables.

d. ***Inventories***— Inventories are stated primarily at the lower of cost, determined by the average method or the first-in, first-out method, or net selling value.

e. ***Investment Securities***— Investment securities are classified and accounted for, depending on management's intent, as follows: (i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at cost and (ii) available-for-sale securities, other than stocks, etc. without market value, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net assets.

Stocks, etc. without market value are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

f. ***Property, Plant and Equipment***— Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment, except for lease assets and right-of-use assets, of the Company and its consolidated domestic subsidiaries is computed by the straight-line method. The range of useful lives is principally from ten to 50 years for buildings and structures, and from three to eight years for machinery, equipment and vehicles, and tools, furniture and fixtures.

g. ***Long-Lived Assets***— The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. ***Intangible Assets***— Intangible assets are stated at cost less accumulated amortization, which is calculated by the straight-line method principally over 5 years.

i. ***Retirement Benefits***
Retirement benefits to employees (including officers)— The Company and its certain consolidated subsidiaries have funded defined benefit pension plans and lump-sum retirement payment plans. The Company has set up a retirement benefit trust. On April 1, 2014, the Company transferred part of its funded defined benefit pension plans to defined contribution pension plans.

The Company principally records retirement benefit obligations based on projected benefit obligations and plan assets at each balance sheet date.

Prior service cost is amortized by the straight-line method over 10 years. Actuarial gains and losses are amortized by the straight-line method over 10 years from the next period in which they arise.

J. ***Research and Development Costs***— Research and development costs are charged to income as incurred.

k. ***Leases*** — Leased assets under the finance lease arrangements where the ownership is not transferred to lessees at the end of lease terms are capitalized to recognize lease assets and lease obligations in the balance sheet.

All other leases are accounted for as operating leases.

l. ***Bonuses to Officers***— Bonuses to officers are accrued at the year-end to which such bonuses are attributable.

m. ***Income Taxes***— The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

n. ***Revenue and Expenses***—The Group mainly manufactures and sells electronic functional materials and high-purity chemicals, and recognizes revenue when merchandise or finished goods are delivered to a customer. However, revenue from domestic sales is recognized when the shipment is completed if control of the merchandise or finished goods is transferred to customers within a normal period after the shipment. Revenue from export sales is recognized when the risk is transferred to a customer based on trade terms set mainly by the Incoterms, etc.

Variable consideration included in contracts with customers is included in the transaction price only to the extent that it is probable that a significant decrease in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Revenue from transactions in which the Group is determined to be acting as an agent is recognized at the amount received in exchange for the merchandise provided by another party net of the amount to be paid to another party.

No significant financing component is included in transaction consideration as consideration is generally received within one year after the performance obligation is satisfied.

o. ***Foreign Currency Transactions***— All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates as of the balance sheet date. Foreign exchange gains and losses arising from translation are charged to income to the extent that they are not hedged by forward exchange contracts.

p. ***Foreign Currency Financial Statements***— Assets and liabilities of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date. Revenue and expense accounts are translated into Japanese yen at the average exchange rate during the period. Differences arising from such translation are recorded in “Foreign currency translation adjustments” and “Non-controlling interests” in Net assets.

q. ***Derivative and Hedging Activities***— The Group uses derivative financial instruments to manage its exposures to the fluctuation in foreign currency exchange. Foreign currency forward contracts are utilized to hedge foreign exchange risk. The Group does not enter into derivatives for trading or speculative purposes.

Trade receivables and payables denominated in foreign currencies for which foreign currency forward contracts are used to hedge foreign exchange risk are translated at the contracted rate if the forward contracts qualify for hedge accounting.

r. ***Per Share Information***— Basic earnings per share is computed by dividing profit attributable to common shareholders by the average number of common shares outstanding during the period.

Diluted earnings per share reflects the potential dilution that could occur if share acquisition rights were exercised and converted into common shares. Diluted earnings per share is computed on the assumption that all outstanding share subscription rights were converted at the beginning of the year.

Cash dividends per share presented in the accompanying consolidated statement of income include dividends to be paid after the fiscal year-end.

3. SIGNIFICANT ACCOUNTING ESTIMATES

There was no accounting estimate which may have significant impacts on the consolidated financial statements for the year ending December 31, 2024.

4. CHANGES IN ACCOUNTING POLICIES

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

The Company applied *Implementation Guidance on Accounting Standard for Fair Value Measurement* (ASBJ Guidance No. 31, June 17, 2021, “Implementation Guidance on Accounting Standard for Fair Value Measurement”) from January 1, 2023, and the new accounting policies stipulated in the Implementation Guidance on Accounting Standard for Fair Value Measurement are applied prospectively pursuant to the transitional treatment stipulated by Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

The application had no impact on the consolidated financial statements.

5. ADDITIONAL INFORMATION

(Transaction to grant the Company's shares to employees, etc. through a trust)
Based on the resolution at the Board of Directors meeting held on August 7, 2019, the Company introduced "Trust-Type Employee Stock Ownership Plan" ("Plan") with an aim to enhance the Company's welfare program as well as to improve its medium- to long-term corporate value by providing employees with incentives for an increase in share prices.

(1) Overview of the transaction
The Plan is an incentive plan for all employees in the "Tokyo Ohka Employees Stockholding Association" ("Stockholding Association"). Under the Plan, the Company sets up the "Tokyo Ohka Employee Stockholding Association Trust" ("Stockholding Trust") at a trust bank, and the Stockholding Trust purchases in advance the number of the Company's shares expected to be purchased by the Stockholding Association over five years from the date the trust is set up and sells the shares to the Stockholding Association every month on a certain date. Any gains on sale of shares accumulated in the trust upon expiry of the Stockholding Trust will be distributed as residual assets to those satisfying the beneficiary eligibility requirements. As the Company provides guarantee for borrowings made by the Stockholding Trust to purchase the Company's shares, the Company is liable to pay the outstanding balance of borrowings, equivalent to loss on sale of shares accumulated in the Stockholding Trust due to a decline in share prices, upon expiry of the Stockholding Trust.

The Plan aims to improve our medium- to long-term corporate value by providing employees with incentives for an increase in share prices and also to support employees' asset building as a measures to enhance our welfare program by promoting purchase and holding of shares through enhancement of the Stockholding Association.

(2) The Company's shares remaining in the Trust
The Company's shares remaining in the Trust are recorded as Treasury shares in Net assets at the carrying amount at the Trust (excluding ancillary expenses). The carrying amount and number of treasury shares as of December 31, 2023 and 2022 were ¥437 million ($3,104 thousand) and 315 thousand shares and ¥643 million and 463 thousand shares, respectively.

(3) The carrying amount of borrowings recorded under the gross method

	Millions of yen	Thousands of U.S dollars
December 31, 2023	¥ —	$ —
December 31, 2022	¥ 222	

6. CASH AND CASH EQUIVALENTS

The balances of cash and deposits reflected in the consolidated balance sheet at December 31, 2023 and 2022 were reconciled to the balances of cash and cash equivalents as presented in the consolidated statement of cash flows for the years then ended as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Cash and deposits	¥ 41,788	¥ 39,856	$ 296,371
Securities	999	999	7,092
Cash and cash equivalents	¥ 42,788	¥ 40,856	$ 303,463

7. INVESTMENT SECURITIES

Investment securities as of December 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Current:			
Trust beneficiary interests	¥ 3,000	¥ 3,000	$ 21,276
Commercial paper	999	999	7,092
Total	¥ 3,999	¥ 3,999	$ 28,368
Non-current:			
Stocks	¥ 20,427	¥ 15,995	$ 144,876
Total	¥ 20,427	¥ 15,995	$ 144,876

Costs and aggregate fair values of investment securities at December 31, 2023 and 2022 were as follows:

	Millions of yen			
December 31, 2023	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Held-to-maturity	¥ 3,999	¥ —	¥ —	¥ 3,999
Available-for-sale	¥ 6,817	¥13,674	¥ (64)	¥ 20,427

	Millions of yen			
December 31, 2022	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Held-to-maturity	¥ 3,999	¥ —	¥ —	¥ 3,999
Available-for-sale	¥ 8,712	¥ 8,113	¥(830)	¥ 15,995

	Thousands of U.S. dollars			
December 31, 2023	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Held-to-maturity	$ 28,368	$ —	$ —	$ 28,368
Available-for-sale	$ 48,354	$ 96,979	$ (456)	$144,876

Stocks whose fair values are not readily determinable are not included in “Available-for-sale securities” in the above table.

Available-for-sale securities sold during the year ended December 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Amount sold	¥ 133	¥ 371	$ 948
Total gains	103	243	735
Total losses	—	—	—

8. INVENTORIES

Inventories at December 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Merchandise and finished goods	¥ 11,060	¥ 11,084	$ 78,440
Work in process	7,397	7,000	52,467
Raw materials and supplies	14,624	11,920	103,722
Total	¥ 33,083	¥ 30,006	$ 234,631

9. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of December 31, 2023 and 2022 and recognized impairment losses for the following assets. The carrying amount of those assets was written down to the recoverable amount.

For the year ended December 31, 2023
Not applicable.

For the year ended December 31, 2022

Use	Type of assets	Location	Amount Millions of yen
Business assets, etc. for Material Business	Machinery, equipment and vehicles, Tools, furniture and fixtures, Construction in progress	Kumamoto	¥ 81
Business assets, etc. for Equipment Business	Machinery, equipment and vehicles, Tools, furniture and fixtures, Construction in progress, Intangible fixed assets	Kanagawa	101
Idle properties	Machinery, equipment and vehicles, Tools, furniture and fixtures	Kanagawa	12
Total			¥ 195

The Group classifies its assets into groups based on the business units used for management accounting purpose to measure revenues and expenses. Idle properties are individually evaluated.

The recoverable amount is measured by net selling price which is calculated based on an appraisal value. Assets other than land and buildings are considered to have no real value and evaluated at their memorandum value.

10. LONG-TERM BORROWINGS

Long-term borrowings at December 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Current portion of long-term borrowings	¥ —	¥ —	$ —
Unsecured loan from a bank, with average interest rate of 0.44% and 0.45% for the years ended December 31, 2023 and 2022, respectively	10,000	10,222	70,921
Total	¥ 10,000	¥ 10,222	$ 70,921

The aggregate annual maturities of long-term borrowings are summarized below:

Years ending December 31,	Millions of yen	Thousands of U.S. dollars
2024	¥ —	$ —
2025	3,900	27,659
2026	—	—
2027	—	—
2028	3,900	27,659
2029 and thereafter	2,200	15,602
Total	¥ 10,000	$ 70,921

11. RETIREMENT AND PENSION PLANS

The Company and its certain consolidated subsidiaries have funded defined benefit pension plans and lump-sum retirement payment plans. The Company has set up a retirement benefit trust. On April 1, 2014, the Company transferred part of its funded defined benefit pension plans to defined contribution pension plans.

The defined benefit corporate pension plans provide lump-sum payment or pension based on salary and service period.

The lump-sum retirement payment plans provide lump-sum payment as retirement benefit based on factors such as service period.

The details of the plans are as follows:

(1) Defined benefit pension plans

(a) Retirement benefit obligations	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Beginning balance	¥ 15,548	¥ 15,598	$ 110,270
Service cost	702	615	4,983
Interest cost	85	85	605
Actuarial differences incurred during the year	388	(2)	2,756
Payment of retirement benefit	(767)	(748)	(5,443)
Effects of the transfer to defined contribution plans	(12)	—	(85)
Ending balance	¥ 15,945	¥ 15,548	$ 113,088

Note: Certain consolidated subsidiaries apply a simplified method to calculate retirement benefit obligations.

(b) Pension assets	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Beginning balance	¥ 13,642	¥ 14,482	$ 96,758
Expected return on plan assets	341	362	2,418
Actuarial differences incurred during the year	824	(956)	5,844
Contributions from employer	432	401	3,065
Payment of retirement benefit	(648)	(646)	(4,596)
Ending balance	¥ 14,592	¥ 13,642	$ 103,490

(c) Employee retirement benefit trust	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Beginning balance	¥ 4,734	¥ 5,165	$ 33,577
Expected return on plan assets	11	12	83
Actuarial differences incurred during the year	65	(443)	461
Ending balance	¥ 4,811	¥ 4,734	$ 34,122

(d) Reconciliation between ending balance of retirement benefit obligations and pension assets and retirement benefit liability and retirement benefit asset recorded on the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Retirement benefit obligations under the funded plan	¥ 15,734	¥ 15,294	$ 111,592
Pension assets	(14,592)	(13,642)	(103,490)
Employee retirement benefit trust	(4,811)	(4,734)	(34,122)
	(3,668)	(3,082)	(26,020)
Retirement benefit obligations under the unfunded plan	210	253	1,495
Net liabilities or assets recorded on the consolidated balance sheet	(3,458)	(2,829)	(24,524)
Retirement benefit liability	809	853	5,737
Retirement benefit asset	(4,267)	(3,682)	(30,262)
Net liabilities or assets recorded on the consolidated balance sheet	¥ (3,458)	¥ (2,829)	$ (24,524)

(e) Net periodic benefit cost and its components

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Service cost	¥ 702	¥ 615	$ 4,983
Interest cost	85	85	605
Expected return on plan assets	(352)	(374)	(2,502)
Amortized actuarial differences	153	(3)	1,085
Amortized prior service cost	(256)	(256)	(1,818)
Net periodic benefit cost of defined benefit plan	¥ 331	¥ 65	$ 2,353

Note: Net periodic benefit cost of consolidated subsidiaries applying the simplified method is recorded as “Service cost.”

(f) Remeasurements of defined benefit plans (Other comprehensive income)

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Prior service cost	¥ (256)	¥ (256)	$ (1,818)
Actuarial differences	653	(1,401)	4,634
Total	¥ 397	¥ (1,657)	$ 2,816

(g) Remeasurements of defined benefit plans (Accumulated other comprehensive income)

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unrecognized prior service cost	¥ —	¥ 256	$ —
Unrecognized actuarial differences	(509)	(1,162)	(3,612)
Total	¥ (509)	¥ (906)	$ (3,612)

(h) Plan assets and employee retirement benefit trust

(i) Components of plan assets

	2023	2022
Debt securities	49%	52%
Stocks	37%	30%
Other	14%	18%
Total	100%	100%

(ii) Components of employee retirement benefit trust

	2023	2022
Debt securities	51%	51%
Collective investment trust	48%	29%
Other	1%	20%
Total	100%	100%

(iii) Long-term rate of return

Long-term rate of return on plan assets and employee retirement benefit trust is determined based on the current and expected allocation of plan assets and employee retirement benefit trust and current and expected long-term rate of return of various assets composing plan assets and employee retirement benefit trust.

(i) Basis for calculation of actuarial differences

	2023	2022
Discount rate	Mainly 0.53%	Mainly 0.53%
Long-term expected rate of return		
Defined benefit corporate pension plan	2.50%	2.50%
Employee retirement benefit trust	0.25%	0.25%

(2) Defined contribution plans

The amounts of required contributions to defined contribution pension plans by the Company and its consolidated subsidiaries for the years ended December 31, 2023 and 2022 were ¥254 million ($1,806 thousand) and ¥227 million, respectively.

(3) Other retirement benefits

The amount of liabilities to be transferred to a defined contribution pension plan in relation to a partial transfer from a funded defined benefit plan to a defined contribution pension plan in April 2023 was ¥12 million ($85 thousand), and the transfer is expected to be completed over four years. The remaining balance as of December 31, 2023 was ¥6 million ($49 thousand) and is recorded in Other payables and Long-term other payables.

12. NET ASSETS

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(1) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend based on a resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semi-annual interim dividends may also be paid once a year based on a resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury shares. The limitation is defined as the amount available for distribution to shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(2) Increases/decreases and transfer of share capital, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as legal capital surplus (a component of capital surplus) or as legal retained earnings (a component of retained earnings) until the total of legal capital surplus and legal retained earnings on the date of the dividend payment equals 25% of share capital. Under the Companies Act, there is no limitation on the total amount of legal capital surplus and legal retained earnings. The Companies Act also provides that share capital, legal retained earnings, legal capital surplus, other capital surplus, and other retained earnings can be transferred among the accounts based on a resolution at the shareholders meeting.

(3) Treasury shares and treasury share acquisition rights

The Companies Act also provides that companies may purchase and dispose of treasury shares based on a resolution by the Board of Directors. The amount of treasury shares purchased cannot exceed the amount available for distribution to shareholders which is determined by a specific formula.

Under the Companies Act, share acquisition rights are presented as a separate component of net assets.

The Companies Act also provides that companies may purchase both treasury shares and treasury share acquisition rights. Treasury share acquisition rights are presented as a separate component of net assets or deducted directly from share acquisition rights.

The accompanying consolidated financial statements do not include any provision for the year-end dividend of ¥86 ($0.60) per share approved at the general shareholders meeting held on March 28, 2024, aggregating ¥3,479 million ($24,677 thousand) in respect of the year ended December 31, 2023. Total dividends include dividends declared on the Company's shares held by "Tokyo Ohka Employee Stockholding Association Trust" of ¥9 million ($64 thousand). The Company conducted a 3-for-1 stock split for common shares on January 1, 2024. The amount of cash dividend per share is on a pre-split basis.

13. STOCK OPTIONS

(1) Outline, number and changes of stock options

(a) Outline of stock options
Stock options outstanding as of December 31, 2023 were as follows:

Stock option	2019 Stock option	2018 Stock option	2017 Stock option
Category and number of eligible person	2 representative directors of the Company 4 directors of the Company 7 executive officers of the Company	1 representative director of the Company 5 directors of the Company 6 executive officers of the Company	1 representative director of the Company 5 directors of the Company 5 executive officers of the Company
Number of options granted by share class	Common share: 32,800 shares	Common share: 20,200 shares	Common share: 14,500 shares
Date of grant	May 16, 2019	May 16, 2018	August 4, 2017
Service period	Not specified	Not specified	Not specified
Exercise period	From May 17, 2019 to May 16, 2049	From May 17, 2018 to May 16, 2048	From August 5, 2017 to August 4, 2047

Stock option	2016 Stock option	2015 Stock option	2014 Stock option
Category and number of eligible person	1 representative director of the Company 5 directors of the Company 6 executive officers of the Company	1 representative director of the Company 5 directors of the Company 8 executive officers of the Company	1 representative director of the Company 5 directors of the Company 7 executive officers of the Company
Number of options granted by share class	Common share: 29,300 shares	Common share: 21,900 shares	Common share: 31,500 shares
Date of grant	August 4, 2016	August 4, 2015	August 5, 2014
Service period	Not specified	Not specified	Not specified
Exercise period	From August 5, 2016 to August 4, 2046	From August 5, 2015 to August 4, 2045	From August 6, 2014 to August 5, 2044

(b) Number and changes of stock options

Movement in stock options during the year ended December 31, 2023 was as follows:

	Number of shares		
	2019	2018	2017
Unvested stock options:			
As of December 31, 2022	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Unvested options as of December 31, 2023	—	—	—
Vested stock options:			
As of December 31, 2022	18,600	9,500	6,400
Vested	—	—	—
Exercised	2,600	1,900	1,400
Forfeited	—	—	—
Unexercised options as of December 31, 2023	16,000	7,600	5,000
	Yen		
Exercise price	¥ 1	¥ 1	¥ 1
Average share price at the time of exercise	¥ 7,630	¥ 7, 630	¥ 7, 630
Fair value per share at grant date	¥ 2,690	¥ 4,164	¥ 3,363
	U.S. dollars		
Exercise price	$ 0.01	$ 0.01	$ 0.01
Average share price at the time of exercise	$ 54.11	$ 54.11	$ 54.11
Fair value per share at grant date	$ 19.07	$ 29.53	$ 23.85

	Number of shares		
	2016	2015	2014
Unvested stock options:			
As of December 31, 2022	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Unvested options as of December 31, 2023	—	—	—
Vested stock options:			
As of December 31, 2022	11,400	6,100	5,600
Vested	—	—	—
Exercised	2,100	1,300	2,000
Forfeited	—	—	—
Unexercised options as of December 31, 2023	9,300	4,800	3,600
	Yen		
Exercise price	¥ 1	¥ 1	¥ 1
Average share price at the time of exercise	¥ 7, 630	¥ 7, 630	¥ 7, 630
Fair value per share at grant date	¥ 2,757	¥ 3,192	¥ 2,292
	U.S. dollars		
Exercise price	$ 0.01	$ 0.01	$ 0.01
Average share price at the time of exercise	$ 54.11	$ 54.11	$ 54.11
Fair value per share at grant date	$ 19.55	$ 22.63	$ 16.25

(3) Method of estimating fair value of stock options

Not applicable.

(4) Method of estimating number of vested stock options

Only the actual number of forfeited stock options is reflected because it is difficult to reasonably estimate the number of future forfeitures.

14. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.4% for the years ended December 31, 2023 and 2022. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

Tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at December 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets:			
Accrued bonuses for employees	¥ 743	¥ 890	$ 5,275
Unrealized gains on finished goods	1,293	1,086	9,173
Loss on valuation of inventories	417	545	2,963
Loss on valuation of investment securities	295	295	2,095
Loss on valuation of investments in capital	164	164	1,165
Retirement benefit liability and asset	489	682	3,472
Impairment losses	428	586	3,042
Allowance for doubtful accounts	17	22	122
Other	2,276	2,259	16,144
Less valuation allowance	(870)	(899)	(6,172)
Total	5,256	5,633	37,281
Deferred tax liabilities:			
Reserve for advanced depreciation	(157)	(167)	(1,117)
Valuation difference on available-for-sale securities	(3,850)	(2,003)	(27,308)
Undistributed earnings of foreign subsidiaries	(2,903)	(2,503)	(20,594)
Accelerated depreciation	(710)	(826)	(5,036)
Other	(39)	(40)	(278)
Total	(7,661)	(5,541)	(54,335)
Net deferred tax assets (liabilities)	¥ (2,404)	¥ 92	$ (17,054)

Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
Normal effective statutory tax rate	30.4%	30.4%
Adjustments:		
Non-taxable dividend income	(5.1)	(3.6)
Different income tax rates applicable to consolidated foreign subsidiaries	(6.6)	(5.4)
Dividends from consolidated foreign subsidiaries	5.2	3.7
Tax credit for research and development costs	(2.7)	(3.5)
Effects of sale of shares of subsidiaries and associates	1.5	—
Other - net	4.1	3.2
Actual effective tax rate	26.8%	24.8%

15. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
General and administrative expenses	¥ 12,495	¥ 10,920	$ 88,623
Manufacturing costs	162	118	1,150
Total	¥ 12,658	¥ 11,038	$ 89,773

16. FINANCIAL INSTRUMENTS

(1) Group policy for financial instruments
The Group raises the funds necessary for its business operation and capital expenditure by taking into consideration the capital structure suitable for the economic environment and the actual state of the entity. Derivatives are used to avoid risks described below, and not for speculative purposes.

(2) Nature and extent of risks arising from financial instruments
Trade receivables such as notes receivable - trade and accounts receivable - trade are exposed to customer credit risk. Also, trade receivables denominated in foreign currencies arising from exporting products, etc. are exposed to the risk of exchange rate fluctuations.

Securities and investment securities consist mainly of debt securities held to maturity and stocks of companies having business relationship with the Group, and stocks are exposed to the risk of market price fluctuations.

Payment terms of trade payables, such as notes and accounts payable - trade, are less than one year. A part of those trade payables are denominated in foreign currencies and exposed to the risk of exchange rate fluctuations.

Long-term borrowings have fixed interest rates to hedge the risk of interest rate fluctuations.

Derivatives mainly include foreign currency forward contracts and currency option contracts, which are used to manage exposure to foreign exchange rate fluctuations related to monetary receivables and payables denominated in foreign currencies. Please see Note 17 for more detail about derivatives.

(3) Risk management for financial instruments

Credit risk management (risk of default by counterparties)
The Group manages its credit risk from trade receivables in accordance with internal guidelines, which include regular monitoring of payment terms and balances of major customers by the credit administration department to identify the default risk of customers in the early stages.

With respect to held-to-maturity debt securities, the Group manages its exposure to credit risk by limiting its holdings to high credit rating bonds.

With respect to derivatives, the Group manages its exposure to credit risk by limiting its counterparties to major and creditworthy financial institutions.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of December 31, 2023.

Market risk management (foreign exchange and interest rate fluctuation risk)
Foreign currency-denominated monetary receivables and payables are exposed to the risk of exchange rate fluctuations, which is managed monthly by currency and hedged mainly by foreign currency forward contracts and currency option contracts. Long-term borrowings have fixed interest rates to hedge the risk of interest rate fluctuations.

Investment securities are managed by regularly monitoring fair values and issuers' financial position, and the holding status is reviewed on an ongoing basis by considering the relationship with business partners.

Derivative transactions are executed and managed in accordance with "Financial Risk Management Rules."

(4) Fair values of financial instruments

Fair values of financial instruments are measured using variable factors, and therefore using different assumptions may result in different values. Please see Note 17 for the detail of fair value of derivatives.

The carrying amount and the fair value of financial instruments and the difference between these values are as follows:

December 31, 2023	Millions of yen Carrying amount	Fair value	Difference
Securities and investment securities (Note 2):			
Held-to-maturity debt securities	¥ 3,999	¥ 3,999	¥ —
Available-for-sale securities	20,427	20,427	—
Shares of associates	1,988	6,939	4,950
Long-term time deposits	12,000	12,000	—
Total	¥ 38,416	¥ 43,367	¥ 4,950
Long-term borrowings	¥ 10,000	¥ 9,824	¥ (175)
Total	¥ 10,000	¥ 9,824	¥ (175)
Derivative transactions	¥ (3)	¥ (3)	¥ —

December 31, 2022	Millions of yen Carrying amount	Fair value	Difference
Securities and investment securities (Note 2):			
Held-to-maturity debt securities	¥ 3,999	¥ 3,999	¥ —
Available-for-sale securities	15,995	15,995	—
Long-term time deposits	18,000	18,000	—
Total	¥ 37,995	¥ 37,995	¥ —
Long-term borrowings	¥ 10,222	¥ 9,952	¥ 269
Total	¥ 10,222	¥ 9,952	¥ 269
Derivative transactions	¥ 3	¥ 3	¥ —

December 31, 2023	Thousands of U.S. dollars Carrying amount	Fair value	Difference
Securities and investment securities:			
Held-to-maturity debt securities	$ 28,368	$ 28,368	$ —
Available-for-sale securities	144,876	144,876	—
Shares of associates	14,104	49,215	35,111
Long-term time deposits	85,106	85,106	—
Total	$ 272,456	$ 307,567	$ 35,111
Long-term borrowings	$ 70,921	$ 69,673	$ (1,248)
Total	$ 70,921	$ 69,673	$ (1,248)
Derivative transactions	$ (26)	$ (26)	$ —

(Notes) 1. Cash and deposits, Notes receivable - trade, Accounts receivable - trade, and Notes and accounts payable - trade are omitted from the table above because they are either cash or settled within a short period of time and their carrying amount approximates their fair value.

2. Stocks, etc. without market value are not included in “Securities and investment securities.”

Their carrying amount is as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unlisted stocks, etc.	¥ 357	¥ 108	$ 2,536
Investments in capital	88	100	629

(5) Maturity analysis for monetary receivables and securities with contractual maturities

	Millions of yen		
December 31, 2023	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
Cash and deposits	¥ 41,788	¥ —	¥ —
Time deposits	15,027	—	—
Notes receivable - trade	916	—	—
Accounts receivable - trade	32,982	—	—
Securities and investment securities:			
Held-to-maturity debt securities			
Trust beneficiary interests	3,000	—	—
Commercial paper	999	—	—
Long-term time deposits	—	12,000	—
Total	¥ 94,715	¥ 12,000	¥ —

	Millions of yen		
December 31, 2022	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
Cash and deposits	¥ 39,856	¥ —	¥ —
Time deposits	15,514	—	—
Notes receivable - trade	911	—	—
Accounts receivable - trade	34,900	—	—
Securities and investment securities:			
Held-to-maturity debt securities			
Trust beneficiary interests	3,000	—	—
Commercial paper	999	—	—
Long-term time deposits	—	18,000	—
Total	¥ 95,183	¥ 18,000	¥ —

December 31, 2023	Thousands of U.S. dollars Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years
Cash and deposits	$ 296,371	$ —	$ —
Time deposits	106,581	—	—
Notes receivable - trade	6,498		
Accounts receivable - trade	233,919	—	—
Securities and Investment securities:			
Held-to-maturity debt securities			
Trust beneficiary interests	21,276	—	—
Commercial paper	7,092	—	—
Long-term time deposits	—	85,106	—
Total	$ 671,739	$ 85,106	$ —

(6) Fair value, etc. of financial instruments and breakdown of fair value by level

Fair value of financial instruments is categorized into the following three levels based on observability and significance of the inputs used in fair value measurement.

Level 1: Fair value measured using observable inputs that reflect quoted prices of the assets or liabilities in active markets

Level 2: Fair value measured using observable inputs other than Level 1 inputs

Level 3: Fair value measured using unobservable inputs

When fair value is measured using inputs from more than one level, the fair value is categorized based on the lowest priority level input that is significant to the entire measurement.

(a) Financial instruments recorded on the consolidated balance sheet at fair value

	Millions of yen			
	2023			
	Fair value			
Classification	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Stocks	¥ 20,427	¥ —	¥ —	¥ 20,427
Derivatives				
Currency-related	—	0	—	0
Total	¥ 20,427	¥ 0	¥ —	¥ 20,427
Derivatives				
Currency-related	¥ —	¥ 4	¥ —	¥ 4
Total	¥ —	¥ 4	¥ —	¥ 4

Classification	Millions of yen			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Stocks	¥ 15,995	¥ —	¥ —	¥ 15,995
Derivatives				
Currency-related	—	5	—	5
Total	¥ 15,995	¥ 5	¥ —	¥ 16,001
Derivatives				
Currency-related	¥ —	¥ 2	¥ —	¥ 2
Total	¥ —	¥ 2	¥ —	¥ 2

Classification	Thousands of U.S. dollars			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Stocks	$ 144,876	$ —	$ —	$ 144,876
Derivatives				
Currency-related	—	6	—	6
Total	$ 144,876	$ 6	$ —	$ 144,883
Derivatives				
Currency-related	$ —	$ 32	$ —	$ 32
Total	$ —	$ 32	$ —	$ 32

(b) Financial instruments other than those recorded on the consolidated balance sheet at fair value

Classification	Millions of yen			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Held-to-maturity debt securities				
Other	¥ —	¥ 3,999	¥ —	¥ 3,999
Shares of associates				
Stocks	6,939	—	—	6,939
Long-term time deposits	—	12,000	—	12,000
Total	¥ 6,939	¥ 15,999	¥ —	¥ 22,939
Long-term borrowings	¥ —	¥ 9,824	¥ —	¥ 9,824
Total	¥ —	¥ 9,824	¥ —	¥ 9,824

Classification	Millions of yen							
	2022							
	Fair value							
	Level 1		Level 2		Level 3		Total	
Securities and investment securities								
Held-to-maturity debt securities								
Other	¥	—	¥	3,999	¥	—	¥	3,999
Long-term time deposits		—		18,000		—		18,000
Total	¥	—	¥	21,999	¥	—	¥	21,999
Long-term borrowings	¥	—	¥	9,952	¥	—	¥	9,952
Total	¥	—	¥	9,952	¥	—	¥	9,952

Classification	Thousands of U.S. dollars							
	2023							
	Fair value							
	Level 1		Level 2		Level 3		Total	
Securities and investment securities								
Held-to-maturity debt securities								
Other	$	—	$	28,368	$	—	$	28,368
Shares of associates								
Stocks		49,215		—		—		49,215
Long-term time deposits		—		85,106		—		85,106
Total	$	49,215	$	113,474	$	—	$	162,690
Long-term borrowings	$	—	$	69,673	$	—	$	69,673
Total	$	—	$	69,673	$	—	$	69,673

(Note) Valuation technique used to measure fair value and inputs to fair value measurement

Securities and investment securities

Fair value of listed stocks is measured based on the quoted prices and is categorized in Level 1 as listed stocks are traded on active markets. Fair value of debt securities is measured based on the prices provided by the counterparty financial institutions and is categorized in Level 2.

Long-term time deposits

Fair value of long-term time deposits is measured by discounting the sum of principal and interest by the interest rate assumed to be applied to a similar new deposit and is categorized in Level 2.

Long-term borrowings

Fair value of long-term borrowings is measured by discounting the sum of principal and interest by the interest rate assumed to be applied to a similar new borrowing and is categorized in Level 2.

Derivatives

Fair value of derivatives is measured based on the prices provided by the counterparty financial institutions and is categorized in Level 2.

17. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge the exchange rate fluctuation risk associated with certain monetary receivables and payables denominated in foreign currencies.

All derivative transactions are entered into to hedge the exchange rate fluctuation risk arising from its business activities. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the credit limit amounts and authorization.

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

	Millions of yen							
	2023				2022			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Foreign currency forward contracts:								
Sell:								
US$	¥ 2,594	¥ —	¥ (1)	¥ (1)	¥ —	¥ —	¥ —	¥ —
NT$	143	—	(2)	(2)	191	—	5	5
KRW	139	—	0	0	148	—	(2)	(2)
Total	¥ 2,877	¥ —	¥ (3)	¥ (3)	¥ 340	¥ —	¥ 3	¥ 3

	Thousands of U.S. dollars			
	2023			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Foreign currency forward contracts:				
Sell:				
US$	$ 18,402	$ —	$ (12)	$ (12)
NT$	1,019	—	(19)	(19)
KRW	989	—	6	6
Total	$ 20,411	$ —	$ (26)	$ (26)

* The fair value is based on prices provided by counterparty financial institutions.

(2) Derivative transactions to which hedge accounting is applied

December 31, 2023	Hedged Item	Millions of yen Contract amount	 Contract amount due after one year	 Fair value
Foreign currency forward contracts:				
Sell:				
US$	Accounts receivable - trade	¥ 3,593	¥ —	*
EUR	Accounts receivable - trade	86	—	*
NT$	Accounts receivable - trade	632	—	*
Total		¥ 4,312	¥ —	

December 31, 2022	Hedged Item	Millions of yen Contract amount	 Contract amount due after one year	 Fair value
Foreign currency forward contracts:				
Sell:				
US$	Accounts receivable - trade	¥ 3,791	¥ —	*
EUR	Accounts receivable - trade	32	—	*
NT$	Accounts receivable - trade	924	—	*
Total		¥ 4,748	¥ —	

December 31, 2023	Hedged Item	Thousands of U.S. dollars Contract amount	 Contract amount due after one year	 Fair value
Foreign currency forward contracts:				
Sell:				
US$	Accounts receivable - trade	$ 25,484	$ —	*
EUR	Accounts receivable - trade	611	—	*
NT$	Accounts receivable - trade	4,487	—	*
Total		$ 30,583	$ —	

* The fair value of foreign currency forward contracts is included in accounts receivable - trade, etc. as these derivative contracts are accounted for as part of the hedged items (i.e. accounts receivables - trade).

18. OTHER COMPREHENSIVE INCOME

Reclassification adjustments and tax effects regarding other comprehensive income for the years ended December 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Valuation difference on available-for-sale securities:			
Recognized during the year	¥ 6,429	¥ (2,119)	$ 45,601
Reclassification adjustments	(103)	(243)	(735)
Before tax effects adjustment	6,326	(2,363)	44,866
Tax effects	(1,847)	792	(13,099)
Valuation difference on available-for-sale securities	4,479	(1,571)	31,766
Foreign currency translation adjustments:			
Recognized during the year	3,410	3,649	24,185
Reclassification adjustments	—	—	—
Foreign currency translation adjustments	3,410	3,649	24,185
Remeasurements of defined benefit plans:			
Recognized during the year	500	(1,397)	3,549
Reclassification adjustments	(103)	(260)	(733)
Before tax effects adjustment	397	(1,657)	2,816
Tax effects	(120)	503	(856)
Remeasurements of defined benefit plans	276	(1,153)	1,959
Total other comprehensive income	¥ 8,165	¥ 923	$ 57,911

19. PER SHARE INFORMATION

Basic earnings per share ("EPS") for the years ended December 31, 2023 and 2022 was as follows:

	Yen		U.S. dollars
	2023	2022	2023
Basic EPS	¥ 105.10	¥ 163.18	$ 0.74
Diluted EPS	104.97	162.93	0.74

(Note) The Company conducted a 3-for-1 stock split for common shares on January 1, 2024. "Basic EPS" and "Diluted EPS" are calculated assuming that the stock split had been conducted on January 1, 2022.

Basis for the calculation of basic and diluted earnings per share is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Profit attributable to owners of parent	¥ 12,712	¥ 19,693	$ 90,159

	Thousands of shares	
	2023	2022
Earnings per share:		
Average number of shares during the year*	120,955	120,680
Diluted earnings per share:		
Increase in number of common shares	149	186
(Of those, share acquisition rights)	(149)	(186)

* Average number of shares during the years ended December 31, 2023 and 2022 excluded the Company's shares held by the "Tokyo Ohka Employees Stockholding Association."

20. REVENUE RECOGNITION

(1) Disaggregation of revenue arising from contracts with customers
The Group operates a single business segment, and the information on disaggregation of revenue arising from contracts with customers is as follows.

Previously, the information on disaggregation of revenue arising from contracts with customers was classified into two reportable segments of "Material Business" and "Equipment Business," but we have changed the classification as follows from the year ended December 31, 2023 following the transfer of "Equipment Business" (excluding certain parts).

As a result of this change, the information on disaggregation of revenue arising from contracts with customers for the year ended December 31, 2022 was also shown under the new classification.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Electronic functional materials	¥ 87,799	¥ 92,799	$ 622,694
High-purity chemicals	71,992	77,565	510,587
Other	2,477	5,069	17,570
Revenue from contracts with customers	162,270	175,434	1,150,853
Other revenue	—	—	—
Net sales to customers	¥ 162,270	¥ 175,434	$ 1,150,853

(2) Basic information for the understanding of revenue arising from contracts with customers
Basic information for the understanding of revenue is disclosed in Note 2, "Summary of Significant Accounting Policies, n. Revenue and Expenses."

(3) Relationship between satisfaction of performance obligations based on contracts with customers and cash flows arising from the contracts, and information on the amount and timing of revenue expected to be recognized in or after the year ending December 31, 2024 from contracts with customers existing as of December 31, 2023.

(a) Balance of contract liabilities

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Receivables from contracts with customers (January 1)	¥ 35,812	¥ 33,895	$ 253,987
Receivables from contracts with customers (December 31)	33,898	35,812	240,417
Contracts liabilities (January 1)	3,282	2,571	23,278
Contracts liabilities (December 31)	4,097	3,282	29,060

Contract liabilities primarily relate to considerations received from customers before products are delivered and are reclassified to revenue when revenue is recognized. Contract liabilities are included in "Other current liabilities" and "Other non-current liabilities" in the consolidated balance sheet.

The amount of revenue recognized in the year ended December 31, 2023 that was included in the contract liability balance as of January 1, 2023 was insignificant. The amount of revenue recognized in the year ended December 31, 2023 from performance obligations satisfied in previous periods was insignificant.

(b) Transaction price allocated to the remaining obligations
The Company applied the practical expedient, and the information on the remaining obligations is omitted as there are no material contracts with an original expected duration of more than one year. Also, there is no material consideration from contracts with customers that is not included in the transaction price.

21. BUSINESS COMBINATION

Company split and transfer of subsidiary shares
The Company resolved at its Board of Directors meeting held on September 26, 2022 to enter into a share transfer agreement to transfer its Equipment Business (excluding certain parts) (the "Target Business") to a succession preparatory company to be established as the Company's wholly-owned subsidiary (the "New Company") through an absorption-type company split (the Company Split") and then transfer all of the shares of the New Company to AIMECHATEC, Ltd. ("AIMECHATEC")(the "Share Transfer" and the "Transaction" collectively with the Company Split), and entered into the agreement on the same day. Also the Board of Directors resolved at its meeting held on January 10, 2023 on the Company Split with March 1, 2023 as the effective date and entered into an absorption-type company split agreement on the same day.

(1) Purpose of the Transaction

Since our establishment in 1940, we have pursued cutting-edge technologies as an R&D-driven company, expanded the scope of our technology from high-purity chemicals to sophisticated photoresists, photosensitive materials, and developed our business in the field of fine chemicals.

During these years, we have concentrated on enhancing our core competencies, microprocessing and high purity processing technologies, and we have also maintained and improved our competitiveness in the highly competitive electronic materials industry by adopting our unique Materials & Equipment (M&E) strategy under which we have developed high functional materials such as photoresists for semiconductors and related high-purity chemicals as well as related manufacturing equipment including coating machine, developing machine, and ashing/stripping system, and we believe that the promotion of such M&E strategy will continue to contribute to maintaining and improving our competitiveness.

Recently, we posted record-high net sales and operating income of high functional materials thanks to the booming semiconductor industry, and in the Equipment Business, we are also receiving an increasing number of orders for Zero Newton®, wafer handling systems used for the through-silicon-via (TSV) process for semiconductors with the development of the 3D packaging market. In addition, the growing demand for power semiconductors is contributing to an upward trend in orders for plasma ashing system, a photoresist ashing/stripping system.

Meanwhile, in the recent semiconductor manufacturing equipment industry, the pace of technological innovation is accelerating mainly due to the intensifying competition, requiring us to have a high level of expertise as well as rationalize and streamline business resources and operations; and therefore, the Group has been striving to improve its profitability and cash generation capability and enhance its corporate value through selection and concentration under the management vision to become "The e-Material Global Company™ contributing to a sustainable future through chemistry" (Note), its overarching aspiration for 2030.

Under such circumstances, to concentrate management resources on its core Material Business, the Company has decided to proceed with the Transaction to transfer the Target Business to AIMECHATEC, equipment manufacturer with advanced technological and customer support capabilities, which develops, designs, manufactures and sells LCD panel manufacturing equipment, etc. and provides after-sales services in Japan and overseas with fine coating technology and high-precision bonding technology as its core technologies. The Company also expects that the Collaboration between our Material Business and the Target Business after the transfer to AIMECHATEC will enhance the Target Business and achieve its sustainable growth as well as maintain and further develop our M&E strategy.
Note: "e-Material" stands for "Electronic Material"

(2) Overview of the company established by the Company Split

Company name	Process Equipment Business Split Preparatory Co., Ltd.
Location	150 Nakamaruko, Nakahara-ku, Kawasaki-shi
Name of representative	Hirotaka Yamamoto
Share capital	¥1 ($0.00)
Net assets	¥1 ($0.00)
Total assets	¥1 ($0.00)
Business description	Manufacture and sales of processing equipment for semiconductor and display manufacturing
Established	December 16, 2022
Capital relationship	100% of the issued shares of the New Company held by the Company on the effective date of the Company Split was transferred to AIMECHATEC on the same day.

(3) Description and scale of the business subject to the Company Split
Description of the business: Equipment Business (excluding certain parts)
Scale of the business (Year ended December 31, 2022):

	Target Business (a)	All Business (b)	Ratio (a/b)
Net sales	¥5,260 million ($37,307 thousand)	¥175,434 million ($1,244,219 thousand)	3.0%
Operating income	¥790 million ($5,609 thousand)	¥30,181 million ($214,055 thousand)	2.6%

(4) Name of the reportable segment in which the business subject to the Company Split was included
Equipment Business

(5) Date of the Company Split and the Share Transfer
March 1, 2023

(6) Form of the Company Split
A simplified absorption-type company split with the Company as the splitting company and the New Company as the successor company

(7) Assets and liabilities of the New Company (As of March 1, 2023)

Assets		Liabilities	
Item	Carrying amount	Item	Carrying amount
Current assets	¥3,925 million ($27,842 thousand)	Current liabilities	¥1,540 million ($10,923 thousand)
Non-current assets	¥2 million ($15 thousand)	Non-current liabilities	¥− million ($− thousand)
Total assets	¥3,927 million ($27,857 thousand)	Total liabilities	¥1,540 million ($10,923 thousand)

(8) Overview of the transferee of the Share Transfer (as of December 31, 2022)

Company name	AIMECHATEC, Ltd. (After the Share Transfer became effective, the company succeeded Process Equipment Business Split Preparatory Co., Ltd. through an absorption-type merger effective March 1, 2023)
Location	5-2 Koyodai, Ryugasaki-shi, Ibaraki
Name of representative	Isao Abe, President and Representative Director
Share capital	¥450 million ($3 million)
Net assets	¥7,533 million ($53 million)
Total assets	¥18,950 million ($134 million)
Business description	Design/manufacture/sales of electronic component manufacturing equipment and peripheral equipment and after-sales service

(9) Number of shares transferred, transfer price, gain (loss) on transfer, and ownership ratio after the transfer

Number of shares transferred	100 shares (100% ownership of voting rights)
Transfer price	¥682 million ($4,838 thousand)
Gain (loss) on transfer	¥1,720 million ($12,199 thousand) is recorded as loss on sale of businesses (extraordinary loss)
Number of shares owned after transfer	0 share (0% ownership of voting rights)

The arrangement is subject to contingent consideration which is additional consideration to be paid based on the level of performance indicators of the Target Business, but contingent consideration is not recognized for the year ended December 31, 2023.

(10) Accounting treatment of the Transaction

The Company Split was accounted for as a common control transaction in accordance with *Accounting Standard for Business Combinations* (ASBJ Statement No. 21, January 16, 2019) and *Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures* (ASBJ Guidance No. 10, January 16, 2019).

The Share Transfer was accounted for in accordance with *Accounting Standard for Business Divestitures* (ASBJ Statement No. 7, September 13, 2013) and *Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures* (ASBJ Guidance No. 10, January 16, 2019).

22. SEGMENT INFORMATION

The Group segments its business based on products and services, with each business unit developing the comprehensive strategy on their respective products and services in Japan and overseas and conducting business activities.

The Group previously had two reportable segments of the Material Business and the Equipment Business but operates the Material Business as a single business segment from the year ended December 31, 2023.

The Material Business engages in manufacturing and sales of mainly electronic functional materials and high-purity chemicals.

This change was made based on the review of segmentation conducted after the Company's Equipment Business (excluding certain parts) was succeeded to our wholly-owned subsidiary Process Equipment Business Split Preparatory Co., Ltd. ("Split Preparatory Company") through an absorption-type company split and then the shares of the Split Preparatory Company were transferred to AIMECHATEC, Ltd. effective March 1, 2023.

As a result of this change, the disclosure of segment information for the years ended December 31, 2023 and 2022 are omitted.

【Related Information】

For the years ended December 31, 2023 and 2022

(1) Information about geographical areas

(a) Sales	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Japan	¥ 28,295	¥ 31,214	$ 200,676
Taiwan	57,112	67,872	405,055
Korea	21,989	21,864	155,950
U.S.A.	14,178	14,617	100,559
China	30,574	29,888	216,843
Other areas	10,119	9,978	71,767
Total	¥ 162,270	¥ 175,434	$1,150,853

(b) Property, plant and equipment	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Japan	¥ 47,647	¥ 43,271	$ 337,923
Taiwan	10,148	7,128	71,977
Korea	9,941	8,741	70,506
U.S.A.	5,438	5,985	38,568
Other areas	59	882	421
Total	¥ 73,235	¥ 66,010	$ 519,397

(2) Information about major customers

Name of customer	Net sales: Millions of yen		Net sales: Thousands of U.S. dollars
	2023	2022	2023
Taiwan Semiconductor Manufacturing Company, Ltd.	¥ 45,419	¥ 51,029	$ 322,121

23. MATERIAL SUBSEQUENT EVENTS

(Stock split)
The Company resolved at the Board of Directors meeting held on October 6, 2023 to conduct a stock split as detailed below.

(1) Purpose of the stock split
By conducting the stock split to lower the price of share-trading units, we intend to make shares more affordable for investors, with a view to improving the liquidity of the Company's shares and expanding its shareholder base.

2. Outline of the stock split
(a) Method of the stock split
With December 31, 2023 as the record date of the stock split (since this day falls on a non-business day of the shareholder registry administrator, the record date in substance is December 29, 2023), each share of common shares owned by a shareholder whose name appears or is recorded in the shareholder registry as of the end of the record date was split into three shares.

(b) Increase in the number of shares as a result of the stock split

Total number of issued shares before the stock split:	42,600,000 shares
Increase in the number of shares as a result of the stock split:	85,200,000 shares
Total number of issued shares after the stock split:	127,800,000 shares
Total number of authorized shares after the stock split:	500,000,000 shares

(c) Schedule of the stock split

Date of public notice of the record date:	December 15, 2023
Record date:	December 31, 2023
Effective date:	January 1, 2024

"Per Share Information" is calculated assuming that the stock split had been conducted on January 1, 2022.

CAUTIONARY STATEMENT
The Company's financial statements in English have not been audited by independent auditors. However, the original Japanese financial statements on which they are based have been audited by independent auditors.