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ITEMS REQUIRED IN THE STATUTORY ELECTRONIC FORMAT FOR THE PURPOSE OF THE NOTICE OF THE 129TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 1

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The aforementioned items are omitted, based on the provisions of laws and regulations as well as Article 15 of the Articles of Incorporation of the Company, from the paper-based documents (the documents carrying the items required in the statutory electronic format) to be delivered to the shareholders who requested the delivery thereof.

For the purpose of this General Meeting of Shareholders, the Company sends the paper-based documents containing the items required in the statutory electronic format excluding, however, the aforementioned items, to all shareholders requesting its delivery or otherwise.

Kanematsu Corporation

Notes to the Consolidated Financial Statements

1. Notes on significant matters forming the basis for preparing consolidated financial statements

1-1 Accounting standards for preparing consolidated financial statements

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") pursuant to the provisions of Article 120, paragraph 1 of the Regulation on Corporate Accounting.

Some description and notes required to be disclosed in IFRSs are omitted under the provision of the second sentence of the same paragraph.

1-2 Scope of consolidation

Number of consolidated subsidiaries: 104

Principal consolidated subsidiaries:

Kanematsu Electronics Ltd., Kanematsu Communications Ltd., Kanematsu Sustech Corporation, Kanematsu Trading Corp., Kanematsu KGK Corp., Kanematsu Petroleum Corp., Shintoa Corp., Kanematsu USA Inc.

1-3 Application of the equity method

Number of companies accounted for by the equity method: 30

Principal companies accounted for by the equity method:

Hokushin Co., Ltd., GLOBAL SECURITY EXPERTS Inc., AJU STEEL Co., Ltd.

1-4 Accounting policies

(1) Valuation basis and methods for significant assets

1) Financial assets

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

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

(i) Financial assets measured at amortized cost

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

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

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

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

(a) Debt instruments

A debt instrument that meets both of the following conditions is classified as a financial asset measured at fair value through other comprehensive income:

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

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

(b) Equity instruments

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

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

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

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

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

2) Inventories

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

3) Property, plant and equipment

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

4) Goodwill and intangible assets

(i) Goodwill

Goodwill is carried at cost less any accumulated impairment losses.

(ii) Intangible assets

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

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

5) Impairment of non-financial assets

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

With regard to impairment losses recognized in prior periods for assets other than goodwill, the Group assesses whether, at the end of each reporting period, there is any indication that the recognized impairment loss may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated, and if the recoverable amount exceeds the carrying amount of the asset or the cash-generating unit to which the asset belongs, the carrying amount of the asset is increased to its recoverable amount, up to the carrying amount less depreciation if no impairment loss had been recognized, and a reversal of impairment loss is recognized. Impairment losses recognized for goodwill are not reversed in subsequent periods.

Goodwill that forms part of the carrying amount of an investment in companies accounted for by the equity method is not separately recognized and is not tested for impairment separately. If there is an indication that the investment in the companies accounted for by the equity method may be impaired, the carrying amount of the entire investment is tested for impairment as a single asset by comparing the recoverable amount to the carrying amount of the investment.

(2) Depreciation and amortization method for significant depreciable and amortizable assets

1) Property, plant and equipment

Property, plant and equipment are depreciated mainly using the straight-line method over the estimated useful life of each component thereof. The estimated useful life of each component is roughly as follows:

Buildings and structures: 3 to 50 years

Machinery, vehicles, and tools, furniture and fixtures: 3 to 20 years

The depreciation method, the estimated useful life and the residual value are reviewed at the end of each reporting period and revised whenever necessary.

2) Intangible assets

An intangible asset with a finite useful life is amortized using the straight-line method over its estimated useful life from the year in which it arises. The estimated useful life is primarily five years for software.

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

3) Right-of-use assets

Right-of-use assets are depreciated over the shorter of the lease term and the estimated useful life of the asset unless it is reasonably certain that the Group acquires ownership of the asset by the end of the lease term.

(3) Accounting policy for significant provisions

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

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

(4) Accounting policy for revenue

1) Method of revenue recognition

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

Step 1: Identifying the contracts with customers

Step 2: Identifying the performance obligations in the contracts

Step 3: Determining the transaction price

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

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

When a single contract involves multiple identifiable performance obligations, the Group divides the transaction into separate performance obligations and recognizes revenue for each performance obligation. When multiple contracts must be considered as a single contract to present actual economic conditions, the Group recognizes revenue by combining the multiple contracts.

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

In reviewing to identify whether a principal or an agent, the Group makes a comprehensive judgement based on the following indicators.

- Whether the Group has the principal responsibility for fulfilling the contract.
- Whether the Group has the inventory risk both when goods are shipped and when goods are returned before and after the customer places an order for the goods.
- Whether the Group has discretion over the setting of the price of the goods or services of the other party.

The Group measures revenue based on the consideration promised under contracts with customers, but there is no significant variable consideration.

Consideration for transactions does not include material financial elements, since it is received usually within one year after performance obligations are fulfilled.

2) Timing of revenue recognition

The Group mainly sells goods such as ICT & communications equipment, security devices, mobile communication terminals, grain, meat products & seafoods, petroleum products, and aerospace- & ship-related products in the four segments of Electronics & Devices, Foods, Meat & Grain, Steel, Materials & Plant, and Motor Vehicles & Aerospace. It recognizes revenue at the time when performance obligations are delivered because customers obtain control of the goods and the performance obligations are satisfied at the time of delivery in many cases.

With respect to service transactions such as maintenance and operation of ICT & communications systems, mainly in the Electronics & Devices segment, the Group recognizes revenue over a certain period of time for each individual contract in accordance with the fulfillment of the performance obligations of the contract.

(5) Basis for recording of leases

In the event that, at the beginning of the lease contract, the Group transfers the rights governing use of specified assets over a fixed period in exchange for a consideration, said contract is deemed to be a lease or to include a lease. Leases or contracts that contain leases are recognized as lease liabilities and right-of-use assets.

On the commencement date of a lease contract, lease liabilities are measured at present value, after discounting unpaid lease payments, using the interest rate implicit in the lease or the incremental borrowing rate of the Group. After the commencement date, the book value is increased or decreased so as to reflect the interest rate on the lease liability and the lease payments made. In addition, if there is a revision to the lease term or a change in the assessment of an option, lease liability will be remeasured to be reflected in the book value. The lease term is determined by taking into consideration, during the non-cancellable period of the lease, any option to extend the lease term and any option to terminate the lease.

A right-of-use asset is measured by the acquisition cost that adjusts the initial measurement amount of lease liability on the commencement date of the lease contract mainly for initial direct costs and expenses for restoration to original state. It is amortized on a straight-line basis over the economic life of the right-of-use asset from the commencement date or when the lease term ends, whichever is shorter.

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

When the Group itself is the lessor in a lease, it divides leases into finance or operating leases, and treats them as follows.

1) Finance leases

Finance leases are leases that substantially transfer all of the risks and economic benefits of asset ownership. On the day of lease commencement, the Group recognizes assets held based on finance leases in the consolidated statement of financial position, recording them as credits equivalent to net investment in the lease.

2) Operating leases

Operating leases are leases other than finance leases. The Group recognizes assets relating to operating leases in the consolidated statement of financial position. Lease payments receivable are recognized based on a straight-line basis over the lease term, or by using some other regular standard in the consolidated statement of income.

(6) Other significant matters forming the basis for preparing consolidated financial statements

1) Foreign currency translation

(i) Translation of foreign currency transactions

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

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

(ii) Translation of foreign operations

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

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

2) Derivatives and hedge accounting

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

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

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

(i) Fair value hedge

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

(ii) Cash flow hedge

Of the changes in fair value of a derivative used as a hedging instrument, the portion determined to be effective is recognized in other comprehensive income, and the cumulative amount is included in other components of equity. Conversely, the portion determined to be

ineffective is recognized in profit or loss. The amounts accumulated in other components of equity are reclassified from other components of equity to profit or loss in the same period that the transaction of the hedged item affects profit or loss; provided, however, that if hedging of a forecast transaction subsequently results in the recognition of a non-financial asset or liability, the amounts accumulated in other components of equity are then accounted for as an adjustment to the initial carrying amount of the non-financial asset or liability.

When the hedging instrument expires or is sold, terminated or exercised; or when the hedge no longer meets the criteria for the hedge accounting, the Group discontinues the hedge accounting prospectively. Amounts accumulated in other components of equity are retained in equity at the time of discontinuation of hedge accounting; any recognized net profit or loss on forecast transactions is recognized as net profit or loss. If, however, the forecast transaction is no longer expected to occur, the amounts accumulated in other components of equity are reclassified immediately from other components of equity to profit or loss.

(iii) Derivatives not designated as hedging instruments

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

3) Retirement benefit liabilities

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

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

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

4) Application of group tax sharing system

The Company has applied the group tax sharing system.

5) Put options granted to non-controlling interests

With respect to the put options written on the shares of subsidiaries and granted to non-controlling interests, the Group has, from the current fiscal year, initially recognized the present value of its exercise amount as other financial liabilities, while deducting such exercise amount from capital surplus. The Group subsequently measures the exercise amount at its amortized cost based on the effective interest method, while recognizing its subsequent changes under capital surplus.

1-5 Significant accounting estimates

(1) Valuation of goodwill and intangible assets with indefinite useful lives

1) Amount reported on the consolidated financial statements for the current fiscal year

(Million yen)

	As of March 31, 2023
Goodwill	14,481
Carrier shop operating rights	16,906

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

The carrier shop operating rights were recognized as an intangible asset with an indefinite useful life upon acquisition of the mobile business by a consolidated subsidiary of the Company.

The method of measuring goodwill and intangible assets with indefinite useful lives are provided in “1-4 Accounting policies, (1) Valuation basis and methods for significant assets, 4) Goodwill and intangible assets” of the Notes to the Consolidated Financial Statements and “1-4 Accounting policies, (1) Valuation basis and methods for significant assets, 5) Impairment of non-financial assets” of the Notes to the Consolidated Financial Statements.

Goodwill and intangible assets with indefinite useful lives are tested for impairment separately for each cash-generating unit, and the recoverable amount is calculated based on the value in use that is based on a future plan and the growth rates for the maximum period of five years approved by management. A cash-generating unit group is the smallest group of assets that generates cash inflows that are generally independent of the cash inflows of other assets or asset groups, based on the nature of the business and taking into consideration regional characteristics.

Major assumptions used in the value-in-use calculations are the changes in gross profit over the relevant period, the growth rates, and the discount rates. The growth rates are determined taking into consideration the nominal GDP growth forecasts and long-term average growth rates of the countries to which these cash-generating unit groups belong.

(2) Measurement of amount of impairment loss for non-financial assets

1) Amount reported on the consolidated financial statements for the current fiscal year

(Million yen)	
As of March 31, 2023	
Impairment loss of goodwill	(77)
Impairment loss on property, plant and equipment and intangible assets	(419)

(Note) “Impairment loss of goodwill” is included in “other expenses” in the consolidated statement of income.

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

Estimates of the amount of impairment loss for non-financial assets is provided in “1-4 Accounting policies, (1) Valuation basis and methods for significant assets, 5) Impairment of non-financial assets” of the Notes to the Consolidated Financial Statements.

(3) Measurement of fair value of financial instruments

1) Amounts reported on the consolidated financial statements for the current fiscal year

The amounts are provided in “4-2 Fair value, etc. of financial instruments” of the Notes to the Consolidated Financial Statements.

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

The information is provided in “1-4 Accounting policies, (1) Valuation basis and methods for significant assets, 1) Financial assets” of the Notes to the Consolidated Financial Statements and “4. Notes on financial instruments” of the Notes to the Consolidated Financial Statements.

2. Notes to consolidated statement of financial position

(1) Assets pledged as collateral and associated secured obligations

1) Assets pledged as collateral for obligations

(Million yen)

	As of March 31, 2023
Pledged assets	
Other financial assets (non-current)	46
Property, plant and equipment	517
Total	563
Associated secured obligations	
Borrowings (current)	1,121
Borrowings (non-current)	389
Total	1,510

2) Assets pledged in lieu of guarantee money

(Million yen)

	As of March 31, 2023
Assets pledged in lieu of guarantee money and guarantee funds	
Other investments	4,355
Total	4,355

(2) Loss allowance directly deducted from assets

Loss allowance directly deducted from current assets, including trade and other receivables

¥112 million

Loss allowance directly deducted from non-current assets, including trade and other receivables

¥2,247 million

(3) Accumulated depreciation and accumulated impairment losses of property, plant and equipment

¥43,013 million

(4) Contingent liabilities

1) Guarantee obligations

(Million yen)

	As of March 31, 2023
Debt guarantees for companies accounted for by the equity method	63
Debt guarantees for third parties	1,228
Total	1,292

(Note) Debt guarantees for third parties include the debt guarantees covered by the insurance that is limited to ¥1,225 million.

2) Lawsuit

(i) The Company's subsidiary, Kanematsu Communications Ltd., has been subject to a lawsuit brought by its business partner to the Tokyo District Court in April 2021 for damages, etc. caused by its default in connection with the transactions of communication services (the value of the subject matter of the lawsuit is ¥14,664 million). However, it is difficult to make an estimation of the lawsuit at present.

(ii) In May 2022, the Company has been subject to a petition for arbitration (in the amount of US\$25 million), in which the Company is the respondent, with the American Arbitration Association from the seller's representative of a business investment project that we had considered and abandoned in the U.S., in connection with a claim for damages for breach by the Company of a nondisclosure agreement. However, it is difficult to make an estimation of the arbitration at present.

3. Notes to consolidated statement of changes in equity

- (1) Type of stock and total number of issued shares as of the end of the fiscal year

Common stock 84,500,202 shares

- (2) Dividends of surplus

- 1) Amounts of dividends paid

Resolution	Type of stock	Total amounts of dividends	Dividends per share	Record date	Effective date
May 24, 2022 Board of Directors meeting	Common stock	¥2,948 million	¥35.00	March 31, 2022	June 8, 2022
November 4, 2022 Board of Directors meeting	Common stock	¥3,158 million	¥37.50	September 30, 2022	December 6, 2022

(Note) The total amounts of dividends stated above include dividends on the Company's shares owned by the stock issuance trust for officers (¥24 million by resolution at a meeting of the Board of Directors held on May 24, 2022, and ¥25 million by resolution at a meeting of the Board of Directors held on November 4, 2022).

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

Resolution (planned)	Type of stock	Source of dividends	Total amount of dividends	Dividends per share	Record date	Effective date
May 25, 2023 Board of Directors meeting	Common stock	Retained earnings	¥3,158 million	¥37.50	March 31, 2023	June 12, 2023

(Note) The total amount of dividends for which a resolution is planned to be adopted by the Board of Directors on May 25, 2023 includes ¥25 million of dividends on the Company's shares owned by the stock issuance trust for officers.

4. Notes on financial instruments

4-1 Status of financial instruments

The Group restricts fund management to short-term deposits etc. and uses borrowings from financial institutions, mainly banks, and bond issuance for its financing needs. The Group uses bonds and borrowings to fund working capital (mainly short-term) and business investments.

The Group mitigates customers' credit risks related to trade and other receivables in accordance with risk management regulations. Other investments are principally financial assets measured at fair value through other comprehensive income, and their fair values are assessed on a quarterly basis.

Meanwhile, in order to hedge the risks associated with foreign currency fluctuation involved in sales transactions as well as that of prices of commodities traded, the Group also conducts derivative transactions within the limit of actual needs in accordance with the Company's regulations and investment policy.

4-2 Fair value, etc. of financial instruments

Carrying amounts and fair values of major financial instruments at the end of the current fiscal year by type are as follows.

	(Million yen)	
	As of March 31, 2023	
	Carrying amount	Fair value
Financial assets		
Trade and other receivables	1,606	1,606
Other investments		
Financial assets measured at fair value through profit or loss	2,774	2,774
Financial assets measured at fair value through other comprehensive income	35,114	35,114
Guarantee deposits	6,036	6,036
Other financial assets		
Financial assets measured at amortized cost	620	620
Derivative financial assets	2,239	2,239
Total	48,391	48,391
Financial liabilities		
Bonds and borrowings	65,704	65,598
Long-term deposits received	0	0
Long-term guarantee deposits received	1,586	1,586
Put option liabilities granted to non-controlling interests	1,925	1,925
Derivative financial liabilities	1,644	1,644
Total	70,861	70,754

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

4-3 Breakdowns of financial instruments by level of fair value

(1) Method of measuring fair value

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly

Level 3: Unobservable inputs

(2) Analysis of fair value by hierarchy level

The following table provides a breakdown by hierarchy level of financial assets and liabilities measured at amortized cost that are classified as non-current and financial assets and liabilities that are measured at fair value on a recurring basis. No financial assets or liabilities are measured at fair value on a non-recurring basis.

(Million yen)

Item	As of March 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial assets				
Trade and other receivables	–	1,606	–	1,606
Other investments				
Financial assets measured at fair value through profit or loss	–	–	2,774	2,774
Financial assets measured at fair value through other comprehensive income	22,435	7	12,671	35,114
Guarantee deposits	–	6,036	–	6,036
Other financial assets				
Financial assets measured at amortized cost	–	620	–	620
Derivative financial assets				
Foreign exchange	–	2,074	–	2,074
Commodity	164	–	–	164
Total	22,600	10,344	15,445	48,391
Financial liabilities				
Bonds and borrowings	–	65,598	–	65,598
Long-term deposits received	–	0	–	0
Long-term guarantee deposits received	–	1,586	–	1,586
Put option liabilities granted to non-controlling interests	–	–	1,925	1,925
Derivative financial liabilities				
Foreign exchange	–	1,582	–	1,582
Commodity	53	7	–	61
Total	53	68,775	1,925	70,754

The fair values stated above are calculated as follows:

1) Trade and other receivables

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

2) Other investments

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

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

Decisions regarding valuation methods and procedures for fair value of unlisted shares are taken at the Company. For measurement of fair value, including valuation models, the Company obtains information about and business planning details of issuers of individual share, etc., and regularly reviews developments at comparable listed companies, etc.

3) Guarantee deposits

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

4) Other financial assets

Financial assets measured at amortized cost

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

5) Bonds and borrowings

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

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

6) Long-term deposits received

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

7) Long-term guarantee deposits received

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

8) Put option liabilities granted to non-controlling interests

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

9) Derivative financial assets and liabilities

Currency-related derivatives

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

Commodity-related derivatives

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

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

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

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

(Million yen)

	Current fiscal year (April 1, 2022 to March 31, 2023)		
	Other investments		Total
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	
Balance as of April 1, 2022	2,382	13,246	15,629
Total gains or losses			
Profit or loss (Note)	(296)	–	(296)
Other comprehensive income	–	894	894
Purchase	647	522	1,169
Sale	–	(1,992)	(1,992)
Exchange differences	73	–	73
Other	(32)	(0)	(32)
Balance as of March 31, 2023	2,774	12,671	15,445

(Note) Included in “other finance income” and “other finance costs” in the consolidated statement of income.

(4) Quantitative information about financial instruments categorized within fair value hierarchy Level 3

The following table presents quantitative information on the significant assets categorized within Level 3 of the fair value hierarchy, measured at fair value on a recurring basis.

Item	Fair value (Million yen)	Method of valuation	Significant unobservable inputs	Weighted average of input values
Financial assets measured at fair value through profit or loss	982	Discounted cash flow method	Discount rate	3.4%
Financial assets measured at fair value through profit or loss	1,792	Valuation method based on net asset value	–	–
Financial assets measured at fair value through other comprehensive income	12,647	Valuation method based on market prices of comparable companies	Price/Book-value Ratio Illiquidity discount	1.1 times 30.0%
Financial assets measured at fair value through other comprehensive income	24	Valuation method based on net asset value	–	–

Measuring the fair value of unlisted shares involves the use of major unobservable inputs such as discount rate, illiquidity discount and Price/Book-value Ratio. Any significant increase (decrease) in the discount rate will cause a significant fall (rise) in fair value. Any significant increase (decrease) in illiquidity discount will cause a significant fall (rise) in fair value. Any significant increase (decrease) in Price/Book-value Ratio will cause a significant rise (fall) in fair value.

5. Notes on revenue recognition

5-1 Information on breakdown of revenue

The Group has designated “Electronics & Devices,” “Foods, Meat & Grain,” “Steel, Materials & Plant,” and “Motor Vehicles & Aerospace” as four reportable segments. The Group breaks down revenues from contracts with customers according to the principal goods or services, with Electronics & Devices broken down into “ICT Solutions,” “Mobile” and “Other” and Steel, Materials & Plant broken down into “Energy” and “Other.” The relation between these breakdowns of revenues and the revenue of each reportable segment is as follows.

The accounting method for each revenue is the same as that provided in “1-4 Accounting policies, (4) Accounting policy for revenue” of the Notes to the Consolidated Financial Statements.

(Million yen)	
	Current fiscal year (April 1, 2022 to March 31, 2023)
Electronics & Devices	
ICT Solutions	84,067
Mobile	107,742
Other	90,681
Foods, Meat & Grain	340,448
Steel, Materials & Plant	
Energy	95,707
Other	97,683
Motor Vehicles & Aerospace	81,256
Total in reportable segment	897,587
Other	13,707
Total revenues from contracts with customers	911,294
Revenues recognized from other sources	113
Total	911,408

(Note) Revenues recognized from other sources include the revenues recognized under IFRS 16 Leases and other standards.

5-2 Useful information for understanding revenue

The Useful information for understanding revenue is provide in “1-4 Accounting policies, (4) Accounting policy for revenue” of the Notes to the Consolidated Financial Statements.

5-3 Information for understanding revenue amount in the current and subsequent fiscal years

(1) Contract balance

Receivables from contracts with customers, contract assets, and contract liabilities are as follows.

(Million yen)		
	Start of current fiscal year (April 1, 2022)	End of current fiscal year (March 31, 2023)
Receivables from contracts with customers	226,665	235,150
Contract assets	-	0
Contract liabilities	10,539	6,134

Contract assets mainly relate to the Group’s rights to consideration for performance obligations that have been completed but not yet invoiced as of the reporting date and are reclassified to receivables when the right to payment becomes unconditional.

Contract liabilities are mainly consideration for maintenance and operation transactions of information and telecommunication systems and service-type transactions with product warranties, where the performance obligation is satisfied over a certain period of time, and are reversed and recognized as revenue in accordance with the fulfillment of the performance obligations during the maintenance or warranty period. In addition, a portion of the consideration already received in a

sale of goods transaction for which revenue is recognized upon delivery of the goods is also recognized as a contract liability. The amount of revenue recognized in the current fiscal year that was included in the contract liability balance at the beginning of the fiscal year was ¥8,764 million. There was no significant amount of revenue recognized in the current fiscal year from performance obligations satisfied in prior periods.

(2) Transaction price allocated to the remaining performance obligation

Transaction prices allocated to remaining performance obligations are mainly related to transactions for the maintenance and operation of ICT & communications systems and sales of goods such as aerospace and ship-related products, and the timing of fulfillment of these obligations is as follows.

Transactions with an initial expected contract period of one year or less are not included. There are no material amounts not included in transaction prices in consideration arising from contracts with customers.

(Million yen)	
	As of March 31, 2023
Within one year	4,072
Over one year and within two years	1,798
Over two years and within three years	1,203
Over three years and within four years	740
Over four years and within five years	302
Over five years	63
Total	8,180

6. Notes on per share information

- | | |
|---|-----------|
| (1) Equity attributable to owners of the Parent per share | ¥1,538.42 |
| (2) Basic earnings per share (attributable to owners of the Parent) | ¥222.38 |
| (3) Diluted earnings per share (attributable to owners of the Parent) | ¥221.89 |

(Note) With regard to the number of outstanding shares at the end of the current fiscal year used to calculate equity attributable to owners of the Parent per share and the average number during the period used to calculate basic earnings per share, the portion of shares held under own name is deducted, and the Company's shares held under the stock issuance trust for officers (end of the current fiscal year: 667,100 shares, average number of shares during the period: 678,007 shares) is deducted for calculation purposes.

7. Other notes

(Equity transactions with non-controlling interests)

(1) Additional acquisition of shares of Kanematsu Electronics Ltd.

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

Then on March 31, 2023, the Company requested non-controlling interests of KEL, based on Article 179, Paragraph 1 of the Companies Act, to sell all the shares they owned (9.29%) to the Company, which was approved on the same day by the Board of Directors of KEL, and then followed up by the Company’s account processing involving 100% ownership ratio in KEL at the end of the current fiscal year.

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

	(Million yen)
	Current fiscal year (April 1, 2022 to March 31, 2023)
Consideration paid	74,088
Decrease in non-controlling interest	(27,519)
Decrease in capital surplus	(46,568)

- (Notes) 1. Consideration paid does not include transaction costs. ¥16,482 million of the consideration paid is outstanding as at the end of the current fiscal year, which is recorded in “other financial liabilities” in the consolidated statement of financial position.
2. The negative capital surplus or capital deficit resulting from the aforementioned transaction is replenished by a transfer from retained earnings.

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

(2) Additional acquisition of shares of Kanematsu Sustech Corporation

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

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

Based on the results of the aforementioned tender offer, the Company requested KSU to conduct a consolidation of its shares based on Article 180 of the Companies Act, while engaging in the procedure for acquiring all shares of KSU, and is scheduled, upon completion of the procedure, to conduct an account processing involving 100% ownership ratio in KSU.

Notes to the Non-consolidated Financial Statements

1. Notes on significant accounting policies

1-1 Valuation basis and methods for assets

(1) Valuation basis and methods for short-term investments

- Held-to-maturity bonds: Debt securities are stated at cost, net of any premiums or discounts which are accreted or amortized over the period to maturity.
- Shares of subsidiaries and affiliates: Shares of subsidiaries and affiliates are stated at cost using the moving-average method.
- Other short-term investments

Securities other than shares, etc. without a market price: They are stated at fair value. Net unrealized gains or losses on securities recorded in "Net assets" are net of tax amounts. The cost for securities other than shares, etc. without a market price that have been sold is determined using the moving-average method. The fair value is determined based on the daily market price of the fiscal year-end.

Shares, etc. without a market price: They are stated at cost using the moving-average method.

(2) Valuation basis and method for derivatives

Derivatives are stated at fair value.

(3) Valuation basis and method for inventories

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

1-2 Depreciation and amortization methods for long-term assets

(1) Tangible fixed assets (excluding lease assets)

The straight-line method is used.

(2) Intangible fixed assets

The straight-line method is used. Software for internal use is amortized by the straight-line method over the internally estimated useful lives (five years).

(3) Lease assets

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

1-3 Accounting policy for provisions

(1) Allowance for doubtful accounts

An allowance for doubtful accounts is provided to cover credit losses, based on estimates of collectability of individual accounts and past bad debt loss experiences.

(2) Provision for employees' retirement and severance benefits (prepaid pension costs)

A provision for employees' retirement and severance benefits is provided for the payment of employee retirement benefits and recognized based on the projected amount of retirement benefit obligations and plan assets at the end of the current fiscal year.

In calculating retirement benefit obligations, the benefit formula basis is used to attribute projected benefits to the period up to the end of the current fiscal year.

Past service costs are amortized as expenses on a straight-line basis over five years, a predetermined number of years, within the average expected remaining service period of the employees.

Actuarial gains and losses are amortized on a straight-line basis over five years, within the average expected remaining service period of the employees, and are recorded as expenses in the subsequent years in which the gains or losses are recognized.

At the end of the current fiscal year, since plan assets exceeded retirement benefit obligations less unrecognized actuarial differences, the excess amount is recorded as prepaid pension cost.

(3) Provision for stock benefits

A provision for stock benefits is provided for delivery, etc. of shares of the Company to Directors and Executive Officers in accordance with the stock delivery rules based on the projected amount of payment for stock benefits at the end of the current fiscal year.

1-4 Standards for revenue and expense recognition

1) Method of revenue recognition

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

Step 1: Identifying the contracts with customers

Step 2: Identifying the performance obligations in the contracts

Step 3: Determining the transaction price

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

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

When a single contract involves multiple identifiable performance obligations, the Company divides the transaction into separate performance obligations and recognizes revenue for each performance obligation. When multiple contracts must be considered as a single contract to present actual economic conditions, the Company recognizes revenue from the combined contracts.

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

In reviewing to identify whether a principal or an agent, the Group makes a comprehensive judgement based on the following indicators.

- Whether the Company has the principal responsibility for fulfilling the contract.
- Whether the Company has the inventory risk both when goods are shipped and when goods are returned before and after the customer places an order for the goods.
- Whether the Company has discretion over the setting of the price of the goods or services of the other party.

The Company measures revenues based on the consideration promised under contracts with customers, but there is no significant variable consideration.

Consideration for transactions does not include material financial elements, since it is received usually within one year after performance obligations are fulfilled.

2) Timing of revenue recognition

The Company mainly sells goods such as semiconductor manufacturing equipment, electronic components and materials, grain, meat products & seafoods, steel products, petroleum products, vehicles parts, aerospace-related products in the four segments of

Electronics & Devices, Foods, Meat & Grain, Steel, Materials & Plant, and Motor Vehicles & Aerospace. It recognizes revenue at the time when performance obligations are delivered because customers obtain control of the goods and the performance obligations are satisfied at the time of delivery in many cases.

1-5 Other significant matters forming the basis for preparing non-consolidated financial statements

(1) Basis for translation of assets and liabilities denominated in foreign currencies

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

(2) Hedge accounting

1) Hedge accounting method

In principle, the Company applies hedge accounting whereby gains and losses on hedged transactions are deferred and recognized over future periods.

2) Hedging instruments and hedged items

(Hedging instruments)

Commodity-related: ······ Commodity futures transactions / Commodity forward contracts

Foreign exchange-related: ·· Forward exchange contracts / Foreign currency swaps / Foreign currency options

(Hedged items)

Commodity-related: ······ Forecasted transactions on commodity trading

Foreign exchange-related: ·· Foreign currency-denominated monetary assets and liabilities / Forecasted foreign currency transactions

3) Hedging policy

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

4) Method of evaluating the effectiveness of hedging activities

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

5) Other

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

(3) Accounting policy for deferred assets

Bond issuance costs are amortized using the interest method over the period up to bond redemption.

(4) Application of the group tax sharing system

From the current fiscal year, the Group transitioned from the consolidated taxation system to the group tax sharing system.

2. Changes in accounting policies

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

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021, hereinafter the “Fair Value Measurement Guidance”) from the beginning of the fiscal year under review, thereby prospectively applying the new accounting policies set out under the Fair Value Measurement Guidance in accordance with the transitional treatment set out under Paragraph 27-2 of the Fair Value Measurement Guidance.

Notes on financial instruments are omitted from the Notes to the Non-consolidated Financial Statements in accordance with Article 109, Paragraph 2 of Regulation on Corporate Accounting, while the application of the Fair Value Measurement Guidance has no effect on the Non-Consolidated Financial Statements.

3. Notes on accounting estimates

(Deferred tax assets and deferred tax liabilities)

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

Deferred tax assets	¥1,620 million
Deferred tax liabilities	¥2,923 million

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

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

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

Uncertainties exist in the estimation of future taxable profit because gross profit in future business plans, which is used as an assumption for estimating future taxable profit, fluctuates due to the effects of market conditions and market trends in various countries around the world. In addition, the scheduling of the expected years of reversal of deductible temporary difference and taxable temporary difference may change based on management’s decisions in response to changes in the internal as well as the external environment, and the balance of deferred tax assets may increase or decrease accordingly.

4. Notes to non-consolidated balance sheet

- (1) Assets pledged as collateral and associated secured obligations

Although there was no remaining balance of assets pledged as collateral and associated secured obligations as of March 31, 2023, investments in securities of ¥4,355 million have been pledged in lieu of guarantee money and guarantee funds.

- (2) Accumulated depreciation of tangible fixed assets ¥1,003 million

- (3) Contingent obligations

- (i) Guarantee obligations

The Company has guaranteed the borrowings from financial institutions, etc. and business transactions of the following companies.

Kanematsu (China) Co., Ltd.	¥6,189 million
Kanematsu USA Inc.	¥5,341 million
Kanematsu Korea Corporation	¥4,120 million
Kanematsu GmbH	¥1,565 million
KG Agri Products, Inc.	¥1,128 million
Other	¥3,610 million
Total	¥21,954 million

- (ii) Lawsuit

The details of lawsuit are provided in “2. Notes to consolidated statement of financial position, (4) Contingent liabilities, 2) Lawsuit (ii)” of the Notes to the Consolidated Financial Statements.

- (4) Discounted notes receivable ¥5,384 million

- (5) Monetary receivables from and payables to subsidiaries and affiliates (excluding those presented separately)

Short-term monetary receivables	¥29,018 million
Short-term monetary payables	¥29,940 million
Long-term monetary payables	¥159 million

- (6) Breakdown of inventories

Merchandise and finished goods	¥51,256 million
Goods in transit	¥10,481 million
Work in progress	¥74 million
Total	¥61,812 million

5. Notes to non-consolidated statement of income

Transactions with subsidiaries and affiliates

Revenue	¥75,204 million
Purchases	¥120,685 million
Non-operating transactions	¥10,307 million

6. Notes to non-consolidated statement of changes in equity

Type of stock and number of shares of treasury stock at the end of the current fiscal year

Common stock	931,028 shares
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(Note) Total of treasury shares includes the Company's shares owned by the stock issuance trust for officers (start of the current fiscal year: 697,300 shares, end: 667,100 shares). The total reduction in shares transferred under the stock issuance trust for officers included in treasury shares was 30,200 shares in the current fiscal year.

7. Notes on tax effect accounting

Deferred tax assets mainly arise from the amount of impairment loss on investments in securities not permitted for tax purposes, tax loss carryforwards, and the excess over the amount of allowance for doubtful accounts deductible for tax purposes, and valuation allowances are deducted. Deferred tax liabilities mainly arise from net unrealized gains on securities.

The Company engages in accounting treatment of income taxes and local income taxes as well as that of the relevant tax effect accounting and its disclosure, pursuant to the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021).

8. Notes on related party transactions

(Million yen)

Type	Name of company, etc.	Percentage of voting rights, etc. owning (owned)	Relationship with related party	Type of transaction	Transaction amount (Note 6)	Accounting title	Ending balance (Note 6)
Subsidiaries	Kanematsu Foods Corp.	(Owning) Direct: 100.00%	The Company's supplier/customer Financial support Concurrent positions of officers	Sale of products (Note 1)	30,597	Accounts receivable	6,687
	Kanematsu Advanced Materials Corp.	(Owning) Direct: 100.00%	The Company's supplier/customer Financial support Concurrent positions of officers	Lending of funds (Notes 2, 3)	441	Short-term loans to affiliates	5,514
				Receipt of interest (Note 2)	73	—	—
	Kanematsu Futuretech Solutions Corporation	(Owning) Direct: 100.00%	The Company's supplier/customer Financial support Concurrent positions of officers	Lending of funds (Notes 2, 3)	1,882	Short-term loans to affiliates	9,486
				Receipt of interest (Note 2)	81	—	—
	Kanematsu USA Inc.	(Owning) Direct: 100.00%	Overseas subsidiary The Company's supplier/customer Concurrent positions of officers	Sale of products (Note 1)	10,263	Accounts receivable	5,623
				Purchase of products (Note 4)	95,503	Import bills payable	18,233
						Accounts payable	530
				Guarantee of obligation (Note 5)	5,341	—	—
	Kanematsu (Hong Kong) Ltd.	(Owning) Direct: 100.00%	Overseas subsidiary Concurrent positions of officers	Return of capital due to capital reduction	6,417	—	—
				Loss on return of capital due to capital reduction at affiliates	2,278	—	—
	Kanematsu (China) Co., Ltd.	(Owning) Direct: 100.00%	Overseas subsidiary The Company's supplier/customer Concurrent positions of officers	Guarantee of obligation (Note 5)	6,189	—	—
				Receipt of guarantee commission (Note 5)	25	—	—
	Kanematsu Korea Corporation	(Owning) Direct: 100.00%	Overseas subsidiary The Company's supplier/customer Concurrent positions of officers	Guarantee of obligation (Note 5)	4,120	—	—
Receipt of guarantee commission (Note 5)				25	—	—	

<Transaction-related conditions and policies for determining such conditions, etc.>

- (Notes) 1. For sale of products, the price is determined through negotiation with consideration given to the prevailing market prices.
2. For lending of funds, interest rates on loans are determined based on market interest rates.
3. Lending of funds relates to "cash management system," and the transaction amount represents the amount of net increase or decrease.
4. For purchase of products, the price is determined through negotiation with consideration given to the prevailing market prices.
5. Guarantee of obligation is a guarantee provided for borrowings, etc. of this company, and the amount of guarantee commission received is determined with consideration given to the actual trading price.
6. Transaction amounts do not include consumption taxes. Ending balance includes consumption taxes.

For highly doubtful receivables from subsidiaries, a total of ¥1,154 million of allowance for doubtful accounts was recorded, while a total of ¥3 million of provision of allowance for doubtful accounts for subsidiaries and affiliates was recorded in the current fiscal year. Besides, for highly doubtful receivables from affiliates, ¥60 million of allowance for doubtful accounts was recorded.

9. Notes on revenue recognition

(Useful information for understanding revenue)

The useful information for understanding revenue is provided in the “1-4 Standards for revenue and expense recognition” of the Notes to the Non-consolidated Financial Statements.

10. Notes on per share information

(1) Net assets per share	¥1,270.48
(2) Net income per share	¥104.68

(Note) With regard to the number of outstanding shares at the end of the fiscal year used to calculate net assets per share and the average number of common stock during the period used to calculate net income per share, the portion of shares held under own name has been deducted, and the Company’s shares held under the stock issuance trust for officers (end of the current fiscal year: 667,100 shares, average number of shares during the period: 678,007 shares) have been deducted for calculation purposes.

11. Notes on material subsequent events

(Additional acquisition of shares of Kanematsu Electronics Ltd.)

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

Then, as a demand for sale became effective, the Company acquired all shares of KEL as of May 9, 2023, and KEL became a wholly owned subsidiary of the Company.