RENGO Integrated Report (Separate Volume)

Financial Data

For Year Ended March 31, 2024

GPI
The General Packaging Industry
RENGO

Consolidated 11-Year Summary

Rengo Co., Ltd. and Consolidated Subsidiaries
(For the years ended March 31, 2014-2024)

	3/2014	3/2015	3/2016	3/2017	3/2018	3/2019	3/2020	3/2021	3/2022	3/2023	3/2024
For the fiscal year (millions of yen):											
Net sales	¥ 523,141	¥ 522,671	¥ 532,534	¥ 545,489	¥ 605,712	¥ 653,107	¥ 683,780	¥ 680,714	¥ 746,926	¥ 846,080	**¥ 900,791**
Gross profits	82,606	76,428	87,288	98,586	99,710	111,197	132,461	133,281	135,716	141,918	**175,381**
Operating income	14,221	5,567	15,727	23,642	17,082	25,292	41,227	39,938	33,279	25,957	**48,855**
Profit before income taxes and non-controlling interests	9,687	12,081	16,268	24,186	23,366	25,075	41,090	41,204	41,437	30,857	**50,290**
Profit attributable to owners of parent	3,702	5,718	9,816	13,876	16,622	17,163	27,790	28,599	28,188	20,425	**33,025**
Research and development expenses	1,421	1,405	1,441	1,448	1,483	1,531	1,593	1,900	2,151	2,066	**2,175**
Depreciation and amortization	28,581	29,611	29,333	29,524	30,880	32,259	35,076	38,114	41,723	44,848	**48,761**
Capital expenditures	52,849	39,982	29,656	30,445	41,527	36,512	38,700	47,143	49,509	58,694	**73,833**
EBITDA	42,802	35,179	46,454	54,372	49,616	59,028	77,662	80,014	77,193	73,560	**101,054**
At the fiscal year-end (millions of yen):											
Total assets	¥ 629,054	¥ 655,674	¥ 644,690	¥ 704,826	¥ 747,700	¥ 769,355	¥ 820,109	¥ 869,992	¥ 934,345	¥ 1,053,138	**¥ 1,172,515**
Working capital	(40,772)	(34,146)	(36,801)	(24,288)	(23,760)	(10,142)	(3,041)	14,229	39,411	45,332	**91,916**
Interest-bearing debt	263,430	276,906	264,728	283,350	287,322	283,071	323,614	330,645	353,415	404,289	**437,669**
Net assets	201,658	222,390	221,733	241,510	262,580	274,697	288,820	324,463	354,289	385,732	**438,978**
Equity capital *1	196,359	216,353	215,962	234,241	255,015	263,948	278,254	313,326	341,909	372,795	**425,293**
Per share amounts (yen):											
Basic earnings per share	¥ 14.95	¥ 23.09	¥ 39.64	¥ 56.04	¥ 67.14	¥ 69.32	¥ 112.24	¥ 115.51	¥ 113.84	¥ 82.47	**¥ 133.33**
Diluted earnings per share	—	—	—	—	—	—	—	—	—	—	**—**
Cash dividends applicable to the year	12.00	12.00	12.00	12.00	12.00	14.00	20.00	24.00	24.00	24.00	**30.00**
Net assets per share *2	792.78	873.60	872.17	946.06	1,029.98	1,066.07	1,123.86	1,265.53	1,380.74	1,505.09	**1,716.97**
Ratio:											
Return on equity (%)	2.0	2.8	4.5	6.2	6.8	6.6	10.3	9.7	8.6	5.7	**8.3**
Return on total assets (%)	0.6	0.9	1.5	2.1	2.3	2.3	3.5	3.4	3.1	2.1	**3.0**
Debt to equity ratio (times)	1.34	1.28	1.23	1.21	1.13	1.07	1.16	1.06	1.03	1.08	**1.03**
Capital adequacy ratio (%)	31.2	33.0	33.5	33.2	34.1	34.3	33.9	36.0	36.6	35.4	**36.3**
Other data:											
Number of shares of common stock (thousand)	271,056	271,056	271,056	271,056	271,056	271,056	271,056	271,056	271,056	271,056	**271,056**
Number of employees	13,095	14,060	13,999	16,038	16,532	16,968	18,902	19,451	20,141	22,548	**23,389**
Share prices (yen):											
High	¥ 651	¥ 558	¥ 619	¥ 717	¥ 968	¥ 1,078	¥ 1,071	¥ 1,012	¥ 990	¥ 928	**¥ 1,209**
Low	438	443	459	546	603	787	660	776	730	688	**825**

*1 Equity capital = Net assets - Non-controlling interests
*2 The amount of net assets used for calculation of net assets per share is the amount of net assets on the consolidated balance sheets, excluding non-controlling interests.

Management Discussion and Analysis of Financial Condition and Results of Operations

Overview

In FY2023 ended March 31, 2024, the Rengo Group worked diligently to expand business and increase earning capacity with a wide range of initiatives, including enhancement of marketing capabilities as well as proactive capital investment and M&A, as "General Packaging Industry (GPI) Rengo," offering innovative and diverse solutions that meet the packaging needs of all industries.

In addition, as the rise in logistics and labor costs, capital investments for addressing environmental issues and improving working environments, and other changes in cost structure across the entire value chain have made it difficult to counter the situation with our efforts alone, we have started to revise the prices of corrugated board/boxes and folding cartons for deliveries from April 2024 onward.

In August 2023, Howa Sangyo Co., Ltd. (Funabashi-shi, Chiba Prefecture) integrated and unified the water-based flexo printing business of Kinyosha Printing Co., Ltd. (Ota-ku, Tokyo) and Marufuku Co., Ltd. (Hakusan-shi, Ishikawa Prefecture), establishing a structure to meet the diversifying needs of flexible packaging products. Furthermore, in October 2023, with the aim of improving management efficiency and strengthening the competitiveness of the folding carton business, Fuji-Hoso Shiki Co., Ltd. (Hino-cho, Gamo-gun, Shiga Prefecture) and Marufuku Co., Ltd. were merged to form a new company named FUJI-MARUFUKU CO., LTD.

In January 2024, we commenced operations of Ehime-Toon Plant (Toon-shi, Ehime Prefecture), which relocated from the former Matsuyama Plant, further strengthening the corrugated packaging business. In April 2024, aiming to expand the integrated structure of the flexible packaging business, we merged Sun·Tox Co., Ltd. (Taito-ku, Tokyo) with the Packaging Solution business of Mitsui Chemicals Tohcello, Inc. (Chiyoda-ku, Tokyo) to form a new subsidiary named RM TOHCELLO CO., LTD.

Additionally, Taiko Paper Mfg., Ltd. (Fuji-shi, Shizuoka Prefecture) has started reviewing its business portfolio. By partnering with Biomaterial in Tokyo Co., Ltd. (Onojo-shi, Fukuoka Prefecture), a bio venture company that became a subsidiary of Rengo in April 2024, Taiko Paper Mfg. has commenced a demonstration project for producing second-generation bioethanol, which is the raw material for sustainable aviation fuel (SAF), which is seeing increasing demand in the international aviation field.

With regard to overseas business, in April 2023, TRICOR Packaging & Logistics AG in Germany decided to construct a new plant utilizing state-of-the-art technology. In May 2023, Tri-Wall Limited in Hong Kong commenced commercial operations at its newly established subsidiary in China. Furthermore, in October 2023, the company acquired Gestora Comercial Internacional, S.L.U. (GECOINSA), which primarily operates in Spain and also has operations in Portugal and Morocco, thereby making progress in expanding the heavy duty packaging materials business. Also in October, we acquired the shares in Velvin Containers Private Limited, a corrugated packaging manufacturer in India newly named Velvin Rengo Containers Private Limited, to further enhance our global strategy.

Environmental initiatives in ESG management are an issue given highest priority in the Rengo Group, which advocates "Less is more." as a key concept. Aiming to achieve the CO_2 emission reduction target of 46% reduction by FY3/2031 compared to FY3/2014 (Eco Challenge 2030), we will switch fuels from coal to LNG at Kanazu Mill (Awara-shi, Fukui Prefecture) by 2026 and at Marusan Paper Mfg. Co., Ltd. (Minamisoma-shi, Fukushima Prefecture) by 2027 to achieve zero coal use. In addition, from the Science Based Targets initiative (SBTi), which is an international initiative, we acquired certification for science-based target (SBT) to lower greenhouse gas emissions set by companies consistent with the level required by the Paris Agreement, being the first case among domestic paper manufacturers listed on the Tokyo Stock Exchange Prime Market.

As a result, net sales were ¥900.8 billion, up 6.5% year on year, and profit attributable to owners of parent was ¥33.0 billion, up 61.7% year on year. Thus, both of net sales and profit were higher from the previous fiscal year.

As of March 31, 2024, we had 188 consolidated subsidiaries, an increase of four from the end of the previous fiscal year, and 17 affiliates accounted for using equity method, the same as the end of the previous fiscal year.

Sales

Net sales was ¥900.8 billion, ¥54.7 billion increase from ¥846.1 billion in the previous fiscal year. The sales increase was due to the product price revision and increase in the number of consolidated subsidiaries.

In individual segments, net sales from the Paperboard and Packaging-Related Business increased 5.6%, net sales from the Flexible Packaging-Related Business increased 5.0%, net sales from the Heavy Duty Packaging-Related Business decreased 1.6%, net sales from the Overseas Business increased 13.7%, and net sales from other businesses decreased 0.9%.

Income and Expenses

Operating Expenses and Operating Income

The cost of sales increased ¥21.2 billion from ¥704.2 billion in the previous fiscal year to ¥725.4 billion due mainly to higher personnel expenses. Selling, general and administrative expenses increased ¥10.5 billion from ¥116.0 billion in the previous fiscal year to ¥126.5 billion due primarily to higher personnel expenses.

Operating income was ¥48.9 billion, a ¥22.9 billion increase from ¥26.0 billion in the previous fiscal year. Although fixed costs increased, this was due mainly to revised product prices along with lower prices of raw materials and fuel compared with the previous fiscal year.

Other Income and Expenses

With regard to the net balance of other income and expenses, net income in the fiscal year under review was ¥1.4 billion, compared to a net income of ¥4.9 billion in the previous fiscal year. Although gain on sale of investment securities and subsidy income were reported, investment loss accounted for using equity method and loss on sale and retirement of non-current assets were reported. Interest expenses was ¥3.3 billion, a ¥1.2 billion increase from ¥2.1 billion in the previous fiscal year.

Income Taxes and Profit Attributable to Non-Controlling Interests

Income taxes increased ¥6.6 billion from ¥9.5 billion in the previous fiscal year to ¥16.1 billion, mainly owing to an increase in profit before income taxes and non-controlling interests as well as other factors. Profit attributable to non-controlling interests was ¥1.1 billion, increased ¥0.1 billion from ¥1.0 billion in the previous fiscal year.

Profit Attributable to Owners of Parent

As a result of the above developments, profit attributable to owners of parent was ¥33.0 billion for the fiscal year under review, up ¥12.6 billion from ¥20.4 billion in the previous fiscal year. Basic earnings per share were ¥133.33, up from ¥82.47 in the previous fiscal year.

Cash dividends applicable to the year were ¥30.0 per share, including commemorative dividends of ¥3.0 yen to mark the 115th anniversary of the company's foundation.

Financial Position and Cash Flows

Assets

Total assets were ¥1,172.5 billion, an increase of ¥119.4 billion from ¥1,053.1 billion at the end of the previous fiscal year. The net increase was comprised of a ¥70.7 billion increase in current assets, a ¥33.5 billion increase in property, plant and equipment, a ¥0.1 billion decrease in intangible assets, and a ¥15.3 billion increase in investments and other assets.

The principal factor was an increase in cash and deposits along with notes and accounts receivable-trade.

Liabilities and Net Assets

Total liabilities amounted to ¥733.5 billion, an increase of ¥66.1 billion from ¥667.4 billion at the end of the previous fiscal year due primarily to an increase in long- and short-term borrowings and an increase in notes and accounts payable-trade.

Interest-bearing debt stood at ¥437.7 billion, an increase of ¥33.4 billion from ¥404.3 billion at the end of the previous fiscal year.

Net assets were ¥439.0 billion, an increase of ¥53.3 billion compared to ¥385.7 billion at the end of the previous fiscal year due to an increase in retained earnings as a result of reporting profit attributable to owners of parent, an increase in foreign currency translation adjustment in conjunction with fluctuations in the exchange rate, and other factors.

Cash Flows

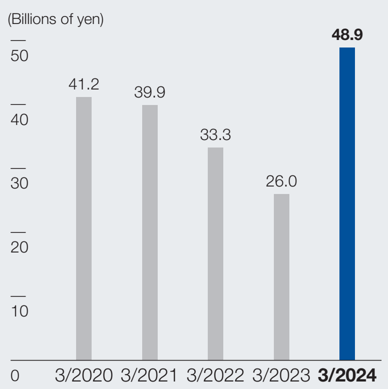
Net cash provided by operating activities amounted to ¥89.6 billion, an increase of ¥43.5 billion from ¥46.1 billion in the previous fiscal year. The main items were profit before income taxes and non-controlling interests of ¥50.3 billion, depreciation and amortization of ¥48.8 billion, increase in notes and accounts receivable-trade of ¥25.3 billion, and income taxes paid of ¥85.0 billion.

Net cash used in investing activities increased by ¥15.4 billion from ¥60.6 billion in the previous fiscal year to ¥76.0 billion. The main items were purchase of property, plant and equipment amounting to ¥64.0 billion, and a net increase in time deposits of ¥12.0 billion.

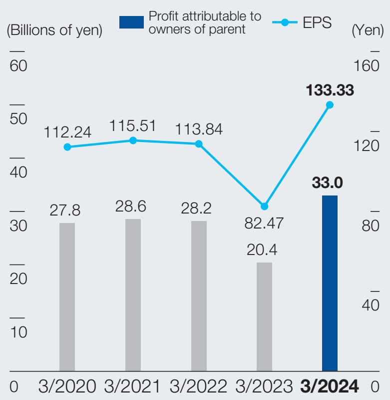
Net cash provided by financing activities was ¥17.3 billion, a decrease of ¥2.7 billion from ¥20.0 billion in the previous fiscal year. The main items were a ¥19.9 billion for a net increase in long- and short-term borrowings, ¥20.0 billion for proceeds from issuance of bonds, ¥10.1 billion for redemption of bonds, and cash dividends paid of ¥6.0 billion.

As a result, cash and cash equivalents were ¥103.8 billion at the end of the fiscal year under review, an increase of ¥32.9 billion from the previous fiscal year.

Operating Income



Profit Attributable to Owners of Parent and Earnings per Share (EPS)

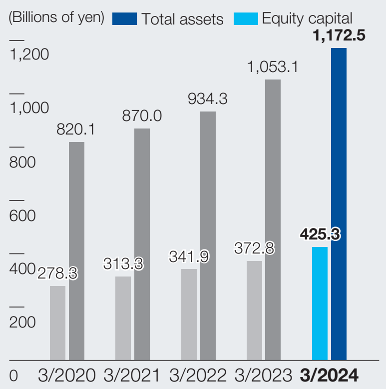


Income and Expenses as a Percentage of Net Sales

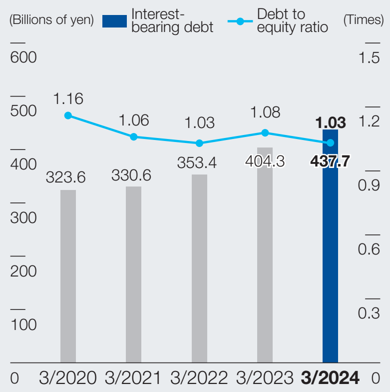
(%)

	3/2022	3/2023	3/2024
Cost of sales	81.8	83.2	80.5
SG&A expenses	13.7	13.7	14.0
Operating income	4.5	3.1	5.4
Profit attributable to owners of parent	3.8	2.4	3.7

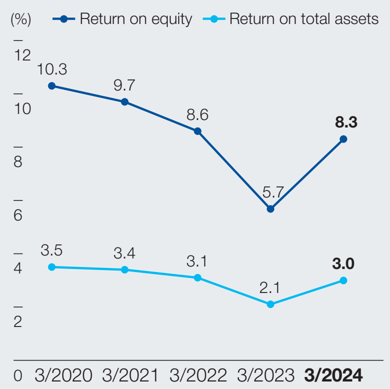
Equity Capital and Total Assets



Interest-Bearing Debt and Debt to Equity Ratio



Return on Equity and Return on Total Assets



Risk Factors

Of the matters concerning the status of business, accounting, and so on described in this report, the main risks that management is aware of that could have a material impact on the consolidated financial condition, operating results, and cash flows are set forth below.

Forward-looking statements in this report are based on the Rengo Group's expectations and beliefs as of the end of the consolidated fiscal year under review (March 31, 2024).

1. Product Demand and Market Trends

Paperboard and corrugated packaging, the Group's main products, will be impacted substantially by trends in the domestic market. Factors causing deterioration of market conditions such as a decline in demand due to economic downturn or an intensification of competition may have an impact on the Group's business performance, financial status, and so on.

In response, the Group is working to secure business opportunities for foods, demand for which is expected to be stable, and to build good relationships with its customers in various industries with the aim of relatively reducing impacts such as declining demand in specific industries. By creating even higher added-value packaging, the Group is taking measures to enhance competitiveness and minimize risks through proactive proposal-based marketing.

2. Raw Material and Fuel Prices

Prices for old corrugated containers, the main raw material used in the Group's products, will be affected by demand trends in Southeast Asia and other overseas regions. If changes occur in the balance of supply and demand in Japan, rising purchase prices may push costs higher, and this may have an impact on the Group's business performance, financial status, and so on.

The main fuels used by the Group are city gas, LNG, and biomass. The prices of these fuels will be affected by international commodities markets, and if market prices increase, there may be an impact on the Group's business performance, financial status, and so on.

In response, the Group is working to minimize risks through intensity improvement and fuel diversification by conducting capital investment for raising productivity and conserving resources and energy.

3. Natural Disaster and Pandemic

If the Group's sites and facilities incur extensive damage as a result of a large-scale natural disaster such as an earthquake or typhoon, interruption of business activities may have an impact on the Group's business performance, financial status, and so on.

Furthermore, if the Group is forced to suspend business activities as a result of the large-scale spread of infectious disease, there may be an impact on the Group's business performance, financial status, and so on.

In response, the Group is working to create a structure that can fulfill its supply responsibilities by supplying products from its manufacturing sites located throughout Japan in the event that certain business sites suspend operations.

4. Overseas Business

The Group has positioned China, Southeast Asia, and Europe as growth markets and is developing Paperboard and Packaging-Related Business, as well as Flexible Packaging-Related Business, and Heavy Duty Packaging-Related Business in those markets. When developing business in overseas markets, the Group makes investment decisions after thoroughly examining the risks, but overseas business activities are exposed to the risks of exchange rate fluctuations, natural disasters and pandemics, and various other risks unique to each country such as economic and political risks. If these risks materialize, there may be an impact on the Group's business performance, financial status, and so on.

In response, the Group is working to minimize risks while companies of the Group and relevant departments in Rengo gather and share information in a timely manner so that appropriate responses can be made quickly. In the fiscal year ended March 31, 2024, overseas sales account for 21.3% of the Group's total sales.

5. Changes in Interest Rates

The Group's balance of interest-bearing debt was ¥437.7 billion as of March 31, 2024. The Group has taken diligent measures to reduce interest-bearing debt, but is exposed to risks from interest rate fluctuations, and as a result, if market interest rates increase, there may be an impact on the Group's business performance, financial status, and so on.

6. Changes in Share Prices

The Group holds shares, mainly of its business partners, and the prices of marketable shares could decrease as a result of various factors, and this may have an impact on the Group's business performance, financial status, and so on.

The Group's pension assets will be affected by stock price levels, and consequently, the retirement benefit expenses can change.

7. Changes in Currency Exchange Rates

The Group may be affected by exchange rate fluctuations when importing and exporting products, raw materials, and fuel, and there may be an impact on the Group's business performance, financial status, and so on.

8. Business Restructuring

The Group is undergoing a process of business selection and concentration in order to increase corporate value, and the occurrence of temporary losses within that process may have an impact on the Group's business performance, financial status, and so on.

9. Litigation

In the process of conducting ongoing business activities in Japan and other countries, the Group is exposed to risks of litigation arising out of intellectual property, environmental matters, and other issues. Depending on the specific details of litigation, there may be an impact on the Group's business performance, financial status, and so on.

In response, the Group is working to practice compliance management including compliance with laws and regulations, and to minimize risks by conducting rank-specific training and education for officers and employees to raise awareness of compliance.

10. Other Risks

Risks other than those described above occurring as a result of unforeseeable circumstances are possible, and depending on the specific details of those risks, there may be an impact on the Group's business performance, financial status, and so on.

Consolidated Balance Sheets

Rengo Co., Ltd. and Consolidated Subsidiaries
(March 31, 2024 and 2023)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	3/2024	3/2023	3/2024
Assets			
Current assets:			
Cash and deposits (Notes 4, 6 and 8)	¥ 117,588	¥ 72,532	$ 778,728
Receivables			
Notes and accounts receivable-trade (Note 6 and 18)	271,408	242,862	1,797,403
Other	2,919	4,341	19,331
Allowance for doubtful accounts	(982)	(938)	(6,503)
	273,344	246,265	1,810,225
Inventories (Note 5)	85,104	87,254	563,602
Other	8,159	7,511	54,033
Total current assets	484,196	413,564	3,206,596
Property, plant and equipment (Note 8):			
Buildings and structures	337,538	312,926	2,235,350
Machinery, equipment and vehicles	681,054	646,134	4,510,291
Land	135,892	132,570	899,947
Leased assets	34,221	29,132	226,629
Construction in progress	19,387	19,077	128,390
Other	28,099	26,368	186,086
	1,236,194	1,166,210	8,186,715
Less accumulated depreciation	(779,727)	(743,245)	(5,163,754)
Total property, plant and equipment	456,467	422,964	3,022,960
Intangible assets:			
Goodwill	27,075	27,215	179,304
Other (Note 8)	21,333	21,265	141,278
Total intangible assets	48,408	48,480	320,582
Investments and other assets:			
Investment securities (Notes 6, 7 and 8)	151,144	138,850	1,000,953
Long-term loans receivable	740	548	4,900
Net defined benefit asset (Note 11)	5,423	3,385	35,913
Deferred tax assets (Note 10)	2,414	2,234	15,986
Other (Note 8)	24,628	24,037	163,099
Allowance for doubtful accounts	(909)	(927)	(6,019)
Total investments and other assets	183,442	168,129	1,214,847
Total assets	1,172,515	1,053,138	7,765,000

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	3/2024	3/2023	3/2024
Liabilities and net assets			
Current liabilities:			
Short-term borrowings and the current portion of long-term debt (Notes 6, 8 and 9)	¥ 136,830	¥ 144,649	$ 906,158
Lease liabilities (Note 6)	5,512	4,761	36,503
Payables			
Notes and accounts payable-trade (Note 8)	152,857	143,950	1,012,298
Other (Note 6)	34,414	28,886	227,907
	187,271	172,837	1,240,205
Income taxes payable	13,958	5,058	92,437
Provision for directors' bonuses	440	274	2,913
Other (Note 18)	48,267	40,651	319,649
Total current liabilities	392,280	368,231	2,597,880
Non-current liabilities:			
Long-term debt due after one year (Notes 6, 8 and 9)	283,116	242,839	1,874,940
Lease liabilities (Note 6)	12,209	12,027	80,854
Deferred tax liabilities (Note 10)	30,258	25,793	200,384
Provision for directors' retirement benefits	784	812	5,192
Provision for share-based remuneration for directors (and other officers)	800	599	5,298
Provision for plant relocation expenses	—	363	—
Net defined benefit liability (Note 11)	10,928	13,542	72,370
Other (Notes 6 and 8)	3,159	3,195	20,920
Total non-current liabilities	341,257	299,174	2,259,980
Contingent liabilities (Note 12)			
Net assets (Note 13):			
Shareholders' equity:			
Capital stock:			
Authorized 800,000,000 shares Issued 271,056,029 shares	31,066	31,066	205,735
Capital surplus	33,663	33,597	222,933
Retained earnings	279,627	252,677	1,851,834
Treasury stock:			
23,355,661 shares (3/2024) and 23,365,876 shares (3/2023)	(12,556)	(12,167)	(83,152)
Total shareholders' equity	331,801	305,174	2,197,357
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	44,310	35,467	293,443
Foreign currency translation adjustment	41,976	28,325	277,986
Remeasurements of defined benefit plans	7,204	3,827	47,708
Total accumulated other comprehensive income	93,491	67,621	619,145
Non-controlling interests	13,684	12,937	90,622
Total net assets	438,978	385,732	2,907,139
Total liabilities and net assets	1,172,515	1,053,138	7,765,000

Consolidated Statements of Income

Rengo Co., Ltd. and Consolidated Subsidiaries
(Fiscal years ended March 31, 2024 and 2023)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	3/2024	3/2023	3/2024
Net sales (Notes 18 and 19)	**¥ 900,791**	¥ 846,080	$ 5,965,503
Cost of sales	**725,409**	704,161	4,804,033
Selling, general and administrative expenses (Note 15)	**126,526**	115,962	837,920
Operating income (Note 19)	**48,855**	25,957	323,543
Other income (expenses):			
Interest and dividend income	**2,855**	2,337	18,907
Equity in earnings of affiliates	**—**	1,377	—
Interest expenses	**(3,254)**	(2,078)	(21,549)
Equity in losses of affiliates (Note 16)	**(1,910)**	—	(12,649)
Gain on sale of investment securities	**3,681**	804	24,377
Subsidy income	**1,320**	32	8,741
Loss on sale and retirement of non-current assets	**(1,365)**	(922)	(9,039)
Renewal expenses of plants	**(686)**	(670)	(4,543)
Impairment loss (Note 17)	**(518)**	(508)	(3,430)
Other, net	**1,312**	4,528	8,688
Profit before income taxes and non-controlling interests	**50,290**	30,857	333,046
Income taxes (Note 10):			
Income taxes-current	**17,988**	10,337	119,125
Income taxes-deferred	**(1,855)**	(858)	(12,284)
Total income taxes	**16,133**	9,479	106,841
Profit	**34,156**	21,378	226,198
Profit attributable to non-controlling interests	**1,130**	952	7,483
Profit attributable to owners of parent	**33,025**	20,425	218,708

	Yen		U.S. dollars (Note 1)
	3/2024	3/2023	3/2024
Per share data:			
Basic earnings per share	**¥ 133.33**	¥ 82.47	$ 0.88
Diluted earnings per share	**—**	—	—
Cash dividends applicable to the year	**30.00**	24.00	0.20

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Rengo Co., Ltd. and Consolidated Subsidiaries
(Fiscal years ended March 31, 2024 and 2023)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	3/2024	3/2023	3/2024
Profit	**¥ 34,156**	¥ 21,378	$ 226,198
Other comprehensive income (Note 14):			
Valuation difference on available-for-sale securities	**8,899**	3,639	58,933
Foreign currency translation adjustment	**9,653**	9,065	63,927
Remeasurements of defined benefit plans	**3,357**	(196)	22,231
Share of other comprehensive income of entities accounted for using equity method	**4,347**	3,860	28,788
Total other comprehensive income	**26,258**	16,369	173,894
Comprehensive income	**60,415**	37,747	400,099
(Comprehensive income attributable to)			
Owners of parent	**58,891**	36,562	390,006
Non-controlling interests	**1,523**	1,185	10,086

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Rengo Co., Ltd. and Consolidated Subsidiaries
(Fiscal years ended March 31, 2024 and 2023)

	Thousands	Millions of yen								
	Number of shares of common stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total
Balance at March 31, 2022	271,056	¥ 31,066	¥ 33,358	¥ 238,185	¥ (12,218)	¥ 31,739	¥ 15,830	¥ 3,946	¥ 12,379	¥ 354,289
Dividends from surplus				(5,965)						(5,965)
Profit attributable to owners of parent				20,425						20,425
Purchase of treasury stock					(1)					(1)
Disposal of treasury stock			0		53					53
Other			238	32						270
Net changes in items other than shareholders' equity						3,727	12,495	(119)	557	16,661
Balance at March 31, 2023	271,056	31,066	33,597	252,677	(12,167)	35,467	28,325	3,827	12,937	385,732
Dividends from surplus				(5,977)						(5,977)
Profit attributable to owners of parent				33,025						33,025
Purchase of treasury stock					(910)					(910)
Disposal of treasury stock			396		521					918
Other			(330)	(98)						(428)
Net changes in items other than shareholders' equity						8,842	13,651	3,376	747	26,618
Balance at March 31, 2024	**271,056**	**31,066**	**33,663**	**279,627**	**(12,556)**	**44,310**	**41,976**	**7,204**	**13,684**	**438,978**

	Thousands of U.S. dollars (Note 1)								
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total
Balance at March 31, 2023	$ 205,735	$ 222,496	$ 1,673,357	$ (80,576)	$ 234,880	$ 187,582	$ 25,344	$ 85,675	$ 2,554,516
Dividends from surplus			(39,582)						(39,582)
Profit attributable to owners of parent			218,708						218,708
Purchase of treasury stock				(6,026)					(6,026)
Disposal of treasury stock		2,622		3,450					6,079
Other		(2,185)	(649)						(2,834)
Net changes in items other than shareholders' equity					58,556	90,403	22,357	4,947	176,278
Balance at March 31, 2024	**205,735**	**222,933**	**1,851,834**	**(83,152)**	**293,443**	**277,986**	**47,708**	**90,622**	**2,907,139**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Rengo Co., Ltd. and Consolidated Subsidiaries
(Fiscal years ended March 31, 2024 and 2023)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	3/2024	3/2023	3/2024
Net cash provided by (used in) operating activities:			
Profit before income taxes and non-controlling interests	**¥ 50,290**	¥ 30,857	$ 333,046
Depreciation and amortization	**48,761**	44,848	322,920
Impairment loss	**518**	508	3,430
Amortization of goodwill	**3,420**	2,733	22,649
Increase (decrease) in provision for directors' retirement benefits	**(28)**	(5)	(185)
Increase (decrease) in net defined benefit liability	**(1,364)**	(163)	(9,033)
Interest and dividend income	**(2,855)**	(2,337)	(18,907)
Interest expenses	**3,254**	2,078	21,549
Equity in (earnings) losses of affiliates	**1,910**	(1,377)	12,649
Loss (gain) on sale of investment securities	**(3,675)**	(803)	(24,337)
Loss (gain) on valuation of investment securities	**158**	343	1,046
Loss (gain) on sale of property, plant and equipment	**(304)**	(3,076)	(2,013)
Loss on retirement of property, plant and equipment	**1,621**	1,176	10,735
Decrease (increase) in notes and accounts receivable-trade	**(25,297)**	(16,808)	(167,529)
Decrease (increase) in inventories	**3,671**	(12,511)	24,311
Increase (decrease) in notes and accounts payable-trade	**6,376**	8,640	42,225
Other, net	**10,560**	2,575	69,933
Subtotal	**97,018**	56,679	642,503
Interest and dividend income received	**4,318**	3,608	28,596
Interest expenses paid	**(3,228)**	(1,972)	(21,377)
Income taxes paid	**(8,479)**	(12,250)	(56,152)
Net cash provided by (used in) operating activities	**89,628**	46,066	593,562
Net cash provided by (used in) investing activities:			
Net decrease (increase) in time deposits	**(11,988)**	1,718	(79,390)
Purchase of property, plant and equipment	**(63,975)**	(42,611)	(423,675)
Proceeds from sale of property, plant and equipment	**845**	3,263	5,596
Purchase of intangible assets	**(1,060)**	(1,584)	(7,019)
Purchase of investment securities	**(475)**	(506)	(3,145)
Proceeds from sale and redemption of investment securities	**4,864**	2,100	32,211
Purchase of shares of subsidiaries and associates	**(2,012)**	(3,713)	(13,324)
Net decrease (increase) in short-term loans receivable	**(108)**	(546)	(715)
Payments of long-term loans receivable	**(323)**	(23)	(2,139)
Collection of long-term loans receivable	**84**	104	556
Purchase of shares of subsidiaries resulting in change in scope of consolidation	**—**	(4,723)	—
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 4)	**(1,882)**	(14,138)	(12,463)
Other, net	**0**	14	0
Net cash provided by (used in) investing activities	**(76,033)**	(60,646)	(503,529)
Net cash provided by (used in) financing activities:			
Net increase (decrease) in short-term loans payable	**(6,397)**	2,591	(42,364)
Proceeds from long-term loans payable	**63,851**	59,583	422,854
Repayment of long-term loans payable	**(37,557)**	(35,841)	(248,721)
Proceeds from issuance of bonds	**20,000**	10,000	132,450
Redemption of bonds	**(10,110)**	(5,087)	(66,953)
Purchase of treasury stock	**(910)**	(1)	(6,026)
Proceeds from sale of treasury stock	**918**	53	6,079
Cash dividends paid	**(5,977)**	(5,965)	(39,582)
Repayments of lease obligations	**(5,558)**	(4,845)	(36,807)
Other, net	**(992)**	(463)	(6,569)
Net cash provided by (used in) financing activities	**17,265**	20,023	114,337
Effect of exchange rate change on cash and cash equivalents	**1,934**	2,463	12,807
Net increase (decrease) in cash and cash equivalents	**32,795**	7,906	217,185
Cash and cash equivalents at beginning of year	**70,912**	57,835	469,615
Increase in cash and cash equivalents from newly consolidated subsidiaries	**74**	5,171	490
Cash and cash equivalents at end of year (Note 4)	**103,782**	70,912	687,298

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Financial Statements

Rengo Co., Ltd. and Consolidated Subsidiaries

1. BASIS OF PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS

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

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded disclosure) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2024, which was ¥151 to U.S. $1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

The amounts for each account and the sum of the accounts are translated from Japanese yen into U.S. dollars separately. Therefore, the total amount for each account after translation does not equal the translated amount for the sum of the accounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 188 (184 in FY2022 ended March 31, 2023) significant subsidiaries over which the Company has power of control through majority voting rights or existence of certain other conditions evidencing control by the Company. There are 137 subsidiaries consolidated on the basis of fiscal years ending on December 31, which differs from the date of the Company. However, necessary adjustments have been made if the effect of the difference is material.

Investments in 17 (17 in FY2022 ended March 31, 2023) unconsolidated subsidiaries and affiliates over which the Company has the ability to exercise significant influence over operating and financial policies are accounted for by the equity method and, accordingly, stated at cost adjusted for the equity in the undistributed earnings and losses from the date of acquisition.

For the purposes of preparing the consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits among the Companies have been eliminated, and the portion attributable to non-controlling interests is charged or credited to non-controlling interests.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling interests, are evaluated based on the fair value at the time the Company acquired control of the subsidiaries. Goodwill is amortized on a straight-line basis over the period in which the economic benefits are expected to be realized. However, if the economic benefits are not expected to be realized in the future, goodwill is fully expensed. Negative goodwill acquired prior to March 31, 2010 is amortized on a straight-line basis continuously.

(2) Translation of Foreign Currencies

A. Translation of Foreign Currencies Receivables and Payables

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the fiscal year-end rates.

B. Translation of Foreign Currency Financial Statements

The balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at fiscal year-end rates except for shareholders' equity accounts, which are translated at historical rates. The income statements of the consolidated overseas subsidiaries are translated at the fiscal year-end rates except for transactions with the Company, which are translated at rates used by the Company.

Differences arising from the application of the processes stated above are presented separately in the consolidated financial statements in "Foreign currency translation adjustment" and "Non-controlling interests."

(3) Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided for possible losses on unrecoverable receivables. The Companies provide the allowance for doubtful accounts for normal receivables based on the historical rate of loss and for specific doubtful accounts based on an individual evaluation.

(4) Securities

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method, are stated at moving-average cost. Available-for-sale securities other than equity securities without market prices are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported net of applicable income taxes as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving average cost. Available-for-sale securities which are equity securities without market prices are stated at moving average cost.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies or available-for-sale securities other than equity securities without market prices declines significantly and is not expected to recover, such securities are stated at fair market value, and the difference between the fair market value and the carrying amount is recognized as loss in the period of the decline. If the net asset value of equity securities issued by unconsolidated subsidiaries and affiliated companies without market prices or available-for-sale securities which are equity securities without market prices declines significantly, such securities should be written down to net asset value with a corresponding charge in the statement of income. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next fiscal year.

(5) Inventories

Raw materials are stated mainly at the lower of cost determined by the moving average method or net realizable value.

Other inventories are stated mainly at the lower of cost determined by the average method or net realizable value.

(6) Property, Plant and Equipment (Except Lease Assets)

Property, plant and equipment are carried at cost. Depreciation is computed mainly by the declining balance method over the estimated useful life of the assets in accordance with the Corporation Tax Law of Japan. Buildings acquired after March 31, 1998 and facilities attached to buildings and structures acquired after March 31, 2016 are depreciated by the straight-line method.

(7) Intangible Assets (Except Lease Assets)

The Companies include internal use software in other intangible assets and amortize it using the straight-line method over the estimated useful life of 5 years.

Other intangible assets are mainly amortized using the straight-line method over the estimated useful life in accordance with the Corporation Tax Law of Japan.

(8) Lease Assets

Property, plant and equipment capitalized under finance lease arrangements without the transfer of ownership of the assets are depreciated over the lease term of the respective assets with the residual book value as zero.

Foreign consolidated subsidiaries that have prepared their financial satatements in accordance with International Financial Reporting Standards (IFRSs) have adopted IFRS 16 Leases. According to IFRS 16, all lease arrangements are recorded in principle as assets and liabilities on the balance sheet. Capitalized right-of-use assets are depreciated by the straight-line method.

(9) Deferred Assets

All expenses of bond issuance cost are expensed when incurred.

(10) Provision for Directors' Bonuses

The Companies provide for directors' and audit & supervisory board members' bonuses applicable to the current fiscal year based on the projected amounts of payment.

(11) Provision for Directors' Retirement Benefits

Certain domestic consolidated subsidiaries pay lump-sum retirement benefits to directors and audit & supervisory board members. In accordance with internal rules, those subsidiaries provide the amounts that would be required if all the directors and audit & supervisory board members retired at the balance sheet date.

(12) Provision for Share-Based Remuneration for Directors (And Other Officers)

Provision for share-based remuneration for directors (and other officers) is provided in accordance with internal rules at the estimated amount of the obligation to deliver shares to directors and other officers of the Company.

(13) Provision for Plant Relocation Expenses

A provision for plant relocation expenses is provided at the estimated amount of possible losses arising from the relocation of the plant.

(14) Income Taxes

The asset-liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(15) Net Defined Benefit Liability

When calculating retirement benefit obligations, a benefit formula basis is used to distribute the estimated amount of retirement benefits into the period up to the end of the current fiscal year.

The Companies provide for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the end of the fiscal year. Differences generated from changes in actuarial assumptions are amortized for the subsequent fiscal years on a straight-line basis over mainly 13 years, which is shorter than the average remaining service periods of the employees. Prior service costs are amortized as incurred over certain periods (10 years), which is shorter than the average remaining service periods of the employees.

(16) Derivative Transactions and Hedge Accounting

In principle, the Companies state derivative financial instruments at fair value and recognize changes in the fair value as gain or loss unless the derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gain or loss resulting from a change in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized. However, in cases in which forward foreign exchange contracts, etc., are used as hedges and meet certain hedging criteria, forward foreign exchange contracts, etc., and hedged items are accounted for in the following manner ("Appropriate treatment"):

A. If a forward foreign exchange contract, etc., is executed to hedge existing assets and liabilities denominated in a foreign currency;

(a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the consolidated statements of income in the period which includes the inception date, and;

(b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

B. If a forward foreign exchange contract, etc., is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gain or loss on the forward foreign exchange contract is recognized.

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value but the differences paid or received under the swap agreements are included in interest expense or income.

(Hedging relationships to which "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" is applied)

Of the above hedging relationships, the Companies have applied the exception set out in the "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR "(PITF No.40, March 17, 2022) to all of those hedging relationships that are within the scope of the Practical Solution. The details of the hedging relationships to which the Practical Solution is applied are as follows.

Method of hedge accounting:	special treatment for interest rate swaps
Hedging instrument	: interest rate swaps
Hedged item	: interest expenses
Type of hedge	: cash flow hedge

(17) Reclassifications
Certain reclassifications of the financial statements for FY2022 ended March 31, 2023 have been made to conform to the presentation for the fiscal year ended March 31, 2024.

(18) Earnings Per Share
Basic earnings per share is based on the weighted average number of shares of common stock outstanding during the fiscal year.

Diluted earnings per share for FY2023 and FY2022 ended March 31, 2024 and 2023 are not disclosed because there were no outstanding dilutive potential common stock equivalents.

Cash dividends per share represent actual amounts applicable to the respective fiscal years.

(19) Accounting Policy for Recognition of Significant Revenues and Expenses
The Companies principally manufacture and sell paperboard products and operate in the packaging-related business, flexible packaging-related business, heavy duty packaging-related business, overseas business and other businesses. Revenue from the sale of products is recognized when they are delivered to customers because the Companies believe that the customers obtain control of the products and the performance obligation is satisfied at the time of delivery of the products. Revenue is measured at amounts less discounts, rebates, etc.

Revenue for products sold for which the Companies are determined to be acting as an agent is recognized at the net amount of consideration less payments to suppliers.

In addition, the Companies do not recognize as revenue the consideration received from suppliers for transactions in which the Companies supply raw materials for a fee, buy back the processed products and then sell them to third parties.

The promised amount of consideration does not contain a significant financial component as it is paid approximately within three months from the time the performance obligation is satisfied.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The Company calculates amount of accounting estimates rationally based on information available when preparing the consolidated financial statements. The following items are accounting estimates that were recorded in the consolidated financial statements for the current fiscal year that could have a significant impact on the consolidated financial statements for the following fiscal year.

Impairment of Noncurrent Assets
A. Carrying amounts in the current year's consolidated financial statements

The Company examined whether it was necessary to recognize an impairment loss on noncurrent assets of RG Container Co., Ltd., a consolidated subsidiary that operates in the paperboard and packaging-related business, as the Company recognized recurring operating losses for several consecutive years due primarily to decreasing sales volume, indicating impairment. As a result of the impairment test, the Company concluded that there was no impairment loss to be recorded as the total amount of undiscounted future cash flows exceeded the carrying amount of related noncurrent assets of ¥9,567 million (U.S. $63,357 thousand), which consisted of ¥9,557 million (U.S. $63,291 thousand) of property, plant and equipment and ¥10 million (U.S. $66 thousand) of intangible assets. The carrying amount of related noncurrent assets for the previous fiscal year was ¥10,148 million, which consisted of ¥10,126 million of property, plant and equipment and ¥21 million of intangible assets.

B. Other information that assists users of the consolidated financial statements in understanding the nature of the estimates

It is necessary to determine whether an impairment loss should be recognized by comparing the carrying amount with the total amount of undiscounted future cash flows generated from the asset group. The Company reduces the carrying amount to the recoverable amount, which is measured at the higher of net selling price or value in use, and recognizes the decrease in the carrying amount as an impairment loss when it is necessary to recognize an impairment loss as the total amount of undiscounted future cash flows is less than the carrying amount.

The future cash flows were estimated based on the business plan of RG Container Co., Ltd., which contains the assumptions which form the basis of projections of an increase in sales volume due to a production transfer from the Company and the sales expansion to new customers.

Forecasts of the effects of the above assumptions could have a significant impact on estimates of future cash flows due to the uncertainty.

4. CASH FLOW STATEMENTS

(1) Cash and Cash Equivalents
Cash and cash equivalents comprised cash on hand, bank deposits that were withdrawable on demand and short-term highly liquid investments due within three months at date of purchase and substantially free from any price fluctuation risk.

Reconciliations of cash and deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	3/2024	3/2023	3/2024
Cash and deposits	¥ 117,588	¥ 72,532	$ 778,728
Less: Time deposits with maturities exceeding three months	(13,806)	(1,620)	(91,430)
Cash and cash equivalents	103,782	70,912	687,298

(2) Purchases of Newly Consolidated Subsidiary
A breakdown of the assets and liabilities at the beginning of consolidation of THIMM Packaging Systems GmbH & Co.KG (Company name after acquisition: TRICOR Packaging Systems GmbH), which were acquired by the Company in the fiscal year ended March 2023, the consideration paid for acquisition and the cash flow from the purchase of investments in subsidiaries resulting in change in scope of consolidation are as follows:

	Millions of yen
Current assets	¥ 8,329
Non-current assets	11,857
Goodwill	6,427
Current liabilities	(6,413)
Non-current liabilities	(5,716)
Non-controlling interests	–
Consideration paid for acquisition	14,484
Cash and cash equivalents of the consolidated subsidiary	(372)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(14,111)

5. INVENTORIES

Inventories at March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	3/2024	3/2023	3/2024
Merchandise and finished goods	¥ 43,668	¥ 43,293	$ 289,192
Work in process	5,563	5,980	36,841
Raw materials and supplies	35,872	37,980	237,562
Total	85,104	87,254	563,602

6. FINANCIAL INSTRUMENTS

(1) Status of Financial Instruments

A. Policies for using financial instruments

The Companies set up the fund management plan based on the plan for capital expenditures and investments and procure the necessary long-term funds by borrowing from banks and issuing corporate bonds. The Companies raise short-term working capital for the ordinary business activities by bank loans and manage temporary surplus funds through financial assets that have a high level of safety. The Company and certain consolidated subsidiaries utilize derivative financial instruments to hedge interest rate fluctuation risk on long-term borrowings and foreign currency exchange rate fluctuation risk arising from export and import transactions denominated in foreign currencies and do not enter into derivative transactions for speculative purposes or with the high level of leveraged effect.

B. Details of financial instruments and associated risk and the risk management system

Notes and accounts receivable arising from operations are exposed to the credit risk of customers. The Companies set a credit limit for such business partners and manage the outstanding balances under credit management rules.

Investment securities are primarily the stocks of companies with which the Companies have business relationships and are exposed to market price fluctuation risk. The Companies periodically evaluate the fair value of these securities and monitor the issuing company and review its policies for holding stocks.

Trade notes and accounts payable are due within one year.

In addition, certain receivables and payables are denominated in foreign currencies and exposed to the risk of exchange rate fluctuations. The Company and certain subsidiaries use forward foreign exchange contracts to hedge the risk of such exchange rate fluctuations.

The Companies generally raise the working capital required for business transactions through short-term loans and procure long-term funds required for capital expenditure, investment and loans receivable through long-term loans and bond issuances. Although some long-term loans are exposed to the risk of fluctuations in interest rates, the Companies hedge the risk with derivative transactions such as interest rate swaps. The risk of fluctuations in interest rates has been assumed to be completely hedged over the period of the hedging contracts as the major conditions of the hedging instruments and hedged items are consistent. Accordingly, an evaluation of the effectiveness of the hedging contracts is unnecessary.

The derivative transactions are executed and managed by the Finance and Accounting Group in accordance with its established policies. In using derivative transactions, the Companies mitigate counterparty risk by conducting transactions with highly creditworthy financial institutions. The Companies recognize almost no risk of default.

The Companies manage liquidity risk associated with trade payable and fund procurement (payment default risk) by creating and updating monthly cash flow plans as needed.

C. Supplemental information on fair values

The fair value of financial instruments is based on market prices or estimates of fair value for instruments for which market prices are not available. Estimates of fair value are subject to fluctuation because they employ variable factors and assumptions.

(2) Fair Values of Financial Instruments

The book value, the fair value and any differences of the financial instruments presented in the consolidated balance sheets as of March 31, 2024 and 2023 are set forth in the tables below.

	Millions of yen						Thousands of U.S. dollars		
	3/2024			3/2023			3/2024		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Investment securities									
Available-for-sale securities	¥ 99,243	¥ 99,243	¥ —	¥ 87,329	¥ 87,329	¥ —	$ 657,238	$ 657,238	$ —
Equity securities issued by affiliated companies	17,659	7,815	(9,844)	16,590	6,866	(9,723)	116,947	51,754	(65,192)
Total assets	116,903	107,058	(9,844)	103,919	94,196	(9,723)	774,192	708,993	(65,192)
Current portion of bonds	5,010	5,008	(1)	10,110	10,119	9	33,178	33,165	(6)
Bonds payable	95,055	93,752	(1,302)	80,065	79,048	(1,016)	629,503	620,874	(8,622)
Long-term loans payable (including current portion)	239,892	238,940	(951)	211,349	210,492	(856)	1,588,688	1,582,384	(6,298)
Total liabilities	339,957	337,702	(2,254)	301,524	299,660	(1,863)	2,251,370	2,236,437	(14,927)
Derivative transactions *3									
Hedge accounting not applied	(3)	(3)	—	(9)	(9)	—	(19)	(19)	—
Total derivative transactions	(3)	(3)	—	(9)	(9)	—	(19)	(19)	—

*1 "Cash and deposits", "Notes and accounts receivable-trade", "Notes and accounts payable-trade", "Short-term borrowings (excluding current portion of long-term loans payable)" are not included in the table above because the book value and the fair value of these items are essentially equivalent as they are either cash or items to be settled in the short term.

*2 Equity securities without market prices are not included in investment securities. The carrying amount of those financial instruments are as follows:

	Millions of yen		Thousands of U.S. dollars
	3/2024	3/2023	3/2024
Available-for-sale securities	¥ 2,293	¥ 2,234	$ 15,185
Equity securities issued by unconsolidated subsidiaries and associates	31,947	32,697	211,569

*3 Amounts shown are net of assets and liabilities derived from derivative transactions. Net liability items in the total are shown in parentheses.

Note (1) The redemption schedule for receivables and marketable securities with maturities subsequent to March 31, 2024 and 2023 was as follows:

	Millions of yen			
	3/2024			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	¥ 117,588	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	271,408	—	—	—
Investment securities				
Available-for-sale securities	—	—	—	120
Total	388,997	—	—	120

	Millions of yen			
	3/2023			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	¥ 72,532	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	242,862	—	—	—
Investment securities				
Available-for-sale securities	—	—	—	120
Total	315,395	—	—	120

	Thousands of U.S. dollars			
	3/2024			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	$ 778,728	$ —	$ —	$ —
Notes and accounts receivable-trade	1,797,403	—	—	—
Investment securities				
Available-for-sale securities	—	—	—	794
Total	2,576,139	—	—	794

Note (2) The repayment schedule of long-term debt, lease debt and others subsequent to March 31, 2024 and 2023 was as follows:

	Millions of yen					
	3/2024					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	¥ 79,989	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	56,840	43,688	63,063	54,171	43,029	79,163
Lease debt	5,512	4,411	3,074	2,497	1,078	1,147
Others	0	—	—	—	—	—
Total	142,343	48,099	66,137	56,669	44,108	80,310

	Millions of yen					
	3/2023					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	¥ 85,964	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	58,684	33,958	35,655	53,526	42,818	76,880
Lease debt	4,761	3,780	2,883	2,023	1,515	1,823
Others	10	0	—	—	—	—
Total	149,421	37,740	38,538	55,550	44,333	78,704

	Thousands of U.S. dollars					
	3/2024					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	$ 529,728	$ —	$ —	$ —	$ —	$ —
Long-term debt	376,423	289,324	417,635	358,748	284,960	524,258
Lease debt	36,503	29,211	20,357	16,536	7,139	7,596
Others	0	—	—	—	—	—
Total	942,668	318,536	437,993	375,291	292,105	531,854

(3) Fair value information of financial instruments by level of inputs

Based on the observability and the significance of the inputs used in measuring fair values, fair value information of financial instruments is presented by categorizing fair values into the following three levels:

Level 1 fair value: the fair value measured by quoted prices of identical assets or liabilities in active markets.

Level 2 fair value: the fair value measured using observable inputs other than Level 1.

Level 3 fair value: the fair value measured using unobservable inputs.

When multiple inputs of different categories are used in measuring fair value, the Company classified the fair value into a category to which the lowest priority is given.

A. Financial instruments measured at fair values in the consolidated balance sheets

Classification	Millions of yen			
	3/2024			
	fair values			
	Level1	Level2	Level3	Total
Investment securities				
Available-for-sale securities				
Securities	¥ 99,243	¥ —	¥ —	¥ 99,243
Derivative transactions				
Hedge accounting not applied	—	(3)	—	(3)
Total assets	99,243	(3)	—	99,240

Classification	Millions of yen			
	3/2023			
	fair values			
	Level1	Level2	Level3	Total
Investment securities				
Available-for-sale securities				
Securities	¥ 87,329	¥ —	¥ —	¥ 87,329
Derivative transactions				
Hedge accounting not applied	—	(9)	—	(9)
Total assets	87,329	(9)	—	87,319

Classification	Thousands of U.S. dollars			
	3/2024			
	fair values			
	Level1	Level2	Level3	Total
Investment securities				
Available-for-sale securities				
Securities	$ 657,238	$ —	$ —	$ 657,238
Derivative transactions				
Hedge accounting not applied	—	(19)	—	(19)
Total assets	657,238	(19)	—	657,218

B. Financial instruments other than those measured at fair values in the consolidated balance sheets

Classification	Millions of yen			
	3/2024			
	fair values			
	Level1	Level2	Level3	Total
Investment securities				
Equity securities issued by affiliated companies	¥ 7,815	¥ —	¥ —	¥ 7,815
Total assets	7,815	—	—	7,815
Current portion of bonds	—	5,008	—	5,008
Bonds payable	—	93,752	—	93,752
Long-term loans payable (including current portion)	—	238,940	—	238,940
Total liabilities	—	337,702	—	337,702

Classification	Millions of yen			
	3/2023			
	fair values			
	Level1	Level2	Level3	Total
Investment securities				
Equity securities issued by affiliated companies	¥ 6,866	¥ —	¥ —	¥ 6,866
Total assets	6,866	—	—	6,866
Current portion of bonds	—	10,119	—	10,119
Bonds payable		79,048		79,048
Long-term loans payable (including current portion)	—	210,492	—	210,492
Total liabilities	—	299,660	—	299,660

Classification	Thousands of U.S. dollars			
	3/2024			
	fair values			
	Level1	Level2	Level3	Total
Investment securities				
Equity securities issued by affiliated companies	$ 51,754	$ —	$ —	$ 51,754
Total assets	51,754	—	—	51,754
Current portion of bonds	—	33,165	—	33,165
Bonds payable	—	620,874	—	620,874
Long-term loans payable (including current portion)	—	1,582,384	—	1,582,384
Total liabilities	—	2,236,437	—	2,236,437

(Note) Valuation techniques and inputs used in measuring fair values

Investment securities

Listed equity securities are measured using quoted prices. Fair value of listed equity securities are classified as level 1 fair value, because they are exchanged in active markets.

Current portion of bonds and Bonds payable

The fair value of bonds is based on market prices for those with market prices, and the fair value of those without market prices is measured by the discounted present value of the total amount of principal and interest using interest rates for the remaining period of the bonds payable adjusted by credit risks. Fair value of bonds is classified as Level 2 fair value.

Long-term loans payable (including current portion)

The carrying amount of long-term loans payable with floating interest rates approximates their fair value because the fair value reflects market interest rates in a short period of time and the Company's credit status has not changed significantly since the execution of the loans. Those with fixed interest rates are measured by the discounted present value of the total amount of principal and interest(*) using interest rates for the remaining period of the bonds payable adjusted by credit risks. Fair value of long-term loans payable is classified as Level 2 fair value.

(*) For long-term loans payable using interest rate swaps subject to special treatment the fair value is computed by discounting the total amount of principal and interest on the loans, together with these interest rate swaps.

Derivative transactions

The fair value of derivative transactions is calculated based on the discounted cash flow method using observable inputs such as exchange rates and is classified as Level 2 fair value. The fair value of interest rate swaps that are accounted for as special treatment is included in the fair value of the relevant long-term loans payable because they are accounted for as an integral part of the long-term loans payable that are hedged items.

7. INFORMATION ON SECURITIES

(1) Acquisition Costs and Book Values (Fair Values) of Available-for-Sale Securities with Available Fair Values

The following table summarizes acquisition costs and book values (fair values) of available-for-sale securities with available fair values as of March 31, 2024 and 2023.

	Millions of yen						Thousands of U.S. dollars		
	3/2024			3/2023			3/2024		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with book values (fair values) exceeding acquisition costs:									
Equity securities	**¥ 95,038**	**¥ 30,525**	**¥ 64,512**	¥ 81,594	¥ 28,508	¥ 53,086	$ 629,390	$ 202,152	$ 427,231
Bonds	**—**	**—**	**—**	—	—	—	—	—	—
Others	**—**	**—**	**—**	—	—	—	—	—	—
	95,038	**30,525**	**64,512**	81,594	28,508	53,086	629,390	202,152	427,231
Securities with book values (fair values) not exceeding acquisition costs:									
Equity securities	**4,205**	**4,591**	**(386)**	5,734	7,367	(1,632)	27,847	30,403	(2,556)
Bonds	**—**	**—**	**—**	—	—	—	—	—	—
Others	**—**	**—**	**—**	—	—	—	—	—	—
	4,205	**4,591**	**(386)**	5,734	7,367	(1,632)	27,847	30,403	(2,556)
Total	**99,243**	**35,117**	**64,126**	87,329	35,875	51,453	657,238	232,562	424,675

(2) Sales of Available-for-Sale Securities

Proceeds from sales of available-for-sale securities in FY2023 and FY2022 ended March 31, 2024 and 2023 amounted to ¥4,864 million (U.S. $32,211 thousand) and ¥2,086 million, respectively. The related gains for FY2023 and FY2022 ended March 31, 2024 and 2023 amounted to ¥3,681 million (U.S. $24,377 thousand) and ¥804 million, respectively. There were no related losses for FY2022 ended March 31, 2023, while related losses for FY2023 ended March 31, 2024 amounted to ¥5 million (U.S. $33 thousand).

8. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral including factory foundation for short-term borrowings and the current portion of long-term debt of ¥2,654 million (U.S. $17,576 thousand), long-term debt of ¥9,368 million (U.S. $62,039 thousand), accounts payable-trade of ¥448 million (U.S. $2,966 thousand) and others of ¥1,061 million (U.S. $7,026 thousand) at March 31, 2024 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Cash and deposits	**¥ 8,087**	$ 53,556
Buildings and structures	**13,570**	89,867
Machinery, equipment and vehicles	**22,850**	151,324
Land	**34,337**	227,397
Investment securities	**2,159**	14,298
Other	**622**	4,119
Total	**81,627**	540,576

9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings and the current portion of long-term debt at March 31, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	Weighted average interest rate
	3/2024	3/2023	3/2024	3/2024
Short-term borrowings	**¥ 79,989**	¥ 85,964	$ 529,728	0.62%
Current portion of long-term debt	**56,840**	58,684	376,423	2.22
Total	**136,830**	144,649	906,158	—

Long-term debt at March 31, 2024 and 2023 was as follows:

	Millions of yen		Thousands of U.S. dollars
	3/2024	3/2023	3/2024
Loans mainly from banks and insurance companies			
(3/2024: due in 3/2038, with interest rates ranging from 0.15% to 8.0%, 3/2023: due in 3/2035, with interest rates ranging from 0.05% to 6.1%)	**¥ 239,892**	¥ 211,349	$ 1,588,688
Issued by Rengo Co., Ltd.			
Unsecured 0.280% straight bonds, due December 2023	**—**	10,000	—
Unsecured 0.270% straight bonds, due December 2024	**5,000**	5,000	33,112
Unsecured 0.390% straight bonds, due December 2026	**10,000**	10,000	66,225
Unsecured 0.210% straight bonds, due December 2026	**10,000**	10,000	66,225
Unsecured 0.160% straight bonds, due December 2026	**10,000**	10,000	66,225
Unsecured 0.410% straight bonds, due December 2027	**5,000**	5,000	33,112
Unsecured 0.539% straight bonds, due December 2027	**10,000**	10,000	66,225
Unsecured 0.415% straight bonds, due December 2028	**10,000**	10,000	66,225
Unsecured 0.300% straight bonds, due December 2029	**10,000**	10,000	66,225
Unsecured 0.310% straight bonds, due December 2031	**10,000**	10,000	66,225
Unsecured 0.728% straight bonds, due December 2028	**10,000**	—	66,225
Unsecured 1.344% straight bonds, due December 2033	**10,000**	—	66,225
Issued by Hiropax Co., Ltd.			
Unsecured 0.880% straight bonds, due July 2023	**—**	100	—
Unsecured 0.210% straight bonds, due September 2025	**15**	25	99
Unsecured 0.525% straight bonds, due March 2026	**50**	50	331
	339,957	301,524	2,251,370
Less current portion	**(56,840)**	(58,684)	(376,423)
	283,116	242,839	1,874,940

The aggregate annual maturities of long-term debt at March 31, 2024 were as follows:

Fiscal years ending March 31	Millions of yen	Thousands of U.S. dollars
3/2025	**¥ 56,840**	$ 376,423
3/2026	**43,688**	289,324
3/2027	**63,063**	417,635
3/2028	**54,171**	358,748
3/2029 and thereafter	**122,193**	809,225
Total	**339,957**	2,251,370

10. INCOME TAXES

At March 31, 2024 and 2023, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	3/2024	3/2023	3/2024
Deferred tax assets:			
Carryforward tax loss (Note)	¥ 10,617	¥ 8,865	$ 70,311
Net defined benefit liability	2,479	3,780	16,417
Accrued bonuses	3,496	3,218	23,152
Write-down of golf club memberships	438	438	2,900
Provision for directors' retirement benefits	318	329	2,105
Loss on valuation of investment securities	1,161	1,177	7,688
Allowance for doubtful accounts	286	232	1,894
Unrealized gain on sale of property, plant and equipment eliminated on consolidation	290	276	1,920
Accrued enterprise taxes	805	365	5,331
Impairment loss	688	542	4,556
Other	2,764	2,551	18,304
Subtotal deferred tax assets	23,346	21,776	154,609
Valuation reserve for carryforward tax loss (Note)	(10,274)	(8,631)	(68,039)
Valuation reserve for deductible temporary differences	(3,523)	(3,522)	(23,331)
Subtotal valuation reserve	(13,797)	(12,154)	(91,370)
Total deferred tax assets	9,549	9,622	63,238
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(19,455)	(15,684)	(128,841)
Deferred gain tax treatment of property	(4,172)	(3,564)	(27,629)
Non-current assets revaluation difference, net of taxes unrealized gain	(9,101)	(9,037)	(60,271)
Trademark rights	(1,829)	(1,900)	(12,112)
Customer relationships	(2,315)	(2,270)	(15,331)
Other	(518)	(724)	(3,430)
Total deferred tax liabilities	(37,392)	(33,181)	(247,629)
Net deferred tax assets (liabilities)	(27,843)	(23,559)	(184,390)

(Note) Carryforward tax loss and its deferred tax assets by expiration periods

	Millions of yen						
	3/2024						
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years	Total
Carryforward tax loss (*)	¥ 464	¥ 186	¥ 478	¥ 269	¥ 689	¥ 8,527	¥ 10,617
Valuation reserve	(464)	(186)	(478)	(265)	(687)	(8,190)	(10,274)
Net deferred tax assets	0	—	—	4	1	337	343

	Millions of yen						
	3/2023						
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years	Total
Carryforward tax loss (*)	¥ 411	¥ 463	¥ 542	¥ 691	¥ 251	¥ 6,504	¥ 8,865
Valuation reserve	(404)	(463)	(542)	(687)	(245)	(6,288)	(8,631)
Net deferred tax assets	7	—	—	3	6	216	233

	Thousands of U.S. dollars						
	3/2024						
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years	Total
Carryforward tax loss (*)	$ 3,072	$ 1,231	$ 3,165	$ 1,781	$ 4,562	$ 56,470	$ 70,311
Valuation reserve	(3,072)	(1,231)	(3,165)	(1,754)	(4,549)	(54,238)	(68,039)
Net deferred tax assets	0	—	—	26	6	2,231	2,271

(*) Carryforward tax loss shown in the above table is calculated by multiplying the statutory tax rate.

At March 31, 2024 and 2023, the reconciliation of the aggregate statutory income tax rate to the effective income tax rate was as follows:

	3/2024	3/2023
Statutory tax rate	30.4%	—
Effect of:		
Tax deductions	(4.4)	—
Non-deductible items such as entertainment expenses	2.9	—
Non-taxable items such as dividends received	(3.9)	—
Per capita inhabitants' taxes	0.5	—
Dividends received eliminated in consolidation	4.0	—
Equity in earnings of affiliates	1.2	—
Valuation reserve	2.1	—
Amortization of goodwill	2.1	—
Difference in tax rates from those of Parent Company	(2.1)	—
Other	(0.6)	—
Effective tax rate	32.1	—

(Note) Information for FY2022 ended March 31, 2023 is not disclosed because the difference between the statutory tax rate and the effective income tax rate was less than 5% of the statutory tax rate.

11. RETIREMENT BENEFITS

Net defined benefit asset and net defined benefit liability included in the consolidated balance sheets as of March 31, 2024 and 2023 and retirement benefit expenses in the consolidated statements of income for FY2023 and FY2022 ended March 31, 2024 and 2023, consisted of the following:

(1) Defined Benefit Plans

A. Movement in retirement benefit obligations, except plans that applied the simplified method

	Millions of yen		Thousands of U.S. dollars
	3/2024	3/2023	3/2024
Balance at April 1, 2023 and 2022	¥ 51,808	¥ 50,250	$ 343,099
Service cost	2,921	2,971	19,344
Interest cost	390	330	2,582
Actuarial loss (gain)	111	(620)	735
Benefits paid	(1,282)	(1,295)	(8,490)
Past service cost	18	(176)	119
Other	102	347	675
Balance at March 31, 2024 and 2023	54,070	51,808	358,079

B. Movement in plan assets, except plans that applied the simplified method

	Millions of yen		Thousands of U.S. dollars
	3/2024	3/2023	3/2024
Balance at April 1, 2023 and 2022	¥ 46,722	¥ 45,246	$ 309,417
Expected return on plan assets	664	649	4,397
Actuarial loss (gain)	5,699	(239)	37,741
Contributions paid by the employer	1,854	1,823	12,278
Benefits paid	(938)	(972)	(6,211)
Other	5	215	33
Balance at March 31, 2024 and 2023	54,008	46,722	357,668

C. Movement in liability for retirement benefits on defined benefit plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
	3/2024	3/2023	3/2024
Balance at April 1, 2023 and 2022	**¥ 5,070**	¥ 4,898	$ 33,576
Retirement benefit expenses	**721**	615	4,774
Benefits paid	**(322)**	(565)	(2,132)
Contributions paid by the employer	**(155)**	(144)	(1,026)
Increase accompanying new additions to the scope of consolidation	**90**	417	596
Other	**39**	(150)	258
Balance at March 31, 2024 and 2023	**5,444**	5,070	36,052

D. Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	3/2024	3/2023	3/2024
Funded retirement benefit obligations	**¥ 55,895**	¥ 53,510	$ 370,165
Plan assets	**(56,273)**	(48,606)	(372,668)
	(378)	4,904	(2,503)
Unfunded retirement benefit obligations	**5,884**	5,252	38,966
Total net liability for retirement benefits at March 31, 2024 and 2023	**5,505**	10,156	36,456
Net defined benefit liability	**10,928**	13,542	72,370
Net defined benefit asset	**(5,423)**	(3,385)	(35,913)
Total net liability for retirement benefits at March 31, 2024 and 2023	**5,505**	10,156	36,456

E. Retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	3/2024	3/2023	3/2024
Service cost	**¥ 2,921**	¥ 2,971	$ 19,344
Interest cost	**390**	330	2,582
Expected return on plan assets	**(664)**	(649)	(4,397)
Amortization of net unrecognized actuarial differences	**(666)**	(731)	(4,410)
Amortization of past service cost	**(58)**	(97)	(384)
Retirement benefit expenses applying for simplified method	**721**	615	4,774
Total retirement benefit expenses for FY2023 and FY2022 ended March 31, 2024 and 2023	**2,644**	2,439	17,509

F. Remeasurements of defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	3/2024	3/2023	3/2024
Past service cost	**¥ (76)**	¥ 78	$ (503)
Actuarial gains and losses	**4,921**	(350)	32,589
Total remeasurements of defined benefit plans for FY2023 and FY2022 ended March 31, 2024 and 2023	**4,845**	(272)	32,086

G. Accumulated adjustments for retirement benefit

	Millions of yen		Thousands of U.S. dollars
	3/2024	3/2023	3/2024
Past service cost that are yet to be recognized	**¥ 333**	¥ 410	$ 2,205
Actuarial gains and losses that are yet to be recognized	**9,999**	5,077	66,218
Total balance at March 31, 2024 and 2023	**10,332**	5,487	68,423

H. Plan assets

(a) Plan assets comprise

	3/2024	3/2023
Bonds	**33%**	33%
General account	**30**	33
Equity securities	**32**	29
Other	**5**	5
Total	**100**	100

(b) Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

I. Actuarial assumptions

The principal actuarial assumptions

	3/2024	3/2023
Discount rate	**mainly 0.7%**	mainly 0.7%
Long-term expected rate of return	**mainly 1.5%**	mainly 1.5%

Note: The expected rate of salary increase is not presented because the Companies do not generally use it in actuarial calculations for their retirement benefit plans.

(2) Defined Contribution Plan

Required contribution for defined contribution plans by consolidated subsidiaries in FY2023 and FY2022 ended March 31, 2024 and 2023 amounted to ¥457 million (U.S. $3,026 thousand) and ¥453 million, respectively.

(3) Multi-Employer Pension Plans

Required contributions to corporate pension fund system of the multi-employer pension plans which were treated the same as defined contribution plans for FY2023 and FY2022 ended March 31, 2024 and 2023 amounted to ¥48 million (U.S. $317 thousand) and ¥44 million, respectively.

A. The savings situation of the whole system

	Millions of yen		Thousands of U.S. dollars
	3/2024 (As of March 31, 2023)	3/2023 (As of March 31, 2022)	3/2024 (As of March 31, 2023)
Plan assets	**¥ 18,079**	¥ 17,746	$ 119,728
Net total actuarial obligations under pension funding programs and minimum actuarial reserve	**15,664**	15,863	103,735
Total balance	**2,415**	1,883	15,993

B. The ratio of the Companies' contributions to the multi-employer pension plans against total contributions

For FY2023 ended March 31, 2024 corresponding to the fiscal year ended March 31, 2024:3.8%

For FY2022 ended March 31, 2023 corresponding to the fiscal year ended March 31, 2023:3.7%

C. Supplemental information

The main factors of the total balance of A mentioned above are past service cost under pension funding programs, general reserve and surplus or deficiency. Past service cost under pension funding programs for FY2023 and FY2022 ended March 31, 2024 and 2023 amounted to -¥3,851 million (-U.S. $25,503 thousand) and -¥4,254 million, respectively. General reserve for FY2023 and FY2022 ended March 31, 2024 and 2023 amounted to ¥6,153 million (U.S. $40,748 thousand) and ¥5,535 million, respectively. Surplus or deficiency for FY2023 and FY2022 ended March 31, 2024 and 2023 amounted to ¥129 million (U.S. $854 thousand) and ¥602 million, respectively.

In addition, the ratio in B mentioned above does not accord with the real burden on the Companies' ratio.

12. CONTINGENT LIABILITIES

As of March 31, 2024, the Companies' contingent liabilities were as follows:

	Millions of yen	Thousands of U.S. dollars
As endorser of notes endorsed	¥ 17	$ 112

13. NET ASSETS

Under the Japanese Corporate Law ("the Law"), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

14. COMPREHENSIVE INCOME STATEMENTS

At March 31, 2024 and 2023, amounts reclassified to profit (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	3/2024	3/2023	3/2024
Valuation difference on available-for-sale securities			
Increase (decrease) during the fiscal year	¥ 16,310	¥ 6,016	$ 108,013
Reclassification adjustments for losses realized in profit	(3,638)	(787)	(24,092)
Subtotal, before tax amount	12,672	5,228	83,920
Tax (expense) or benefit	(3,772)	(1,589)	(24,980)
Subtotal, net of tax amount	8,899	3,639	58,933
Foreign currency translation adjustment			
Increase (decrease) during the fiscal year	9,653	9,065	63,927
Remeasurements of defined benefit plans			
Increase (decrease) during the fiscal year	5,569	557	36,880
Reclassification adjustments for losses realized in profit	(724)	(829)	(4,794)
Subtotal, before tax amount	4,845	(272)	32,086
Tax (expense) or benefit	(1,487)	76	(9,847)
Subtotal, net of tax amount	3,357	(196)	22,231
Share of other comprehensive income of entities accounted for using equity method			
Increase (decrease) during the fiscal year	4,347	3,860	28,788
Total other comprehensive income	26,258	16,369	173,894

15. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are included in "General and administrative expenses" and are charged to income as incurred. The aggregate amounts of research and development expenses charged to income were ¥2,175 million (U.S. $14,403 thousand) and ¥2,066 million for FY2023 and FY2022 ended March 31, 2024 and 2023, respectively.

16. EQUITY IN LOSSES OF AFFILIATES

United Pulp and Paper Co., Inc., an affiliate invested by the Company in September 2020 and accounted for using the equity method, revised its business plan for the future because sales volume fell short of the initial plan due to the economic slowdown in China. As a result of examining the recoverable amount of the investment in the affiliate, an impairment loss of ¥3,887million (U.S. $25,741 thousand) was recorded as "Equity in losses of affiliates (Other expenses)" for FY2023 ended March 31, 2024. The recoverable amount was estimated based on the net selling price in accordance with the income approach.

17. IMPAIRMENT LOSS

For FY2023 ended March 31, 2024, the breakdown of the impairment loss was as follows:

Place	Use	Type of assets	Millions of yen	Thousands of U.S. dollars
Awa City, Tokushima	Business assets	Buildings and structures	¥ 165	$ 1,092
		Machinery, equipment and vehicles	92	609
		Land	90	596
		Total	349	2,311
Fuji City, Shizuoka	Assets scheduled for disposal	Buildings and structures	1	6
		Machinery, equipment and vehicles	130	860
		Other	0	0
		Total	132	874
Other	Assets scheduled for disposal	Machinery, equipment and vehicles	24	158
		Land	11	72
		Other	0	0
		Total	36	238

The Company grouped business assets by business units based on management accounting classifications, and grouped idle assets, leased assets and assets to be disposed of by property units.

Business assets: The Company recognized an impairment loss by reducing the book value of these fixed assets to the recoverable amount as a result of examining whether the book value exceeds its recoverable amount due to the continuous operating losses.

Assets scheduled for disposal: The Company recognized an impairment loss by reducing the book value of these fixed assets to the recoverable amount mainly due to the decision made to suspend production facilities.

The recoverable amount was estimated based on the net selling price mainly in accordance with Real Estate Appraisal Standards. Assets that are difficult to sell were valued at zero.

18. REVENUE RECOGNITION

(1) Information of disaggregation of revenue from contracts with customers

	Millions of yen						
	3/2024						
	Reportable segments						
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses*	Total
Japan	¥ 510,468	¥ 118,104	¥ 41,941	¥ 3,838	¥ 674,353	¥ 33,546	¥ 707,900
Asia	476	1,312	2,038	75,592	79,419	260	79,680
Europe	—	1,741	45	93,905	95,693	—	95,693
Other	—	119	323	15,840	16,283	—	16,283
Information of disaggregation of revenue from contracts with customers	510,945	121,278	44,348	189,177	865,749	33,807	899,557
Other revenue	—	—	—	—	—	1,234	1,234
Sales to third parties	510,945	121,278	44,348	189,177	865,749	35,041	900,791

	Millions of yen						
	3/2023						
	Reportable segments						
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses*	Total
Japan	¥ 482,430	¥ 113,031	¥ 42,490	¥ 3,966	¥ 641,919	¥ 33,287	¥ 675,206
Asia	1,421	386	2,148	75,831	79,787	828	80,615
Europe	—	2,042	29	74,277	76,349	—	76,349
Other	—	51	390	12,236	12,678	—	12,678
Information of disaggregation of revenue from contracts with customers	483,851	115,512	45,059	166,312	810,734	34,115	844,850
Other revenue	—	—	—	—	—	1,230	1,230
Sales to third parties	483,851	115,512	45,059	166,312	810,734	35,345	846,080

	Thousands of U.S. dollars						
	3/2024						
	Reportable segments						
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses*	Total
Japan	$ 3,380,582	$ 782,145	$ 277,754	$ 25,417	$ 4,465,913	$ 222,158	$ 4,688,079
Asia	3,152	8,688	13,496	500,609	525,953	1,721	527,682
Europe	—	11,529	298	621,887	633,728	—	633,728
Other	—	788	2,139	104,900	107,834	—	107,834
Information of disaggregation of revenue from contracts with customers	3,383,741	803,165	293,695	1,252,827	5,733,437	223,887	5,957,331
Other revenue	—	—	—	—	—	8,172	8,172
Sales to third parties	3,383,741	803,165	293,695	1,252,827	5,733,437	232,059	5,965,503

* "Other Businesses" are the businesses which are not included in reportable segments and include domestic manufacturing and sales of nonwoven products, paper packaging machinery and other businesses such as transport, insurance agency, leasing and real estate.

(2) Information that provides a basis for understanding of revenue from contracts with customers

The basis for understanding revenue is described in "2. Summary of Significant Accounting Policies, (19) Accounting policy for recognition of significant revenues and expenses".

(3) Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers that existed at the end of the current fiscal year and are expected to be recognized in the following fiscal year

A. Balance of receivables and contract liabilities arising from contracts with customers

Balance of receivables and contract liabilities arising from contracts with customers are as follows

	Millions of yen		Thousands of U.S. dollars
	3/2024	3/2023	3/2024
Notes receivable-trade	¥ 14,177	¥ 15,157	$ 93,887
Accounts receivable-trade	257,200	227,672	1,703,311
Receivables arising from contracts with customers	271,377	242,830	1,797,198
Contract liabilities	228	112	1,509

B. Transaction price allocated to remaining performance obligations

The description of the total transaction price allocated to the remaining performance obligations and the period over which revenue is expected to be recognized is omitted, since the initially expected contractual period with customers is due within one year.

19. SEGMENT INFORMATION

(1) Segment Information

A. Overview of reportable segments

The Company's reportable segments are the business units for which separate financial information is available and which are periodically reviewed by the Board of Directors for the purposes of monitoring to determine the allocation of business resources and evaluate business performance.

To fulfill the multiple needs of packaging as "General Packaging Industry (GPI)," the Companies expanded the business field into flexible packaging and heavy duty packaging also overseas, and had been making plans for a comprehensive strategy about products in each business fields, in addition to the integrated production from paperboard to corrugated boxes. The Company has designated four reportable segments, which are the "Paperboard and Packaging-Related Business," "Flexible Packaging-Related Business," "Heavy Duty Packaging-Related Business," and "Overseas Business" segments, based on the business field.

The "Paperboard and Packaging-Related Business" segment includes manufacturing and sales of paperboard, corrugated board, corrugated boxes and kraft pulp domestically. The "Flexible Packaging-Related Business" segment includes manufacturing and sales of flexible packaging and cellophane domestically. The "Heavy Duty Packaging-Related Business" segment includes manufacturing and sales of heavy duty packaging products domestically. The "Overseas Business" segment includes manufacturing and sales of paperboard, corrugated board, corrugated boxes, flexible packaging, heavy duty packaging and nonwoven products in overseas operations.

B. Method of calculating sales, profit or loss, assets and other material items by reportable segment

The accounting policies for business segments reported are generally the same as on those described in "2. Summary of Significant Accounting Policies". Figures for reportable segment income are based on operating income. Internal transactions are based on the current market prices.

C. Information on sales, profit or loss, assets and other material items by reportable segment

Information by segment for FY2023 and FY2022 ended March 31, 2024 and 2023 were as follows:

	Millions of yen							
	3/2024							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses*1	Adjustments*2	Total*3
Sales to third parties	¥ 510,945	¥ 121,278	¥ 44,348	¥ 189,177	¥ 865,749	¥ 35,041	¥ —	¥ 900,791
Intersegment sales and transfers	2,657	528	3,355	5,615	12,156	28,068	(40,224)	—
Total sales	513,602	121,806	47,704	194,792	877,906	63,110	(40,224)	900,791
Segment profit	34,966	4,770	906	6,781	47,425	1,162	267	48,855
Segment assets	815,618	111,762	52,714	305,046	1,285,142	41,604	(154,231)	1,172,515
Other items								
Depreciation and amortization	28,487	4,873	1,604	12,457	47,423	1,354	(72)	48,705
Amortization of goodwill	342	165	69	2,859	3,437	—	—	3,437
Investment in equity method affiliates	753	—	—	57,552	58,305	1,126	—	59,432
Increase in property, plant and equipment and intangible assets	48,963	4,984	1,820	17,062	72,832	1,115	(114)	73,833

	Millions of yen							
	3/2023							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses*1	Adjustments*2	Total*3
Sales to third parties	¥ 483,851	¥ 115,512	¥ 45,059	¥ 166,312	¥ 810,734	¥ 35,345	¥ —	¥ 846,080
Intersegment sales and transfers	2,255	670	2,878	6,664	12,468	28,036	(40,504)	—
Total sales	486,107	116,182	47,937	172,976	823,202	63,382	(40,504)	846,080
Segment profit	14,314	2,987	1,124	6,009	24,435	1,330	191	25,957
Segment assets	740,638	105,048	49,841	273,279	1,168,807	39,077	(154,746)	1,053,138
Other items								
Depreciation and amortization	27,440	4,826	1,412	9,825	43,505	1,333	(63)	44,774
Amortization of goodwill	265	165	69	2,252	2,753	—	—	2,753
Investment in equity method affiliates	739	—	—	56,644	57,383	1,018	—	58,402
Increase in property, plant and equipment and intangible assets	39,064	4,101	1,598	12,149	56,913	1,851	(70)	58,694

	Thousands of U.S. dollars							
	3/2024							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses*1	Adjustments*2	Total*3
Sales to third parties	$ 3,383,741	$ 803,165	$ 293,695	$ 1,252,827	$ 5,733,437	$ 232,059	$ —	$ 5,965,503
Intersegment sales and transfers	17,596	3,496	22,218	37,185	80,503	185,880	(266,384)	—
Total sales	3,401,337	806,662	315,920	1,290,013	5,813,947	417,947	(266,384)	5,965,503
Segment profit	231,562	31,589	6,000	44,907	314,072	7,695	1,768	323,543
Segment assets	5,401,443	740,145	349,099	2,020,172	8,510,874	275,523	(1,021,397)	7,765,000
Other items								
Depreciation and amortization	188,655	32,271	10,622	82,496	314,059	8,966	(476)	322,549
Amortization of goodwill	2,264	1,092	456	18,933	22,761	—	—	22,761
Investment in equity method affiliates	4,986	—	—	381,139	386,125	7,456	—	393,589
Increase in property, plant and equipment and intangible assets	324,258	33,006	12,052	112,993	482,331	7,384	(754)	488,960

*1 "Other Businesses" are the businesses which are not included in reportable segments and include domestic manufacturing and sales of nonwoven products, paper packaging machinery and other businesses such as transport, insurance agency, leasing and real estate.

*2 "Adjustments" were as follows:

(a) The adjustments of segment profits of ¥267 million (U.S. $1,768 thousand) and ¥191 million for FY2023 and FY2022 ended March 31, 2024 and 2023, respectively, were from the elimination of intersegment transactions.

(b) The adjustments of segment assets of -¥154,231 million (-U.S. $1,021,397 thousand) and -¥154,746 million for FY2023 and FY2022 ended March 31, 2024 and 2023, respectively, were from the elimination of intersegment transactions.

(c) The adjustments of depreciation and amortization of -¥72 million (-U.S. $476 thousand) and -¥63 million for FY2023 and FY2022 ended March 31, 2024 and 2023, respectively, were from the elimination of intersegment transactions.

(d) The adjustments of increases in property, plant and equipment, and intangible assets of -¥114 million (-U.S. $754 thousand) and -¥70 million for FY2023 and FY2022 ended March 31, 2024 and 2023, respectively, were from the elimination of intersegment transactions.

*3 The segment profit was reconciled with operating income in the consolidated statements of income.

(2) Related Information

A. Products and Services

Sales to third parties	Millions of yen		Thousands of U.S. dollars
	3/2024	3/2023	3/2024
Paperboard	¥ 63,445	¥ 63,956	$ 420,165
Corrugated board	44,612	41,623	295,443
Corrugated boxes	379,967	364,946	2,516,337
Flexible packaging and cellophane	143,735	136,501	951,887
Other	269,031	239,051	1,781,662
Total	900,791	846,080	5,965,503

B. Geographical Segments

(a) Sales	Millions of yen		Thousands of U.S. dollars
	3/2024	3/2023	3/2024
Japan	¥ 709,134	¥ 676,436	$ 4,696,251
Asia	79,680	80,615	527,682
Europe	95,693	76,349	633,728
Other	16,283	12,678	107,834
Total	900,791	846,080	5,965,503

(b) Property, plant and equipment	Millions of yen		Thousands of U.S. dollars
	3/2024	3/2023	3/2024
Japan	¥ 376,070	¥ 355,479	$ 2,490,529
Asia	27,309	24,835	180,854
Europe	41,359	31,769	273,900
Other	11,728	10,880	77,668
Total	456,467	422,964	3,022,960

C. Major Customers

There were no specific customers whose sales exceeded 10% of the total sales in the consolidated statements of income for FY2023 and FY2022 ended March 31, 2024 and 2023. Therefore, information regarding such major customers was not required to be disclosed.

(3) Information on Impairment Loss of Non-Current Assets by Reportable Segments

	Millions of yen							
	3/2024							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Impairment loss	¥ 518	¥ —	¥ —	¥ —	¥ 518	¥ —	¥ —	¥ 518

	Millions of yen							
	3/2023							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Impairment loss	¥ 508	¥ —	¥ —	¥ —	¥508	¥ —	¥ —	¥508

	Thousands of U.S. dollars							
	3/2024							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Impairment loss	$ 3,430	$ —	$ —	$ —	$ 3,430	$ —	$ —	$ 3,430

"Other Businesses" are the businesses which are not included in reportable segments and include domestic manufacturing and sales of nonwoven products, paper packaging machinery and other businesses such as transport, insurance agency, leasing and real estate.

(4) Information on Amortization of Goodwill and Unamortized Balance by Reportable Segment

	Millions of yen							
	3/2024							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Goodwill								
Amortized for the period	**¥ 342**	**¥ 165**	**¥ 69**	**¥ 2,859**	**¥ 3,437**	**¥ —**	**¥ —**	**¥ 3,437**
Balance at end of period	**522**	**248**	**34**	**26,288**	**27,094**	**—**	**—**	**27,094**
Negative goodwill								
Amortized for the period	**15**	**1**	**—**	**—**	**16**	**—**	**—**	**16**
Balance at end of period	**15**	**3**	**—**	**—**	**18**	**—**	**—**	**18**

	Millions of yen							
	3/2023							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Goodwill								
Amortized for the period	¥ 265	¥ 165	¥ 69	¥ 2,252	¥ 2,753	¥ —	¥ —	¥ 2,753
Balance at end of period	397	414	104	26,334	27,250	—	—	27,250
Negative goodwill								
Amortized for the period	18	1	—	—	19	—	—	19
Balance at end of period	30	4	—	—	35	—	—	35

	Thousands of U.S. dollars							
	3/2024							
	Reportable segments							
	Paperboard and Packaging-Related Business	Flexible Packaging-Related Business	Heavy Duty Packaging-Related Business	Overseas Business	Subtotal	Other Businesses	Adjustments	Total
Goodwill								
Amortized for the period	$ 2,264	$ 1,092	$ 456	$ 18,933	$ 22,761	$ —	$ —	$ 22,761
Balance at end of period	3,456	1,642	225	174,092	179,430	—	—	179,430
Negative goodwill								
Amortized for the period	99	6	—	—	105	—	—	105
Balance at end of period	99	19	—	—	119	—	—	119

"Other Businesses" are the businesses which are not included in reportable segments and include domestic manufacturing and sales of nonwoven products, paper packaging machinery and other businesses such as transport, insurance agency, leasing and real estate.

20. RELATED PARTY INFORMATION

There were no Significant transactions of the Company with related party for FY2023 ended March 31, 2024

There were no Significant transactions of the Company with related party for FY2022 ended March 31, 2023

21. ADDITIONNAL INFORMATION

(Stock compensation plan)

Based on the resolution of the General Meeting of Shareholders held on June 26, 2020, the Company introduced a Stock Compensation Plan using a trust for Directors, excluding Outside Directors, to increase Directors' motivation to make contributions to improving the Company's mid- to long-term performance and increasing its corporate value by making a clearer link between the compensation provided to Directors and the Company's share value and sharing with stockholders the benefits and risks associated with the fluctuation in share prices.

The Company also introduced the same compensation plan as above for the executive officers of the Company.

Additionally, at the board of directors meeting held on February 22, 2023, it was resolved to continue this plan for three fiscal years from FY2023 to FY2025. As a result, the trust term has been extended by three years.

(1) Overview of Transactions

The Plan is a stock compensation plan under which shares of the Company will be acquired through a trust (hereinafter the trust established by the Plan shall be referred to as the "Trust") using money contributed by the Company as a source, and the Company's shares equivalent to the number of points awarded by the Company to each Director, etc., will be delivered to each Director, etc., through the Trust.In principle, the Company's shares will be delivered to Directors, etc., upon their retirement.

The accounting method regarding the Plan complies with the "Practical Solution on Transactions for Delivering the Company's Own Stock to Employees, etc., Through Trusts" (ASBJ Practical Issues Task Force No.30, March 26, 2015).

(2) The Company's shares remaining in the Trust

The Company's shares remaining in the Trust are posted as treasury stock as part of net assets based on the book value, excluding amounts for incidental expenses. The corresponding treasury stock book value and number of shares at the end of the fiscal year was ¥1,618 million (U.S. $10,715 thousand) and 1,873,200 shares, whereas ¥720 million and 880,500 shares at the end of the previous fiscal year.

22. SUBSEQUENT EVENTS

(1) Appropriation of Non-Consolidated Retained Earnings

At the Board of Directors meeting held on May 10, 2024, the Company resolved the following year-end appropriation of non-consolidated retained earnings:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥18.00 = U.S. $0.11 per share)	¥ 4,492	$ 29,748

The above mentioned appropriation has not been reflected in the consolidated financial statements as of March 31, 2024. Such appropriations are recognized in the period in which they are approved.

(Note) The total amount of dividends determined by the resolution of the Board of Directors held on May 10, 2024 includes dividends of ¥33 million (U.S. $218 thousand) which is paid for the Company's shares held by the Trust related to the Stock Compensation Plan.
The above dividends include three yen per share of 115th years memorial dividend.

(2) Business combination through acquisition

A. Summary of the combination

(a) Name and business of the company acquired

Name: Mitsui Chemicals Tohcello, Inc.

Business: Manufacture and sale of polyolefin films for packaging and foamed sheets

(b) Reason for the combination

The Company integrated Sun Tox Co., Ltd. and Mitsui Chemicals Tohcello Inc. and made it a subsidiary of the Company in order to respond flexibly to changes in the business environment surrounding the plastic packaging materials industry, and to achieve a sustainable growth strategy by promoting higher profitability in the polyolefin film and foamed sheet businesses, accelerating the development of new environmentally-friendly products, and expanding the overseas business.

(c) Date of the combination

April 1, 2024

(d) Legal form of the combination

Acquisition of equity shares for cash consideration

(e) Post-combination name of the acquired company

RM TOHCELLO CO., LTD.

(f) Percentage of voting rights acquired

51.0%

(g) Basis for determining acquiring company

The Company has acquired shares of Mitsui Chemicals Tohcello Inc. from Mitsui Chemicals so that the Company owns 51.0% of voting rights of the acquired company after the absorption-type merger between Sun Tox Co., Ltd. and Mitsui Chemicals Tohcello Inc.

B. Acquisition price and type of consideration paid

Consideration paid for acquisition Cash	¥ 10,929 million (U.S. $ 73,377 thousand)
Acquisition price	¥ 10,929 million (U.S. $ 73,377 thousand)

C. Principal acquisition related expenses

Advisory fees, etc.: ¥305 million (U.S. $2,019 thousand)

D. Amount of gain on bargain purchase accrued and the cause of the accrual

As it is not yet finalized at this point, the following estimated amounts are provided.

(a) Amount of gain on bargain purchase accrued

¥5.1 billion (U.S. $33,774 thousand)

(b) Cause of the accrual

Since the fair value of net assets at the time of the business combination exceeded the acquisition cost, the difference was recognized as gain on bargain purchase.

E. Details of the assets acquired and the liabilities assumed at the date of the business combination

As it is not yet finalized at this point, the following estimated amounts are provided.

	Billions of yen	Thousands of U.S. dollars
Current assets	**¥ 38.1**	$ 252,317
Non-current assets	**24.4**	161,589
Total assets	**62.5**	413,907
Current liabilities	**20.0**	132,450
Non-current liabilities	**4.6**	30,463
Total liabilities	**24.6**	162,913

Independent Auditor's Report

To the Board of Directors of Rengo Co., Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of Rengo Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2024 and 2023, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Appropriateness of the Company's judgment as to whether an impairment loss should be recognized on noncurrent assets of RG Containers Co., Ltd.	
The key audit matter	**How the matter was addressed in our audit**
As described in Note 3, "Significant accounting estimates, Impairment of noncurrent assets" of the consolidated financial statements, in the consolidated balance sheet of the Company, noncurrent assets of RG Containers Co., Ltd. ("RG Containers") that belongs to the paperboard and packaging-related business amounted to ¥9,567 million. While these assets are depreciated/amortized in a systematic manner, they need to be tested for impairment whenever there is an impairment indicator. The impairment test is performed by comparing the undiscounted future cash flows that are expected to be generated from the asset groups with their carrying amounts. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. RG Containers has recognized recurring operating losses for several consecutive years due primarily to decreasing sales volume, indicating impairment. Accordingly, the Company performed an impairment test during the fiscal year. The future cash flows used for the impairment test were estimated based on the business plan prepared by management. Key assumptions underlying the business plan, such as the projections of an increase in sales volume due to a production transfer from the Company and the sales expansion to new customers involved uncertainty. Accordingly, management's judgment thereon had a significant effect on the estimated future cash flows. We, therefore, determined that our assessment of the appropriateness of the Company's judgment as to whether an impairment should be recognized on noncurrent assets of RG Containers was the most significant in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.	The primary procedures we performed to assess whether the Company's judgment with respect to the recognition of an impairment loss on noncurrent assets of RG Containers was appropriate, included the following: (1) Internal control testing We tested the design and operating effectiveness of the Company's certain internal controls relevant to determining impairment losses to be recognized on non-current assets. In this assessment, we focused our testing on controls designed to prevent and/or detect the use of unreasonable assumptions on the effect of an increase in sales volume due to a production transfer from the Company and the sales expansion to new customers that served as the basis for the business plan of RG Containers. (2) Assessment of the reasonableness of estimated future cash flows In order to assess the appropriateness of key assumptions adopted by management in preparing the business plan of RG Containers, which was used as the basis for estimating future cash flows, we inquired of management about the basis on which those assumptions were developed. In addition, we: • assessed the accuracy of the estimation developed in the previous years by comparing past business plans with actual results; • inspected the plan of production volume to be transferred to RG Containers from the Company, compared it with recent actual results, and identified sales order volume of the Company and operations of the Company's factories in the Kanto region to assess the assumption on the estimated production volume to be relocated to RG Containers. • considered the reasonableness of the projected sales expansion to new customers based on recent orders received. • compared management's estimate of future cash flows with that independently estimated by incorporating the effect of specific uncertainty into the business plan.

Other Information

The other information comprises the information included in the Integrated Report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.Management is responsible for the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

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

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

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Fee-related Information
Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are 427 million yen and 24 million yen, respectively.

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

Interest required to be disclosed by the Certified Public Accountants Act of Japan
We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Yoshihide Takehisa	Designated Engagement Partner	Certified Public Accountant
Takehiro Nakamura	Designated Engagement Partner	Certified Public Accountant
Satoshi Suzuki	Designated Engagement Partner	Certified Public Accountant

Osaka Office, Japan
July 12, 2024

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