

**Other Matters Subject to Electronic Provision Measures  
(Matters Omitted from the Documents to be Delivered to  
Shareholders upon Request) upon the Notice of  
Convocation of the Ordinary General Meeting of  
Shareholders for the 105<sup>th</sup> Business Term**

**Business Report**

Matters Regarding Accounting Auditors

Systems to Ensure the Properness of Operations and Overview of the State of Operations of the Systems

Basic Policy Regarding the Control over the Company

**Consolidated Financial Statements**

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Non-consolidated Statement of Changes in Equity

Notes to Non-consolidated Financial Statements

(From January 1, 2023 to December 31, 2023)

**Nissha Co., Ltd.**

<p>The above listed items of the matters subject to electronic provision measures are not included in the documents to be delivered to shareholders who made a request for the delivery of the documents, pursuant to the provisions of laws, regulations, and Article 16, Paragraph 2 of the Articles of Incorporation.</p>
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## Matters Regarding Accounting Auditors

### 1. Name

Deloitte Touche Tohmatsu LLC

### 2. Amount of compensation

Classification	Amount of compensation
Amount of compensation to be paid during the current fiscal year	¥89 million
Total amount of money and other financial benefits that the Company and its subsidiaries should pay to the Accounting Auditor	¥104 million

Notes: 1. The “Amount of compensation to be paid during the current fiscal year” is the sum of the amount of compensation for auditing services in accordance with the Companies Act and the amount of compensation for auditing work in accordance with the Financial Instruments and Exchange Act, since the two kinds of compensation are not clearly divided under the audit agreement concluded between Nissha Co., Ltd. (hereinafter, the “Company”) and the Accounting Auditor and they cannot be divided practically.

2. A part of foreign subsidiaries of the Company were audited by the audit firms other than the Accounting Auditor of the Company.

3. Based on the “Practical Guidance for Cooperation with Accounting Auditors” announced by the Japan Audit and Supervisory Board Members Association, the Audit and Supervisory Board of the Company checked the audit hours in auditing plans, changes in compensation, and the status of auditing plans versus actual results in previous fiscal years, and examined the appropriateness of the estimated amount of compensation. As a result, the Audit and Supervisory Board agreed on the compensation paid or payable to the Accounting Auditor as set forth in Article 399, Paragraph 1 of the Companies Act.

### 3. Details of non-auditing services

The Company pays the Accounting Auditor consideration for advisory services to align disclosures with the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and other services.

### 4. Outline of the details of the contract for limitation of liability

Not applicable.

### 5. Outline of the details of the indemnity agreements

Not applicable.

### 6. Outline of the details of the directors' and officers' liability insurance contract

Not applicable.

### 7. Policy on decision to dismiss or not to reappoint the Accounting Auditor

In the case that the Accounting Auditor falls under any of the items in Article 340, Paragraph 1 of the Companies Act, the Audit and Supervisory Board shall discharge the Accounting Auditor upon the unanimous approval of the Audit and Supervisory Board Members. In this case, the Audit and Supervisory Board Member designated by the Audit and Supervisory Board shall report the dismissal of the Accounting Auditor and the reason therefor at the first General Meeting of Shareholders convened after the dismissal.

In addition to the aforementioned case, when execution of proper auditing is thought to be difficult due to the occurrence of events that harm eligibility and independence of the Accounting Auditor, the Audit and Supervisory Board shall decide the content of the proposal to be submitted to a General Meeting of Shareholders for the dismissal or the non-reappointment of the Accounting Auditor.

## **Systems to Ensure the Properness of Operations and Overview of the State of Operations of the Systems**

### **1. Systems necessary to ensure that the execution of the duties by Directors of the Board complies with laws and regulations and the Company's Articles of Incorporation and other systems necessary to ensure the properness of operations of the Company**

The details of the resolution made by the Board of Directors on the establishment of the aforementioned systems are as follows:

Pursuant to the Companies Act and the Ordinance for Enforcement of the Companies Act, the Company shall establish systems to ensure the properness of operations (hereinafter, "Internal Control") of the group consisting of the Company and its subsidiaries (hereinafter, the "Nissha Group") as follows, and strive to continuously improve and enhance Internal Control upon confirming the status of its operations.

#### **(1) Systems necessary to ensure that the execution of duties by Directors of the Board and employees of the Nissha Group complies with laws and regulations and the Company's Articles of Incorporation**

- 1) The Company shall establish "Corporate Ethics and Compliance Guidelines" and "Code of Conduct" based on its "Nissha Philosophy," which specifies the basis of mission and thought common to the entire Group and rules of conduct, so as to comply with laws and social ethics from a global point of view.
- 2) The Company shall establish a Risk Management and Compliance Committee under the Risk Management and Compliance Committee Regulations to carry out monitoring and educational activities to ensure compliance with laws and regulations, the Company's Articles of Incorporation, and social norms. In addition, the Company shall appoint a Manager and Leader in charge of promotion in each business unit of the Nissha Group to establish a structure for promoting Corporate Ethics and Compliance. An "in-house reporting system" shall be established at law offices outside the Company and operated, through which employees may provide information directly to the Company, while due measures are taken for the protection of whistleblowers.
- 3) The Company shall appoint Independent Outside Directors of the Board so that they make up at least one-third of the Board of Directors to maintain and enhance the function of supervising the execution of duties by Directors of the Board. In addition, the Company shall establish a Nomination and Compensation Committee as an advisory panel for the Board of Directors of the Company in order to ensure the objectiveness and fairness of the nomination of Directors of the Board and Audit and Supervisory Board Members as well as the compensation of the Directors of the Board. The Nomination and Compensation Committee shall be chaired by an Independent Outside Director of the Board and the majority of its members shall be Independent Outside Directors of the Board.
- 4) The Internal Audit Division, which is under the direct control of the Chairman of the Board, President and CEO, shall analyze and evaluate the state of the establishment and operations of an Internal Control system, propose an improvement plan, and enrich the system.
- 5) The Company shall set a basic policy to counter antisocial forces, shall not have any relationship with antisocial forces, and shall not respond to any unreasonable demands with a resolute attitude in compliance with the Regulations regarding Antisocial Forces, and the Nissha Group shall strive for thorough implementation of such measures.

#### **(2) Systems regarding the retention and management of information relating to the execution of duties by Directors of the Board**

- 1) The Company shall retain and manage information regarding execution of duties by Directors of the Board, including the minutes of the General Meetings of Shareholders, the minutes of the meetings of the Board of Directors and the requests for managerial decision, properly and with certainty pursuant to the laws and regulations and internal regulations on information management, and the information shall be maintained in a condition which can be inspected.

- 2) The Company shall prevent unauthorized use, disclosure or leakage of corporate information and properly handle confidential and personal information pursuant to internal regulations on information management, and the Nissha Group shall strive for thorough implementation of such measures.
- 3) The Company shall disclose important information on the Nissha Group timely and properly by establishing a Disclosure Control Committee which shall discuss the necessity of timely disclosure of corporate information and the contents of disclosure.

**(3) Rules and other systems for risk management of the Nissha Group**

The Company shall establish a Risk Management and Compliance Committee under the Basic Policy for Risk Management to avoid and reduce risks by identifying and assessing risks that impede the business operations of the Nissha Group in an integrated manner, selecting and reviewing material risks, and monitoring them. The subcommittees and business units responsible for each risk shall push forward with initiatives to minimize the risk. The Risk Management and Compliance Committee shall report the details of its activities to the Board of Directors once a year.

**(4) Systems necessary to ensure the efficient execution of the duties by Directors of the Board of the Nissha Group**

- 1) Through the introduction of the Corporate Officer System, the Company shall establish functional segregation between strategy development and management monitoring functions to be undertaken by the Board of Directors and business execution functions to be undertaken by the Corporate Officers.
- 2) The Board of Directors of the Company shall approve Medium-term Business Plans, and the Directors of the Board and employees shall execute operations based on such strategic and performance plans.
- 3) The Chairman of the Board, President and CEO shall request the Corporate Officers to report the status of their execution of business and confirm whether or not the business is executed according to the plans at monthly and quarterly meetings (business reviews).
- 4) The Company shall share the status of execution of business by the Corporate Officers and the strategy implementation items to be undertaken by its organizations through the use of IT to improve business efficiency.

**(5) Systems necessary to ensure the proper business operation of the Nissha Group**

- 1) The Company shall formulate the Affiliated Company Management Regulations to set a basic administration policy for the management of each company of the Nissha Group. In addition, the Company shall manage the performance of important operations of each company of the Nissha Group by designating matters requiring approval of and reporting to the Company with regard to the execution of those operations in the Regulations on Requests for Managerial Decisions.
- 2) The Company shall appoint its officers or employees to become Directors of the Board and Audit and Supervisory Board Members of each company of the Nissha Group in order to ensure the proper execution of operations.
- 3) The corporate division shall manage the proper execution of operations at each company of the Nissha Group and lead and counsel it, as necessary.
- 4) The Company shall periodically convene the Group Audit and Supervisory Board meeting for the exchange of information among the Audit and Supervisory Board Members of the Nissha Group and strive to improve and strengthen the audits for each company of the Nissha Group.

**(6) Matters regarding employees assisting the duties of Audit and Supervisory Board Members, when Audit and Supervisory Board Members ask for appointment of such employees, and matters regarding the independence of such employees from Directors of the Board**

- 1) The Company shall establish an Auditor and Supervisory Board Member's Office to assist the duties of Audit and Supervisory Board Members, and shall arrange for employees to be exclusively assigned to the Office.
- 2) The Auditor and Supervisory Board Member's Office shall belong to the Audit and Supervisory

Board and be independent from Directors of the Board. With regard to matters regarding the personnel affairs of the employees of the Auditor and Supervisory Board Member's Office, approval of the Audit and Supervisory Board shall be obtained through consultation.

**(7) Systems for reporting to Audit and Supervisory Board Members by Directors of the Board and employees of the Nissha Group and other systems regarding reporting to Audit and Supervisory Board Members**

Directors of the Board and employees of the Company, and Directors of the Board, Audit and Supervisory Board Members and employees of the Nissha Group shall quickly report to the Audit and Supervisory Board items that will potentially have a serious influence on the Nissha Group, the status of risk management, the results of internal audits, the status of internal reports, and the details of such reports, etc. The Audit and Supervisory Board Members of the Company shall request the Directors of the Board and employees of the Company, and Directors of the Board, Audit and Supervisory Board Members and employees of the Nissha Group to report such matters as necessary. In addition, whistleblowers shall not be treated disadvantageously in any way whatsoever as a consequence of such reporting.

**(8) Other systems necessary to ensure the effective audit by Audit and Supervisory Board Members**

- 1) The regular meetings for exchanges of opinions between the Chairman of the Board, President and CEO, Directors of the Board and the Audit and Supervisory Board shall be held. The Audit and Supervisory Board Members shall also set up regular meetings with the Accounting Auditor, Internal Audit Divisions and corporate division to cooperate with them closely.
- 2) The Audit and Supervisory Board Members shall attend not only the meetings of the Board of Directors but also other important meetings, and express their opinions as necessary. In addition, they shall also examine the requests for managerial decision and other important documents.
- 3) The Company shall ensure objectivity and effectiveness of audits through Independent Audit and Supervisory Board Members, including those who have considerable knowledge concerning finance and accounting or legal affairs, such as a certified public accountant or an attorney, etc.
- 4) The Company shall bear expenses necessary for the execution of duties by the Audit and Supervisory Board Members. If an Audit and Supervisory Board Member requests the Company to make an advance payment of such expenses pursuant to laws and regulations, the Company shall promptly comply with the request upon confirmation.

## **2. Overview of the state of operations of systems to ensure the properness of operations**

### **(1) Initiatives for compliance**

The Company has established the “Corporate Ethics and Compliance Guidelines” and “Code of Conduct” based on its “Nissha Philosophy,” which specifies the basis of mission and thought common to the entire Group and rules of conduct. The Risk Management and Compliance Committee takes a leadership role in providing learning mainly through e-learning and training sessions on pertinent themes whenever necessary and designates from October to November every year the corporate ethics and compliance months in order to make them thoroughly known to officers and employees on a global basis.

During the fiscal year ended December 31, 2023, the Company provided training at domestic bases under the themes of information systems (confidential and personal information and information security), fair business practices (generative AI and social media), and labor and human rights, while it gave an explanation of the Corporate Ethics and Code of Conduct to employees at overseas bases. Besides, the Company also gave training on the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and insider trading regulations.

In addition, the Company appropriately addresses the issues of corporate ethics and compliance by setting up and operating an in-house reporting system, through which the Nissha Group employees may directly provide information, at law offices outside the Company. Under this system, provided information is reported to the Risk Management and Compliance Committee and Audit and Supervisory Board Members in a timely and appropriate manner.

During the fiscal year ended December 31, 2023, the Company had eight such reports (three of which were from overseas bases), which were mainly related to the working environment and human relationships, and none of which showed any serious violations of laws and regulations. All reports were appropriately dealt with and shared.

### **(2) Initiatives for risk management**

The Company has established the Risk Management and Compliance Committee. The Committee avoids and reduces risks by identifying and assessing risks that impede the business operations of the Nissha Group in an integrated manner, selecting and reviewing material risks, and monitoring them.

The subcommittees and business units responsible for each material risk selected through a risk assessment set KPIs and action items, work to mitigate these risks through their activities based on such KPIs and action items, and manage and report the progress to the Risk Management and Compliance Committee. In addition, the Committee checks the state of the development and implementation of such activities for the risks selected for monitoring. The Committee reports the details of such activities to the Board of Directors once a year.

### **(3) Initiatives to improve the properness and efficiency of the execution of duties by Directors of the Board**

The Board of Directors of the Company holds a regular meeting once a month and extraordinary meetings when necessary in accordance with the Board of Directors Regulations. The Board of Directors resolves matters set forth in laws and regulations and the Company’s Articles of Incorporation and important matters, while receiving reports and supervising the execution of duties by Directors of the Board.

In order to maintain and strengthen the supervisory function of the Board of Directors and ensure the objectivity and effectiveness of audits by the Audit and Supervisory Board, the Company has appointed four Independent Outside Directors of the Board and two Independent Audit and Supervisory Board Members with necessary experience and knowledge.

### **(4) Initiatives to ensure the properness of operations of the Nissha Group**

The Company regularly receives reports from all companies of the Nissha Group and approves the execution of important operations in accordance with the Regulations on Requests for Managerial Decision. Directors of the Board and Audit and Supervisory Board Members of each company of the Nissha Group appointed by the Company attend important meetings and inspect important documents to keep track of the status of the execution of operations and take necessary measures.

In addition, the Company’s Internal Audit Divisions audit each company of the Nissha Group and conduct monitoring for group management.

**(5) Initiatives to ensure the effectiveness of audits by Audit and Supervisory Board Members**

Audit and Supervisory Board Members of the Company attend the meetings of the Board of Directors and other important meetings and inspect the requests for managerial decisions and other important documents, in accordance with auditing policies and auditing plans in compliance with the audit standards prescribed by the Audit and Supervisory Board.

In addition, the Audit and Supervisory Board Members perform visiting audits at major offices and each company of the Nissha Group, and exchange opinions regularly with the Representative Director, Directors of the Board, and Executive Vice Presidents. The Audit and Supervisory Board Members also hold regular meetings with the Accounting Auditor, Internal Audit Divisions, and corporate division in order to promote closer cooperation between them.

## **Basic Policy Regarding the Control over the Company**

An overview of the details of the resolution passed by the Board of Directors concerning the above policy is as follows:

### **1. Contents of basic policy**

As the Company is a publicly listed company and its shares may be traded freely, the Company believes that a decision on whether to accept or reject any proposal for a large-scale purchase of shares or any acts similar thereto involving the transfer of control of the Company must ultimately be based on the will of its shareholders. Consequently, the Company will not reject outright even proposals for a large-scale purchase of shares if they contribute to the Company's corporate value and the common interests of its shareholders.

The Company believes that in order to protect and enhance its corporate value and the common interests of its shareholders, it is essential that the Company contributes to society by continually providing valuable products and services, based on the Nissha Philosophy as a forward-looking company. More specifically, the Company believes that continuously improving its core technologies by combining the diverse capabilities and passion spread around the world through the leadership of the global Nissha Group, providing high value-added products and services through manufacturing that other companies cannot provide, by grasping the needs of the market on a global basis, and realizing the enrichment of people's lives will lead to ensuring and improving the Company's corporate value and the common interests of its shareholders.

The Company believes that parties who hold control over the determination of the Company's financial matters and business policies must fully understand the said basic views described above, and secure and enhance the corporate value of the Company and the common interests of shareholders with medium- to long-term points of view.

Therefore, the Company believes that any party that, without adequately understanding the basic views described above, proposes any inappropriate large-scale purchase of shares or any acts similar thereto that do not benefit the corporate value or the common interests of shareholders, should be considered inappropriate to have control over the determination of the Company's financial matters and business policies.

### **2. Special initiatives contributing to the implementation of basic policy**

The Nissha Group has fused its printing technology, cultivated since its foundation, with a variety of elements in a constant effort to improve its core technologies, diversify its products and target markets, enter into the global market, and realize expansion of its business domain. The Nissha Group operates three-year period Medium-term Business Plans and their fundamental strategy is reorganizing of business portfolio through evolving and expanding of business domain.

Under the 7th Medium-term Business Plan, which we started to implement in January 2021, we aim to establish the foundations for growth by fully utilizing the global business bases that we have acquired and built so far, and maximizing their synergies.

Since its foundation, the Company has been executing strategies that promptly address external challenges, under engaged management leadership. The Company believes that strengthening corporate

governance along with such leadership will promote agile and decisive decision making, as well as ensuring management transparency and fairness, and is aware that corporate governance is a key management issue.

Since the introduction of the Corporate Officer System, we have segregated the strategy development and management oversight functions to be undertaken by the Board of Directors from the business execution function to be undertaken by the Corporate Officers. In addition, we promote diversity in the Board of Directors. The current Board of Directors consists of nine Directors of the Board, including four Independent Outside Directors of the Board who meet strict independence criteria (44.4% of the Directors of the Board are Independent Outside Directors, 11.1% are women and 11.1% are foreign nationals). Independent Outside Directors of the Board provide beneficial advice and opinions by taking advantage of their corporate management experiences at other companies, business management experiences in the manufacturing industry and deep insight into the field of corporate governance, overall finance, legal affairs and compliance, which lead to active discussion at the meetings of the Board of Directors. Furthermore, in October 2015, the Company established a Corporate Governance Policy. Based on the policy, the Company has established a Nomination and Compensation Committee, at least half of whose members are Independent Outside Directors of the Board and whose chairman is selected from among the Independent Outside Directors of the Board. The Company made use of knowledge of Independent Outside Directors of the Board to ensure objectivity and fairness in appointing officers and setting compensation, and also evaluated the effectiveness of the Board of Directors once a year in order to help the Board of Directors function better.

The Company believes it can protect and enhance the Company's corporate value and the common interests of its shareholders by continuing to implement the aforementioned measures.

**3. Initiatives in light of basic policy to prevent the control over the determination of the Company's financial matters and business policies by an inappropriate party**

The Company abolished the "Countermeasures Against a Large-scale Purchase of Shares of Nissha Printing Co., Ltd." at the close of the 100<sup>th</sup> Ordinary General Meeting of Shareholders held on March 22, 2019. However, in the event of a party seeking to perform a large-scale purchase of shares of the Company, the Company will take proper measures pursuant to the Financial Instruments and Exchange Act, the Companies Act and other applicable laws and regulations, including asking the party to provide necessary and sufficient information, disclosure of opinions, etc. of the Board of Directors of the Company and ensuring of sufficient time and information so that the shareholders may properly determine whether the large-scale purchase is acceptable.

**4. Judgment of the Board of Directors on aforementioned initiatives**

The Board of Directors believes that the initiatives described in aforementioned 2 and 3 are in line with the basic policy and contribute to the protection and enhancement of the corporate value of the Company and the common interests of shareholders, and that they are not aimed at maintaining the status of Directors of the Board and Audit and Supervisory Board Members of the Company.



## Consolidated Statement of Changes in Equity

(From January 1, 2023 to December 31, 2023)

(Millions of Yen)

	Equity attributable to owners of parent												
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity						Total equity attributable to owners of parent	Non-controlling interests	Total equity
					Net change in fair value of financial assets measured through other comprehensive income	Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations	Total other components of equity					
Balance at January 1, 2023	12,119	14,841	75,658	(2,632)	5,388	—	6,177	11,565	111,553	(34)	111,518		
Profit (loss)	—	—	(2,988)	—	—	—	—	—	(2,988)	(25)	(3,014)		
Other comprehensive income	—	—	—	—	2,539	(27)	4,151	6,662	6,662	—	6,662		
Total comprehensive income	—	—	(2,988)	—	2,539	(27)	4,151	6,662	3,673	(25)	3,647		
Purchase of treasury shares	—	—	—	(1,539)	—	—	—	—	(1,539)	—	(1,539)		
Disposal of treasury shares	—	(24)	—	151	—	—	—	—	127	—	127		
Dividends of surplus	—	—	(2,950)	—	—	—	—	—	(2,950)	—	(2,950)		
Share-based payment transactions	—	47	—	—	—	—	—	—	47	—	47		
Transfer from other components of equity to retained earnings	—	—	214	—	(242)	27	—	(214)	—	—	—		
Total transactions with owners, etc.	—	23	(2,735)	(1,387)	(242)	27	—	(214)	(4,314)	—	(4,314)		
Balance at December 31, 2023	12,119	14,865	69,934	(4,019)	7,684	—	10,329	18,013	110,913	(60)	110,852		

(Note) Amounts are rounded down to the nearest million yen.

## Notes to Consolidated Financial Statements

### 1. Basis of Presenting Consolidated Financial Statements

#### (1) Standards of preparation of Consolidated Financial Statements

The Consolidated Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (hereinafter, "IFRS") pursuant to the provisions of Article 120, Paragraph 1 of the Regulation on Corporate Accounting. Based on the provisions of the second sentence of the said Paragraph, part of the disclosures required under IFRS has been omitted in the Consolidated Financial Statements.

#### (2) Scope of consolidation

1) Number of consolidated subsidiaries: 62

#### 2) Names of major consolidated subsidiaries

Nissha Industries, Inc., Nissha Precision and Technologies, Inc., Eimo Technologies, Inc., Graphic Controls Acquisition Corp., Nissha PMX Technologies, S.A. de C.V., Nissha Metallizing Solutions N.V.

Nitec Industries, Inc. and Nitec Precision and Technologies, Inc. changed their trade names to Nissha Industries, Inc. and Nissha Precision and Technologies, Inc., respectively, in December 2023.

#### 3) Major changes in the scope of consolidation

The Company incorporated NMT Ventures, Inc. and Nissha Medical Technologies (Wisconsin), LLC. The companies are therefore included in the scope of consolidation from the current fiscal year.

Nissha Medical Technologies GmbH & Co. KG, DIA-Nielsen Beteiligungs GmbH, and batra GmbH, Papiere für Meß- und Regeltechnik were merged into DIA-Nielsen MicroTech GmbH. These three companies are therefore excluded from the scope of consolidation from the current fiscal year. DIA-Nielsen MicroTech GmbH changed its trade name to Nissha Medical Technologies GmbH.

#### (3) Application of equity method

1) Number of affiliated companies accounted for using equity method: 3

#### 2) Names of major entities accounted for using equity method

Sparsha Pharma USA, Inc.

EndoTheia, Inc.

PaperFoam Holding B.V.

#### 3) Major changes in the scope of application of equity method

The Company acquired shares of EndoTheia, Inc. and PaperFoam Holding B.V. These companies are therefore included in the scope of application of equity method from the current fiscal year.

#### (4) Significant accounting policies

##### 1) Standards and methods of valuation of financial instruments

##### i. Non-derivative financial assets

##### (i) Initial recognition and measurement

The Group initially recognizes trade and other receivables on the date of occurrence and all the other financial assets on the transaction date when the Group becomes a party to the contract.

At initial recognition, all financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except when they are classified as financial assets measured at fair value through profit or loss. Transaction costs of financial assets measured at fair value through profit or loss are recognized in profit or loss.

##### (ii) Classification and subsequent measurement

The Group classifies its financial assets as (a) financial assets measured at amortized cost,

(b) debt instruments measured at fair value through other comprehensive income, (c) equity instruments measured at fair value through other comprehensive income or (d) financial assets measured at fair value through profit or loss. The classification is determined at initial recognition, and the financial assets are subsequently measured based on their classification as follows:

(a) Financial assets measured at amortized cost

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

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

After initial recognition, financial assets measured at amortized cost are measured at amortized cost using the effective interest method, less impairment losses. Interest income based on the effective interest method is recognized as finance income in profit or loss.

(b) Debt instruments measured at fair value through other comprehensive income

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

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

After initial recognition, such debt instruments are measured at fair value. Subsequent changes in the fair value are recognized in other comprehensive income, except that foreign exchange gains or losses, impairment gains or losses, and interest income based on the effective interest method are recognized in profit or loss. When these debt instruments are derecognized, cumulative gains or losses recognized in other comprehensive income are reclassified from other components of equity to profit or loss as reclassification adjustments.

(c) Equity instruments measured at fair value through other comprehensive income

The Group has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of investments in equity instruments, which are classified as financial assets measured at fair value through other comprehensive income.

After initial recognition, such equity instruments are measured at fair value. Subsequent changes in the fair value are recognized in other comprehensive income. When these equity instruments are derecognized, cumulative gains or losses recognized in other comprehensive income are reclassified from other components of equity to retained earnings.

Dividends from financial assets measured at fair value through other comprehensive income are recognized as finance income in profit or loss unless the dividend clearly represents a return of the investment.

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

Financial assets other than financial assets measured at amortized cost or at fair value through other comprehensive income as mentioned above are classified as financial assets measured at fair value through profit or loss.

There are no financial assets that the Group has elected to irrevocably designate as

financial assets measured at fair value through profit or loss at initial recognition.

Financial assets measured at fair value through profit or loss are recognized at fair value at initial recognition, and the transaction costs are recognized in profit or loss as incurred.

After initial recognition, such financial assets are measured at fair value. Subsequent changes in the fair value, net of dividends and interest income, are recognized in profit or loss.

(iii) Impairment of financial assets

An allowance for doubtful accounts is recognized for expected credit losses on financial assets subject to impairment, including financial assets measured at amortized cost.

The Group assesses at each fiscal year-end whether the credit risk on financial instruments has increased significantly since initial recognition.

If the credit risk on a financial instrument has not increased significantly since initial recognition, the allowance for doubtful accounts for the financial instrument is measured at an amount equal to the 12-month expected credit losses. If the credit risk on a financial instrument has increased significantly since initial recognition, the allowance for doubtful accounts for the financial instrument is measured at an amount equal to the lifetime expected credit losses.

When contractual payments are more than 30 days past due, the Group determines in principle that there has been a significant increase in credit risk. In assessing whether credit risk has increased significantly, the Group considers reasonably available and supportable information as well as past due information on contractual payments.

For financial assets, including trade receivables, that do not contain a significant financing component, the allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses irrespective of whether there has been a significant increase in credit risk since initial recognition.

The expected credit losses of a financial instrument are measured in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

A provision of allowance for doubtful accounts for financial assets is recognized in profit or loss. If the recognized allowance for doubtful accounts is reduced, a reversal of allowance for doubtful accounts is recognized in profit or loss.

(iv) Derecognition of financial assets

The Group derecognizes a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, or
- it transfers the financial asset so that substantially all the risks and rewards of ownership of the financial asset are transferred.

ii. Non-derivative financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified at initial recognition as (a) financial liabilities measured at amortized cost or (b) financial liabilities measured at fair value through profit or loss. Financial liabilities are initially recognized on the transaction date when the Group becomes a party to the contract. Financial liabilities measured at amortized cost are initially measured at fair value less transaction costs that are directly attributable to the financial liabilities, while financial liabilities measured at fair value through profit or loss are initially measured at fair value.

- (ii) Classification and subsequent measurement
    - (a) Financial liabilities measured at amortized cost
 

After initial recognition, financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method. Interest expenses based on the effective interest method are recognized as finance costs in profit or loss.
    - (b) Financial liabilities measured at fair value through profit or loss
 

After initial recognition, financial liabilities measured at fair value through profit or loss are measured at fair value. Subsequent changes in the fair value are recognized in profit or loss.
  - (iii) Derecognition of financial liabilities
 

The Group derecognizes a financial liability when it is extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expires.
- iii. Derivative financial instruments
- The Group utilizes forward exchange contracts and currency swaps to mitigate the risk of fluctuations in foreign exchange rates and utilizes interest rate swaps to mitigate the risk of fluctuations in interest rates. These derivatives are initially measured at the time when the contract is entered into and are subsequently remeasured at fair value. Changes in the fair value of derivatives are all recognized in profit or loss.
- Hedge accounting is not applied to the above derivatives. Accordingly, derivative financial instruments are classified as financial assets or financial liabilities measured at fair value through profit or loss.
- iv. Fair value of financial instruments
- The fair value of financial instruments is determined using market information, including market prices, and appropriate valuation techniques.
- Inputs used to measure fair value are categorized into the following three levels:
- Level 1: Quoted prices in active markets for identical assets or liabilities
  - Level 2: Inputs (i.e., prices themselves) other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
  - Level 3: Inputs that are not based on observable market data (i.e., unobservable inputs) for the asset or liability
- 2) Standards and methods of valuation of inventories
- Inventories are measured at the lower of cost or net realizable value.
- The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
- Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.
- Valuation method for each inventory item is as follows
- Finished goods (excluding Decorative Film products, etc. of Industrial Materials) and work in process
 

Mainly by the specific identification method
  - Finished goods (Decorative Film products, etc. of Industrial Materials)
 

By the moving average method
  - Raw materials and supplies
 

Mainly by the periodic average method
- 3) Standards and methods of valuation and depreciation methods of property, plant and equipment
- Property, plant and equipment are measured using the cost model and are carried at cost less any accumulated depreciation and any accumulated impairment losses.
- Depreciable property, plant and equipment are depreciated using the straight-line method over their useful lives.
- The useful lives used in determining depreciation are as follows:

Buildings and structures: 15 to 50 years  
Machinery, equipment and vehicles: 5 to 10 years  
Tools, furniture and fixtures: 2 to 10 years

The cost includes any costs directly attributable to the acquisition of the asset; the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located; and borrowing costs eligible for capitalization.

The costs of the day-to-day servicing for the repairs and maintenance of property, plant and equipment are expensed as incurred.

When an item of property, plant and equipment consists of components with different useful lives, each component is recognized as a separate item of property, plant and equipment.

The gain or loss arising from the derecognition of property, plant and equipment is included in profit or loss when the asset is derecognized.

The depreciation method, useful life and residual value of an asset are reviewed at each fiscal year-end, and any changes are accounted for prospectively as changes in accounting estimates.

4) Standards and methods of valuation and amortization methods of intangible assets

Intangible assets are measured using the cost model and are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets with finite useful lives are amortized using the straight-line method over their useful lives.

The useful lives of major intangible assets are as follows:

Software: 5 years  
Customer related assets: 8 to 17 years  
Technical assets: 15 years

The useful lives and amortization method are reviewed at each fiscal year-end, and any changes are accounted for prospectively as changes in accounting estimates.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortized but tested for impairment individually or as part of the cash-generating unit to which the asset belongs at least once a year or whenever there is an indication of impairment.

The gain or loss arising from the derecognition of intangible assets is included in profit or loss when the asset is derecognized.

5) Standards and methods of valuation and amortization methods of goodwill

Goodwill is measured as the excess, if any, of the consideration transferred over the net amount of identifiable assets and liabilities as of the acquisition date. If the difference is negative, it is immediately recognized in profit or loss.

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized but tested for impairment at least once a year or whenever there is an indication of impairment.

6) Leases

The Group assesses whether a contract is, or contains, a lease by considering whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

i. Lessee

For leases as lessee, in principle, right-of-use assets and the corresponding lease liabilities are recognized. For short-term leases (with a lease term of 12 months or less) and leases for which the underlying asset is of low value, the lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis.

Right-of-use assets are measured at cost at the commencement date, and lease liabilities are measured at the present value of the lease payments that are not made as of the commencement date. If the interest rate implicit in the lease cannot be readily determined, the present value is measured using the lessee's incremental borrowing rate, which is the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain a similar asset over a similar term.

After the commencement date of the lease, the right-of-use assets are measured at cost less any

accumulated depreciation and any accumulated impairment losses, and are depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Lease liabilities are measured by increasing the book value to reflect interest on the lease liability based on the effective interest method and reducing the book value to reflect the lease payments made.

In cases such as where there is a change in the lease term or a lease modification is not accounted for as a separate lease, the lease liability is remeasured with a corresponding adjustment to the right-of-use asset.

ii. Lessor

For leases as a lessor, leases are classified as either operating leases or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

(i) Finance leases

At the commencement date of the lease, assets held under a finance lease are presented as a receivable at an amount equal to the net investment in the lease. The information on finance lease income is presented in “10) Revenue recognition, ii. Revenue from finance leases (lessor).”

(ii) Operating leases

The information on operating lease income is presented in “10) Revenue recognition, iii. Revenue from operating leases (lessor).”

7) Impairment of non-financial assets

Non-financial assets other than inventories and deferred tax assets are assessed at the end of each reporting period whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset or the cash-generating unit (or a group of cash-generating units) is estimated. Goodwill and intangible assets with indefinite useful lives or not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication of impairment.

The recoverable amount of an asset or a cash-generating unit (or a group of cash-generating units) is the higher of its fair value less costs of disposal and its value in use. The value in use is determined by discounting the estimated future cash flows of the asset or the cash-generating unit (or a group of cash-generating units) to the present value at an after-tax discount rate that reflects the time value of money and risks specific to the asset. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If the recoverable amount of an asset or a cash-generating unit is less than its book value, an impairment loss is recognized in profit or loss.

At the end of each reporting period, it is assessed whether there is an indication that impairment losses recognized previously for an asset may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. If the estimated recoverable amount exceeds the book value of the asset, impairment losses are reversed. The book value after the reversal is recognized to the extent that it does not exceed the book value (net of accumulated depreciation or amortization) that would have been determined had no impairment loss been recognized previously for the asset. The amount of reversal of impairment losses is recognized in profit or loss.

Impairment losses recognized for goodwill are not reversed.

8) Standards for accounting for provisions

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

A provision is recognized for the best estimate of the expenditure required to settle the present obligation

at the fiscal year-end. Where the effect of the time value of money is material, a provision is measured at the present value of the expenditure discounted at a discount rate that reflects the risks specific to the liability. Where discounting is applied, an increase in the provision arising from the passage of time is recognized as finance costs.

9) Employee benefits

i. Post-employment benefits

The Group has adopted defined benefit plans and defined contribution plans as post-employment benefit plans.

(i) Defined benefit plans

The present value of defined benefit obligations and the related current service cost and past service cost are determined using the projected unit credit method for each plan separately.

The discount rate is determined by reference to yields at the fiscal year-end on high quality corporate bonds with a term to maturity corresponding to the discount period, which is set based on the period until the expected maturity of benefit payments in each future fiscal year.

The present value of defined benefit obligations less the fair value of plan assets is recognized as a liability or an asset.

Current service cost, past service cost and net interest on the net defined benefit liability (asset) are recognized in profit or loss. Remeasurements of the net defined benefit liability (asset) are recognized collectively in other comprehensive income for the period in which they are incurred and immediately reclassified to retained earnings.

(ii) Defined contribution plans

Retirement benefit expenses of the defined contribution plans are recognized as expenses for the period in which employees render the related services.

ii. Short-term employee benefits

Short-term employee benefits are not discounted but are expensed at the time when employees render the related services.

When the Group has a present legal or constructive obligation to make payments as a result of past service rendered by employees, and a reliable estimate can be made of the amount of the obligation, the estimated amount to be paid is recognized as a liability.

iii. Other long-term employee benefits

Long-term employee benefits other than post-employment benefits are determined by discounting to the present value the future benefits that employees have earned in return for their services rendered in the current and prior fiscal years.

10) Revenue recognition

i. Revenue from contracts with customers

Except for interest and dividend income and other income items under IFRS 9, the Group recognizes revenue in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the transfer of goods or services to customers, based on the following five-step approach:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to each distinct performance obligation in the contract.

Step 5: Recognize revenue when (or as) a performance obligation is satisfied.

For products that the Group has promised to deliver to a customer, the performance obligation in the contract is satisfied at a point at which the customer is deemed to have obtained control of the



product in light of contractual terms and conditions, and the Group recognizes net sales primarily upon delivery of the product to the customer or the customer's acceptance, or based on terms and conditions of trade. For performance obligations in service contracts and other contracts that meet the criteria for determining whether control of goods or services is transferred over time, net sales are recognized over time by measuring the progress based on input methods, such as costs incurred.

Revenue is measured at the amount net of returned products, rebates and discounts.

The consideration in the sales contracts on goods is collected mainly within one year from the time when control of the goods has been transferred to the customer. Those contracts do not contain a significant financing component.

ii. Revenue from finance leases (lessor)

Revenue from finance lease is recognized in a way that reflects a constant periodic rate of return on the Group's net investment in the lease.

iii. Revenue from operating leases (lessor)

Revenue from operating leases is recognized on a straight-line basis over the lease term.

11) Foreign currency translation

Transactions in foreign currencies are translated into the functional currency of each Group company using the exchange rate at the transaction date or a rate that approximates such rate. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of each Group company using the exchange rate at the fiscal year-end. Exchange differences arising from the translation and settlement are recognized in profit or loss. However, exchange differences arising from the translation of investments in equity instruments measured at fair value through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

The assets and liabilities of foreign operations are translated into Japanese yen using the exchange rate at the fiscal year-end, and the revenues and expenses of foreign operations are translated into Japanese yen using the average exchange rate for the fiscal year, except in cases where the exchange rate fluctuates significantly. Exchange differences arising from the translation are recognized in other comprehensive income. Upon disposal of a foreign operation that results in a loss of control or significant influence over the foreign operation, the cumulative exchange differences relating to the foreign operation are recognized in profit or loss for the period of disposal.

12) Business combinations

Business combinations are accounted for using the acquisition method.

The consideration transferred is measured at the sum of the acquisition-date fair values of the assets transferred, liabilities assumed, and equity interests issued in exchange for control over the acquiree.

The identifiable assets, liabilities and contingent liabilities in the acquiree are measured at their acquisition-date fair values, except that:

- Deferred tax assets (or deferred tax liabilities) and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits," respectively.
- Liabilities or equity instruments that are related to the acquiree's share-based payment transactions or the replacement of the acquiree's share-based payment transactions with the acquirer's share-based payment transactions are recognized and measured in accordance with IFRS 2 "Share-based Payment."
- Non-current assets or disposal groups that are classified as held for sale at the acquisition date in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that IFRS.

Goodwill is measured as the excess, if any, of the consideration transferred over the net amount of identifiable assets and liabilities as of the acquisition date. If the difference is negative, it is immediately recognized in profit or loss.

If the initial accounting for a business combination is incomplete at the end of the reporting period in which the combination occurs, the items for which the accounting is incomplete are measured at provisional amounts. If new information obtained during the measurement period, which shall not exceed

one year from the acquisition date, if known, affects the measurement of the amounts recognized as of the acquisition date, the provisional amounts recognized at the acquisition date are retrospectively adjusted.

Acquisition-related costs incurred to achieve a business combination are expensed as incurred. The acquisition of additional non-controlling interests is accounted for as an equity transaction without recognition of goodwill.

13) Other significant items for presenting Consolidated Financial Statements

Significant accounting estimates and judgements involving estimations

In preparing the Consolidated Financial Statements in compliance with IFRS, management makes judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and their underlying assumptions are reviewed on an ongoing basis. The effects of revisions to accounting estimates are recognized in the accounting period in which the estimates were revised and in any future accounting periods affected.

Application of the group tax sharing system

The Company and some of its domestic consolidated subsidiaries apply the group tax sharing system.

(5) Notes to changes in accounting policies

Clarification of the accounting for deferred tax related to assets and liabilities arising from a single transaction

The Group had not recognized deferred tax liabilities and deferred tax assets for temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss), but the application of IAS 12 “Income Taxes” (amended in May 2021) clarifies the accounting treatment upon initial recognition for transactions that result in taxable temporary differences and deductible temporary differences of the same amount at the time of the transaction, which resulted in a change in the method of accounting treatment to the one by which taxable temporary differences and deductible temporary differences are recognized as deferred tax liabilities and deferred tax assets, respectively, in the Company’s Consolidated Statements of Financial Position.

The application of the guideline did not have a significant impact on the Consolidated Financial Statements.

A temporary exception to the recognition and disclosure of deferred tax assets and liabilities related to the International Tax Reform—Pillar Two Model Rules

The Group has applied the International Tax Reform—Pillar Two Model Rules (amendments to IAS 12 “Income Taxes”) since the current fiscal year. The amendments have clarified that IAS 12 applies to income taxes arising from tax law enacted or substantially enacted to implement the BEPS Pillar Two Model Rules (the global minimum taxation rules) published by the OECD. On the other hand, the amendments provide a mandatory temporary exception from recognizing and disclosing deferred tax assets and liabilities related to income taxes arising from the global minimum taxation rules.

The Group has adopted the exceptional measure as provided in IAS 12 and thus does not recognize and disclose deferred tax assets and liabilities related to income taxes arising from the global minimum taxation rules.

(6) Notes to accounting estimates

(Valuation of goodwill of Nissha Metallizing Solutions N.V. and its subsidiaries)

1) Amount recorded in the Consolidated Financial Statements

The amount equivalent to the entire book value of goodwill of ¥2,692 million was recognized as an impairment loss in the current fiscal year since the recoverable amount decreased as a result of a rise in the discount rate attributable mainly to the inflation rates in countries in which our products are sold.

2) Other information

Goodwill is tested for impairment at least annually, regardless of whether there is an indication of impairment. The recoverable amount of goodwill is determined based on its value in use and compared with the book value of the cash-generating unit.

The value in use of the cash-generating unit including goodwill is determined based on a five-year business plan approved by management, and in the fiscal years after the end of the business plan, it is determined as the discounted present value of future cash flows that are determined based on the growth rate by country in which our products are sold. A report is obtained from an external valuation expert to

determine the value in use.

The above-mentioned business plan contains elements with uncertainties such as sales forecasts by region and product lineups based on demand trends and the status of product development as well as changes in the price of a base material (paper), which is a primary raw material. In addition, a growth rate and a discount rate used in determining value in use are highly uncertain and may fluctuate as they are affected by changes in the external environment such as economic conditions and interest-rate fluctuations. Therefore, when the business plan needs to be reviewed due to significant changes in the management environment and other factors or when the growth rate and the discount rate fluctuate significantly due to changes in the external environment such as economic conditions and interest-rate fluctuations, it may significantly affect the Consolidated Financial Statements in and after the next fiscal year.

(Valuation of goodwill and trademark right of Graphic Controls Holdings, Inc. and its subsidiaries)

1) Amounts recorded in the Consolidated Financial Statements

Goodwill: ¥19,134 million

Trademark rights: ¥4,750 million

2) Other information

Goodwill and trademark rights are tested for impairment at least annually, regardless of whether there is an indication of impairment. The recoverable amount of goodwill and trademark rights is determined based on their value in use and compared with the book value of the cash-generating unit.

The value in use of the cash-generating unit including goodwill and trademark rights is determined based on a five-year business plan approved by management, and in the fiscal years after the end of the business plan, it is determined as the discounted present value of future cash flows that are determined based on the expected long-term growth rate of the market to which the cash-generating unit belongs. A report is obtained from an external valuation expert to determine the value in use.

The above-mentioned business plan contains elements with uncertainties such as sales forecasts by region and product lineups based on demand trends as well as changes in manufacturing costs. In addition, a growth rate and a discount rate used in determining value in use are highly uncertain and may fluctuate as they are affected by changes in the external environment such as economic conditions and interest-rate fluctuations. Therefore, when the business plan needs to be reviewed due to significant changes in the management environment and other factors or when the growth rate and the discount rate fluctuate significantly due to changes in the external environment such as economic conditions and interest-rate fluctuations, it may significantly affect the Consolidated Financial Statements in and after the next fiscal year.

## 2. Notes to the Consolidated Statements of Financial Position

### (1) Assets pledged as collateral and corresponding liabilities

#### Assets pledged as collateral

Cash and cash equivalents	¥401 million
Trade and other receivables	¥5,928 million
Inventories	¥8,425 million
Other current assets	¥46 million
Property, plant and equipment	¥2,283 million
Intangible assets	¥49 million

Total ¥17,135 million

#### Corresponding liabilities

Borrowings (current)	¥326 million
Bonds and borrowings (non-current)	¥1,040 million

Total ¥1,366 million

- (Notes) 1. Of the above assets pledged as collateral, ¥12,360 million was an asset pledged as collateral by a U.S. consolidated subsidiary of the Company for a commitment line agreement (in a foreign currency) of USD 10 million with a financial institution.
2. Other than those listed above, there are assets pledged as collateral that were eliminated in the Consolidated Financial Statements, including shares of subsidiaries and associates of ¥5,978 million and trade and other receivables, etc. of ¥9,358 million.
3. Assets pledged as collateral are for a part of consolidated subsidiaries' borrowings from financial institutions. In the event of default of the principal and interest of borrowings that are due and payable, the financial institution has the right to dispose of the collateral and apply it to the repayment amount of the borrowings under the contracts.

### (2) Allowance for doubtful accounts directly deducted from assets

Trade and other receivables	¥268 million
Other financial assets (current)	¥0 million
Other financial assets (non-current)	¥226 million

### (3) Accumulated depreciation and accumulated impairment loss on property, plant and equipment

¥110,106 million

### 3. Notes to the Consolidated Statements of Profit or Loss

(1) Other income and other expenses		
(Other income)		
Gain on sale of non-current assets		¥74 million
Government grants (Note 1)		¥306 million
Gain on forgiveness of debts (Note 2)		¥137 million
Other		¥179 million
	Total	¥698 million
(Other expenses)		
Foreign exchange loss		¥414 million
Loss on sale and retirement of non-current assets		¥83 million
Restructuring expenses (Note 3)		¥166 million
Impairment losses (Note 4)		¥2,722 million
Idle asset expenses (Note 5)		¥371 million
Other		¥136 million
	Total	¥3,894 million

(Notes) 1. Government grants

Government grants mainly consist of government support for energy prices hike at Nissha Metallizing Solutions S.r.l, a consolidated subsidiary in the Industrial Material segment.

2. Gain on forgiveness of debts

Gain on forgiveness of debts is attributable to a reduction in the consideration for businesses acquired (accounts payable) by a consolidated subsidiary in the Medical Technologies segment in the past fiscal year.

3. Restructuring expenses

Restructuring expenses are mainly related to a structural reform of Nissha Precision Technologies Malaysia Sdn. Bhd., a consolidated subsidiary in the Industrial Material segment.

4. Impairment losses

See Note “9. Other Notes (Notes to impairment loss).”

5. Idle asset expenses

Idle asset expenses are mainly related to depreciation and other costs of facilities in line with the suspension of operations of domestic production bases whose operation rates are low in the Devices segment.

#### 4. Notes to the Consolidated Statement of Changes in Equity

(1) Type and total number of shares issued at the end of the current fiscal year

Type of stock	Beginning balance	Increase	Decrease	Ending balance
Common shares (Thousand Shares)	50,855	—	—	50,855

(2) Items concerning dividends

1) Dividends paid

Resolution	Type of stock	Total amount of dividends (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Meeting of the Board of Directors held on February 14, 2023	Common shares	1,743	35.00	December 31, 2022	March 3, 2023
Meeting of the Board of Directors held on August 8, 2023	Common shares	1,233	25.00	June 30, 2023	September 1, 2023
Total		2,976			

(Notes) 1. The total amount of dividends based on a resolution of the Meeting of the Board of Directors held on February 14, 2023 includes ¥13 million paid to Custody Bank of Japan, Ltd. (Trust E Account) as dividends on Company shares it holds.

2. The total amount of dividends based on a resolution of the Meeting of the Board of Directors held on August 8, 2023 includes ¥12 million paid to Custody Bank of Japan, Ltd. (Trust E Account) as dividends on Company shares it holds.

2) Of dividends whose record dates belong to the current fiscal year, dividends that take effect in the next fiscal year

Resolution	Type of stock	Dividend resource	Total amount of dividends (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
Meeting of the Board of Directors held on February 14, 2024	Common shares	Retained earnings	1,226	25.00	December 31, 2023	March 4, 2024

(Note) The total amount of dividends based on a resolution of the Meeting of the Board of Directors held on February 14, 2024 includes ¥11 million paid to Custody Bank of Japan, Ltd. (Trust E Account) as dividends on Company shares it holds.

(3) Type and number of treasury shares at the end of the current fiscal year

Type of stock	Beginning balance	Increase	Decrease	Ending balance
Common shares (Thousand Shares)	1,440	1,038	233	2,244

(Note) The ending balance of treasury shares of common shares includes 463 thousand Company shares held by Custody Bank of Japan, Ltd. as trust assets in the Board Benefit Trust (BBT), the Stock Benefit Trust (J-ESOP) and the Stock Benefit Trust (Employee Shareholding Association Purchase-type).

(Major causes of the changes)

Breakdown of increases is as follows:

	(Thousand Shares)
Acquisition of treasury shares pursuant to the resolution of the Meeting of the Board of Directors held on November 10, 2022	634
Acquisition of treasury shares pursuant to the resolution of the Meeting of the Board of Directors held on November 9, 2023	251
Purchase of shares of less than one unit	0
Acquisition of Company shares by Stock Benefit Trust (Employee Shareholding Association Purchase-type)	152

Breakdown of decreases is as follows:

	(Thousand Shares)
Demand for sales of shares of less than one unit	0
Payment of Company shares from (Trust E Account)	6
Sales to Stock Benefit Trust (Employee Shareholding Association Purchase-type)	75
Disposal of Company shares to Stock Benefit Trust (Employee Shareholding Association Purchase-type)	152

## 5. Notes to Financial Instruments

(Items concerning the status of financial instruments)

### (1) Capital management

The Group's basic capital management policy is to establish and maintain a stable financial foundation in order to improve corporate value through sustainable growth.

The Group is not subject to any significant regulatory capital requirements.

### (2) Financial risk management

#### Risk management policy

The Group's business activities are affected by the business and financial market environments. In the course of the business activities, financial instruments held by the Group are exposed to specific risks.

Such risks primarily include 1) market risk ((a) foreign exchange risk, (b) price risk, (c) interest rate risk), 2) credit risk and 3) liquidity risk. In order to mitigate these risks, risk management is conducted.

The Group focuses on highly safe financial assets in its fund management, and procures funds mainly through loans from banks and issuance of bonds. It carries out optimum fund procurements at each time while giving full consideration to the management environment. The Group uses derivative transactions to hedge foreign exchange risk, and does not enter into derivative transactions for speculative purposes. Derivative transactions are executed and managed with approval from the authorized persons in accordance with the internal rules that stipulate transaction authority, limits, and other matters.

#### 1) Market risk

##### (a) Foreign exchange risk

Trade receivables and payables denominated in foreign currencies, which arise from the Group's global business development, are exposed to the risk of fluctuating foreign currency exchange rate. Part of such risk is hedged using forward exchange contracts. These derivative transactions, for which hedge accounting is not applied, are considered to effectively offset the effects of foreign exchange fluctuations.

##### (b) Price risk

As the Group owns listed shares in companies with which the Group has business relationships, it is exposed to the risk of price fluctuations in equity instruments. The Group regularly assesses the fair values and financial condition of issuers (business partners) and continually reviews the holding status.

##### (c) Interest rate risk

Of the Group's interest-bearing liabilities, those with floating rates are exposed to the risk of interest rate fluctuations.

To mitigate the risk of interest rate fluctuations, the Group continually monitors interest rate fluctuations for interest-bearing liabilities with floating rates.

#### 2) Credit risk

The Group's trade and other receivables and other financial assets are exposed to credit risk. Credit risk is the risk of financial loss of the Group in the event that a customer or a counterparty (including financial institutions) fails to meet its contractual obligations.

The Group sets up lines of credit in accordance with Credit Management Regulations by business and country or region. In addition, the sales division and the finance division regularly monitor the credit status of counterparties of trade receivables, and manage the due dates and outstanding balances by counterparty to identify at an early stage and mitigate recoverability concerns, such as due to deterioration of a counterparty's financial condition. Derivative transactions are entered into only with highly creditworthy financial institutions in order to mitigate credit risk, and therefore the credit risk is considered to be extremely low.

The allowance for doubtful accounts for trade receivables is always measured at an amount equal to the lifetime expected credit losses. For receivables other than trade receivables and other financial assets, the allowance for doubtful accounts is measured at an amount equal to the 12-month expected credit losses if



the credit risk has not increased significantly since initial recognition, and at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition, such as upon a past due event.

When measuring the expected credit losses for trade receivables, in principle, the receivables are grouped depending on the level of credit risk, provision rates are calculated for each group by reflecting forward-looking information in historical credit loss experience, and the expected credit losses for trade receivables are determined by multiplying the outstanding balance of the assets by a corresponding provision rate. For receivables other than trade receivables and other financial assets whose credit risk has not increased significantly since initial recognition, provision rates are calculated for each group of similar assets by reflecting forward-looking information in historical credit loss experience, and the expected credit losses are determined by multiplying the outstanding balance of the assets by a corresponding provision rate. For receivables other than trade receivables and other financial assets whose credit risk has increased significantly since initial recognition as well as credit-impaired assets, the expected credit losses are determined as a difference between the book value and the present value of expected future cash flows to be received from the assets, discounted using the effective interest rate at initial recognition. If all or a portion of trade and other receivables and other financial assets are considered not to be recovered or extremely difficult to be recovered, they are determined to be credit-impaired.

The book value after the impairment of financial assets stated in the Consolidated Statements of Financial Position represents the Group's maximum exposure to the credit risk of financial assets.

3) Liquidity risk

The Group is exposed to liquidity risk that the Group is unable to fulfill its repayment obligations for financial liabilities.

To manage the liquidity risk, the finance division takes measures such as preparing and updating fund management plans in a timely manner, and consolidating fund flows to the Company through the cash management system (CMS) introduced across the Group companies in Japan.

(Items concerning fair value, etc. of financial instruments)

Estimation of fair value

1) Measurement of fair value of financial instruments

The Group determines the fair value of major financial assets and financial liabilities as follows. The fair value of financial instruments is estimated using available market prices, or is measured by appropriate valuation techniques when market prices are not available.

(Cash and cash equivalents, trade and other receivables, trade and other payables, short-term borrowings)

Since these are settled within a short period, the fair value approximates the book value. Therefore, the fair value is based on the relevant book value.

(Other financial assets and other financial liabilities)

The fair value of marketable equity instruments (listed shares) is measured based on market prices at the fiscal year-end. The fair value of equity instruments with no available market prices (shares that do not have a market price) and debt instruments (preference shares, etc.) classified as financial assets measured at fair value through profit or loss is measured using valuation techniques, primarily based on discounted future cash flows, market prices of similar companies or net asset values. Since other financial assets and financial liabilities are settled within a short period, the fair value approximates the book value. One of the main unobservable inputs used to measure the fair value of these financial instruments with no available market prices was valuation multiple derived from the comparable peer company analysis. The fair value increases (decreases) as the valuation multiple rises (declines).

(Derivative assets and liabilities)

The fair value of derivative assets and liabilities is measured at the market quotation of derivative transactions under the same terms and conditions as of the fiscal year-end.

(Contingent consideration)

Contingent consideration in a business combination is measured at fair value as of the acquisition date of the business combination. Contingent consideration that meets the definition of a financial liability is remeasured at fair value at each subsequent reporting date. The fair value is determined on the basis of the scenario-based method or Monte Carlo simulation model, where the key assumptions considered are the probability of meeting each performance target, the projected future operating results and the discount rate. The fair value decreases (increases) as the discount rate rises (declines).

(Long-term borrowings)

The fair value of long-term borrowings is measured by discounting the principal and interest at an interest rate that would be applied to a new similar borrowing.

(Bonds payables)

The fair value of bonds payables is measured based on market prices at the fiscal year-end.

2) Book value and fair value of financial instruments measured at amortized cost

The book value and fair value of financial instruments measured at amortized cost, which are categorized within Level 2 of the fair value hierarchy, are as follows. Financial instruments whose book value approximates the fair value are not disclosed.

(Millions of Yen)

	Book value	Fair value
Financial liabilities		
Financial liabilities measured at amortized cost		
Long-term borrowings	29,539	27,196
Bonds payables	9,984	9,977

3) Financial instruments measured at fair value and hierarchy thereof

The table below shows an analysis on the hierarchy of financial instruments measured at fair value. Each level of the hierarchy is described in Note “1. Basis of Presenting Consolidated Financial Statements (4) “Significant accounting policies.” Transfers between the levels are recognized on the date of the event or change in circumstances that caused the transfer.

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivatives for which hedge accounting is not applied	—	99	—	99
Debt instruments	—	—	1,058	1,058
Financial assets measured at fair value through other comprehensive income				
Equity instruments	13,809	—	689	14,498
Total	13,809	99	1,747	15,656

The above financial assets are included in “Other financial assets (current)” and “Other financial assets (noncurrent)” in the Consolidated Statements of Financial Position.

4) Reconciliation of financial instruments categorized within Level 3

Financial instruments categorized within Level 3 are evaluated and the evaluation results are analyzed by the Company's CFO in accordance with the evaluation policies and procedures established by the Group.

The following table shows a reconciliation of the beginning balance to the ending balance of financial assets whose fair value measurement is categorized within Level 3.

(Millions of Yen)

	Equity instruments measured at fair value through other comprehensive income	Financial assets measured at fair value through profit or loss
Beginning balance	649	1,245
Total gain and loss		
Profit or loss (Note 1)	—	(133)
Other comprehensive income (Note 2)	4	—
Purchase	—	141
Sale	—	—
Other (Note 3)	36	(196)
Ending balance	689	1,058

- (Notes) 1. Profit or loss contained in total gain and loss is included in "Finance income" and "Finance costs" in the Consolidated Statements of Profit or Loss. Of profit or loss contained in total gain and loss, the amount attributable to changes in unrealized gain or loss related to financial assets measured at fair value through profit or loss held as of the fiscal year-end was ¥(133) million.
2. Other comprehensive income contained in total gain and loss is related to financial assets measured at fair value through other comprehensive income as of the fiscal year-end. These gain and loss, net of tax effects, are included in "Net change in fair value of financial assets measured through other comprehensive income."
3. Other consists mainly of redemption and foreign currency translation differences.

The following table shows a reconciliation of the beginning balance to the ending balance of financial liabilities whose fair value measurement is categorized within Level 3.

(Millions of Yen)

	Financial liabilities measured at fair value through profit or loss
Beginning balance	70
Total gain and loss	
Profit or loss (Note 1)	0
Issuance	—
Settlement	(78)
Other (Note 2)	7
Ending balance	—

- (Notes) 1. Of profit or loss contained in total gain and loss, the portion based on changes in time value is recorded in "Finance costs" while the portion based on changes in items other than time value is recorded in "Other income" or "Other expenses" in the Consolidated Statements of Profit or Loss. Of profit or loss

contained in total gain and loss, the amount attributable to changes in unrealized gain or loss related to financial liabilities measured at fair value through profit or loss held as of the fiscal year-end was ¥0 million.

2. Other consists mainly of foreign currency translation differences.

## 6. Notes to Revenue Recognition

### (1) Revenue from contracts with customers

“Net sales” recorded in the Consolidated Statements of Profit or Loss for the current fiscal year, in the amount of ¥167,726 million, mainly consist of “revenue from contracts with customers.” Revenue from other sources, which is earned from leases as a lessor (operating leases and financial leases), is included in (2) Disaggregation of revenue because the balance became immaterial.

### (2) Disaggregation of revenue

The Group has three reportable segments, which are the Industrial Materials segment, Devices segment, and Medical Technologies segment. Net sales are disaggregated by product lineups. The following table shows how the disaggregated net sales tie in with the net sales of each reportable segment.

(Millions of Yen)

Segment	Product lineups	Fiscal year ended December 31, 2023
Industrial Materials	Decoration (Mobility)	22,409
	Decoration (Home appliances and others)	17,688
	Sustainable materials (Metallized paper and others)	28,665
	Subtotal	68,762
Devices	Tablet devices	30,986
	Smartphones devices	5,106
	Gaming devices, Handheld terminals (logistics related), Mobility, Gas sensors and others	18,769
	Subtotal	54,862
Medical Technologies	Medical devices (contract design/development and manufacturing services)	19,058
	Medical devices (Own brand)	7,477
	Business media	9,475
	Subtotal	36,011
Other		8,088
Total		167,726

#### 1) Industrial Materials

In the Industrial Materials segment, we mainly offer proprietary technologies that enable to create added value on the surfaces of various materials. IMD, IML, and IME, which facilitate simultaneous in-mold decoration, design and function adding of plastic products, are extensively used in mobility components and home appliances in global markets. Also, the metallized paper, which unites the properties of metallic luster and printing friendliness, has the largest market share in the industry as sustainable materials for beverages and foods on a global basis.

#### 2) Devices

In the Devices segment, we produce components and module products that pursue precision and functionality. Our main products, film-based Touch Sensors are widely adopted mainly in tablets, handheld terminals (logistics related), mobility components, and gaming devices in global markets. In addition, we offer gas sensors that can detect gas conditions, along with other products.

#### 3) Medical Technologies

The Medical Technologies segment is a business segment that offers high-quality and value-added products in medical devices and other related markets to contribute to healthy and affluent life. The segment currently provides contract design/development and manufacturing services for major medical device manufacturers, especially for those in North America and Europe, with products such as surgical instruments for minimal invasive medical treatments and medical wearable sensors used for a wide range

of therapeutic areas. In addition to these, the segment manufactures and sells its own brand products to medical institutions.

These are accounted for in accordance with policies stated in Note “1. Basis of Presenting Consolidated Financial Statements.” The consideration for performance obligations is collected within one year after the performance obligations are satisfied and, therefore, is accounted for as not having a significant financing component. The amount of assets recognized from the costs to obtain or fulfill contracts with customers for the current fiscal year was not material. By applying the practical expedient, the incremental costs of obtaining contracts are recognized as expenses as incurred if the amortization period of the assets that would otherwise have been recognized is one year or less.

(3) Contract balances

The breakdown of contract balances is as follows. Receivables from contracts with customers are notes and accounts receivable included in trade and other receivables. The amount of contract assets is not material. Contract liabilities are advances received from customers in sale transactions of the Group’s products before the time when the customers obtain control of the products, such as upon customer acceptance.

(Millions of Yen)

	As of December 31, 2023
Contract liabilities	
Advances received	1,176

(Note) Revenue recognized for the current fiscal year that was included in the beginning balance of contract liabilities was ¥391 million.

(4) Transaction price allocated to the remaining performance obligations

The Group applies the practical expedient of omitting the disclosure of information on the remaining performance obligations because it has no significant transaction with individual expected contractual terms exceeding one year. In addition, there is no significant consideration from contracts with customers that is not included in transaction prices.

**7. Notes to Per Share Data**

Equity per share attributable to owners of parent	¥2,281.64
Basic earnings (loss) per share	¥(61.13)
Diluted earnings per share is not stated because there were no potential shares.	

**8. Notes to Significant Subsequent Events**

Issuance of bonds

At the Meeting of the Board of Directors held on January 19, 2024, the Company passed a comprehensive resolution to issue unsecured domestic straight bonds as follows:

- (1) Maximum total amount of issue: ¥10 billion (bonds can be issued multiple times within this limit)
- (2) Redemption period: 10 years or less
- (3) Maximum interest rate: 2.0% per annum
- (4) Issue price: ¥100 per par value of ¥100
- (5) Issue period: January 19, 2024 to January 19, 2025

Business combination by acquisition

The Company, pursuant to a resolution of the Meeting of the Board of Directors held on December 4, 2023, has decided to acquire an equity interest in Isometric Intermediate LLC (DBA Isometric Micro Molding) through its consolidated subsidiaries Graphic Controls Acquisition Corp. and Nissha Medical Technologies (Wisconsin), LLC (hereinafter, “NMT LLC”) in the Medical Technologies segment. Following the acquisition, Isometric Intermediate LLC and its affiliated group companies (hereinafter, “Isometric”) will become subsidiaries of the Company.

- (1) Outline of the business combination
  - 1) Name of the acquired company and the outline of business to be acquired
    - Name of the acquired company
    - Isometric Intermediate LLC
    - Outline of business to be acquired
    - Manufacturing and sales of micro and precision components for medical devices
  - 2) Major reason for the business combination

In the Company's Medical Technologies segment, we offer high-quality and value-added products in medical devices and other related markets on a global scale. The business' mainstay contract design/development and manufacturing services employ a comprehensive business model that encompasses from OEMs of major medical devices to the design, development, and manufacturing, especially surgical instruments for minimal invasive medical treatments and medical wearable sensors.

We recognize the immense growth potential within the contract design/development and manufacturing organization (CDMO) market for medical devices and have focused our efforts on such services as a key area for driving growth of the business. Our goal is to secure and expand our pipeline by fortifying and broadening our capabilities to respond to the ever-evolving landscape of medical device innovation, particularly in the existing realm of minimal invasive surgical instruments, and explore exciting new business opportunities in areas like surgical robotics.

Isometric utilizes its proprietary tooling and process technologies related to micro injection molding to achieve single micron tolerances of micro and precision components (micro molded products) for medical devices and pharmaceutical markets. For over 30 years, Isometric has operated as a trusted solution provider engaged in the design and development, as well as the manufacturing and assemblies of micro molded products. Isometric is uniquely positioned in the micro molding industry with its in-house technologies and expertise, such as those in best-in-class tool making and molding process to control part-to-part and lot-to-lot variation, advanced measurement technology including CT scanning, development support for micro 3D printing, and micro assembly automation platforms. The Company offers its micro molded products for a wide range of uses, including endoscopic and other surgical instruments for minimal invasive medical treatments, diagnostic devices, microfluidic devices, medical wearables, ophthalmological implants, and patient monitoring equipment, contributing to the miniaturization of these medical devices. Miniaturization of medical devices is not only sought after in our existing field of minimal invasive surgical devices but also in new areas such as surgical robotics. Through this equity partnership, we will offer significant innovation opportunities for medical devices by acquiring Isometric's design for excellence (DfX) and development capabilities for component miniaturization, as well as processing technologies for micro molding such as silicone and micro two-shot molding.
  - 3) Scheduled date of acquisition
    - From late February to early March 2024 (plan)
  - 4) Legal form of the business combination
    - Acquisition of equity with cash as consideration
  - 5) Name of the company after the combination
    - The company name will not change.
  - 6) Ratio of voting rights to be acquired
    - 75.53%
  - 7) Grounds for determining an acquiring company
    - The Company will acquire 75.53% of the voting rights through acquisition of equity with cash as consideration.

- (2) Calculation of acquisition cost, etc.
  - 1) Breakdown of acquisition cost and consideration for the acquired company by type
 

Consideration for the acquisition of equity	USD 62,160,000
---------------------------------------------	----------------
  - 2) Details and amount of major acquisition-related expenses
 

Advisory fee, etc. (estimate)	USD 1,500,000
-------------------------------	---------------
- (3) Allocation of acquisition cost
  - 1) Amount of goodwill to be incurred, reasons for the goodwill to be incurred, and the method and period of amortization
 

Not yet to be finalized at the present time.
  - 2) Breakdown of assets to be acquired and liabilities to be assumed on the business combination date, and the breakdown thereof
 

Not yet to be finalized at the present time.

## 9. Other Notes (Notes to impairment loss)

The Group has recognized impairment losses on the following classes of assets for the current fiscal year.

- (1) Overview of assets or asset groups on which impairment losses were recorded
 

For goodwill, technical assets, and customer related assets allocated to Nissha Metallizing Solutions N.V. and its subsidiaries in the Industrial Materials segment as a cash-generating unit, impairment losses of ¥2,692 million, ¥12 million, and ¥16 million were recognized, respectively.
- (2) Factors leading to the recognition of impairment losses
 

The Group wrote down its book value to recoverable amount and recognized impairment losses since the recoverable amount decreased as a result of a rise in the discount rate attributable mainly to inflation rates in countries in which our products are sold.
- (3) Assets grouping method
 

The long-lived assets for business use and goodwill of the Group are grouped based on the smallest cash-generating unit that generates cash inflows largely independent from other assets. However, assets to be disposed of (assets to be disposed of by disposal or sale, etc.) and idle assets are grouped on an individual basis.

Goodwill acquired in a business combination is allocated to the cash-generating unit that is expected to benefit from the synergies of the combination, and the cash-generating unit is tested for impairment.
- (4) Method of evaluating recoverable amounts
 

The recoverable amount was measured at value in use. The value in use is determined based on a five-year business plan approved by management, and in the fiscal years after the end of the business plan, it is determined by discounting the estimated future cash flows that are determined based on the growth rate by country in which the products are sold to the present value.



## Non-consolidated Statement of Changes in Equity

(From January 1, 2023 to December 31, 2023)

(Millions of Yen)

	Shareholders' equity								
	Share capital	Capital surplus			Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		Reserve for open innovation promotion	General reserve	Retained earnings brought forward	
Balance at the beginning of current period	12,119	13,550	1,618	15,168	1,230	34	28,766	29,127	59,158
Changes of items during the period									
Dividends of surplus								(2,976)	(2,976)
Loss								(4,466)	(4,466)
Purchase of treasury shares									
Disposal of treasury shares			10	10					
Net changes of items other than shareholders' equity									
Total changes of items during the period	—	—	10	10	—	—	—	(7,442)	(7,442)
Balance at the end of current period	12,119	13,550	1,628	15,178	1,230	34	28,766	21,684	51,715

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of current period	(2,469)	83,977	6,756	6,756	90,733
Changes of items during the period					
Dividends of surplus		(2,976)			(2,976)
Loss		(4,466)			(4,466)
Purchase of treasury shares	(1,825)	(1,825)			(1,825)
Disposal of treasury shares	415	425			425
Net changes of items other than shareholders' equity			2,189	2,189	2,189
Total changes of items during the period	(1,409)	(8,842)	2,189	2,189	(6,652)
Balance at the end of current period	(3,879)	75,134	8,946	8,946	84,081

(Note) Amounts are rounded down to the nearest million yen.

## Notes to Non-consolidated Financial Statements

### 1. Notes to Items Concerning Significant Accounting Policies

#### (1) Standards and methods of valuation of assets

##### 1) Securities

- i. Stocks of subsidiaries and affiliated companies      Stated at cost determined by the moving-average method.
- ii. Available-for-sale securities
  - Securities other than shares that do not have a market price:      Stated at fair value based on market prices as of the settlement date.  
(Differences in valuation are included directly in net assets and the cost of securities sold is determined based on the moving-average method.)
  - Shares that do not have a market price:      Stated at cost determined by the moving-average method.

##### 2) Derivatives      Stated at fair value.

##### 3) Inventories

- Finished products (excluding Decorative Film products, etc. of Industrial Materials) and work in process:      · Stated at cost determined by the specific identification method.  
(Book value on the balance sheet is stated at lower of cost or market .)
- Finished products (Decorative Film products, etc. of Industrial Materials):      · Stated at cost determined by the moving-average method.  
(Book value on the balance sheet is stated at lower of cost or market.)
- Raw materials and supplies:      · Stated at cost determined mainly by the periodic average method.  
(Book value on the balance sheet is stated at lower of cost or market.)

#### (2) Depreciation methods of non-current assets

##### 1) Property, plant and equipment (excluding lease assets) .....

Straight-line method  
Useful lives are principally as follows:  
Buildings: 15 to 50 years  
Structures: 10 to 45 years  
Tools, furniture and fixtures: 2 to 5 years

##### 2) Intangible assets (excluding lease assets) .....

Straight-line method  
Depreciation periods are principally as follows:  
Software: 5 years (Usable life of internal use)

##### 3) Lease assets

- Lease assets concerning finance leases except those that deem to transfer ownership of the leased property to the lessee:      · Depreciated by the straight-line method over the lease terms as useful lives with no residual value.

- (3) Standards of accounting for significant provisions
- 1) Allowance for doubtful accounts  
The allowance for doubtful accounts is provided at an amount of possible losses from uncollectible receivables based on the actual loan loss ratio from bad debt for ordinary receivables and on the estimated recoverability for specific doubtful receivables.
  - 2) Provision for bonuses  
To provide for the payment of bonuses to employees, the amount deemed necessary for employees' bonuses in the current fiscal year is posted based on the estimated amount of payment.
  - 3) Provision for Directors' bonuses  
To provide for the payment of bonuses to Directors of the Board, the amount deemed necessary for bonuses for Directors of the Board in the current fiscal year is posted based on the estimated amount of payment.
  - 4) Provision for stock benefit trust  
To provide for the award of the Company's shares to employees pursuant to the Policy on the Stock Compensation, provision for stock benefit trust is posted based on the estimated amount of share award obligations at the settlement date.
  - 5) Provision for management board benefit trust  
To provide for the award of the Company's shares to Directors of the Board, etc. pursuant to the Policy on Directors' Stock Compensation, provision for management board benefit trust is posted based on the estimated amount of share award obligations at the settlement date.
  - 6) Provision for retirement benefits  
To provide for the payment of retirement benefit to employees, the Company posts an amount that is deemed to have accrued at the end of the current fiscal year, based on projected benefit liability and plan assets at the end of the current fiscal year. When calculating retirement benefit liability, the method for allocating the projected amounts to periods up to the end of the current fiscal year is a benefit formula basis.  
Prior service cost is recognized as expenses starting from the fiscal year in which such cost was incurred and is amortized over a fixed number of years within the average remaining service period of current employees (10 years) using the straight-line method.  
Actuarial gain/loss is recognized as expenses starting from the next fiscal year and is amortized over a fixed number of years within the average remaining service period of current employees (10 years) using the straight-line method.
- (4) Standards of accounting for significant revenues and expenses
- The details of the main performance obligations in the major businesses related to revenue from contracts with the Company's customers and the timing at which the Company typically satisfies these performance obligations (when it typically recognizes revenue) are as follows:
- 1) Revenue from contracts with customers  
The Company recognizes revenue in an amount that reflects the consideration to which the Company expects to be entitled in exchange for the transfer of goods or services to customers, based on the following five-step approach:  
Step 1: Identify the contract(s) with a customer.  
Step 2: Identify the performance obligations in the contract.  
Step 3: Determine the transaction price.  
Step 4: Allocate the transaction price to each distinct performance obligation in the contract.  
Step 5: Recognize revenue when (or as) a performance obligation is satisfied.  
For products that the Company has promised to deliver to a customer, the performance obligation in the contract is satisfied at a point at which the customer is deemed to have obtained control of the product in light of contractual terms and conditions, and the Company recognizes net sales primarily upon delivery of

the product to the customer or the customer's acceptance, or based on terms and conditions of trade.

Revenue is measured at the amount net of returned products, rebates and discounts.

The consideration in the sales contracts on goods is collected mainly within one year from the time when control of the goods has been transferred to the customer. Those contracts do not contain a significant financing component.

2) Revenue from finance leases (lessor)

Revenue from finance leases is recognized based on a way reflecting constant periodic rates of return on the net investments in the leases.

3) Revenue from operating leases (lessor)

Revenue from operating leases is recognized on a straight-line basis over the lease term.

(5) Other items of basis of presenting Non-consolidated Financial Statements

Accounting for retirement benefits

The accounting method adopted for unrecognized actuarial gain/loss and the unamortized amount of unrecognized prior service cost in the Non-consolidated Financial Statements differs from the accounting method for the same items in the Consolidated Financial Statements.

## 2. Notes to Accounting Estimates

### Valuation of shares of subsidiaries and associates

(1) Amounts recorded in the Non-consolidated Financial Statements

Shares of subsidiaries and associates of ¥51,666 million, including shares of ¥9,037 million in Nissha Metallizing Solutions N.V., a subsidiary of the Company

Loss on valuation of shares of subsidiaries and associates of ¥7,266 million was recorded under extraordinary losses in the current fiscal year since the substantive value of shares in Nissha Metallizing Solutions N.V. decreased significantly as a result of a rise in the discount rate attributable mainly to inflation rates in countries in which our products are sold.

(2) Other information

As presented in "Notes to Non-consolidated Financial Statements, 1., (1), 1) Securities," the book value of shares of subsidiaries and affiliated companies is stated at cost on the balance sheet. However, when the substantive value of such securities significantly declines due to deterioration in financial conditions of issuers, the Company recognizes an impairment loss, except in cases where their recoverability is supported by sufficient evidence.

In valuing the shares of Nissha Metallizing Solutions N.V., excess earnings power is taken into consideration to determine their substantive value. In the same way as the one to determine the book value of goodwill on the Consolidated Statements of Financial Position as described in "Valuation of goodwill of Nissha Metallizing Solutions N.V. and its subsidiaries," the substantive value of shares is determined based on a five-year business plan approved by management, and in the fiscal years after the end of the business plan, it is determined by discounting value the estimated future cash flows that are determined based on the growth rate by country in which our products are sold to the present.

The above-mentioned business plan contains elements with uncertainties such as sales forecasts by region and product lineups based on demand trends and the status of product development as well as changes in the price of a base material (paper), which is a primary raw material. In addition, a growth rate and a discount rate used in determining substantive value are highly uncertain and may fluctuate as they are affected by changes in the external environment such as economic conditions and interest-rate fluctuations. Therefore, when the business plan needs to be reviewed due to significant changes in the management environment and other factors or when the growth rate and the discount rate fluctuate significantly due to changes in the external environment such as economic conditions and interest-rate fluctuations, it may significantly affect the Non-consolidated Financial Statements in and after the next fiscal year.

### 3. Notes to the Non-consolidated Balance Sheet

(1) Accumulated depreciation concerning assets		
Accumulated depreciation on property, plant and equipment		¥28,971 million
(2) Contingent liabilities		
The Company guarantees electronically recorded obligations of subsidiaries and associates.		
Nissha Industries, Inc.		¥277 million
Nissha Precision and Technologies, Inc.		¥573 million
Total		<u>¥850 million</u>
The Company guarantees bank borrowings of subsidiaries and associates.		
Graphic Controls Acquisition Corp.		¥8,168 million
Nissha Metallizing Solutions N.V.		¥2,296 million
Nissha Metallizing Solutions S.r.l.		¥581 million
Nissha Metallizing Solutions Ltd.		¥1,224 million
Nissha Metallizing Solutions GmbH		¥202 million
Total		<u>¥12,474 million</u>
The Company guarantees lease obligations of subsidiaries and associates.		
Graphic Controls Acquisition Corp.		¥1,542 million
(3) Monetary claims receivable from and monetary payables to subsidiaries and associates		
Short-term monetary receivables		¥8,299 million
Long-term monetary receivables		¥5,836 million
Short-term monetary payables		¥3,515 million
(4) Monetary payables to Directors of the Board and Audit and Supervisory Board Members		¥18 million
Long-term monetary payables to Directors of the Board and Audit and Supervisory Board Members are liabilities concerning amounts equivalent to payments of retirement allowances to each of them, corresponding to the period up until the day the Company terminated its unfunded retirement allowance plan for Directors of the Board and Audit and Supervisory Board Members. They are included in “Other” under long-term liabilities.		

#### 4. Notes to the Non-consolidated Statement of Income

(1) Revenue from contracts with customers included in net sales ¥68,857 million

(2) Transactions with subsidiaries and associates

Operating transactions

Net sales

¥9,902 million

Purchases

¥49,942 million

Non-operating transactions

¥3,937 million

(3) Loss on valuation of shares of subsidiaries and associates

Loss on valuation of shares of subsidiaries and associates of ¥7,266 million was recorded under extraordinary losses since the substantive value of shares in Nissha Metallizing Solutions N.V. decreased significantly as a result of a rise in the discount rate attributable mainly to inflation rates in countries in which our products are sold.

(4) Loss on revision of retirement benefit plan

The Company has transferred a part of its defined-benefit retirement benefit plan to a defined contribution pension plan effective on January 1, 2024.

For the accounting relating to this transfer, the Company has adopted the “Guidance on Accounting for Transfer between Retirement Benefit Plans” (ASBJ Guidance No. 1, revised on December 16, 2016) and the “Practical Solution on Accounting for Transfer between Retirement Benefit Plans” (ASBJ Practical Issues Task Force (PITF) No. 2, revised on February 7, 2007). As a result, loss on revision of retirement benefit plan of ¥62 million incurred in association with this transfer was recorded under extraordinary losses in the current fiscal year.

#### 5. Notes to the Non-consolidated Statement of Changes in Equity

(1) Treasury shares

Type of stock	Beginning balance	Increase	Decrease	Ending balance
Common shares (Thousand Shares)	1,440	1,038	233	2,244

(Note) The ending balance of treasury shares of common shares includes 463 thousand Company shares held by Custody Bank of Japan, Ltd. as trust assets in the Board Benefit Trust (BBT), Stock Benefit Trust (J-ESOP) and the Stock Benefit Trust (Employee Shareholding Association Purchase-type).

(Major causes of the changes)

Breakdown of increases is as follows:

	(Thousand Shares)
Acquisition of treasury shares pursuant to the resolution of the Meeting of the Board of Directors held on November 10, 2022	634
Acquisition of treasury shares pursuant to the resolution of the Meeting of the Board of Directors held on November 9, 2023	251
Purchase of shares of less than one unit	0
Acquisition of Company shares by Stock Benefit Trust (Employee Shareholding Association Purchase-type)	152

Breakdown of decreases is as follows:

	(Thousand Shares)
Demand for sales of shares of less than one unit	0
Payment of Company shares from (Trust E Account)	6
Sales to Stock Benefit Trust (Employee Shareholding Association Purchase-type)	75
Disposal of Company shares to Stock Benefit Trust (Employee Shareholding Association Purchase-type)	152

## 6. Notes to Tax Effect Accounting

### (1) Significant cause-specific components of deferred tax assets and deferred tax liabilities

Deferred tax assets	Tax loss carried forward	¥151 million
	Net defined benefit liability	¥769 million
	Provision for bonuses	¥245 million
	Inventories	¥84 million
	Non-current assets	¥1,224 million
	Investment securities	¥680 million
	Shares of subsidiaries and associates	¥3,493 million
	Allowance for doubtful accounts	¥874 million
	Other	¥186 million
	Subtotal deferred tax assets	¥7,709 million
	Less valuation allowance for total deductible temporary differences, etc.	(¥6,700 million)
	Subtotal valuation allowance	(¥6,700 million)
	Total deferred tax assets	¥1,009 million
Deferred tax liabilities	Valuation difference on available-for-sale securities	¥3,857 million
	Other	¥267 million
	Total deferred tax liabilities	¥4,124 million
Net deferred tax assets (liabilities)		(¥3,115 million)

### (2) Accounting for corporate and local income taxes or tax effect accounting related thereto

The Company has adopted the group tax sharing system since the current fiscal year. Accordingly, accounting for corporate and local income taxes, as well as their tax-effect accounting are accounted for and disclosed in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, August 12, 2021).

## 7. Notes to Related Party Transactions

Type	Company name	Ownership (owned) percentage	Relationship	Description of transaction	Transaction amount (Millions of Yen)	Items	Balance at the end of the fiscal year (Millions of Yen)
Subsidiaries	Nissha Industries, Inc.	(Owning) 100%	Manufacturing of products of the Company Interlocking directors, etc.	Purchase of products	10,230	Accounts payable-trade	949
				Repayment of funds	49	Short-term loans receivable	1,468
						Long-term loans receivable	2,000
	M crossing Co., Ltd.	(Owning) 100%	Interlocking directors, etc.	Debt forgiveness	655	—	—
	Nissha Precision and Technologies, Inc.	(Owning) 100%	Manufacturing of products of the Company Interlocking directors, etc.	Purchase of products	36,162	Accounts payable-trade	987
	Nissha FIS, Inc.	(Owning) 100%	Interlocking directors, etc.	Lending of funds	1,094	Short-term loans receivable	2,121
	Nissha USA, Inc.	(Owning) 100%	Sales of products of the Company Interlocking directors, etc.	Subscription of capital increase	3,967	—	—
	Nissha Medical International, Inc.	(Owning) 100%	Management of subsidiaries	Subscription of capital increase	10,904	—	—
	Graphic Controls Acquisition Corp.	(Owning) 100%	Interlocking directors, etc.	Repayment of funds	45	Short-term loans receivable	158
				Loan guarantees	9,711	Long-term loans receivable	1,623
Nissha Europe GmbH	(Owning) 100%	Interlocking directors, etc.	Subscription of capital increase	2,323	—	—	
Nissha Metallizing Solutions N.V.	(Owning) 100%	Interlocking directors, etc.	Loan guarantees	2,296	—	—	

Transaction condition and policy for deciding transaction condition

- (Notes) 1. Offset elimination processing is conducted for onerous transactions of materials in the Non-consolidated Statement of Income.
- The terms and conditions of the sales and purchase of products and lease of real estate assets are decided in consideration of market prices.
  - The interest rates for the lending of funds are decided in consideration of market interest rates. The provision of collateral is not allowed.
  - An allowance for doubtful accounts of ¥1,466 million is posted with regard to the loans receivable from Nissha Industries, Inc. Reversal of allowance for doubtful accounts for subsidiaries and associates of ¥273 million was posted for the current fiscal year.
  - A loan guarantee was offered mainly to bank borrowings. The Company has received guarantee fees.
  - The Company forgave loans to M crossing Co., Ltd. of ¥655 million. Accordingly, allowance for doubtful accounts of ¥614 million, which had been recorded for the loans until the previous fiscal year, was reversed and loss on debt forgiveness of ¥41 million was recorded under extraordinary losses.



**8. Notes to Revenue Recognition**

Useful information in understanding revenue from contracts with customers is omitted as the same details are presented in “1. Notes to Items Concerning Significant Accounting Policies (4) Standards of accounting for significant revenues and expenses.”

**9. Notes to Per Share Data**

Net assets per share	¥1,729.67
Basic loss per share	¥(91.35)
Diluted earnings per share is not stated because there were no potential shares.	

**10. Notes to Significant Subsequent Events**

Issuance of bonds

This information is omitted since the same details are presented in Notes to Consolidated Financial Statements “8. Notes to Significant Subsequent Events.”