Fuji Seal International, Inc. and Subsidiaries

Consolidated Financial Statements for the Year Ended March 31, 2024, and Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Fuji Seal International, Inc.:

<Audit of Consolidated Financial Statements>

Opinion

We have audited the consolidated financial statements of Fuji Seal International, Inc. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2024, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

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

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

<table>
<tr><th colspan="2">Revenue recognition of machinery sales</th></tr>
<tr><th>Key Audit Matter Description</th><th>How the Key Audit Matter Was
Addressed in the Audit</th></tr>
<tr><td>The Group sales revenue amounts to ¥196,624 million ($1,298,619 thousand), in the consolidated statement of income for the year ended March 31, 2024. Of this, sales revenue from label sales, including sales of shrink labels, tack labels, and soft pouches, is ¥165,156 million ($1,090,786 thousand), and sales revenue from machinery sales is ¥18,829 million ($124,357 thousand).

As noted in the section "Recognition Criteria for Revenue," revenue from label sales is mainly recognized at the time the product arrives or is shipped. In contrast, revenue from sales of made-to-order packaging machinery is normally recognized when a customer completes an acceptance inspection in accordance with the terms and conditions of the agreement with the customer. The customer performs the required acceptance inspection after the ordered machinery is carried to the customer's site and the installation and test run of the machinery are completed. This point in time is indicated by inspection certificates or daily work reports.

Since the amount of sales and profits per transaction for machinery sales are relatively higher than those for label sales, the completion of the acceptance inspection within the fiscal year is important for performance measurement.

Due to the nature of machinery sales, we considered the timing of revenue recognition of machinery sales as a key audit matter.</td><td>Our audit procedures related to the cut-off assertion for the timing of revenue recognition of machinery sales included the following, among others:

• We evaluated the design and operating effectiveness of internal controls over the machinery sales process, which is from the receipt of the order through the acceptance inspection.

• In order to evaluate the risk of recognizing revenue earlier, we compared the order backlog information with the actual timing of machinery sales to identify any cases where revenue was recorded earlier than the due date for the order or where revenue was recognized earlier than the normal expected period from order to acceptance inspection, and, if identified, we reviewed the reasonableness of the revenue recognition timing including making inquiries to the sales managers.

• In order to determine that the timing of revenue recognition was appropriate based on the fact of acceptance inspection by the customer, we conducted audit sampling and agreed the samples with the documents, such as contracts with customers, acceptance inspection certificates obtained from customers, daily work reports, and the results of the acceptance inspections evidencing the completion of the installation.</td></tr>
</table>

Other Information

Other information comprises the information included in the Group's disclosure documents accompanying the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee is responsible for overseeing the Officers and Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2024, which were charged by us and our network firms to Fuji Seal International, Inc. and its subsidiaries were ¥197 million and ¥14 million, respectively.

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

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

Deloitte Touche Tohmatsu LLC
August 6, 2024

Fuji Seal International, Inc. and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2024

ASSETS	Millions of Yen 2024	Millions of Yen 2023	Thousands of U.S. Dollars (Note 1) 2024
CURRENT ASSETS:			
Cash and cash equivalents (Notes 19 and 24)	¥ 22,788	¥ 22,034	$ 150,505
Receivables (Notes 7, 8, and 19):			
Notes and accounts receivable—trade	50,695	45,951	334,819
Electronically recorded monetary claims—trade	12,628	11,353	83,402
Other	3,266	3,440	21,570
Allowance for doubtful accounts	(105)	(192)	(693)
Inventories (Note 5)	25,354	25,522	167,452
Other current assets	2,435	1,912	16,082
Total current assets	117,064	110,023	773,158
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 6)	8,748	8,346	57,776
Buildings and structures (Note 6)	53,874	45,886	355,815
Machinery and equipment (Note 6)	103,768	93,688	685,344
Furniture and fixtures	10,986	9,798	72,557
Lease assets (Note 18)	507	507	3,348
Others	1,707	1,630	11,274
Construction in progress	3,041	9,716	20,084
Total	182,633	169,575	1,206,214
Accumulated depreciation	(119,859)	(107,585)	(791,618)
Net property, plant and equipment	62,774	61,989	414,596
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 19)	3,568	4,059	23,565
Goodwill	997	50	6,584
Software	1,252	1,378	8,268
Deferred tax assets (Notes 3 and 16)	3,336	1,817	22,032
Long-term deposits (Note 19)	3,028		19,998
Allowance for doubtful accounts	(115)	(45)	(759)
Other assets	778	731	5,138
Total investments and other assets	12,846	7,991	84,842
TOTAL	¥192,684	¥180,004	$1,272,597

LIABILITIES AND EQUITY	Millions of Yen 2024	Millions of Yen 2023	Thousands of U.S. Dollars (Note 1) 2024
CURRENT LIABILITIES:			
Short-term bank loans (Note 13)	¥ 4,020	¥ 9,034	$ 26,550
Current portion of long-term debt (Notes 13 and 19)	756	2,699	4,993
Current portion of long-term lease obligations (Note 18)	67	71	442
Payables:			
Notes and accounts payable—trade	17,474	15,279	115,408
Electronically recorded obligations—trade	11,118	12,254	73,429
Other	5,125	4,239	33,848
Income taxes payable	1,960	1,000	12,944
Accrued expenses	4,678	3,975	30,896
Advances Received (Notes 7 and 8)	5,827	4,566	38,484
Other current liabilities (Notes 7 and 8)	1,886	1,648	12,456
Total current liabilities	52,917	54,769	349,494
LONG-TERM LIABILITIES:			
Long-term debt (Notes 13 and 19)	1,841	56	12,159
Long-term lease obligations (Note 18)	98	96	647
Liability for retirement benefits (Note 14)	2,865	2,791	18,922
Deferred tax liabilities (Note 16)	1,847	800	12,198
Asset retirement obligation	528	496	3,487
Other long-term liabilities	441	421	2,912
Total long-term liabilities	7,624	4,663	50,353
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 18 and 20)			
EQUITY (Notes 15 and 26):			
Common stock—authorized, 200,000,000 shares; issued, 60,161,956 shares in 2024 and 2023	5,990	5,990	39,561
Capital surplus	6,599	6,600	43,583
Retained earnings	110,990	102,629	733,042
Treasury stock—at cost, 5,908,810 shares in 2024 and 5,391,436 shares in 2023	(9,556)	(8,479)	(63,113)
Accumulated other comprehensive income (Note 21):			
Unrealized gain (loss) on available-for-sale securitie	1,342	1,773	8,863
Deferred gain (loss) on derivatives under hedge accounting	(3)		(19)
Foreign currency translation adjustments	16,781	11,898	110,831
Adjustment for defined retirement benefit plans (Note 14)	(1)	158	(6)
Subtotal	18,118	13,830	119,661
Total equity	132,142	120,571	872,742
TOTAL	¥192,684	¥180,004	$1,272,597

See notes to consolidated financial statements.

Fuji Seal International, Inc. and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
NET SALES (Note 8)	¥196,624	¥184,035	$1,298,619
COST OF SALES (Note 17)	160,768	154,358	1,061,805
Gross profit	35,855	29,677	236,807
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Notes 17 and 23)	22,546	21,482	148,906
Operating income	13,309	8,194	87,900
OTHER INCOME (EXPENSES):			
Interest and dividend income	435	201	2,872
Interest expense	(382)	(100)	(2,522)
Interest on tax refund	94	167	620
Foreign exchange gain or loss—net	1,409	2	9,305
Gain on sales of property, plant and equipment	16	23	105
Loss on sales and disposals of property, plant and equipment	(105)	(92)	(693)
Depreciation of nonoperating assets	(143)	(89)	(944)
Gain on sales of investment securities		107	
Loss on sales of investment securities		(0)	
Valuation loss on investment securities		(240)	
Impairment loss (Note 6)	(498)	(38)	(3,289)
Reorganization expenses (Note 10)	(293)	(443)	(1,935)
Subsidy income (Note 12)	26	13	171
Insurance income (Note 9)	25		165
Provision for doubtful debts	(63)	(34)	(416)
Gain on sale of golf membership		2	
Loss on advanced depreciation deduction of fixed assets (Notes 9 and 12)	(40)	(13)	(264)
Liquidation loss of subsidiary (Note 11)		(10)	
Other—net	71	85	468
Other income (expenses)—net	552	(461)	3,645
INCOME BEFORE INCOME TAXES	13,862	7,733	91,552
INCOME TAXES (Note 16):			
Current	(3,731)	(2,604)	(24,641)
Deferred	147	1,740	970
Total income taxes	(3,584)	(864)	(23,670)
NET INCOME	10,277	6,869	67,875
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 10,277	¥ 6,869	$ 67,875

(Continued)

Fuji Seal International, Inc. and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2024

	Yen		U.S. Dollars
	2024	2023	2024
PER SHARE OF COMMON STOCK (Notes 2.u and 22):			
Basic net income	¥187.77	¥125.43	$ 1.24
Cash dividends applicable to the year	60.00	35.00	0.39

See notes to consolidated financial statements.

(Concluded)

Fuji Seal International, Inc. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
NET INCOME	¥10,277	¥ 6,869	$67,875
OTHER COMPREHENSIVE INCOME (LOSS) (Note 21):			
Unrealized gain (loss) on available-for-sale securities	(431)	476	(2,846)
Deferred gain (loss) on derivatives under hedge accounting	(3)		(19)
Foreign currency translation adjustments	4,882	5,638	32,243
Adjustment for defined retirement benefit plans	(160)	(17)	(1,056)
Total other comprehensive income	4,287	6,097	28,313
COMPREHENSIVE INCOME (Note 21)	¥14,565	¥12,966	$96,195
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 21):			
Owners of the parent	¥14,565	¥12,966	$96,195
Noncontrolling interests			

See notes to consolidated financial statements.

Fuji Seal International, Inc. and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2024

		Millions of Yen								
						Accumulated Other Comprehensive Income (Loss)				
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivative s Under Hedge Accountin g	Foreign Currency Translation Adjustments	Adjustment for Defined Retirement Benefit Plans	Total Equity
BALANCE, APRIL 1, 2022	54,750,065	¥5,990	¥6,604	¥ 97,677	¥(8,513)	¥1,297	¥	¥ 6,260	¥177	¥109,492
Net income attributable to owners of the parent				6,869						6,869
Cash dividends, ¥35 per share				(1,916)						(1,916)
Purchase of treasury stock	(545)				(0)					(0)
Disposal of treasury stock (include the disposal as restricted share compensation)	21,000		(3)		32					29
Net change in the year	20,455					476		5,638	(17)	6,097
BALANCE, MARCH 31, 2023	54,770,520	5,990	6,600	102,629	(8,479)	1,773		11,898	158	120,571
Net income attributable to owners of the parent				10,277						10,277
Cash dividends, ¥35 per share				(1,917)						(1,917)
Purchase of treasury stock	(543,674)				(1,120)					(1,120)
Disposal of treasury stock (include the disposal as restricted share compensation)	26,300		(0)		43					43
Net change in the year	(517,374)					(431)	(3)	4,882	(160)	4,287
BALANCE, MARCH 31, 2024	54,253,146	¥5,990	¥6,599	¥110,990	¥(9,556)	¥1,342	¥ (3)	¥16,781	¥ (1)	¥132,142

	Thousands of U.S. Dollars (Note 1)								
					Accumulated Other Comprehensive Income (Loss)				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives Under Hedge Accounting	Foreign Currency Translation Adjustments	Adjustment for Defined Retirement Benefit Plans	Total Equity
BALANCE, MARCH 31, 2023	$39,561	$43,590	$677,821	$(56,000)	$11,709	$	$78,581	$1,043	$796,321
Net income attributable to owners of the parent			67,875						67,875
Cash dividends, $0.23 per share			(12,660)						(12,660)
Purchase of treasury stock				(7,397)					(7,397)
Disposal of treasury stock (include the disposal as restricted share compensation)		(0)		283					283
Net change in the year					(2,846)	(19)	32,243	(1,056)	28,313
BALANCE, MARCH 31, 2024	$39,561	$43,583	$733,042	$(63,113)	$8,863	$ (19)	$110,831	$ (6)	$872,742

See notes to consolidated financial statements.

Fuji Seal International, Inc. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
OPERATING ACTIVITIES:			
Income before income taxes	¥13,862	¥ 7,733	$91,552
Adjustments for:			
Income taxes—paid	(2,289)	(3,200)	(15,117)
Depreciation and amortization	8,366	7,738	55,253
Impairment loss	498	38	3,289
Loss on liquidation of subsidiary		10	
Reorganization expenses	293	443	1,935
Gain on sales of property, plant and equipment	(16)	(23)	(105)
Loss on sales and disposals of property, plant and equipment	105	92	693
Gain on sales of investment securities		(107)	
Valuation loss on of investment securities		240	
Changes in assets and liabilities:			
Receivables	(4,314)	(3,961)	(28,492)
Inventories	1,571	(4,232)	10,375
Payables	434	1,961	2,866
Liability for retirement benefits	(181)	92	(1,195)
Others—net	1,600	1,442	10,567
Total adjustments	6,068	535	40,076
Net cash provided by operating activities	19,930	8,269	131,629
INVESTING ACTIVITIES:			
Payments into long term deposit	(3,045)		(20,110)
Purchases of property, plant and equipment	(6,074)	(11,151)	(40,116)
Proceeds from sales of property, plant and equipment	109	234	719
Purchases of software and other assets	(226)	(474)	(1,492)
Purchases of investment securities	(120)	(31)	(792)
Proceeds from sales of investment securities		331	
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 24)	(1,204)		(7,951)
Others—net	(6)	76	(39)
Net cash used in investing activities	(10,568)	(11,014)	(69,797)
FINANCING ACTIVITIES:			
Increase (Decrease) in short-term bank loans—net	(542)	1,500	(3,579)
Proceeds from long-term debt	2,526		16,683
Repayments of long-term debt	(2,860)	(5,043)	(18,889)
Purchases of treasury stock	(1,120)	(0)	(7,397)
Disposal of treasury stock	10		66
Dividends paid	(1,917)	(1,916)	(12,660)
Others—net	(434)	(333)	(2,866)
Net cash used in financing activities	(4,338)	(5,793)	(28,650)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	415	1,781	2,740
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	¥ 5,440	¥ (6,757)	$35,928

(Continued)

Fuji Seal International, Inc. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2024	2023	2024
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	¥ 5,440	¥ (6,757)	$35,928
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	17,347	24,105	114,569
CASH AND CASH EQUIVALENTS, END OF THE YEAR (Note 24)	¥22,788	¥17,347	$150,505

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. Japanese yen figures less than a million yen are rounded down to the nearest million yen, except for per share data.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2023 consolidated financial statements to conform to the classifications used in 2024.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Fuji Seal International, Inc. (the "Company") is incorporated and operates. The translations of Japanese yen amount into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥151.41 to $1, the approximate rate of exchange at March 31, 2024. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2024, include the accounts of the Company and its 27 (25 in 2023) subsidiaries (collectively, the "Group").

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

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

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—In accordance with Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items, that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. ***Unification of Accounting Policies Applied to a Foreign-Associated Company for the Equity Method***—In accordance with ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," requires adjustments to be made to conform to the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by a foreign-associated company in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

d. ***Business Combinations***—Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statement's provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date, and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interests is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interests are adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

e. ***Cash Equivalents***—Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value.
(see Note 24).

f. ***Inventories***—Inventories are stated at the lower of cost, determined by the moving-average cost method principally for finished products and work in process and by the most recent purchase price principally for raw materials and supplies, or net selling value.

g. ***Investment Securities***—Available-for-sale securities, which are not classified as either trading securities or held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity when they are classified as securities other than shares that do not have a market value.

Shares that do not have a market value are stated at cost determined by the moving-average method.

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

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

i. ***Property, Plant and Equipment***—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic subsidiaries is computed by the straight-line method. The range of useful lives is from 2 to 50 years for buildings and structures, from 2 to 15 years for machinery and equipment, and from 2 to 20 years for furniture and fixtures.

Equipment held under the lease is depreciated by the straight-line method over the respective lease period.

Under certain conditions, such as the receipt of subsidy and insurance income, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired.

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

k. ***Software***—Software for internal use is amortized by the straight-line method over the estimated useful lives. The estimated useful life is five years.

l. ***Goodwill***—Goodwill arises principally from business combinations. Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired. Goodwill is amortized over 5 to 13 years.

m. ***Retirement and Pension Plans***—The Company and a certain subsidiary have defined contribution pension plans and defined benefit lump-sum payment plans for employees. The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income) after adjusting for tax effects and are recognized in profit or loss primarily over seven years but no longer than the expected average remaining service period of the employees.

n. ***Asset Retirement Obligations***—An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement, and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

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

p. ***Leases***—Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the balance sheet. All other leases are accounted for as operating leases.

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

r. ***Foreign Currency Transactions***—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

s. ***Foreign Currency Financial Statements***—The balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date, except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income (loss) in a separate component of equity. Revenue and expense accounts of the foreign subsidiaries are translated into yen at the average exchange rate.

t. ***Derivatives and Hedging Activities***—The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

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

u. ***Per Share Information***—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period retroactively adjusted for stock splits.

Diluted net income per share is not presented because there are no securities with a dilutive effect upon exercise or conversion into common stock.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

v. ***Accounting Changes and Error Corrections***—Under ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections," accounting treatments are required as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

w. ***Recognition Criteria for Revenue***—The Group recognizes revenue in the amount that it expects to receive in exchange for the goods or services it has committed under its contracts with customers when control of those goods or services is transferred to the customers.

By applying the alternative treatment set forth in Paragraph 98 of the "Guidance on Accounting Standard for Revenue Recognition," revenue is recognized at the time of shipment if the period from the time of shipment to the time when control of the product is transferred to the customer is an ordinary period in the domestic sales of the product.

x. ***Changes in Presentation***

Consolidated Balance Sheet – Advances Received, which was included in “Other current liabilities” under “CURRENT LIABILITIES” in the previous fiscal year, has been independently presented from the current fiscal year due to its increased materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have therefore been reclassified.

As a result, ¥6,214 million presented in “Other current liabilities” under “CURRENT LIABILITIES” in the consolidated balance sheet for the previous fiscal year has been reclassified into “Advances Received”(¥4,566 million) and “Other current liabilities” (¥1,648 million).

Allowance for doubtful accounts, which was included in “Other assets” under “INVESTMENT AND OTHER ASSETS” in the previous fiscal year, has been independently presented from the current fiscal year due to its increased materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have therefore been reclassified.

As a result, ¥685 million presented in “Other assets” under “INVESTMENT AND OTHER ASSETS” in the consolidated balance sheet for the previous fiscal year has been reclassified into “Allowance for doubtful accounts”(¥(45) million) and “Other assets” (¥731 million).

y. ***New Accounting Pronouncements***—On October 28, 2022, the ASBJ revised ASBJ Statement No. 27, "Accounting Standards for Corporate Taxes, Local Taxes, and Business Taxes," ASBJ Statement No. 25, "Accounting Standards for Presentation of Comprehensive Income," and ASBJ Guidance No. 28, "Implementation Guidelines on tax effect accounting."

The New Accounting Standards and the Guidance was published after the ASBJ re-examined the following two issues separately.

—Classification of tax expense (taxation on other comprehensive income)

—Tax effect on the sale of subsidiary stocks or affiliated company stocks in cases where the consolidated tax system is applied

In addition, on March 22, 2024, the ASBJ issued Practical Solution No.46, the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules, which addresses the accounting treatment and disclosure requirements for current taxes related to the Global Minimum Tax Rules.

The Group expects to apply the New Accounting Standards and practical solution for annual periods beginning on April 1, 2024, and is in the process of measuring the effects of applying the New Accounting Standards in future applicable periods.

z. ***Additional Information***—On February 8, 2024, the Board of Directors resolved to introduce a trust-based incentive plan utilizing an Employee Stock Ownership Plan ("ESOP Trust") with the aim of enhancing the Group's medium- to long-term corporate value.

As part of our human capital strategy to achieve our vision of "Our Value to People and the Planet," we have introduced this plan to further enhance welfare benefits for employees who support the Group's growth. Additionally, by providing incentives linked to stock price increases, we aim to further raise awareness among employees regarding the Group's performance and stock value, thereby enhancing medium- to long-term corporate value.

In outline, we have established a trust where eligible employees who join the "Fuji Seal Employee Stock Ownership Plan" ("Company ESOP") will be beneficiaries. The trust will acquire a lump sum of company shares expected to be acquired by the Company ESOP over the next several years. Subsequently, the trust will sell these company shares to the Company ESOP on a monthly basis. At the conclusion of the trust, if there are trust gains due to an increase in share price, money will be distributed to participating employees based on their contribution ratio. In case of a decline in share price resulting in a transfer loss and leaving a debt related to the trust property, under the guarantee provisions of the loan agreement, the Company will make a lump-sum repayment to the bank, thereby avoiding additional burden on employees.

The accounting treatment for the ESOP Trust applies the total cost method, and the company shares owned by the ESOP Trust are presented in the equity section as treasury stock. As of the end of the current consolidated fiscal year, the book value of treasury stock recognized under the total cost method is ¥1,109 million ($7,324 thousand) (538,000 shares), and the book value of long-term borrowings (including those repayable within one year) is ¥1,120 million ($7,397 thousand).

3. SIGNIFICANT ACCOUNTING ESTIMATE

Recoverability of Deferred Tax Assets

Deferred tax assets are recognized for the tax consequences of temporary differences between the financial reporting basis and the tax basis of existing assets and liabilities, as well as operating loss carryforwards. Recoverability of deferred tax assets is mainly based on estimated future taxable income. Changes in the economic environment and other factors may affect these estimates. If actual taxable income would differ from its estimate in timing and amount, it could have a material impact on deferred tax assets for the fiscal year ending March 31, 2025.

Deferred tax assets as of March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Deferred tax assets	¥3,336	¥1,817	$22,032

4. INVESTMENT SECURITIES

Investment securities as of March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Noncurrent:			
Marketable equity securities	¥3,235	¥3,738	$21,365
Nonmarketable equity securities	332	320	2,192
Total	¥3,568	¥4,059	$23,565

The costs and aggregate fair values of investment securities as of March 31, 2024 and 2023, were as follows:

	Millions of Yen			
	2024			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥1,303	¥1,931	¥	¥3,235
Total	¥1,303	¥1,931	¥	¥3,235

	Millions of Yen			
	2023			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥1,183	¥2,561	¥(5)	¥3,738
Total	¥1,183	¥2,561	¥(5)	¥3,738

	Thousands of U.S. Dollars			
	2024			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	$8,605	$ 12,753	$	$21,365
Total	$8,605	$ 12,753	$	$21,365

From the sales of equity securities, the Company has recognized a gain of nil and ¥107 million for the years ended March 31, 2024 and 2023, respectively. The Company has also recognized a loss of nil and ¥0 million for the years ended March 31, 2024 and 2023. With respect to impairing securities with a market value, if the market value at the end of the period has significantly declined compared to the acquisition cost, the Group recognizes impairment to the extent deemed necessary based on recoverability. The Company recognized impairments of nil and ¥240 million on investment securities for the year ended March 31, 2024 and 2023, respectively.

5. INVENTORIES

Inventories as of March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Finished products	¥10,227	¥ 9,142	$ 67,545
Work in process	6,033	5,239	39,845
Raw materials and supplies	9,093	11,140	60,055
Total	¥25,354	¥25,522	$167,452

6. LONG-LIVED ASSETS

(1) *Impairment Losses*

Year ended March 31, 2024

The Group reviewed its long-lived assets for impairment as of March 31, 2024. As a result, Fuji Seal France S.A.S recognized impairment losses on machinery, equipment, etc., of ¥419 million ($2,767 thousand), which was classified as an operating asset, Fuji Seal Vietnam Co., Ltd. recognized impairment loss on machinery, equipment, etc., of ¥117 million ($772 thousand), which was classified as assets to be sold, and Fuji Seal Poland Sp.zo.o. recognized impairment losses on machinery, equipment, etc., of ¥79 million ($521 thousand), which was classified as an idle asset, during the fiscal year.

The loss of ¥117 million ($772 thousand) is arising from restructuring at Fuji Seal Vietnam Co., Ltd. and is presented as a part of reorganization expenses (see Note 10).

The Group determines an asset group for impairment testing based on the business units' operating results. The Group's management monitors management accounting continuously.

Among the assets impaired, the book value of the asset of Fuji Seal France S.A.S was written down to its the recoverable amount considering the indications of impairment due to continuous operating losses. The book value of assets of Fuji Seal Vietnam Co., Ltd. was written down to its recoverable amount due to plans for disposal following a reassessment of business strategy. The book value of the idle asset group of Fuji Seal Poland Sp.zo.o. was written down to the recoverable amount. The recoverable amount of these assets is measured based on its net selling price, which is evaluated as zero.

Year ended March 31, 2023

The Group reviewed its long-lived assets for impairment as of March 31, 2023. As a result, Fuji Seal Poland Sp.zo.o. recognized impairment losses on machinery, equipment, etc., of ¥259 million, which was classified as an idle asset, and Fuji Seal, Inc. recognized impairment loss on buildings and land, etc., of ¥38 million, which was classified as assets to be sold, during the fiscal year.

The loss of ¥259 million is due to the suspension of the pouch business equipment at Fuji Seal Poland Sp.zo.o. and is presented as a part of reorganization expenses (see Note 10).

The Group determines an asset group for impairment testing based on the business units' operating results. The Group's management monitors management accounting continuously.

Among the assets impaired, the book value of the idle asset group of Fuji Seal Poland Sp.zo.o. was written down to the recoverable amount. The book value of assets to be sold by Fuji Seal, Inc. was reduced to their recoverable values upon the decision to sell. The recoverable values of both the idle assets and the assets to be sold are measured based on the net selling values. The selling of these assets to be sold was completed during the current fiscal year ended March 31, 2023.

(2) ***Advanced Deduction***

The amount of advanced deduction directly from the acquisition cost of fixed assets as of March 31, 2024 and 2023, due to the acceptance of government subsidies, etc., is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Land	¥1,478	¥1,478	$ 9,761
Buildings and structures	334	296	2,205
Machinery and equipment	567	565	3,744
Total	¥2,379	¥2,339	$15,712

7. TRADE RECEIVABLES AND CONTRACT LIABILITIES

Notes receivable, accounts receivable, and contract liabilities arising from contracts with customers are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Notes receivable	¥ 430	¥ 347	$ 2,839
Accounts receivable	50,265	45,604	331,979
Contract liabilities	5,586	4,322	36,893

Contract liabilities are presented as a part of Advances received.

8. REVENUE RECOGNITION

(1) ***Disaggregation of Revenue***

Revenues from contracts with customers on a disaggregated basis are as follows:

	Millions of Yen				
	Reportable Segment				
March 31, 2024	Japan	Americas	Europe	ASEAN	Total
Shrink labels	¥50,185	¥47,310	¥16,601	¥ 8,600	¥122,697
Tack labels	8,351	1,865	5,611	186	16,014
Soft pouches	20,555	245		5,642	26,443
Machinery	6,250	7,325	4,593	660	18,829
Others	11,442	1,127		69	12,639
Sales to external customers	¥96,784	¥57,873	¥26,807	¥15,159	¥196,624

March 31, 2023	Millions of Yen Reportable Segment Japan	 Americas	 Europe	 ASEAN	 Total
Shrink labels	¥47,846	¥41,827	¥15,041	¥ 7,926	¥112,642
Tack labels	9,160	1,790	5,525	220	16,697
Soft pouches	20,371	366	149	4,977	25,865
Machinery	6,391	5,180	3,751	621	15,945
Others	11,423	945		515	12,884
Sales to external customers	¥95,194	¥50,111	¥24,468	¥14,261	¥184,035

March 31, 2024	Thousands of U.S. Dollars Reportable Segment Japan	 Americas	 Europe	 ASEAN	 Total
Shrink labels	$331,451	$312,462	$109,642	$56,799	$ 810,362
Tack labels	55,154	12,317	37,058	1,228	105,765
Soft pouches	135,757	1,618		37,263	174,645
Machinery	41,278	48,378	30,334	4,359	124,357
Others	75,569	7,443		455	83,475
Sales to external customers	$639,218	$382,227	$177,049	$100,118	$1,298,619

(**2**) ***Basic Information to Understand Revenues from Contracts with Customers***

For the sales of shrink labels, tack labels, and soft pouches, revenue is mainly recognized as a result of the fulfillment of performance obligations when the product arrives at the customer site. In the machinery business, revenue is mainly recognized at the time of acceptance by the customer.

For shrink labels, tack labels, and soft pouches, revenue is recognized at the time of shipment if the period from the time of shipment to the time when control of the product is transferred to the customer is an ordinary period in the domestic sales of the product in accordance with the alternative treatment set forth in Paragraph 98 of the "Guidance on Accounting Standard for Revenue Recognition."

After the fulfillment of the performance obligations, the normal payment term is approximately six months or less, and does not include significant financial components.

(**3**) ***Information about the Relationship between the Fulfillment of Performance Obligations Based on the Contract with the Customer and the Cash Flow Generated from the Contract, and the Amount of Revenue Expected to Be Recognized after the Next Fiscal Year from the Contract with the Customer Existing at the End of the Current Fiscal Year and the Timing of Cash Flows***

a. Balances of contract liabilities

	Millions of Yen 2024	 2023	Thousands of U.S. Dollars 2024
Contract liabilities:			
Advances received (Beginning balance)	¥4,322	¥2,964	$ 28,545
Advances received (Ending balance)	5,586	4,322	36,893

Contract assets are not presented in the table above since the amount is immaterial.

The amount of revenue recognized for the fiscal year ended March 31, 2024, included in the beginning balance of contract liabilities as of April 1, 2023, is ¥4,322 million ($28,545 thousand).

The amount of revenue recognized for the fiscal year ended March 31, 2023, included in the beginning balance of contract liabilities as of April 1, 2022, is ¥2,964 million.

b. *Transaction prices allocated to outstanding performance obligations*

The Group adopts a practical expedient and omits disclosure regarding the remaining performance obligations because there are no transactions with expected contract durations of over one year. No material consideration from contracts with customers is excluded from the transaction price.

9. INSURANCE INCOME

Year Ended March 31, 2024

The amount received as insurance is recorded as "Insurance income," and the amount of reduction entry related to the insurance is recorded as "Loss on advanced depreciation deduction of fixed assets."

Year Ended March 31, 2023

No insurance income was recognized.

10. REORGANIZATION EXPENSES

Year Ended March 31, 2024

The fixed asset disposal loss due to restructuring within the Americas region amount to ¥150 million ($990 thousand), and the impairment loss resulting from restructuring within the ASEAN region amounts to ¥117 million ($772 thousand). Additionally, there are other expenses totaling ¥25 million ($165 thousand).

Year Ended March 31, 2023

The restructuring expenses related to personnel reduction within the European region amount to ¥183 million, and the impairment loss resulting from the suspension of the pouch business equipment at Fuji Seal Poland Sp.zo.o. amounts to ¥259 million.

11. LIQUIDATION LOSS OF SUBSIDIARY

Year Ended March 31, 2024

No liquidation loss of the subsidiary was recognized.

Year Ended March 31, 2023

The amount was recognized due to the liquidation of a consolidated subsidiary, PT. Fuji Seal Packaging Indonesia.

12. SUBSIDY INCOME AND LOSS ON ADVANCED DEPRECIATION DEDUCTION OF FIXED ASSETS

Year Ended March 31, 2024

The amount received as subsidies, etc., is recorded as "Subsidy income," and the amount of reduction entry related to the subsidies, etc., is recorded as "Loss on advanced depreciation deduction of fixed assets."

Year Ended March 31, 2023

The amount received as subsidies, etc., is recorded as "Subsidy income," and the amount of reduction entry related to the subsidies, etc., is recorded as "Loss on advanced depreciation deduction of fixed assets."

13. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans, as of March 31, 2024 and 2023, consisted of bank loans and bank overdrafts. The weighted-average annual interest rate applicable to short-term bank loans was 0.4% for the years ended March 31, 2024 and 1.9% for the years ended March 31, 2023.

Long-term debt as of March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Loans from banks with weighted average per annum interest rate of 3.9% for 2024 (5.6% for 2023) due serially to 2029	¥2,598	¥2,755	$17,158
Total	2,598	2,755	17,158
Less current portion	(756)	(2,699)	(4,993)
Long-term debt, less current portion	¥1,841	¥ 56	$12,159

Annual maturities of long-term debt as of March 31, 2024, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2025	¥ 756	$ 4,993
2026	696	4,596
2027	696	4,596
2028	224	1,479
2029	224	1,479
2030 and thereafter		
Total	¥ 2,598	$ 17,158

14. RETIREMENT AND PENSION PLANS

The Company and certain subsidiaries have defined retirement benefit plans, such as a defined corporate pension plan and lump-sum pension plan, and also have defined contribution plans.

In the fiscal year ended March 31, 2024, Fuji Seal Switzerland AG, which adopts defined corporate pension plan, is in the process of liquidation and has settled its retirement benefit plan as a part of this procedure.

Defined Retirement Benefit Plan

(1) The changes in defined benefit obligations for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Balance at beginning of the year	¥3,059	¥3,238	$20,203
Current service cost	223	176	1,472
Interest cost	23	17	151
Actuarial gains	(52)	(157)	(343)
Benefits paid	(261)	(351)	(1,723)
Foreign currency transaction adjustments	34	118	224
Liquidation of retirement benefit plan	(205)		(1,353)
Others	44	17	290
Balance at end of the year	¥2,865	¥3,059	$18,922

(2) The changes in plan assets for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Balance at beginning of the year	¥ 268	¥607	$ 1,770
Interest income	6	1	39
Actuarial (gains) losses	2	(157)	13
Contributions from the employer	4	14	26
Benefits paid	(113)	(276)	(746)
Foreign currency transaction adjustments	18	68	118
Liquidation of retirement benefit plan	(195)		(1,287)
Others	8	11	52
Balance at end of the year	¥	¥268	$

(3) Reconciliation between the liability and assets recorded in the consolidated balance sheet and the balances of defined benefit obligations and plan assets as of March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Defined benefit obligations	¥	¥ 271	$
Plan assets		(268)	
Total		3	
Unfunded defined benefit obligations	2,865	2,787	18,922
Net liability arising from defined benefit obligations	¥2,865	¥2,791	$18,922

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Liability for retirement benefits	¥2,865	¥2,791	$18,922
Net liability arising from defined benefit obligation	¥2,865	¥2,791	$18,922

(4) The components of net periodic benefit costs for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Service cost	¥223	¥176	$ 1,472
Net interest cost	17	16	112
Recognized actuarial losses	(187)	0	(1,235)
Amortization of prior service cost	4	0	26
Others (including early retirement payment)	0	0	0
Net periodic benefit costs	¥ 58	¥194	$ 383

(5) Amounts recognized in other comprehensive income (before income taxes) in respect of defined retirement benefit plans for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Prior service cost	¥ 0	¥ 0	$ 0
Actuarial (gains) losses	(160)	19	(1,056)
Total	¥(159)	¥19	$ (1,050)

(6) Amounts recognized in accumulated other comprehensive income (before income tax) in respect of defined retirement benefit plans as of March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Unrecognized prior service cost	¥ (1)	¥ (1)	$ (6)
Unrecognized actuarial losses	(34)	230	(224)
Total	¥ (35)	¥228	$ (231)

(7) Components of plan assets as of March 31, 2024 and 2023, consisted of the following:

	2024	2023
Debt investments	%	40%
Equity investments		33
Real estate (including REITs)		19
Others		8
Total	%	100%

(8) Assumptions used for the years ended March 31, 2024 and 2023, were set forth as follows:

	2024	2023
Discount rate	Domestic: 0.1%	Domestic: 0.1%
	Foreign: 2.7-4.9%	Foreign: 0.2–5.0%
Estimated rate of salary increase*	Domestic: 4.0%	Domestic: 4.0%
	Foreign: 1.0-5.5%	Foreign: 1.0–7.5%

* For the Company and domestic subsidiaries, the estimated rate of salary increase represented an estimated rate of increase in points, which is applied in calculating the retirement benefits.

Defined Contribution Plans

The amounts of required contribution for the years ended March 31, 2024 and 2023, were ¥720 million ($4,755 thousand) and ¥647 million, respectively.

15. EQUITY

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

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria, including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit and Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Board of Directors of companies with board committees (namely, appointment committee, compensation committee, and audit committee) may also declare dividends at any time because such companies, by nature, meet the criteria under the Companies Act. The Company is organized as a company with board committees. The Company meets all the above criteria, and accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

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

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

b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon the resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

16. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.59% for the years ended March 31, 2024 and 2023. The foreign subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities as of March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Deferred tax assets:			
Accrued enterprise taxes	¥ 126	¥ 86	$ 832
Accrued bonuses	493	377	3,256
Allowance for doubtful accounts	49	35	323
Liability for retirement benefits	784	760	5,177
Tax loss carryforwards	5,864	5,108	38,729
Fixed assets	437	164	2,886
Depreciation	1,071	628	7,073
Temporary differences related to retained earnings of subsidiaries	1,594	1,960	10,527
Unrealized intercompany profits	211	100	1,393
Tax credits carryforwards for investment	2,506	2,142	16,551
Others	1,093	933	7,218
Total of tax loss carryforwards and temporary differences	14,233	12,298	94,003
Less valuation allowance for tax loss carryforwards	(5,064)	(4,843)	(33,445)
Less valuation allowance for temporary differences	(2,818)	(2,124)	(18,611)
Total valuation allowance	(7,883)	(6,967)	(52,063)
Deferred tax assets	6,350	5,331	41,939
Deferred tax liabilities:			
Reserve for advanced depreciation of property, plant and equipment	(283)	(301)	(1,869)
Net unrealized gains on available-for-sale securities	(589)	(780)	(3,890)
Depreciation	(1,375)	(970)	(9,081)
Foreign exchange translation differences of overseas subsidiaries	(1,507)	(1,459)	(9,953)
Retained earnings of overseas subsidiaries	(778)	(615)	(5,138)
Others	(327)	(186)	(2,159)
Deferred tax liabilities	(4,861)	(4,314)	(32,104)
Net deferred tax liabilities	¥ 1,488	¥ 1,016	$ 9,827

The expiration of tax loss carryforwards, the related valuation allowances, and the resulting net deferred tax assets as of March 31, 2024 and 2023, was as follows:

	Millions of Yen						
March 31, 2024	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards	¥509	¥ 35	¥ 58	¥ 44	¥57	¥5,160	¥5,864
Less valuation allowances for tax loss carryforwards	(509)	(35)	(58)	(44)	(57)	(4,360)	(5,064)
Net deferred tax assets relating to tax loss carryforwards						799	799

	Thousands of U.S. Dollars						
March 31, 2024	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards	$ 3,361	$231	$383	$290	$ 376	$34,079	$38,729
Less valuation allowances for tax loss carryforwards	(3,361)	(231)	(383)	(290)	(376)	(28,795)	(33,445)
Net deferred tax assets relating to tax loss carryforwards						5,277	5,277

	Millions of Yen						
March 31, 2023	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards	¥ 55	¥566	¥ 29	¥ 48	¥ 639	¥ 3,768	¥ 5,108
Less valuation allowances for tax loss carryforwards	(55)	(566)	(29)	(48)	(639)	(3,502)	(4,843)
Net deferred tax assets relating to tax loss carryforwards						265	265

Reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2024 and 2023, was as follows:

	2024	2023
Normal effective statutory tax rate	30.59%	30.59%
Dividend income	0.24	1.24
Increase/decrease in valuation allowance	(1.66)	8.75
Lower income tax rates applicable to income in certain foreign countries	(3.82)	1.24
Resident tax per capita rate	0.30	0.54
Tax credit for research and development costs	(1.54)	(2.17)
Impact of fluctuations of foreign currency exchange at overseas subsidiaries	(4.81)	(7.93)
Unrealized gains	2.05	1.16
Investments in subsidiaries	2.64	(23.22)
Retained earnings of overseas subsidiaries	1.27	0.77
Other—net	0.60	0.21
Actual effective tax rate	25.86%	11.18%

The Company and certain domestic consolidated subsidiaries have applied the group relief system. Accounting treatment, tax effect accounting, and disclosure related to corporate taxes and local corporate taxes are conducted in accordance with the "Accounting and Disclosure for the Application of Japanese Group Relief System" (Practical Implementation Guidance No. 42, August 12, 2021).

17. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥2,524 million ($16,669 thousand) and ¥2,464 million for the years ended March 31, 2024 and 2023, respectively.

18. LEASES

The Group leases certain machinery, computer equipment, and other assets.

Total rental expenses, including lease payments under finance leases for the years ended March 31, 2024 and 2023, were ¥522 million ($3,447 thousand) and ¥415 million, respectively.

19. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

The Group invests cash surpluses in low-risk financial assets, mainly short-term deposits, and uses financial instruments, mainly short-term bank loans and bonds, for funding. The Company and its subsidiaries apply short-term deposits and short-term loans receivable among Group companies (cash management system). Derivatives are not used for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) *Nature and Extent of Risks Arising from Financial Instruments*

Receivables for trade are exposed to customer credit risk. Receivables and payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates. Marketable and investment securities, mainly listed shares, are exposed to the risk of market price fluctuations. Payment terms of payables for trade are mostly less than six months.

Maturities of bank loans and bonds are less than five years from the balance sheet date. Although a part of such bank loans is exposed to market risks from changes in variable interest rates, those risks are mitigated by using interest rate swaps.

Derivatives consist primarily of forward foreign currency contracts and interest rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables and from changes in interest rates of bank loans. Please see Notes 2.t and 20 for more details on derivatives.

Long-term deposits are structured as embedded derivative deposits, which are high-security financial instruments that guarantee full repayment of the principal amount at maturity.

(3) ***Risk Management for Financial Instruments***

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables based on internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage. The credit risk affecting subsidiaries is also managed in the same manner.

Market risk management (foreign exchange risk and interest rate risk)

Investment securities are managed by monitoring market values and the financial position of issuers on a regular basis.

Interest rate swaps are used to manage exposure to market risks from changes in interest rates of loans.

Liquidity risk management

Liquidity risk includes the risk that the Group cannot meet its contractual obligations in full on its maturity dates. The Group manages its liquidity risk by holding an adequate volume of liquid assets in view of business income and manages expenditures and equipment investment spending plans, along with adequate financial planning by the Corporate Treasury Department. Subsidiaries also report their financial plans to the Group. The Finance Department manages liquidity risk by obtaining information on the cash flows of the whole Group.

(4) ***Fair Values of Financial Instruments***

The valuation technique of financial instruments utilizes certain assumptions, and the fair values may change by adopting different assumptions. In addition, the contract amounts of derivatives in Note 20 do not directly indicate the market risk of derivatives.

(*a*) *Fair value of financial instruments*

The carrying amounts, fair values, and unrealized gain/loss as of March 31, 2024 and 2023, were as follows. Note that the notes for cash and deposits, receivables, payables, income taxes payable, and short-term bank loans are omitted because the carrying amounts approximate fair value due to their short maturities.

	Millions of Yen		
March 31, 2024	Carrying Amount	Fair Value	Unrealized Gain
Investment securities:			
Available-for-sale securities*1	¥3,235	¥3,235	¥
Deposits:			
Long-term deposits	3,028	3,028	0
Total assets	¥6,263	¥6,263	¥ 0
Long-term debt	¥2,598	¥2,597	¥ 0
Total liabilities	¥2,598	¥2,597	¥ 0
Derivatives*2	¥ (16)	¥ (16)	¥

*1 Shares that do not have market prices (carrying amount of ¥332 million) are not included in available-for-sale securities.

*2 Derivative assets and liabilities are presented on a net basis. Negative balances indicate derivative liabilities.

March 31, 2023	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain
Investment securities:			
Available-for-sale securities*[1]	¥3,738	¥3,738	
Total assets	¥3,738	¥3,738	
Long-term debt	¥2,755	¥2,747	¥ 7
Total liabilities	¥2,755	¥2,747	¥ 7
Derivatives*[2]	¥ (30)	¥ (30)	

*[1] Shares that do not have market prices (carrying amount of ¥320 million) are not included in available-for-sale securities.

*[2] Derivative assets and liabilities are presented on a net basis. Negative balances indicate derivative liabilities.

March 31, 2024	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain
Investment securities:			
Available-for-sale securities*[1]	$ 21,365	$21,365	$
Deposits:			
Long-term deposits	19,998	19,998	0
Total assets	$41,364	$41,364	$ 0
Long-term debt	$17,158	$17,152	$ 0
Total liabilities	$17,158	$17,152	$ 0
Derivatives*[2]	$ (105)	$ (105)	$

*[1] Shares that do not have market prices (carrying amount of $2,192 thousand) are not included in available-for-sale securities.

*[2] Derivative assets and liabilities are presented on a net basis. Negative balances indicate derivative liabilities.

(5) ***Maturity Analysis for Financial Assets with Contractual Maturities***

	Millions of Yen			
March 31, 2024	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥22,806	¥	¥	¥
Receivables:				
Notes and accounts receivable—trade	50,695			
Electronically recorded monetary claims—trade	12,628			
Long-term deposits		3,028		
Total assets	¥86,130	¥ 3,028	¥	¥
March 31, 2023				
Cash and cash equivalents	¥22,034			
Receivables:				
Notes and accounts receivable—trade	45,951			
Electronically recorded monetary claims—trade	11,353			
Total assets	¥79,339			

	Thousands of U.S. Dollars			
March 31, 2024	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	$150,624	$	$	$
Receivables:				
Notes and accounts receivable—trade	334,819			
Electronically recorded monetary claims—trade	83,402			
Long-term deposits		19,998		
Total assets	$568,852	$19,998	$	$

Please see Note 13 for annual maturities of long-term debt and Note 18 for obligations under finance leases.

(6) ***Financial Instruments Categorized by Fair Value Hierarchy***

The fair values of financial instruments are categorized into the following three levels, depending on the observability and importance of the inputs used in the fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is categorized at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(*a*) *The financial instruments and liabilities measured at the fair values in the consolidated balance sheet*

March 31, 2024

	Millions of Yen			
	Fair Value			
Category	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	¥3,235	¥	¥	¥3,235
Total assets	¥3,235	¥	¥	¥3,235
Derivatives				
Foreign currency forward contracts	¥	¥16	¥	¥ 16
Total liabilities	¥	¥16	¥	¥ 16

March 31, 2023

	Millions of Yen			
	Fair Value			
Category	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	¥3,738			¥3,738
Total assets	¥3,738			¥3,738
Derivatives				
Foreign currency forward contracts		¥30		¥ 30
Total liabilities		¥30		¥ 30

March 31, 2024

	Thousands of U.S. Dollars			
	Fair Value			
Category	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	$21,365	$	$	$21,365
Total assets	$21,365	$	$	$21,365
Derivatives				
Foreign currency forward contracts	$	$105	$	$ 105
Total liabilities	$	$105	$	$ 105

(*b*) *The financial instruments not measured at the fair values in the consolidated balance sheet*

March 31, 2024

	Millions of Yen			
	Fair Value			
Category	Level 1	Level 2	Level 3	Total
Long-term deposits	¥	¥3,028	¥	¥3,028
Total assets	¥	¥3,028	¥	¥3,028
Long-term debt	¥	¥2,597	¥	¥2,597
Total liabilities	¥	¥2,597	¥	¥2,597

March 31, 2023

	Millions of Yen			
	Fair Value			
Category	Level 1	Level 2	Level 3	Total
Long-term debt		¥2,747		¥2,747
Total liabilities		¥2,747		¥2,747

March 31, 2024

	Thousands of U.S. Dollars			
	Fair Value			
Category	Level 1	Level 2	Level 3	Total
Long-term deposits	$	$19,998	$	$19,998
Total assets	$	$19,998	$	$19,998
Long-term debt	$	$17,152	$	$17,152
Total liabilities	$	$17,152	$	$17,152

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Investment Securities

Listed shares are valued using the market prices. Since listed shares are traded on active markets, the market price is categorized as Level 1 input.

Long-term deposits

The fair value of long-term deposits is calculated using the method of discounting the total amount of principal and interest at an assumed interest rate for similar new deposits. This fair value is categorized as Level 2 input.

Derivatives

Derivatives are valued using a price quoted by a financial institution. The quoted price is categorized as a Level 2 input.

Long-Term Debt (Including Long-Term Debt Due within One Year or Less)

The fair market value of long-term borrowings is calculated by the discounted present value method based on the total amount of principal and interest and an interest rate that takes into account the remaining term of the obligation and credit risk. The interest rate is categorized as Level 2 input.

20. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

All derivative transactions are executed to hedge foreign currency exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. The Group does not hold or issue derivatives for trading or speculative purposes.

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

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

Derivative Transactions to Which Hedge Accounting Is Not Applied

	Millions of Yen			
March 31, 2024	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling JPY	¥ 50	¥	¥ (0)	¥ (0)
Selling USD	63		0	0
Buying EUR	1,106	36	(11)	(11)
March 31, 2023				
Foreign currency forward contracts:				
Selling JPY	¥ 75		¥ (0)	¥ (0)
Selling USD	41		(0)	(0)
Buying EUR	1,006	¥86	(29)	(29)

	Thousands of U.S. Dollars			
March 31, 2024	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling JPY	$ 330	$	$ (0)	$ (0)
Selling USD	416		0	0
Buying EUR	7,304	237	(72)	(72)

Derivative Transactions to Which Hedge Accounting Is Applied

	Millions of Yen			
March 31, 2024	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling USD	¥ 41	¥	¥ (4)	¥ (4)

There are no relevant items for the year ended, March 31,2023.

March 31, 2024	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling USD	$ 270	$	$(26)	$(26)

21. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen 2024	Millions of Yen 2023	Thousands of U.S. Dollars 2024
Unrealized gain on available-for-sale securities:			
Gain (loss) arising during the year	¥ (622)	¥ 794	$(4,108)
Reclassification adjustments to profit or loss		(107)	
Amount before income tax effect	(622)	686	(4,108)
Income tax effect	190	(210)	1,254
Total	¥ (431)	¥ 476	$(2,846)
Deferred gain (loss) on derivatives under hedge accounting			
Gain (loss) arising during the year	¥ (4)		$ (26)
Reclassification adjustments to profit or loss			
Amount before income tax effect	(4)		(26)
Income tax effect	1		6
Total	¥ (3)	¥	$ (19)
Foreign currency translation adjustments:			
Gain arising during the year	¥ 4,930	¥ 7,098	$32,560
Reclassification adjustments to profit or loss		10	
Amount before income tax effect	4,930	7,109	32,560
Income tax effect	(47)	(1,470)	(310)
Total	¥ 4,882	¥ 5,638	$32,243
Adjustment for defined retirement benefit plan:			
Gain arising during the year	¥ 26	¥ 18	$ 171
Reclassification adjustments to profit or loss	(186)	0	(1,228)
Amount before income tax effect	(159)	19	(1,050)
Income tax effect	(0)	(37)	(0)
Total	¥ (160)	¥ (17)	$(1,056)
Total other comprehensive income	¥ 4,287	¥ 6,097	$ 28,313

22. NET INCOME PER SHARE

Basic net income per share (EPS) for the years ended March 31, 2024 and 2023, is calculated as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2024	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥10,277	54,735	¥187.77	$1.24
Year Ended March 31, 2023				
Basic EPS—Net income available to common shareholders	¥6,869	54,764	¥125.43	

The calculation of EPS includes the Company shares held by the Employee Stock Ownership Plan (ESOP) trust. The average number of treasury shares deducted was 49,953 shares for the year ended March 31, 2024, and 0 shares for the year ended March 31, 2023.

Diluted net income per share is not disclosed because there are no dilutive shares.

23. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

The main components of selling, general, and administrative expenses for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Employees' salaries	¥8,501	¥8,069	$56,145
Freight charges	2,889	3,184	19,080

24. SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(1) Reconciliations between cash and cash equivalents on the consolidated statement of cash flows and account balances presented on the consolidated balance sheets at March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Cash and cash equivalents in the consolidated balance sheet	¥22,788	¥22,034	$150,505
Bank overdraft		(4,686)	
Cash and cash equivalents in the consolidated statement of cash flows	¥22,788	¥17,347	$150,505

Bank overdraft is presented in short-term bank loans on the balance sheet.

(2) Major breakdown of assets and liabilities related to the subsidiary acquired through stock acquisition

The Group has newly consolidated Toride Pharma K.K. and TAT Toride Asset Trading Co., Ltd. through the acquisition of their stocks. The breakdown of assets and liabilities at the start of consolidation, along with the relationship between the acquisition cost of the stocks and the cash payment (net amount) incurred from the acquisition, is as follows.

The following amounts reflect the result of purchase price allocation, which includes significant remeasurement of initial allocations related to business combinations.

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 61	$ 402
Fixed assets	210	1,386
Goodwill	984	6,498
Current liabilities	(31)	(204)
The acquisition cost of the subsidiaries	1,224	8,084
Cash and cash equivalents	(20)	(132)
Net: cash payment resulting from the acquisition of subsidiaries	¥ 1,204	$ 7,951

There are no relevant items for the year ended March 31, 2023.

25. BUSINESS COMBINATION

Business Combination by Acquisition

1.Overview of Business Combination

(1) Names and Business Activities of Acquired Companies

Names of Acquired Companies: Toride Pharma K.K. and TAT Toride Asset Trading Co., Ltd.
Business Activities: Contract manufacturing and sales of pharmaceutical inspection and packaging services.

(2) Principal Reasons for Business Combination

As part of our sustainable growth strategy, the Group aims to: (1) steadily strengthen existing four businesses, (2) expand product markets and target areas, and (3) create new business models leading into the next generation. Through the recent acquisition of Toride Pharma K.K. and TAT Toride Asset Trading Co., Ltd., both companies are engaged in the contract packaging business of pharmaceuticals, which the Group aims to expand in the future. Their inclusion in the Group will accelerate expansion of pharmaceutical business, which is the key initiative of our sustainable growth strategy (2) expand product markets and target areas, and further provide new value to our customers.

(3) Date of Business Combination

June 15, 2023 (Deemed acquisition date: June 30, 2023)

(4) Legal Form of Business Combination

Acquisition of shares for cash.

(5) Name of the company after the combination

No change.

(6) Acquired Voting Rights Percentage

100%.

(7) Key Basis for Selection of Acquiring Company

Fuji Seal Co., Ltd., acquired all voting rights of the acquired companies through cash acquisition and therefore Fuji Seal Co., Ltd., was identified as the acquiring company.

2. Period of Performance of Acquired Companies Included in Consolidated Financial Statements

From July 1, 2023, to December 31, 2023.

3. Acquisition Cost and Breakdown of Acquired Company

The acquisition cost of the acquired company is ¥1,224 million ($8,084 thousand) paid in cash.

4. Details and Amount of Major Acquisition-Related Costs

Advisory fees, etc.: ¥90 million ($594 thousand).

5. Amount of Goodwill, Reasons for its Generation, Amortization Method, and Amortization Period

(1) Amount of Goodwill Generated

¥984 million ($6,498 thousand).

(2) Reason for its Generation

Goodwill is recognized as the excess of acquisition cost over the net amount assigned to the acquired assets and assumed liabilities.

(3) Amortization Method and Period

Straight-line amortization over 13 years.

6. Amount of Assets Accepted and Liabilities Assumed on the Date of Business Combination and Their Main Breakdown

Current assets: ¥61 million ($402 thousand)
Fixed assets: ¥210 million ($1,386 thousand)
Total assets: ¥271 million ($1,789 thousand)
Current liabilities: ¥31 million ($204 thousand)
Total liabilities: ¥31 million ($204 thousand)

7.Content of Contingent Consideration in the Business Combination Agreement and Future Accounting Policy

(1) Content of Contingent Consideration

Contingent consideration allows for additional payments of up to $1,200 thousand contingent upon achieving performance targets set for the fiscal years ending December 2023 through December 2025."

(2) Future Accounting Policy

In case of fluctuations in the acquisition consideration, adjustments will be made to the acquisition cost as incurred at the time of acquisition. The amount of goodwill and the amortization amount of goodwill will also be adjusted accordingly.

8.Estimated Impact on the Consolidated Statement of Profit or Loss for the Current Consolidated Fiscal year assuming Completion of the Business Combination on the Start Date of the Consolidated Fiscal Year

The impact on the consolidated statement of profit or loss for the current fiscal year is deemed insignificant and thus omitted from disclosure.

26. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2024, was approved at the meeting of the Board of Directors of the Company held on May 20, 2024:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥43 ($0.28) per share	¥2,356	$15,560

27. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and for which such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) ***Description of Reportable Segments***

The Group's reportable segments are those for which separate financial information is available, and regular evaluation by the Company's management is performed in order to decide how management resources are allocated among the Group. The Group conducts packaging business (which mainly consists of shrink labels and self-adhesive (tack) labels) in different geographical segments, namely in Japan, the Americas, Europe, and ASEAN. Each of the regions is an independently managed unit that can conduct production and sales in their respective region.

(2) ***Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, Liabilities, and Other Items for Each Reportable Segment***

The method of accounting for the reported business segments is based on the accounting principles used to prepare the consolidated financial statements. Reportable segment profit is based on operating income. Intersegment sales or transfers are based on prevailing market prices.

(3) ***Information about Sales, Profit (Loss), Assets, Liabilities, and Other Items***

	Millions of Yen						
	2024						
	Reportable Segment						
	Japan	Americas	Europe	ASEAN	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥96,784	¥57,873	¥26,807	¥15,159	¥196,624	¥	¥196,624
Intersegment sales or transfers	2,077	8	4,333	2,930	9,350	(9,350)	
Total	¥98,861	¥57,882	¥31,140	¥18,089	¥205,974	¥(9,350)	¥196,624
Segment profit (loss)	¥ 8,779	¥ 3,368	¥ 801	¥ 482	¥ 13,432	¥ (122)	¥ 13,309
Segment assets	95,170	56,090	26,503	19,900	197,664	(4,980)	192,684
Segment liabilities	37,724	13,253	8,231	5,551	64,761	(4,219)	60,542
Other:							
Depreciation	3,430	2,747	1,146	1,058	8,383	(16)	8,366
Increase in property, plant and equipment and intangible assets	2,802	2,707	959	508	6,978	53	7,032

	Millions of Yen						
	2023						
	Reportable Segment						
	Japan	Americas	Europe	ASEAN	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥95,194	¥50,111	¥24,468	¥14,261	¥184,035		¥184,035
Intersegment sales or transfers	1,941	37	3,650	3,198	8,828	¥(8,828)	
Total	¥97,135	¥50,149	¥28,118	¥17,460	¥192,863	¥(8,828)	¥184,035
Segment profit (loss)	¥ 7,623	¥ 1,749	¥ (1,079)	¥ 94	¥ 8,388	¥ (193)	¥ 8,194
Segment assets	93,077	49,362	23,427	18,549	184,416	(4,412)	180,004
Segment liabilities	31,174	12,831	13,625	5,497	63,128	(3,695)	59,432
Other:							
Depreciation	3,165	2,336	1,208	1,051	7,761	(22)	7,738
Increase in property, plant and equipment and intangible assets	4,302	5,478	541	722	11,045	23	11,068

	Thousands of U.S. Dollars						
	2024						
	Reportable Segment						
	Japan	Americas	Europe	ASEAN	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	$639,218	$382,227	$177,049	$100,118	$1,298,619	$	$1,298,619
Intersegment sales or transfers	13,717	52	28,617	19,351	61,752	(61,752)	
Total	$652,935	$382,286	$205,666	$119,470	$1,360,372	$(61,752)	$1,298,619
Segment profit (loss)	$ 57,981	$ 22,244	$ 5,290	$ 3,183	$ 88,712	$ (805)	$ 87,900
Segment assets	628,558	370,451	175,041	131,431	1,305,488	(32,890)	1,272,597
Segment liabilities	249,151	87,530	54,362	36,662	427,719	(27,864)	399,854
Other:							
Depreciation	22,653	18,142	7,568	6,987	55,366	(105)	55,253
Increase in property, plant and equipment and intangible assets	18,506	17,878	6,333	3,355	46,086	350	46,443

Notes: 1. The major countries or areas belonging to classifications other than Japan:

Americas: USA, Mexico
Europe: United Kingdom, Netherlands, France, Spain, Poland, Switzerland, Germany, Italy
ASEAN: Indonesia, Vietnam, Thailand, India

2. Reconciliations

Reconciliation of segment profit of ¥(122) million ($(805) thousand) and ¥(193) million for the years ended March 31, 2024 and 2023, respectively, was mainly composed of elimination of the intersegment transaction, including unrealized gains.

Reconciliation of segment assets of ¥(4,980) million ($(32,890) thousand) and ¥(4,412) million for the years ended March 31, 2024 and 2023, respectively, was mainly composed of offsetting of the receivables and the payables, investment account, and the capital account.

Reconciliation of segment liabilities of ¥(4,219) million ($(27,864) thousand) and ¥(3,695) million for the years ended March 31, 2024 and 2023, respectively, was mainly composed of offsetting of the receivables and the payables.

Reconciliation of depreciation of ¥(16) million ($(105) thousand) and ¥(22) million for the years ended March 31, 2024 and 2023, respectively, was mainly composed of elimination of the intersegment transaction, including unrealized gains.

Reconciliation of increase in property, plant and equipment and intangible assets of ¥53 million ($350 thousand) and ¥23 million for the years ended March 31, 2024 and 2023, respectively, was mainly composed of elimination of unrealized gains.

(4) ***Information about Products and Services***

	Millions of Yen					
	2024					
	Shrink Labels	Self-adhesive (Tack) Labels	Soft Pouches	Machinery	Others	Total
Sales to external customers	¥122,697	¥16,014	¥26,443	¥18,829	¥12,639	¥196,624

	Millions of Yen					
	2023					
	Shrink Labels	Self-adhesive (Tack) Labels	Soft Pouches	Machinery	Others	Total
Sales to external customers	¥112,642	¥16,697	¥25,865	¥15,945	¥12,884	¥184,035

	Thousands of U.S. Dollars					
	2024					
	Shrink Labels	Self-adhesive (Tack) Labels	Soft Pouches	Machinery	Others	Total
Sales to external customers	$810,362	$105,765	$174,645	$124,357	$83,475	$1,298,619

(5) ***Information about Geographical Areas***

a. Sales

Millions of Yen				
2024				
Japan	Americas	Europe	Others	Total
¥96,397	¥57,913	¥26,168	¥16,145	¥196,624

Millions of Yen				
2023				
Japan	Americas	Europe	Others	Total
¥94,833	¥50,481	¥23,152	¥15,567	¥184,035

Thousands of U.S. Dollars				
2024				
Japan	Americas	Europe	Others	Total
$636,662	$382,491	$172,828	$106,631	$1,298,619

Note: Classification of countries or areas is based on a geographical adjacency.

The major countries or areas belonging to classifications other than Japan for the years ended March 31, 2024 and 2023, are:

Americas: USA, Canada, Mexico, and other countries
Europe: European countries
Others: ASEAN countries

Sales in Americas and Europe are classified as one section respectively, because of the difficulty to identify these sales in each country.

b. Property, plant and equipment

Millions of Yen					
2024					
	Americas				
Japan	Americas Total	United States	Europe	ASEAN	Total
¥25,767	¥20,562	¥16,172	¥9,149	¥7,294	¥62,774

Millions of Yen					
2023					
	Americas				
Japan	Americas Total	United States	Europe	ASEAN	Total
¥26,139	¥19,539	¥14,740	¥8,711	¥7,599	¥61,989

Thousands of U.S. Dollars					
2024					
	Americas				
Japan	Americas Total	United States	Europe	ASEAN	Total
$170,180	$135,803	$106,809	$60,425	$48,173	$414,596

(**6**) ***Information about Impairment Losses of Assets***

	Millions of Yen					
	2024					
	Japan	Americas	Europe	ASEAN	Others	Total
Impairment losses	¥	¥	¥498	¥117	¥	¥615

	Millions of Yen					
	2023					
	Japan	Americas	Europe	ASEAN	Others	Total
Impairment losses	¥38		¥259			¥298

	Thousands of U.S. Dollars					
	2024					
	Japan	Americas	Europe	ASEAN	Others	Total
Impairment losses	$	$	$3,289	$772	$	$4,061

Note: The impairment losses of ¥117 million ($772 thousand) for ASEAN and ¥259 million for Europe for the years ended March 31, 2024 and 2023, respectively, is presented as a part of reorganization expenses.

(**7**) ***Information about Amortization of Goodwill and the Remaining Balance by Reportable Segment***

	Millions of Yen					
	2024					
	Japan	Americas	Europe	ASEAN	Others	Total
Amortization of goodwill	¥ 37	¥	¥	¥49	¥	¥ 87
Remaining balance	946			50		997

	Millions of Yen					
	2023					
	Japan	Americas	Europe	ASEAN	Others	Total
Amortization of goodwill				¥49		¥49
Remaining balance				50		50

	Thousands of U.S. Dollars					
	2024					
	Japan	Americas	Europe	ASEAN	Others	Total
Amortization of goodwill	$ 244	$	$	$ 323	$	$ 574
Remaining balance	6,247			330		6,584

(**8**) ***Information about Major Customers***

Information about major customers is not disclosed because there is no customer who accounts for 10% or more of total sales to external customers in the consolidated statement of income.

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