*This English language translation is prepared for reference only. In the event of any discrepancy between the text of this translation and the text of the original Japanese-language, the Japanese language text will prevail.*

To: All Shareholders of Shin-Etsu Chemical Co., Ltd. (the "Company")

# MATERIALS CONCERNING NOTICE OF CONVOCATION OF THE 146TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Matters not Included in Delivered Documents Upon Request for Delivery of Documents
Pursuant to Laws and Regulations and the Articles of Incorporation
Among the Matters for Which Electronic Provision Measures are Taken

1. Notes to Consolidated Financial Statements

2. Notes to Non-Consolidated Financial Statements

Shin-Etsu Chemical Co., Ltd.

For this General Meeting of Shareholders, regardless of whether there was a request for delivery of the documents or not, the Company will uniformly send a document stating the matters for which electronic provision measures are taken, but the above matters are not stated in said document in accordance with the provisions of laws and regulations and the Company's Articles of Incorporation.

# Notes to Consolidated Financial Statements

## Basis of presenting consolidated financial statements

1. Scope of consolidation

(1) Information on consolidated subsidiaries

Number of consolidated subsidiaries-------99

Names of the principal consolidated subsidiaries

SHINTECH INC.
Shin-Etsu Handotai America, Inc.
Shin-Etsu Engineering Co., Ltd.
Shin-Etsu Handotai Taiwan Co., Ltd.
SE Tylose GmbH & Co. KG
Shin-Etsu Silicones (Thailand) Limited
Asia Silicones Monomer Limited
Shin-Etsu Handotai Co., Ltd.
Shin-Etsu PVC B.V.
S.E.H. Malaysia Sdn. Bhd.
Shin-Etsu Polymer Co., Ltd.
Shin-Etsu Astech Co., Ltd.
SHIN-ETSU HANDOTAI EUROPE LIMITED
JAPAN VAM & POVAL Co., Ltd.

(2) Information on unconsolidated subsidiaries

Name of the principal unconsolidated subsidiary

Shin-Etsu Magnetics (Thailand) Ltd.

Reasons for excluding unconsolidated subsidiaries from scope of consolidation

There are 34 unconsolidated subsidiaries excluded from the scope of consolidation as their total assets, net sales, net income (loss) and retained earnings in the aggregate are not material to the consolidated financial statements.

2. Application of equity method

(1) Information on unconsolidated subsidiaries and affiliates to which equity method is applied

Number of affiliates to which equity method is applied-------3

Names of the principal subsidiaries and affiliates to which equity method is applied

Mimasu Semiconductor Industry Co., Ltd.
Shin-Etsu Quartz Products Co., Ltd.

(2) Information on unconsolidated subsidiaries and affiliates to which equity method is not applied

Name of the principal unconsolidated subsidiary and affiliate to which equity method is not applied

Shin-Etsu Magnetics (Thailand) Ltd.

Reasons for excluding unconsolidated subsidiaries and affiliates from scope of equity method

There are 34 unconsolidated subsidiaries and 9 affiliates excluded from the scope of the equity method as their net income (loss) and retained earnings in the aggregate are not material to the consolidated financial statements.

(3) Details on the application of equity method

Two of the affiliates accounted for under the equity method have a different closing date from that of the consolidated financial statements with one of those affiliates consolidated based on its latest financial statements and, for the remaining affiliate, provisional financial statements as of the end of February are prepared.

3. Fiscal year of consolidated subsidiaries

The fiscal year of SHINTECH INC., Shin-Etsu Handotai America, Inc. and 73 other subsidiaries ends on December 31, and the fiscal year of Nissin Chemical Industry Co., Ltd., Nagano Electronics Industrial Co., Ltd. and 5 other subsidiaries ends at the end of February. For consolidation of subsidiaries whose fiscal year-ends are not the same as the Company, necessary adjustments are made on significant inter-company transactions occurring during the periods between the fiscal year-end of respective consolidated subsidiaries and that of the Company.

4. Summary of significant accounting policies

(1) Valuation of significant assets:

i) Valuation of securities:

| | | |
|---|---|---|
| Held-to-maturity debt securities | ------------- | Amortized cost (straight-line method) |
| Available-for-sale securities | | |
| Securities excluding stocks and other securities with no market value | ------------- | Fair market value (Any net unrealized gains or losses are recognized in net assets, while costs of sales of marketable securities are calculated based mainly on the moving-average method.) |
| Stocks and other securities with no market value | ------------- | At cost, mainly determined by the moving-average method |

ii) Valuation of derivatives:
Fair value based on market quotations

iii) Valuation of inventories:
Inventories are mainly stated at cost determined primarily by the weighted-average method. (Balance sheet amounts are written down based on any decline in profitability.)

(2) Depreciation and amortization of fixed assets:

i) Property, plant and equipment (excluding leased assets):
The Company and certain domestic subsidiaries mainly apply the declining-balance method, and overseas subsidiaries mainly apply the straight-line method. It should be noted, however, that the straight-line method is applied for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and for facilities attached to buildings and structures acquired on or after April 1, 2016 by the Company and certain domestic subsidiaries.

Useful lives mainly are as follows:

Buildings and structures ------- 15 – 47 years
Machinery and vehicles --------- 2 – 20 years

Additional depreciation is recorded based on excess operating hours for machinery and equipment that operate significantly in excess of their normal utilization rates.

ii) Intangible assets (excluding leased assets):
Straight-line method

iii) Leased assets:

| | | |
|---|---|---|
| Leased assets under finance lease transactions that transfer ownership | -------------- | The same method is applied as that for owned fixed assets. |
| Leased assets under finance lease transactions that do not transfer ownership | -------------- | The straight-line method is applied using the lease term as the useful life with zero residual value. |

(3) Calculation policy for allowances:

i) Allowance for doubtful accounts:
The Company and its consolidated subsidiaries provide an allowance for doubtful accounts using the historic percentage of bad debt loss against the balance of general receivables plus an amount deemed necessary to cover individual accounts estimated to be uncollectible.

ii) Accrued bonuses for employees:
Certain consolidated subsidiaries recognize the estimated amount of employees' bonuses to be paid in the subsequent period that is attributable to the current fiscal year.

iii) Accrued bonuses for directors:
The Company and its certain consolidated subsidiaries recognize the estimated amount of directors' bonuses to be paid in the subsequent period that is attributable to the current fiscal year.

(4) Standards for recognizing revenues and expenses
The Company and its certain consolidated subsidiaries operate in four segments, Infrastructure Materials, Electronics Materials, Functional Materials, and Processing & Specialized Services. The main business is the manufacture and sale of specific products that are delivered based on the sales contracts with customers. Revenue is recognized when control of the product is transferred to the customer and the performance obligation is satisfied, such as shipping and acceptance.
However, for domestic sales of products, the Company and its domestic consolidated subsidiaries recognize revenue 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 normal.
If the Company and its certain consolidated subsidiaries act as an agent in a transaction, revenue is recognized at net amounts.

(5) Other bases for presenting consolidated financial statements:

i) Hedge accounting:

The Company and certain subsidiaries defer recognition of unrealized gains or losses on hedge transactions.

For interest rate swaps, the Company and certain subsidiaries apply special hedge accounting when the swap transaction meets the criteria for such treatment.

ii) Accounting treatment for retirement benefits:

The Company records the retirement benefit obligation after deducting pension plan assets as net defined benefit liability. For the calculation of the retirement benefit obligation, the Company attributes the expected retirement benefit to the service period of employees by the benefit formula basis.

Actuarial differences are amortized over a five-year period, which is within the average remaining service period of employees, using the straight-line method from the fiscal year when the difference was generated. Prior service cost is amortized as incurred over a ten-year period, which is within the average remaining service period of employees, using the straight-line method from the time when the prior service cost was generated.

## Notes to changes in accounting policies

Application of "Implementation Guidance on Accounting Standard for Fair Value Measurement"

The "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) is applied from the beginning of the fiscal year ended March 31, 2023. Based on the transitional treatment prescribed in Paragraph 27-2 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement", we have decided to apply the new accounting policies set forth by the "Implementation Guidance on Accounting Standard for Fair Value Measurement" into the future. This application had no impact on the consolidated financial statements.

Application of ASC Topic 842 Leases

At overseas subsidiaries adopting US GAAP, ASC Topic 842 Leases is applied from the beginning of the fiscal year ended March 31, 2023. The impact of the application of this accounting standard on the consolidated financial statements was immaterial.

## Notes to revenue recognition

1. Disaggregation of revenue from contracts with customers

(Millions of yen)

| | Reportable Segments | | | | Total |
|---|---|---|---|---|---|
| | Infrastructure Materials | Electronics Materials | Functional Materials | Processing & Specialized Services | |
| Sales to outside customers | | | | | |
| Domestic production | 139,273 | 683,892 | 307,745 | 93,392 | 1,224,304 |
| Overseas production | 1,168,826 | 191,754 | 185,640 | 38,299 | 1,584,520 |
| Total | 1,308,099 | 875,646 | 493,386 | 131,691 | 2,808,824 |

2. Information for a basis to understand the revenue from contracts with customers

As described in (4) Standards for recognizing revenues and expenses of 4. Summary of significant accounting policies in "Basis of presenting consolidated financial statements".

3. Information for understanding the amount of revenue for the current fiscal year and the following fiscal year

(1) Balance of the receivables, contract assets and contract liabilities arising from contracts with customers

The balance of the receivables, contract assets and contract liabilities arising from contracts with customers at the end of the current fiscal year is as follows.

(Millions of yen)

| | |
|---|---|
| 1. Receivables from contracts with customers | 472,505 |
| 2. Contract assets | 51 |
| 3. Contract liabilities | 3,419 |

In the consolidated balance sheet, receivables and contract assets arising from contracts with customers are included in "Notes receivable, accounts receivable and contract assets", and contract liabilities are included in "Others" of "Current liabilities" and "Fixed liabilities".

(2) Transaction price allocated to residual performance obligations

The Company and certain subsidiaries have not recognized any significant contracts, because there are no significant contracts with an initially expected contract period of more than one year, and the information regarding the remaining performance obligations is omitted.

## Notes to accounting estimates

In preparing the consolidated financial statements, the Company makes estimates and assumptions based on the situation at the end of the period, but certain items that are considered to have a significant impact on the consolidated financial statements are described as follows.

Impairment of property, plant and equipment

As of March 31, 2023, the balance of property, plant and equipment was 1,518,190 million yen, accounting for 32% of total assets. Impairment should be considered when economic trends in countries and regions where major product markets are located or increased price competition due to lower global demand negatively impact business performance. When considering impairment, the process of asset grouping and estimating indications of impairment is complex and subjective, and future cash flow estimates are based on many assumptions, so it is necessary to assess the prerequisites carefully. As a result, depending on the amount of estimated future cash flows, there is a possibility that loss on impairment of fixed assets will be recorded.

## Notes to consolidated balance sheet

(Millions of yen)

1. Accumulated depreciation of property, plant and equipment --------------------- 2,782,197

2. Contingent liabilities

   Employee housing loans ------------------------------------------------------------ 2

**Notes to consolidated statement of changes in net assets**

1. Type and number of shares outstanding as of March 31, 2023

Common stock ---------------------- 404,824,593 shares

(Note) The Company enacted a five-for-one stock split of its common stock with an effective date of April 1, 2023. The number of shares after the split is 2,024,122,965 shares.

2. Cash dividends

(1) Payment of cash dividends

| Resolution | Type of shares | Total amount of dividends | Cash dividends per share | Record date | Effective date |
|---|---|---|---|---|---|
| Ordinary general meeting of shareholders held on June 29, 2022 | Common stock | 103,861 million yen | 250.00 yen | March 31, 2022 | June 30, 2022 |
| Board of Directors meeting held on October 27, 2022 | Common stock | 91,504 million yen | 225.00 yen | September 30, 2022 | November 21, 2022 |
| Total | - | 195,365 million yen | - | - | - |

(2) Dividends with a record date in the fiscal year ended March 31, 2023 but with an effective date in the following fiscal year.

The Company proposes the following agendum at the ordinary general meeting of shareholders to be held on June 29, 2023.

| Type of shares | Total amount of dividends | Source of dividends | Cash dividends per share | Record date | Effective date |
|---|---|---|---|---|---|
| Common stock | 110,965 million yen | Retained earnings | 275.00 yen | March 31, 2023 | June 30, 2023 |

(3) As the record date was prior to the stock split date (April 1, 2023), “Cash dividends per share” above is based on the shares before the stock split.

3. Share subscription rights as of March 31, 2023

| Details of share subscription rights | Type of shares subject to share subscription rights | Number of shares subject to share subscription rights | |
|---|---|---|---|
| | | Before the split | After the split |
| Resolved at the Board of Directors meeting held on August 21, 2018 | Common stock | 28,700 shares | 143,500 shares |
| Resolved at the Board of Directors meeting held on September 13, 2019 | Common stock | 264,500 shares | 1,322,500 shares |
| Resolved at the Board of Directors meeting held on August 18, 2020 | Common stock | 275,700 shares | 1,378,500 shares |

(Note) Excluding share subscription rights not yet exercisable as of March 31, 2023.

## Financial instruments

1. Overview of financial instruments

In principle, fund management is limited to deposits with financial institutions with high credit ratings and risk-free bonds, and financing is obtained primarily through borrowings from banks. With regard to credit risk generated by notes and accounts receivable-trade, each business department not only controls and manages account due dates and balances, but also confirms the credit standing of major customers periodically, making efforts to identify doubtful accounts as early as possible.

Regarding securities and investments in securities, the Company regularly determines their fair value and the financial situation of the issuing companies. For stocks, the Company also continually reviews the stock holding status, considering its relationship with the issuing companies. All derivative transactions are entered into for the purpose of hedging risks arising in the ordinary course of business, and there are no derivative transactions entered into for trading or speculative purposes.

2. Fair value of financial instruments

As of March 31, 2023, the book value, the fair value, and the difference between the two of financial instruments are as follows:

(Millions of yen)

| | Book value | Fair value | Difference |
|---|---|---|---|
| Assets | | | |
| (1) Securities and investments in securities (*2) | | | |
| i) Held-to-maturity debt securities | 26,050 | 25,327 | (722) |
| ii) Investments in capital of affiliates | 33,480 | 41,448 | 7,967 |
| iii) Available-for-sale securities | 219,334 | 219,334 | - |
| (2) Long-term loans | 192 | 199 | 7 |
| Total | 279,057 | 286,310 | 7,252 |
| Liabilities | | | |
| (3) Long-term debt | 18,812 | 18,191 | (621) |
| Total | 18,812 | 18,191 | (621) |
| (4) Derivative transactions | | | |
| Hedge accounting not applied | (197) | (197) | - |
| Hedge accounting applied | (376) | (376) | - |
| Total | (574) | (574) | - |

(*1) Related to “Cash and time deposits”, “Notes, Accounts receivable-trade”, “Short-term loans”, “Notes and accounts payable-trade”, “Short-term borrowings”, “Accounts payable-other”, “Accrued expenses”, and “Accrued income taxes”, since they are cash or the fair value is close to the book value because it is settled in a short period of time, the description about them is omitted.

(*2) Securities excluding stocks with no market value are not included in "(1) Securities and investments in securities". The book value of them is as follows.

| Section | Book value (Millions of yen) |
|---|---|
| Non-listed stocks, etc. | 43,275 |

(*3) Net receivables and payables arising from derivative transactions are shown in net amount, and items that result in net payables in total are displayed with parentheses.

3. Fair value of financial instruments by level

Fair value of financial instruments is classified into the following three levels according to the observability and importance of the input related to the calculation of the fair value.

Level 1 of fair value:
is calculated based on the market price of the asset or liability formed in the active market of the inputs related to the calculation of the observable fair value.

Level 2 of fair value:
is calculated using the inputs related to the calculation of the fair value other than the level 1 input of the inputs related to the calculation of the observable fair value.

Level 3 of fair value:
is calculated using inputs related to the calculation of unobservable fair value.

Using multiple inputs that have a significant impact on the fair value calculation, the fair value is classified to the lowest priority level in the fair value calculation among the levels to which each inputs belong.

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

(Millions of yen)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Securities and investments in securities | | | | |
| Available-for-sale securities | | | | |
| Stocks | 80,834 | - | - | 80,834 |
| Total | 80,834 | - | - | 80,834 |
| | | | | |
| Derivative transactions | | | | |
| Hedge accounting not applied | - | (197) | - | (197) |
| Hedge accounting applied | - | (376) | - | (376) |
| Total | - | (574) | - | (574) |

(2) Financial instruments other than those listed on the consolidated balance sheet at fair value

(Millions of yen)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Securities and investments in securities | | | | |
| Held-to-maturity debt securities | - | 25,327 | - | 25,327 |
| Investments in capital of affiliates | 41,448 | - | - | 41,448 |
| Available-for-sale securities | | | | |
| Negotiable certificates of deposit, money trusts and trust beneficiary rights | - | 138,500 | - | 138,500 |
| Long-term loans | - | 199 | - | 199 |
| Total | 41,448 | 164,027 | - | 205,476 |

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Liabilities | | | | |
| Long-term debt | - | 18,191 | - | 18,191 |
| Total | - | 18,191 | - | 18,191 |

(*1) Explanation of the valuation technique used to calculate the fair value and the inputs related to the calculation of the fair value

Securities and investments in securities

Held-to-maturity debt securities
The fair value of bonds is based on prices provided by counterparty financial institutions with which is classified as Level 2.

Investments in capital of affiliates
The fair value of listed stocks is evaluated using the market price. Listed stocks are traded in active markets, so the fair value is classified as Level 1.

Available-for-sale securities
The fair value of listed stocks is evaluated using the market price. Listed stocks are traded in active markets, so the fair value is classified as Level 1. Negotiable certificates of deposit, money trusts and trust beneficiary rights are settled within a short time, and the fair value and book value are nearly equal. Thus, the book value is listed as the fair value in the table above which is classified as Level 2.

Long-term loans

The fair value of long-term loans is calculated based on future cash flow discounted at an appropriate rate, such as mid-term and long-term interest rates with credit spreads, for all loans grouped by a certain period of time and credit rating under the credit exposure management. The fair value is classified as Level 2.

Long-term debt

The fair value of long-term debt is calculated based on a present value of principal and interest, discounted at an expected rate for new borrowings with the same terms. The fair value is classified as Level 2.

Derivative transactions

The fair value of derivative transactions is based on the price offered by counterparty financial institutions and classified as Level 2.

## Per share information

Per share information as of and for the fiscal year ended March 31, 2023 is as follows:

| | (Yen) |
|---|---|
| Net assets per share | 1,918.37 |
| Net income per share | 347.84 |
| Diluted net income per share | 347.61 |

(Note) Because the Company enacted a five-for-one stock split of its common stock with an effective date of April 1, 2023, the information above represents the amounts after the stock split in accordance with “Accounting Standard for Earnings Per Share”.

## Major Subsequent Events

Stock Split and Partial Amendment of Articles of Incorporation

Based on a resolution at the Board of Directors Meeting held on January 26, 2023, the Company implemented a stock split and partially amended its Articles of Incorporation.

1. Purpose of stock split

In consideration of the start of the new NISA program in Japan, the purpose of the stock split is to create an environment where individual investors can more easily invest in the Company's shares, thereby expanding the investor base.

2. Outline of stock split

(1) Method of stock split

The Company split each share of its common stock owned by shareholders entered or recorded in the final shareholder registry as of March 31, 2023 into five shares.

(2) Number of additional shares to be issued due to stock split

| | |
|---|---|
| Total number of issued shares before the stock split | 404,824,593 shares |
| Number of additional shares to be issued due to the stock split | 1,619,298,372 shares |
| Total number of issued shares following the stock split | 2,024,122,965 shares |
| Total number of authorized shares following the stock split | 8,000,000,000 shares |

3. Partial amendment of Articles of Incorporation

(1) Reason for amendment

In connection with the stock split, a related provision of the Articles of Incorporation was amended effective April 1, 2023 and in accordance with Article 184, Paragraph 2 of the Companies Act.

(2) Details of amendment

The details of the amendment are as follows:

（Amended parts are underlined）

| Before the amendment | After the amendment |
|---|---|
| (Total Number of Shares Authorized to be Issued)<br>Article 6. The total number of shares authorized to be issued by the Company shall be <u>one billion seven hundred and twenty million (1,720,000,000)</u>. | (Total Number of Shares Authorized to be Issued)<br>Article 6. The total number of shares authorized to be issued by the Company shall be <u>eight billion (8,000,000,000)</u>. |

4. Other Matters

(1) Method of stock split

There was no change in the amount of stated capital as a result of the stock split.

(2) Dividends

As the stock split took effect on April 1, 2023, the year-end dividend for the fiscal year ended March 31, 2023, which has a dividend record date of March 31, 2023, will be paid based on the number of shares before the stock split.

(3) Adjustment of exercise price for stock acquisition rights

Following the above stock split, the per-share exercise price for the stock acquisition rights issued by the Company was adjusted as follows, effective April 1, 2023.

(Yen)

| Stock Acquisition Rights | Exercise Price Before Adjustment | Exercise Price After Adjustment |
|---|---|---|
| Resolved at the Board of Directors meeting held on September 13, 2019 (for Distribution to Directors and Employees) | 11,906 | 2,382 |
| Resolved at the Board of Directors meeting held on August 18, 2020 (for Distribution to Directors and Employees) | 13,123 | 2,625 |
| Resolved at the Board of Directors meeting held on August 17, 2021 (for Distribution to Directors, Corporate Officers and Employees) | 18,503 | 3,701 |
| Resolved at the Board of Directors meeting held on January 26, 2023 (for Distribution to Directors, Corporate Officers and Employees) | 17,912 | 3,583 |

# Notes to Non-Consolidated Financial Statements

**Summary of significant accounting policies**

1. Valuation of significant assets

(1) Valuation of securities:

| | | |
|---|---|---|
| Held-to-maturity debt securities | --------------- | Amortized cost (straight-line method) |
| Investments in capital of subsidiaries and affiliates | --------------- | Moving-average cost method |
| Available-for-sale securities | | |
| Securities excluding stocks and other securities with no market value | --------------- | Fair market value (Any net unrealized gains or losses are recognized in net assets, while costs of sales of marketable securities are calculated based on the moving-average cost method.) |
| Stocks and other securities with no market value | --------------- | At cost, mainly determined by the moving-average cost method |

(2) Valuation of derivatives:
Fair value based on market quotations

(3) Valuation of inventories:
Inventories are mainly stated at cost determined primarily by the weighted-average method. (Balance sheet amounts are written down based on any decline in profitability.)

2. Depreciation and amortization of fixed assets:

(1) Property, plant and equipment (excluding leased assets):
The declining-balance method is mainly applied.
It should be noted, however, that the straight-line method is applied for machinery and equipment related to PVC manufacturing facilities and electrolysis facilities, for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and for facilities attached to buildings and structures acquired on or after April 1, 2016.

Useful lives mainly adopted are as follows:
Buildings----------------------- 15 – 47 years
Machinery and equipment ------ 2 – 9 years
Additional depreciation is recorded based on excess operating hours for machinery and equipment that operate significantly in excess of their normal utilization rates.

(2) Intangible assets (excluding leased assets):
Straight-line method (Software for internal use is amortized by the straight-line method over the useful life of 5 years.)

(3) Leased assets:

| | | |
|---|---|---|
| Leased assets under finance lease transactions that transfer ownership | -------------- | The same method is applied as that for owned fixed assets. |
| Leased assets under finance lease transactions that do not transfer ownership | -------------- | The straight-line method is applied using the lease term as the useful life with zero residual value. |

3. Calculation policy for allowances:

Allowance for doubtful accounts:

The Company provides an allowance for doubtful accounts using the historic percentage of bad debt loss against the balance of general receivables plus an amount deemed necessary to cover individual accounts estimated to be uncollectible.

Accrued bonuses for directors:

The Company recognizes the estimated amount of directors' bonuses to be paid in the subsequent period that is applicable to the current fiscal year.

Accrued retirement benefits:

The Company recognizes pension and severance costs for employees based on the estimates of the pension obligations and the plan assets at the end of current fiscal year. For the calculation of the retirement benefit obligation, the Company attributes the expected retirement benefit to the service period of employees by the benefit formula basis.

Actuarial differences are amortized over a five-year period, which is within the average remaining service period of employees, using the straight-line method from the fiscal year when the difference was generated. Prior service cost is amortized as incurred over a ten-year period, which is within the average remaining service period of employees, using the straight-line method from the time when the prior service cost was generated.

4. Standards for recognizing revenues and expenses

The Company's main business is the manufacture and sale of specific products that are delivered based on the sales contracts with customers. Revenue is recognized when control of the product is transferred to the customer and the performance obligation is satisfied, such as shipping and acceptance. However, for domestic sales of products, the Company recognizes revenue 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 normal. If the Company acts as an agent in a transaction, revenue is recognized at net amounts.

5. Other bases for presenting non-consolidated financial statements

Hedge accounting:

The Company defers gains or losses on its hedges.

For interest rate swaps, the Company applies special hedge accounting treatment when the swap transaction meets the criteria for such treatment.

## Notes to changes in accounting policies

Application of "Implementation Guidance on Accounting Standard for Fair Value Measurement"

The "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) is applied from the beginning of the fiscal year ended March 31, 2023. Based on the transitional treatment prescribed in Paragraph 27-2 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement", we have decided to apply the new accounting policies set forth by the "Implementation Guidance on Accounting Standard for Fair Value Measurement" into the future. This application had no impact on the non-consolidated financial statements.

## Notes to revenue recognition

Information for a basis to understand the revenue from contracts with customers is described as "Summary of significant accounting policies", 4. Standards for recognizing revenues and expenses.

## Notes to non-consolidated balance sheet

(Millions of yen)

| | |
|---|---|
| 1. Accumulated depreciation of property, plant and equipment | 715,421 |
| 2. Contingent liabilities: | |
| Employee housing loans | 2 |
| 3. Accounts receivable due from and payable due to subsidiaries and affiliates: | |
| Short-term accounts receivable | 169,801 |
| Long-term accounts receivable | 13,944 |
| Short-term accounts payable | 222,481 |

## Notes to non-consolidated statement of income

Transactions with subsidiaries and affiliates: (Millions of yen)

| | |
|---|---|
| Sales | 331,708 |
| Purchases | 399,678 |
| Non-operating transactions | 122,278 |

## Notes to non-consolidated statement of changes in net assets

Type and number of treasury stock as of March 31, 2023

Common stock ------------------------ 1,315,240 shares

(Note) The Company enacted a five-for-one stock split of its common stock with an effective date of April 1, 2023. The number of shares after the split is 6,576,200 shares.

## Deferred taxes

Components of deferred tax assets and liabilities:

| | (Millions of yen) |
|---|---|
| Deferred tax assets: | |
| Depreciation and amortization | 6,559 |
| Loss on valuation of stocks of subsidiaries and affiliates | 5,579 |
| Accrued retirement benefits | 3,993 |
| Unsettled accounts receivable and payable | 3,026 |
| Accrued bonuses | 2,271 |
| Maintenance costs | 1,929 |
| Accrued enterprise taxes | 1,713 |
| Allowance for doubtful accounts | 390 |
| Other | 19,496 |
| Subtotal | 44,960 |
| Valuation allowance | (1,364) |
| Total deferred tax assets | 43,596 |
| Deferred tax liabilities: | |
| Unrealized gains on available-for-sale securities | 11,087 |
| Reserve for reduction entry for fixed assets | 787 |
| Reserve for special depreciation | 8 |
| Other | 43 |
| Total deferred tax liabilities | 11,926 |
| Net deferred tax assets | 31,669 |

## Leased assets

In addition to the fixed assets on the non-consolidated balance sheet, the Company leases certain office equipment and manufacturing facilities under finance lease transactions that do not transfer ownership.

**Related party transactions**

Directors, other Officers, major individual shareholders and others (Millions of yen)

| Type | Name | Percentage of voting rights | Relationship | Transactions | Transaction amount | Account | Balance at the year end |
|---|---|---|---|---|---|---|---|
| Director or other Officer | Susumu Ueno | Direct Ownership 0.00% | Director, Senior Managing Corporate Officer | Exercise of stock options (Note) | 107 | - | - |
| Director or other Officer | Masahiko Todoroki | Direct Ownership 0.00% | Director, Senior Managing Corporate Officer | Exercise of stock options (Note) | 70 | - | - |
| Director or other Officer | Shunzo Mori | Direct Ownership 0.01% | Director - Adviser | Exercise of stock options (Note) | 52 | - | - |
| Director or other Officer | Toshiya Akimoto | Direct Ownership 0.00% | Managing Corporate Officer | Exercise of stock options (Note) | 35 | - | - |
| Director or other Officer | Yukihiro Matsui | Direct Ownership 0.00% | Managing Corporate Officer | Exercise of stock options (Note) | 92 | - | - |
| Director or other Officer | Masaki Miyajima | Direct Ownership 0.01% | Managing Corporate Officer | Exercise of stock options (Note) | 47 | - | - |
| Director or other Officer | Toshiyuki Kasahara | Direct Ownership 0.00% | Corporate Officer | Exercise of stock options (Note) | 10 | - | - |
| Director or other Officer | Kazumasa Maruyama | Direct Ownership 0.00% | Corporate Officer | Exercise of stock options (Note) | 52 | - | - |
| Director or other Officer | Toshio Shiobara | Direct Ownership 0.00% | Corporate Officer | Exercise of stock options (Note) | 17 | - | - |
| Director or other Officer | Kai Yasuoka | Direct Ownership 0.00% | Corporate Officer | Exercise of stock options (Note) | 66 | - | - |
| Director or other Officer | Ichiro Onozawa | Direct Ownership 0.00% | Corporate Officer | Exercise of stock options (Note) | 26 | - | - |
| Director or other Officer | Yukinori Satoh | Direct Ownership 0.00% | Corporate Officer | Exercise of stock options (Note) | 41 | - | - |

(Note) Share subscription rights were approved at the Board of Directors meeting held on August 21, 2018, September 13, 2019 and August 18, 2020.

**Per share information**

Non-consolidated per share information as of and for the fiscal year ended March 31, 2023 is as follows:

| | (Yen) |
|---|---:|
| Net assets per share | 347.92 |
| Net income per share | 106.25 |

(Note) Because the Company enacted a five-for-one stock split of its common stock with an effective date of April 1, 2023, the information above represents the amounts after the stock split in accordance with "Accounting Standard for Earnings Per Share".

**Major Subsequent Events**

Stock Split and Partial Amendment of Articles of Incorporation

This note is omitted because the same information is provided in "Major Subsequent Events" of "Notes to Consolidated Financial Statements."