Financial Section

Five-Year Summary

Shindengen Electric Manufacturing Co., Ltd. and its Subsidiaries
(Years ended March 31)

Millions of yen

	2022	2021	2020	2019	2018
Net sales	**¥ 92,168**	¥ 80,437	¥ 92,966	¥ 94,703	¥ 92,177
Operating income (loss)	**5,562**	(1,080)	1,757	5,639	6,854
Profit (loss) before income taxes	**6,821**	(5,077)	1,126	5,731	7,098
Profit (loss) attributable to owners of parent	**5,903**	(5,562)	(4,156)	3,877	5,294
Profit (loss) attributable to owners of parent per share—basic	**¥ 572.70**	¥ (539.73)	¥ (403.48)	¥ 376.41	¥ 513.91
Cash dividends per share for the period (Common stock)*	**100.00**	62.50	62.50	125.00	125.00
Total assets	**¥135,041**	¥127,807	¥121,560	¥128,670	¥133,707
Total current assets	**81,958**	74,274	73,494	79,874	83,404**
Property, plant and equipment	**36,073**	36,091	31,389	27,496	25,937
Total shareholders' equity	**55,389**	49,478	55,676	61,112	58,525
Net cash provided by operating activities	**8,290**	(3,618)	5,829	3,495	9,335
Net cash used in investing activities	**(7,907)**	(5,676)	(9,649)	(5,875)	(4,823)
Net cash used in financing activities	**1,274**	9,936	(2,336)	(4,605)	(3,025)
Cash and cash equivalents at end of the year	**29,162**	26,646	26,337	32,505	39,626

* Shindengen executed a share consolidation on October 1, 2017, at a ratio of 10 common shares to one. Per-share figures have been adjusted accordingly.

** The Company and its consolidated subsidiaries have adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018) (hereinafter, the "Partial Amendments") for the beginning of the fiscal year ended March 31, 2019. As such, deferred tax assets and deferred tax liabilities are included within investments and other assets and long-term liabilities, respectively, and related income tax disclosures have been expanded.

As a result, ¥1,058 million of deferred tax assets in current assets in consolidated balance sheet as of March 31, 2018 have been reclassified and included within ¥6,016 million of deferred tax assets in investments respectively.

Management's Discussion and Analysis

Scope of Consolidation

During the fiscal year ended March 31, 2022 (fiscal 2021), the Shindengen Group included the Company, 18 consolidated subsidiaries, three non-consolidated subsidiaries and two affiliated companies accounted for under the equity method.

Operating Results

Performance Overview

We operated our businesses in line with the basic policy of the 15th Medium Term Business Plan, "Advancing product strategy for sustainable growth." Looking at mainstay products, sales of motorcycle products in the Indian market rapidly expanded, while we made progress in establishing power modules and quick chargers for EVs, which are both positioned as growth businesses, as drivers of medium- to long-term growth.

Under these circumstances, consolidated net sales increased 14.6% year on year to ¥92,168 million. Operating income was ¥5,562 million (compared with operating loss of ¥1,080 million in the previous fiscal year), while ordinary profit was ¥5,828 million (compared with ordinary profit of ¥1,164 million in the previous fiscal year). Profit attributable to owners of the parent was ¥5,902 million (compared with a loss attributable to owners of the parent of ¥5,563 million in the previous fiscal year).

Operating Conditions by Business Segment

Electronic Device

In the Electronic Device segment, net sales amounted to ¥36,382 million, up 24.5% year on year, and operating income came to ¥5,039 million, compared with operating income of ¥85 million in the previous fiscal year.

In the mainstay automobile, industrial equipment and consumer electronics markets, despite supply chain disruptions, demand was firm, and revenue increased year on year. Due mainly to the higher revenue and the effects of structural reforms, earnings increased significantly.

Car Electronics

In the Car Electronics segment, net sales amounted to ¥47,072 million, up 13.1% year on year, and operating income came to ¥3,709 million, up 69.0%.

In mainstay Asian motorcycle markets, despite the lingering impact of the COVID-19 pandemic, economic activity gradually resumed, leading to an overall increase in segment revenue year on year. Earnings also increased, reflecting the increase in revenue as well as the effects of business structure reforms and the depreciation of the yen.

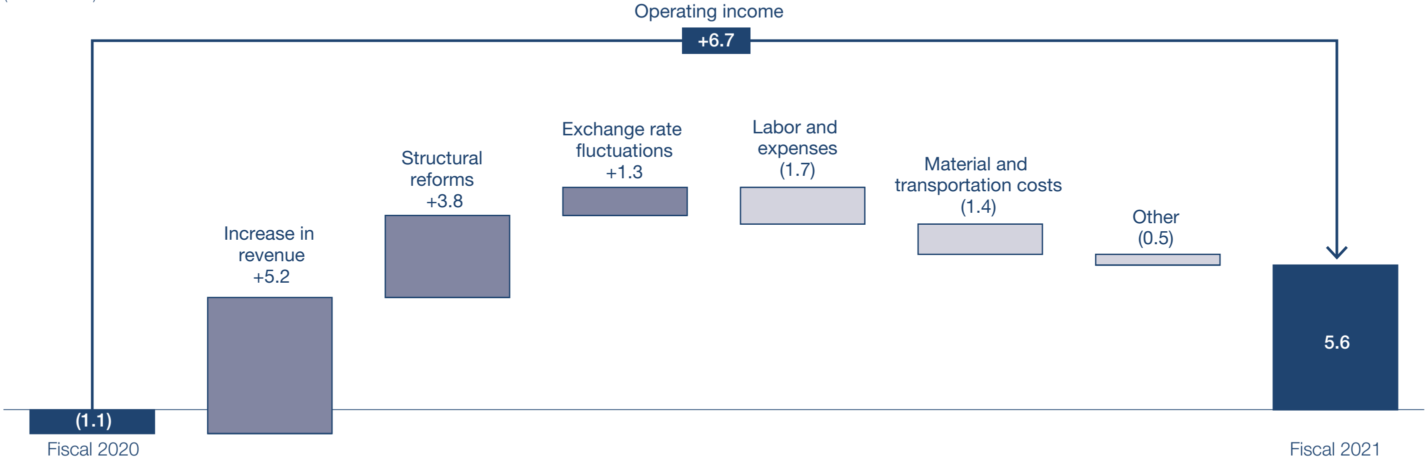
Operating Results

(Millions of Yen)

	Fiscal 2021	Fiscal 2020	Change	Change (%)
Net sales	92,168	80,437	11,731	14.6
Operating income	5,562	(1,080)	6,642	—
Profit (loss) attributable to owners of the parent	5,903	(5,562)	11,464	—

Analysis of Change in Operating Income (Year on Year)

(Billions of Yen)



Other

Other net sales amounted to ¥8,714 million, down 9.2% year on year, and operating income came to ¥696 million, up 11.0% year on year.

Note that, except where otherwise specified, intersegment transactions have been eliminated from segment performance throughout this report.

Earnings and Expenses

Fiscal 2021 operating income was ¥5,562 million, compared with operating loss of ¥1,080 million in the previous fiscal year, and the operating income margin rose from negative 1.3% to positive 6.0%. This increase in operating income was mainly due to higher revenue, the effects of structural reforms and exchange rate fluctuations.

Net other income and expense included ¥363 million in dividend income, ¥165 million in equity in earnings of affiliates, ¥141 million in foreign exchange gains and other factors that rose year on year, but also factors that were down, such as ¥63 million in interest income, as well as ¥246 million in interest paid. Under extraordinary income, the Company recorded gain on sale of investment securities of ¥1,033 million and gain on sales of noncurrent assets of ¥65 million. Under extraordinary losses, the Company recorded ¥37 million in loss on valuation of investment securities. As a result, net other income amounted to ¥1,259 million, and profit before income taxes came to ¥6,821 million.

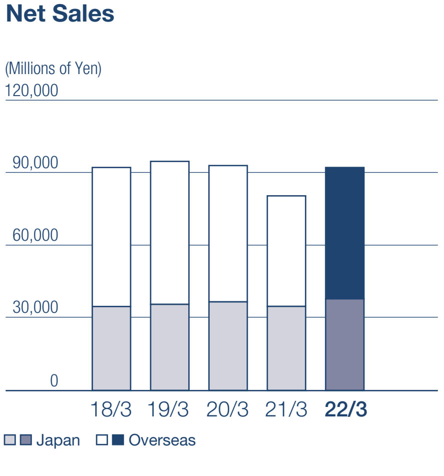
After subtracting income taxes, profit attributable to owners of the parent amounted to ¥5,903 million, and net income per share came to ¥572.70, a turnaround from a net loss per share of ¥539.73 in fiscal 2020. As a result, the net income (loss) margin improved from negative 6.9% in fiscal 2020 to positive 6.4%, and ROE improved from negative 10.8% to positive 11.1%.

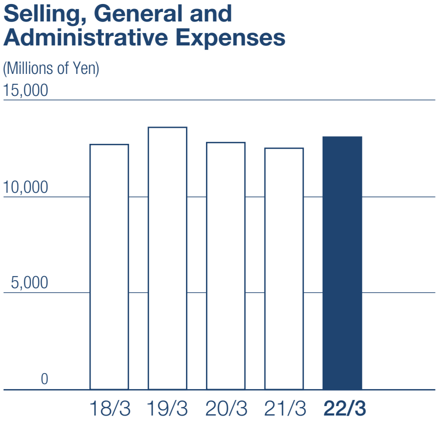
Comprehensive income came to ¥7,808 million, compared with comprehensive loss of ¥3,163 million in the previous fiscal year.

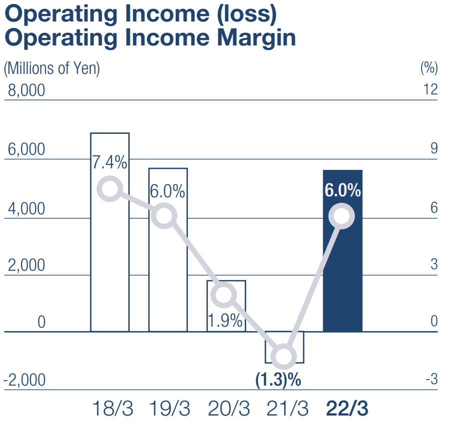
Segment Net Sales

(Millions of Yen)

	Fiscal 2021	Fiscal 2020	Change	Change (%)
Electronic Device	36,382	29,214	7,168	24.5
Car Electronics	47,072	41,630	5,442	13.1
Other	8,714	9,594	(879)	(9.2)
Total	92,168	80,437	11,731	14.6







Segment Operating Income

(Millions of Yen)

	Fiscal 2021	Fiscal 2020	Change	Change (%)
Electronic Device	5,039	85	4,953	5,828.2
Car Electronics	3,709	2,195	1,514	69.0
Other	696	627	69	11.0
Adjustments and eliminations*	(3,882)	(3,987)	106	—

* The figures shown above for adjustments and eliminations include corporate expenses not allocated to the reportable segments. Corporate expenses comprise mainly general and administration expenses not attributable to the reportable segments.

Financial Position

Assets, Liabilities and Net Assets

Total assets as of March 31, 2022 stood at ¥135,041 million, up ¥7,234 million year on year. This was mainly due to increases in cash and deposits and inventories.

Total liabilities at the end of the fiscal year were down ¥581 million year on year to ¥77,812 million. This was mainly attributable to a decrease in other current liabilities due to the payment of construction expenses for the Asaka Office and a decrease in bonds payable, despite an increase in long-term loans payable.

Total net assets at the end of the fiscal year under review stood at ¥57,229 million, up ¥7,815 million from a year prior. This was mainly because of an increase in capital surplus.

As a result, net assets per share were ¥5,552.41.

Cash Flows

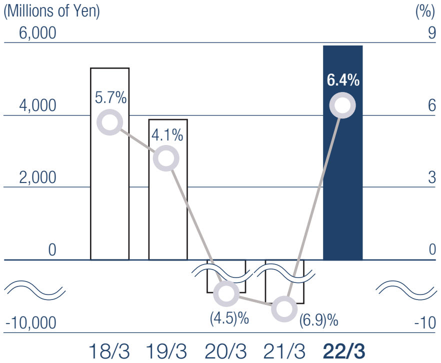
Cash and cash equivalents (net cash) at the end of the fiscal year under review came to ¥29,162 million, an increase of ¥2,515 million from the end of fiscal 2020. This was the result of ¥8,290 million in net cash provided by operating activities, ¥7,907 million in net cash used in investing activities, and ¥1,274 million in net cash provided by financing activities.

Net cash provided by operating activities was ¥8,290 million, compared with net cash used in operating activities of ¥3,618 million in the previous fiscal year. This was mainly due to profit before income taxes of ¥6,821 million and depreciation and amortization of ¥5,549 million, despite an increase in inventories of ¥4,441 million.

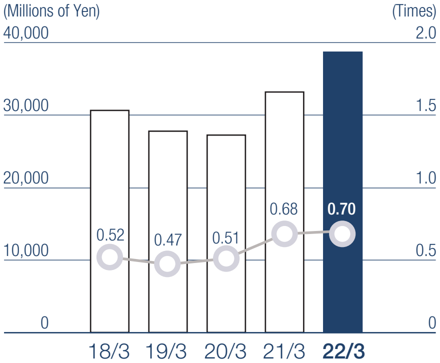
Net cash used in investing activities was ¥7,907 million, compared with ¥5,676 million in the previous fiscal year. This was due mainly to ¥8,931 million used in the purchase of property, plant and equipment, despite ¥1,144 million in proceeds from sales of investment securities.

Net cash provided by financing activities was ¥1,274 million, compared with ¥9,336 million in the previous fiscal year. The scheduled repayment of ¥5,125 million in long-term loans payable and ¥1,525 million used for the redemption of bonds were offset by proceeds of ¥8,300 million from long-term loans payable.

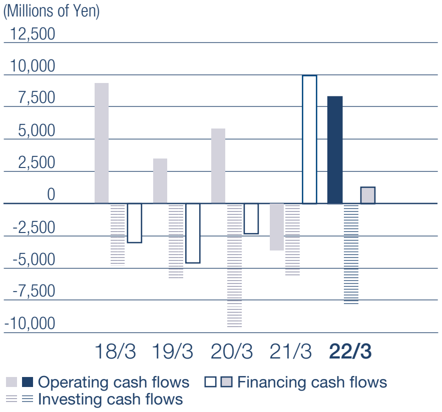
Profit (loss) Attributable to Owners of Parent, Ratio to Net Sales



Interest-Bearing Debt D/E Ratio



Cash Flows



Consolidated Balance Sheets

Shindengen Electric Manufacturing Co., Ltd. and its subsidiaries
At March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	**2022**
ASSETS			
Current assets:			
Cash and deposits (Notes 4, 7)	**¥ 29,613**	¥ 26,646	**$ 241,920**
Notes and accounts receivable-trade (Notes 5, 7)	**18,920**	18,589	**154,562**
Less: Allowance for doubtful accounts	**(22)**	(21)	**(180)**
	18,898	18,568	**154,382**
Inventories (Note 6)	**28,290**	23,070	**231,108**
Other	**5,157**	5,990	**42,127**
Total current assets	**81,958**	74,274	**669,537**
Property, plant and equipment:			
Buildings and structures (Note 9)	**17,962**	6,594	**146,739**
Machinery, equipment and vehicles (Note 9)	**8,908**	8,596	**72,768**
Land	**4,560**	4,536	**37,253**
Lease assets-tangible (Notes 9, 23)	**905**	1,238	**7,394**
Construction in progress	**1,753**	13,218	**14,323**
Other, net (Note 9)	**1,985**	1,909	**16,214**
Property, plant and equipment	**36,073**	36,091	**294,691**
Investments and other assets:			
Investment securities (Notes 7, 8, 12)	**14,808**	15,370	**120,970**
Deferred tax assets (Note 14)	**704**	335	**5,750**
Software	**455**	649	**3,716**
Lease assets-intangible (Note 23)	**8**	14	**66**
Assets for retirement benefits	**37**	—	**299**
Allowance for doubtful accounts	**(47)**	(49)	**(380)**
Other	**1,082**	1,123	**8,838**
Total investments and other assets	**17,010**	17,442	**138,960**
Total assets	**¥135,041**	¥127,807	**$1,103,188**

The accompanying notes are an integral part of the statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	**2022**
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable-trade (Note 7)	**¥ 16,658**	¥ 14,444	**$ 136,082**
Short-term loans payable (Notes 7, 10)	**5,100**	5,125	**41,663**
Current portion of bonds (Notes 7, 10)	**1,450**	1,525	**11,845**
Lease obligations (Notes 7, 10)	**331**	464	**2,707**
Income taxes payable (Note 7)	**414**	48	**3,385**
Provision for bonuses	**952**	764	**7,773**
Other	**4,908**	9,301	**40,095**
Total current liabilities	**29,813**	31,671	**243,550**
Noncurrent liabilities:			
Bonds payable (Notes 7, 10)	**3,850**	5,300	**31,452**
Long-term loans payable ((Notes 7, 10)	**28,275**	25,075	**230,986**
Lease obligations (Notes 7, 10)	**874**	1,065	**7,140**
Deferred tax liabilities (Note 14)	**334**	407	**2,733**
Liability for retirement benefits (Note 11)	**12,217**	12,761	**99,804**
Provision for product warranties	**1,590**	1,897	**12,987**
Asset retirement obligations	**803**	170	**6,561**
Other	**56**	48	**456**
Total noncurrent liabilities	**47,999**	46,723	**392,119**
Contingent liabilities (Note 13)			
Net assets (Note 26):			
Shareholders' equity:			
Capital stock	**17,823**	17,823	**145,602**
Capital surplus	**7,734**	7,732	**63,181**
Retained earnings	**29,949**	24,046	**244,662**
Treasury stock	**(117)**	(123)	**(958)**
Total shareholders' equity	**55,389**	49,478	**452,487**
Accumulated other comprehensive income (loss):			
Unrealized holding gain on available-for-sale securities	**2,397**	2,898	**19,580**
Foreign currency translation adjustment	**(871)**	(2,678)	**(7,118)**
Retirement benefits liability adjustments	**314**	(285)	**2,570**
Total accumulated other comprehensive income (loss)	**1,840**	(65)	**15,032**
Total net assets	**57,229**	49,413	**467,519**
Total liabilities and net assets	**¥ 135,041**	¥ 127,807	**$1,103,188**
Per share of common stock:			
Net assets (Yen) (U.S. dollars)	**¥5,552.41**	¥4,794.83	**$ 45.36**

Consolidated Statements of Income and Comprehensive Income

Shindengen Electric Manufacturing Co., Ltd. and its subsidiaries
For the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	**2022**
Net sales	**¥92,168**	¥80,437	**$752,946**
Cost of sales (Note 16)	**73,529**	69,018	**600,676**
Gross profit	**18,639**	11,419	**152,270**
Selling, general and administrative expenses (Notes 15, 16)	**13,077**	12,499	**106,831**
Operating income (loss)	**5,562**	(1,080)	**45,439**
Other income (expense):			
Interest income	**63**	80	**513**
Dividends income	**363**	327	**2,969**
Royalty income	**4**	16	**32**
Equity in earnings of affiliates	**165**	103	**1,352**
Foreign exchange gain (loss)	**141**	(217)	**1,148**
Subsidies for employment adjustment	**—**	149	**—**
Interest expenses	**(246)**	(217)	**(2,007)**
Financing expenses	**(4)**	548	**(35)**
Gain on sales of investment securities	**1,033**	333	**8,443**
Gain on sales of non-current assets (Note 17)	**65**	3	**529**
Impairment loss (Note 19)	**—**	(1,586)	**(558)**
Transfer expenses	**—**	(1,025)	**—**
Special retirement expenses	**—**	(902)	**—**
Loss on sales of non-current assets (Note 18)	**—**	(369)	**—**
Loss related to COVID-19 (Note 20)	**—**	(148)	**—**
Loss on valuation of shares of subsidiaries and associates	**—**	(100)	**—**
Loss on valuation of investments in associates	**—**	(558)	**—**
Loss on support to subsidiaries and associates	**—**	(77)	**—**
Loss on valuation of investment securities	**(37)**	(41)	**(299)**
Other, net	**(288)**	(1,046)	**(1,801)**
	1,259	(3,997)	**10,286**
Profit (loss) before income taxes	**6,821**	(5,077)	**55,725**
Income taxes (Note 14):			
Current	**1,376**	534	**11,246**
Deferred	**(458)**	(49)	**(3,742)**
Total income taxes	**918**	485	**7,504**
Profit (loss)	**5,903**	(5,562)	**48,221**
Profit (loss) attributable to owners of parent	**¥ 5,903**	¥ (5,562)	**$ 48,221**

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	**2022**
Profit (loss) attributable to owners of parent	**¥5,903**	¥ (5,562)	**$48,221**
Other comprehensive income			
Unrealized holding loss (gain) on available-for-sale securities	**(501)**	2,106	**(4,094)**
Foreign currency translation adjustment	**1,663**	(996)	**13,590**
Retirement benefits liability adjustments	**599**	1,212	**4,895**
Share of other comprehensive loss of affiliates accounted for using equity method	**144**	77	**1,174**
Total other comprehensive income (Note 21)	**1,905**	2,399	**15,565**
Comprehensive income (loss)	**¥7,808**	¥ (3,163)	**$63,786**
Comprehensive income (loss) attributable to:			
Owners of parent	**¥7,808**	¥ (3,163)	**$63,786**
Non-controlling interests	**—**	—	**—**

	Yen		U.S. dollars (Note 3)
	2022	2021	**2022**
Per share of common stock [Notes 2 (14), 26]:			
Profit attributable to owners of parent:			
Basic	**¥572.70**	¥(539.73)	**$4.68**
Diluted	**—**	—	**—**
Cash dividends per share for the period (Common stock)	**100.00**	62.50	**0.82**
Weighted average number of ordinary shares (thousands)	**10,307**	10,305	**—**

The accompanying notes are an integral part of the statements.

Consolidated Statements of Changes in Net Assets

Shindengen Electric Manufacturing Co., Ltd. and its subsidiaries
For the years ended March 31, 2022 and 2021

						Millions of yen
						Shareholders' equity
	Number of shares issued	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2020	10,339	¥17,823	¥7,738	¥30,252	¥(137)	¥55,676
Cash dividends paid				(644)		(644)
Profit attributable to owners of parent				(5,562)		(5,562)
Purchase of treasury stock					(1)	(1)
Disposal of treasury stock			(6)		15	9
Net changes in items other than those in shareholders' equity						
Balance at March 31, 2021	10,339	17,823	7,732	24,046	(123)	49,478
Cash dividends paid						
Profit attributable to owners of parent				**5,903**		**5,903**
Purchase of treasury stock					**(1)**	**(1)**
Disposal of treasury stock			**2**		**7**	**9**
Net changes in items other than those in shareholders' equity						
Balance at March 31, 2022	**10,339**	**¥17,823**	**¥7,734**	**¥29,949**	**¥(117)**	**¥55,389**

					Millions of yen
	Accumulated other comprehensive income (loss)				
	Unrealized holding gain on available-for-sale securities	Foreign currency translation adjustment	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)	Total net assets
Balance at March 31, 2020	¥ 792	¥(1,759)	¥(1,497)	¥(2,464)	¥53,212
Cash dividends paid					(644)
Profit attributable to owners of parent					(5,562)
Purchase of treasury stock					(1)
Disposal of treasury stock					9
Net changes in items other than those in shareholders' equity	2,106	(919)	1,212	2,399	2,399
Balance at March 31, 2021	2,898	(2,678)	(285)	(65)	49,413
Cash dividends paid					
Profit attributable to owners of parent					**5,903**
Purchase of treasury stock					**(1)**
Disposal of treasury stock					**9**
Net changes in items other than those in shareholders' equity	**(501)**	**1,807**	**599**	**1,905**	**1,905**
Balance at March 31, 2022	**¥2,397**	**¥ (871)**	**¥ 314**	**¥ 1,840**	**¥57,229**

The accompanying notes are an integral part of the statements.

					Thousands of U.S. dollars (Note 3)
					Shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2021	**$145,602**	**$63,163**	**$196,441**	**$(1,003)**	**$404,203**
Cash dividends paid					
Profit attributable to owners of parent			**48,221**		**48,221**
Purchase of treasury stock				**(13)**	**(13)**
Disposal of treasury stock		**18**		**58**	**76**
Net changes in items other than those in shareholders' equity					
Balance at March 31, 2022	**$145,602**	**$63,181**	**$244,662**	**$ (958)**	**$452,487**

					Thousands of U.S. dollars (Note 3)
				Accumulated other comprehensive income (loss)	
	Unrealized holding gain on available-for-sale securities	Foreign currency translation adjustment	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)	Total net assets
Balance at March 31, 2021	**$23,673**	**$(21,881)**	**$(2,325)**	**$ (533)**	**$403,670**
Cash dividends paid					
Profit attributable to owners of parent					**48,221**
Purchase of treasury stock					**(13)**
Disposal of treasury stock					**76**
Net changes in items other than those in shareholders' equity	(4,093)	14,763	4,895	15,565	15,565
Balance at March 31, 2022	**$19,580**	**$ (7,118)**	**$ 2,570**	**$15,032**	**$467,519**

The accompanying notes are an integral part of the statements.

Consolidated Statements of Cash Flows

Shindengen Electric Manufacturing Co., Ltd. and its subsidiaries
For the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2022	2021	**2022**
Operating activities:			
Profit (loss) before income taxes	**¥ 6,821**	¥ (5,077)	**$ 55,724**
Depreciation and amortization	**5,549**	4,735	**45,328**
Bond issuance cost	**—**	54	**—**
Impairment loss	**—**	1,586	**—**
Increase (decrease) in provision for bonuses	**188**	(168)	**1,535**
Decrease in provision for product warranties	**(307)**	(380)	**(2,511)**
Increase (decrease) in liability for retirement benefits	**233**	(241)	**1,905**
Gain on sales of investment securities	**(1,033)**	(333)	**(8,436)**
Interest and dividends income	**(426)**	(406)	**(3,482)**
Interest expenses	**246**	217	**2,007**
Decrease in notes and accounts receivable-trade	**268**	41	**2,188**
Increase in inventories	**(4,441)**	(32)	**(36,276)**
Decrease (increase) in consumption taxes refund receivable	**797**	(1,219)	**6,509**
Decrease (increase) in accounts receivable-other	**14**	(344)	**117**
Increase (decrease) in notes and accounts payable-trade	**1,374**	(1,359)	**11,224**
Loss on disposal of property, plant and equipment	**48**	49	**393**
Loss related to COVID-19	**—**	148	**—**
Other, net	**(361)**	(463)	**(2,949)**
Sub total	**8,970**	(3,192)	**73,275**
Interest and dividends received	**463**	420	**3,784**
Interest paid	**(246)**	(217)	**(2,008)**
Income taxes paid	**(897)**	(629)	**(7,325)**
Net cash provided by (used in) operating activities	**8,290**	(3,618)	**67,726**
Investing activities:			
Purchases of investment securities	**—**	(50)	**—**
Proceeds from sales of investment securities	**1,144**	507	**9,342**
Purchase of property, plant and equipment	**(8,931)**	(6,197)	**(72,960)**
Proceeds from sales of property, plant and equipment	**325**	326	**2,653**
Purchase of intangible assets	**(156)**	(184)	**(1,269)**
Other, net	**(289)**	(78)	**(2,362)**
Net cash used in investing activities	**(7,907)**	(5,676)	**(64,596)**
Financing activities:			
Proceeds from long-term loans payable	**8,300**	15,000	**67,805**
Repayment of long-term loans payable	**(5,125)**	(4,525)	**(41,867)**
Proceeds from issuance of bonds	**—**	1,946	**—**
Redemption of bonds	**(1,525)**	(1,475)	**(12,458)**
Purchase of treasury stock	**(2)**	(1)	**(13)**
Repayment for finance lease obligations	**(374)**	(365)	**(3,059)**
Cash dividends paid	**—**	(644)	**—**
Net cash used in financing activities	**1,274**	9,936	**10,408**
Effect of exchange rate change on cash and cash equivalents	**859**	(334)	**7,012**
Net increase in cash and cash equivalents	**2,516**	308	**20,550**
Cash and cash equivalents at beginning of the year	**26,646**	26,338	**217,680**
Cash and cash equivalents at end of the year (Note 4)	**¥29,162**	¥26,646	**$238,230**

The accompanying notes are an integral part of the statements.

Notes to Consolidated Financial Statements

Shindengen Electric Manufacturing Co., Ltd. and its subsidiaries

1. Basis of presentation

(1) Accounting principles and presentation

The accompanying consolidated financial statement of Shindengen Electric Manufacturing Co., Ltd. (the “Company”) and its subsidiaries (the “Companies”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the applications and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau (a regional branch organization of the Ministry of Finance in Japan) have been reclassified in these accounts for the convenience of readers outside Japan.

Certain items in the prior years’ financial statements have been reclassified to conform to the current year’s presentation.

(2) Scope of consolidation

The Company has 21 subsidiaries (controlling companies-companies whose decision-making is controlled, 18 consolidated subsidiaries, 3 non-consolidated subsidiaries, 2 affiliated companies) as of March 31, 2022 and 2021.

The consolidated financial statements for the years ended March 31, 2022 and 2021 include the accounts of the Company and its 18 subsidiaries, respectively.

The major consolidated subsidiaries are listed below.

	Equity ownership percentage
• Akita Shindengen Co., Ltd.	100.0%
• Higashine Shindengen Co., Ltd.	100.0%
• Okabe Shindengen Co., Ltd.	100.0%
• Lumphun Shindengen Co., Ltd.	100.0%
• Shindengen (Thailand) Co., Ltd.	100.0%

In the accompanying consolidated financial statements, the accounts of the 11 overseas subsidiaries for the year ended December 31, 2021 are consolidated with the accounts of the Company for the year ended March 31, 2022, as their fiscal year ends on December 31.

The remaining 3 unconsolidated subsidiaries as of March 31, 2022 are insignificant in terms of total assets, net sales, profit or loss and retained earnings and therefore have been excluded from consolidation.

The major unconsolidated subsidiary is listed below.

• Shindengen Lao Co., Ltd.

(3) Elimination and consolidation

For the purpose of preparing the consolidated financial statements, all significant inter-company transactions, account balances and unrealized profits among the Companies have been entirely eliminated.

(4) Investments in unconsolidated subsidiaries and affiliates

The Company has 3 unconsolidated subsidiaries and 2 affiliates (influencing companies-companies whose financial and operating or business decision making can be influenced to a material degree, and which are not subsidiaries) at March 31, 2022.

The investments in 2 affiliates are accounted for using the equity method. Investments in unconsolidated subsidiaries not accounted for using the equity method are stated at cost less impairment loss, due to their insignificant effect on the consolidated financial statements.

The major affiliate accounted for by the equity method is listed below.

• Shindengen Mechatronics Co., Ltd.

(5) Translation of foreign currency financial statements (accounts of overseas subsidiaries)

Assets, liabilities and net assets of overseas subsidiaries are translated into Japanese yen using the exchange rates prevailing at the balance sheet date except shareholders’ equity, which is translated at the historical rates.

Differences in Japanese yen amounts arising from the use of different exchange rates are presented as “Foreign currency translation adjustment” in the accompanying consolidated financial statements.

(6) Revaluation of assets and liabilities of subsidiaries

The Company adopts the “full fair value method” in which all assets and liabilities of the subsidiaries are remeasured at fair value as of the acquisition of the control.

(7) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash in hand, bank deposits, which are able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuation in value.

2. Summary of significant accounting policies

(1) Financial instruments

(A) Securities

Securities held by the Company and its subsidiaries are classified into two categories: “held-to maturity”, or “other securities”. Held-to maturity securities are carried at cost.

Mark-to-market accounting is adopted for other securities. In accordance with this method, these securities except for those other than shares which do not have a market price, are carried at fair value that is reasonably determinable based on current market quotes on the balance sheet date, with net unrealized gains and losses, net of related tax, reported separately in net assets. Realized gains or losses on securities sold are determined based on the moving-average method. Equity securities, etc. which do not have a market price are carried at cost, which is determined by the moving-average method.

In cases where the fair value of equity securities issued by unconsolidated subsidiaries and affiliates or other securities has declined significantly and such impairment of the value is not deemed temporary, these securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

(B) Derivatives

All derivatives are carried at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as “hedging instruments”.

(2) Inventories

Inventories held by the Company and the domestic consolidated subsidiaries are carried at cost, which is determined principally by the average method (reducing book value of inventories when their contribution to profitability declines).

Inventories held by overseas consolidated subsidiaries are valued at the lower of cost or market value, which is determined by the moving average method.

(3) Depreciation method for tangible assets (excluding lease assets)

Depreciation for property, plant and equipment held by the Company and its domestic consolidated subsidiaries is calculated using the declining-balance method. Depreciation of property, plant and equipment located at Asaka plant and held by overseas consolidated subsidiaries is calculated primarily by the straight-line method.

The estimated useful lives of assets are principally as follows:

- Buildings - 3 to 50 years
- Machinery and equipment - 4 to 10 years

(Additional information)

Depreciation of property, plan and equipment located at Asaka Office, which started operations from the fiscal year ended March 31, 2022, is calculated by the straight-line method. This is because long-term and stable operations are expected in future, as a result of review about expected operation of property, plant and equipment as an opportunity to have integrated research and development function, business management function, sales function, etc. into Asaka Office due to business structure reform.

(4) Amortization method for intangible assets (excluding lease assets)

Amortization for software and other intangible assets is calculated based on the straight-line method over 5 years of their estimated useful lives.

(5) Depreciation method for lease assets

Depreciation for lease assets is calculated based on the straight-line method over the lease period assuming no residual value.

(6) Allowance for doubtful accounts

The allowance for doubtful accounts is calculated based on the aggregate amount of estimated credit losses for doubtful receivables plus an amount for receivables other than doubtful receivables calculated using historical write-off experience over a certain period.

(7) Provision for bonuses

Provision for bonuses is provided based on the amount of expected future payments of bonuses, attributable to the fiscal year.

(8) Provision for product warranties

The Company estimates and accrues the costs of warranty repair for products sold in reserve for future expenses.

(9) Retirement benefits

Accrued retirement benefits and prepaid pension cost for employees have been recorded mainly at the amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of balance sheet date. The retirement benefit obligation for employees is attributed to each period by the benefit formula method.

The unrecognized prior service costs are amortized on the straight-line basis over a term that does not exceed the average remaining service period of employees who are expected to receive benefits under the plans (mainly 13 years) from the year in which they arise, and unrecognized actuarial differences are amortized on the straight-line basis over a term that does not exceed the average remaining service period of employees who are expected to receive benefits under the plans (mainly 13 years) from the next year in which they arise.

(10) Accounting for significant revenue and expenses

The details of the main performance obligations in the major businesses related to revenue from contracts with the Companies' customers and the timing at which the Companies typically satisfies these performance obligations (when it typically recognizes revenue) are as follows:

The Companies are engaged in manufacturing and sales of semiconductor products at Device business and electric components at Car Electronics business and sales of solenoid products at Solenoid business.

The Companies identify supplying the products to customers as a performance obligation and regards the performance obligation is satisfied at a point in time when the customer obtains a control of those products and then the Companies recognize revenue. Since the time from shipment of the products until a control of the products is transferred to the customer is a normal time, the Companies recognize revenue at a point of shipment.

The Companies determine whether it is a principal or an agent considering principal responsibility of providing the products, inventory risk before providing the products, discretion, etc. As a result, revenue from dealings as a principal is recognized at the total amount of consideration received from the customers, but revenue from sales of the products in which the Company is deemed to be an agent is recognized at the net amount of the amount received in exchange for the products provided by the other party less the amount to be paid to the other party concerned.

Consideration promised in a contract with a customer is usually received in a short-time period and does not include significant financial elements. Price concessions, returns of products, certain expenses to be paid to a customer for the purpose of sales promotion are deducted from the total amount of consideration in recognizing revenue. There is no contract including significant variable consideration.

(11) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period.

(12) Hedge accounting

Deferral hedge accounting is adopted for derivatives which qualify as hedges, under which unrealized gain or loss is deferred. As for the hedge accounting method, special treatment is adopted for interest rate swaps that meet the requirements for special treatment. Hedging instruments are interest rate swap transactions and hedged items are interest of loans payable. The Companies enter into interest rate swap transactions in order to reduce future interest rate risks from financial liabilities.

(13) Income taxes

The income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants' taxes and enterprise taxes.

The Companies adopt deferred tax accounting. Income taxes are determined using the asset and liability approach, whereby deferred tax assets and liabilities are recognized in respect of temporary differences between the tax bases of assets and liabilities and those as reported in the financial statements.

Deferred tax assets relating to tax loss carryforwards are recorded because the Japanese accounting standard requires that the benefit of tax loss carryforwards be estimated and recorded as an asset, with a deduction of the valuation allowance if it is expected that some portion or all of the deferred tax assets will not be realized.

(14) Profit attributable to owners of parent per share

Profit attributable to owners of parent per share is based upon the weighted average number of shares of common stock outstanding less the number of treasury stock during each period.

(15) Significant accounting estimates

For the year ended March 31, 2022

(Recoverability of deferred tax assets)

① Amount recorded in the consolidated financial statements for the current consolidated fiscal year

Deferred tax assets (net) ¥704 million ($5,750 thousand)

Deferred tax assets (before offsetting deferred tax liabilities) ¥2,130 million ($17,400 thousand)

* Deferred tax assets (before offsetting deferred tax liabilities) recognized by the Company amounted to ¥1,386 million ($11,322 thousand).

② Information related to the important accounting estimates of recognized items

a. Calculation method

The deferred tax assets which are determined to be effective that taxable temporary differences and tax loss carryforwards will ease future tax burden are recorded based on the estimation of the taxable income forecasted from the future business plan.

b. Key assumptions

The future cash flows derived from this asset group are estimated based on the business plan for the following fiscal year approved by the Board of Directors over the remaining economic useful lives of the major assets.

Sales volume and raw material prices as key assumptions underlying the business plan are estimated by taking into account trends in demand from the past, market forecasts, market prices, and other factors.

With respect to the effects of COVID-19, it is still uncertain when the infectious disease will be settled, and the future of world economy still continues to be unclear due to the Russian invasion into Ukraine, etc. The Companies assume that the situation in the fourth quarter of the fiscal year ended March 31, 2022 will continue in the fiscal year ending March 31, 2023 based on available information.

③ Impact on consolidated financial statements for the next consolidated fiscal year

The estimation is based on information available at the date of the consolidated financial statements. However, it would have a significant impact on the consolidated financial statements for the next consolidated fiscal year in case sufficient taxable income cannot be earned due to the changes of future economic environment and the impact of COVID-19 infection and Russian invasion into Ukraine.

For the year ended March 31, 2021

(Impairment of non-current assets)

① Amount recorded in the consolidated financial statements for the current consolidated fiscal year

The Company determined that there was an indication of impairment for the asset group in the Device business (book value of the non-current assets amounting ¥12,830 million ($115,870 thousand)) due to the fact that it has continuously posted operating losses. However, in determining whether to recognize an impairment loss, the Company did not recognize an impairment loss because the total undiscounted future cash flows from the asset group exceeded its carrying amount.

② Information related to the important accounting estimates of recognized items

a. Calculation method

The grouping of the business assets is considered on the basis of the mutual complementarity of the cash flows by affinity of manufacturing process based on the classification of the management accounting. If there is an indication of impairment such as a significant decline in the profitability or market value of the assets or asset group, the impairment review is performed by comparing undiscounted future cash flows based on the business plan of the asset group with the carrying amount. As the result of the impairment review, in case the carrying amount exceeds the undiscounted future cash flows and the Company determines that impairment loss should be recognized, it is written down to its recoverable amount (the greater of fair value less cost to sell and value in use) and the written-down amount is recognized as impairment loss.

b. Key assumptions

The future cash flows derived from this asset group are estimated based on the business plan for the following fiscal year approved by the Board of Directors over the remaining economic useful lives of the major assets.

Sales volume and raw material prices as key assumptions underlying the business plan are estimated by taking into account trends in demand from the past, market forecasts, market prices, and other factors.

The COVID-19 infection is re-expanding in some areas and the it is still uncertain when the infection is curbed. The Company assumes that the situation in the fourth quarter of FY2021 will continue in FY 2022 based on available information.

c. Impact on consolidated financial statements for the next consolidated fiscal year

The estimation is based on information available at the date of the consolidated financial statements. However, it would have a significant impact on the consolidated financial statements for the next consolidated fiscal year in case sufficient future cash flows cannot be expected due to the changes of future economic environment or the impact of COVID-19 infection.

(Recoverability of deferred tax assets)

① Amount recorded in the consolidated financial statements for the current consolidated fiscal year

Deferred tax assets (net) ¥334 million ($3,022 thousand)

② Information related to the important accounting estimates of recognized items

a. Calculation method

The deferred tax assets which are determined to be effective that it will ease future tax burden are recorded based on the estimation of the taxable income forecasted from the future business plan.

b. Key assumptions

Sales volume and raw material prices as key assumptions underlying the business plan are estimated by taking into account trends in demand from the past, market forecasts, market prices, and other factors.

The COVID-19 infection is re-expanding in some areas and the it is still uncertain when the infection is curbed. The Company assumes that the situation in the fourth quarter of FY2021 will continue in FY 2022 based on available information.

③ Impact on consolidated financial statements for the next consolidated fiscal year

The estimation is based on information available at the date of the consolidated financial statements. However, it would have a significant impact on the consolidated financial statements for the next consolidated fiscal year in case sufficient taxable income cannot be earned due to the changes of future economic environment or the impact of COVID-19 infection.

(16) Accounting Changes

(Adoption of Accounting Standard for Revenue Recognition, etc.)

The Company adopted “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) (hereinafter “Revenue Recognition Standard”) from the beginning of the fiscal year ended March 31, 2022 and the Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. Accordingly, certain expenses payable to customers for the purpose of promoting sales had been previously recorded under selling, general and administrative expenses, but these expenses have been deducted from net sales from the beginning of the fiscal year ended March 31, 2022. In addition, regarding the transactions that the Group plays a role as an agent for sales of products to the customers, total considerations received from the customers had previously been recognized as revenue, but from the fiscal year ended March 31, 2022, they are recognized as revenue in the net amount of the total considerations deducting payments to the third parties.

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the provision to paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the reporting period, with the new accounting policies applied from the beginning balance. However, the Company applies the method provided for in paragraph 86 of the Revenue Recognition Standard, and does not apply the new accounting policies retrospectively to contracts for which substantially all revenue amounts had been recognized prior to the beginning of the reporting period in accordance with the previous treatment. In addition, applying the method stipulated in provision (1) to paragraph 86 of the Revenue Recognition Standard, contract modifications that occurred prior to the beginning of the reporting period were accounted for based on the terms of the contract after reflecting all contract modifications, with the cumulative impact adjusted to retained earnings at the beginning of the reporting period.

As a result, net sales, cost of sales and selling, general and administrative expenses for the year ended March 31, 2022 decreased by ¥971 million ($7,935 thousand), ¥932 million ($7,614 thousand) and ¥39 million ($322 thousand), respectively, but there was no impact on operating income and net profit before income taxes. In addition, there was no impact on the beginning balance of retained earnings,

In accordance with the transitional treatment set forth in paragraph 89-2 of the Revenue Recognition Standard, no reclassification based on the new presentation method was med for the fiscal year ended March 31, 2021. Furthermore, in accordance with the transitional treatment set forth in paragraph 89-3 of the Revenue Recognition Standard, information about the details of revenues arising from the customers for the fiscal year ended March 31, 2021 is not presented.

(Adoption of Accounting Standard for Fair Value Measurement, etc.)

The Company adopted “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) (hereinafter “Fair Value Measurement Standard”) from the beginning of the fiscal year ended March 31, 2022 and decided to apply prospectively the new accounting policies defined by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment set forth in paragraph 19 of the Fair Value Measurement Accounting Standard and paragraph 44-2 of the “Accounting Standard for financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There was no impact on accompanying the consolidated financial statements.

3. United States dollar amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥ 122.41=U.S. $ 1, the approximate rate of exchange prevailing at March 31, 2022 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rate.

4. Cash flow information

Cash and cash equivalents as of March 31, 2022 and 2021 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Cash and deposits	**¥29,613**	¥26,646	**$241,920**
Time deposits maturing over three months	**(451)**	—	**(3,690)**
Cash and cash equivalents	**¥29,162**	¥26,646	**$238,230**

Significant finance lease transactions without cash flow for the years ended March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Lease assets	**¥ 97**	¥454	**$789**
Lease obligations	**105**	503	**857**

5. Receivables arising from contracts with customers

Notes and accounts receivable – trade arising from contracts with customers are as follows:

At March 31, 2022	Millions of yen	Thousands of U.S. dollars
Notes receivable	**¥ 2,277**	**$ 18,601**
Accounts receivable	**16,643**	**135,961**

6. Inventories

Inventories held by the Companies as of March 31, 2022 and 2021 are the follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Finished products	**¥ 8,790**	¥ 7,593	**$ 71,810**
Raw materials	**13,939**	10,977	**113,868**
Work in process	**5,561**	4,500	**45,430**
	¥28,290	¥23,070	**$231,108**

The cost of sales includes write-downs of inventories of ¥21 million ($171 thousand), and minus ¥288 million for the years ended March 31, 2022 and 2021, respectively, reflecting reduced profitability of inventory held for normal sales purposes. Negative amount is due to the reversal of write-downs at the end of the previous fiscal year.

7. Financial instruments

① Overview

(1) Policy for financial instruments

The Companies raise funds mainly through bank borrowings and issuing bonds. The Companies manage temporary cash surpluses through low-risk and short-term financial assets. The Companies uses derivatives for the purpose of reducing risks, and does not enter into derivatives for speculative purposes.

(2) Types of financial instruments and related risk

Trade receivables (notes and accounts receivable-trade) are exposed to credit risk in relation to customers. In addition, the Companies are exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies.

Investment securities (mainly composed of the shares of common stock) are exposed to market risk.

Trade payables (notes and accounts payable-trade) have payment due dates within 1 year. Trade payables denominated in foreign currency are exposed to foreign currency exchange risk.

Short-term loans payables are raised mainly in connection with funding the working capital. Long-term loans payable, bonds payable, and lease obligations are taken out mainly for the purpose of making capital investments, settled within 10 years from the balance sheet date, and partially exposed to interest rate fluctuation risk.

Regarding derivatives, the Companies enter into forward foreign exchange contracts to reduce future foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies. The forward exchange contracts volume is limited to the balance of each asset or liability denominated in foreign currencies. The Companies enter into interest rate swap transactions to reduce future interest rate risks deriving from financial assets or liabilities. The amount of the swap contracts is limited to the balance of the underlying financial assets or liabilities. Forward foreign exchange contracts are exposed to currency rate fluctuation risks. Interest rate swap transactions are exposed to interest rate risks.

Information regarding the method of hedge accounting, hedging instruments, hedged items, and hedging policy is disclosed in “Hedge accounting”.

(3) Risk management for financial instruments

(A) Monitoring of credit risks (default of the customers, or other)

In accordance with the Company’s internal rule “Management rule of operating receivables”, the Sales Dept. and Finance Dept. periodically monitor the balance of transactions involving main customers, as a part of balance management, and grasp at an early stage any increase in customer credit risks from deterioration in financial condition or other phenomenon. In the subsidiary companies, there are almost the same management systems according to “Management rule of operating receivables”. The Companies also believe that the credit risk of derivatives is insignificant as it enters into derivative transactions only with financial institutions which have a sound credit profile.

(B) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

The Company has “Management rule of derivatives” that sets forth basic policy, procedures, and upper position limits on derivative transactions. Based on this rule, the Finance Dept. executes derivative contracts. The status of each transaction is reported at the board of director’s meeting on a quarterly basis. The same rule is adopted and followed by its subsidiaries. For marketable securities and investment securities, the Company periodically reviews the fair values of such financial instruments and the financial position of the issuers. In addition, the Company monitors the market price for stocks with market values on a quarterly basis.

(C) Monitoring of liquidity risk (the risk that the Companies may not be able to meet their obligations on scheduled due dates)

The Company prepares and updates its cash flow plans on a timely basis, and maintains the liquidity on hand to manage liquidity risk.

(4) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 21, Derivatives and hedging activities, are not necessarily indicative of the actual market risk involved in derivative transactions.

② Estimated fair value of financial instruments

Carrying value, estimated fair value, and unrealized gain (loss) of financial instruments on the consolidated financial balance sheets as of March 31, 2022, and 2021 are as follows. Financial instruments for which it is extremely difficult to determine the fair value are not included (Please refer to Note 2 below).

			Millions of yen
			2022
	Carrying value	Estimated fair value	Unrealized gain (loss)
Investment securities*2	**¥11,088**	**¥11,088**	**¥ —**
Total assets	**¥11,088**	**¥11,088**	**¥ —**
(1) Bonds payable*3	**5,300**	**5,179**	**(121)**
(2) Long-term loans payable*4	**33,375**	**31,940**	**(1,435)**
(3) Lease obligations (long-term)*5	**1,205**	**1,124**	**(81)**
Total liabilities	**¥39,880**	**¥38,243**	**¥(1,637)**
Derivatives (Note)	**¥ (70)**	**¥ (70)**	**¥ —**

			Millions of yen
			2021
	Carrying value	Estimated fair value	Unrealized gain (loss)
Investment securities*2	¥11,917	¥11,917	¥ —
Total assets	¥11,917	¥11,917	¥ —
(1) Bonds payable*3	6,825	6,723	(102)
(2) Long-term loans payable*4	30,200	30,481	281
(3) Lease obligations (long-term)*5	1,529	1,427	(102)
Total liabilities	¥38,554	¥38,631	¥ 77
Derivatives*6	¥ (14)	¥ (14)	¥ —

			Thousands of U.S. dollars
			2022
	Carrying value	Estimated fair value	Unrealized gain (loss)
Investment securities*2	**$ 90,583**	**$ 90,583**	**$ —**
Total assets	**$ 90,583**	**$ 90,583**	**$ —**
(1) Bonds payable*3	**43,297**	**42,310**	**(987)**
(2) Long-term loans payable*4	**272,649**	**260,925**	**(11,725)**
(3) Lease obligations (long-term)*5	**9,847**	**9,181**	**(666)**
Total liabilities	**$325,794**	**$312,416**	**$(13,377)**
Derivatives*6	**$ (575)**	**$ (575)**	**$ —**

*1 "Cash and deposits," "Notes and accounts receivable-trade," "Income taxes receivable, " "Notes and accounts payable," "Short term borrowing" and "Income taxes payable" are omitted since the fair value approximates the carrying amount and they are settled in a short-time period.

*2 Stocks which do not have a market risk are not included in "Investment securities" under the above table. The carrying amounts of such financial instruments are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Unlisted equity securities	**¥3,720**	¥3,454	**$30,388**

*3 Bonds payable include current portion of bonds payable.

*4 Long-term loans payable include current portion of long-term loans payable.

*5 Lease obligations include short-term lease obligations.

*6 The value of assets and liabilities arising from derivatives is shown at net value, and with the amount in parentheses representing net liability position.

Note 1. Redemption schedule for receivables.

				Millions of yen
March 31, 2022	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 deposits	**¥29,608**	**¥—**	**¥—**	**¥—**
Notes and accounts receivable-trade	**18,920**	**—**	**—**	**—**
Total	**¥48,528**	**¥—**	**¥—**	**¥—**

				Millions of yen
March 31, 2021	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 deposits	¥26,641	¥—	¥—	¥—
Notes and accounts receivable-trade	18,589	—	—	—
Total	¥45,230	¥—	¥—	¥—

				Thousands of U.S. dollars
March 31, 2022	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 deposits	**$241,875**	**$—**	**$—**	**$—**
Notes and accounts receivable-trade	**154,562**	**—**	**—**	**—**
Total	**$396,437**	**$—**	**$—**	**$—**

Note 2. The redemption schedule for bonds payable, long-term loans payable, lease obligations (long-term), and other liabilities.

						Millions of yen
March 31, 2022	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Bonds payable	**¥1,450**	**¥1,500**	**¥1,025**	**¥ 525**	**¥ 400**	**¥ 400**
Long-term loans payable	**5,100**	**5,895**	**5,735**	**5,060**	**4,085**	**7,500**
Lease obligations (long-term)	**331**	**355**	**253**	**104**	**31**	**131**
Total	**¥6,881**	**¥7,750**	**¥7,013**	**¥5,689**	**¥4,516**	**¥8,031**

						Millions of yen
March 31, 2021	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	¥5,125	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds payable	1,525	1,450	1,500	1,025	525	800
Long-term loans payable	—	5,100	5,625	5,075	4,400	4,875
Lease obligations (long-term)	464	367	248	240	92	118
Total	¥7,114	¥6,917	¥7,373	¥6,340	¥5,017	¥5,793

Thousands of U.S. dollars

March 31, 2022	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Bonds payable	**$11,845**	**$12,254**	**$ 8,373**	**$ 4,289**	**$ 3,268**	**$ 3,268**
Long-term loans payable	**41,663**	**48,158**	**46,851**	**41,336**	**33,372**	**61,269**
Lease obligations (long-term)	**2,708**	**2,897**	**2,070**	**853**	**252**	**1,068**
Total	**$56,216**	**$63,309**	**$57,294**	**$46,478**	**$36,892**	**$65,605**

③ Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.

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

Level 3 fair value: Fair value measured using unobservable inputs.
If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments stated at the fair value in the consolidated balance sheet

Millions of yen

March 31, 2022	Fair value Level 1	Level 2	Level 3	Total
Investment securities				
Other securities:				
Stocks	**¥11,088**	**¥ —**	**¥—**	**¥11,088**
Total assets	**¥11,088**	**¥ —**	**¥—**	**¥11,088**
Derivatives				
Currency related	**¥ —**	**¥70**	**¥—**	**¥ 70**
Total liabilities	**¥ —**	**¥70**	**¥—**	**¥ 70**

Thousands of U.S. dollars

March 31, 2022	Fair value Level 1	Level 2	Level 3	Total
Investment securities				
Other securities:				
Stocks	**$90,583**	**$ —**	**$—**	**$90,583**
Total assets	**$90,583**	**$ —**	**$—**	**$90,583**
Derivatives				
Currency related	**$ —**	**$575**	**$—**	**$ 575**
Total liabilities	**$ —**	**$575**	**$—**	**$ 575**

(2) Financial instruments other than those stated at fair value in the consolidated balance sheet

Millions of yen

March 31, 2022	Fair value Level 1	Level 2	Level 3	Total
Bonds payable	**¥—**	**¥ 5,179**	**¥—**	**¥ 5,179**
Long-term loans payable	**—**	**31,940**	**—**	**31,940**
Lease obligations	**—**	**1,124**	**—**	**1,124**
Total liabilities	**¥—**	**¥38,243**	**¥—**	**¥38,243**

Thousands of U.S. dollars

March 31, 2022	Fair value Level 1	Level 2	Level 3	Total
Bonds payable	**$—**	**$ 42,310**	**$—**	**$ 42,310**
Long-term loans payable	**—**	**260,925**	**—**	**260,925**
Lease obligations	**—**	**9,181**	**—**	**9,181**
Total liabilities	**$—**	**$312,416**	**$—**	**$312,416**

Note: A description of the valuation technique(s) and inputs used in the fair value measurements

Investment securities:
The fair value of investment securities is measured at the quoted price. The fair value of listed stocks is classified as Level 1, since they are traded in active markets.

Derivatives:
The fair value of forward foreign exchange contracts is measured at the quoted price obtained from the third parties and classified as Level 2.

Bonds payable:
The fair value of bonds payable issued by the Companies is determined by discounted present value method based on the sum of the principal and interest and an interest rate considering the time to maturity and credit risk of the bonds payable and classified as Level 2.

Long-term loans payable and lease obligations:
The fair value of these items is determined by discounted present value method based on the sum of the principal and interest and an interest rate considering the time to maturity and credit risk of the bonds payable and classified as Level 2.

Long-term loans payable with variable interest rate are subject to special treatment of interest rate swaps. The fair value is measured at the present value of the sum of the principal and interest treated together with the relevant interest rate swaps discounted by an interest rate adding credit spread to the relevant index such as yields of Japanese government bonds, etc. The fair value is classified as Level 2.

8. Securities

Information regarding securities classified as held-to-maturity securities and other securities (stock) as of March 31, 2022 and 2021 are as follows:

Held-to-maturity securities
For the year ended March 31, 2022
No current report

For the year ended March 31, 2021
No current report

Other securities (stocks)

Millions of yen

2022	Carrying value	Acquisition cost	Unrealized gain (loss)
Other securities with carrying values exceeding acquisition costs	**¥10,959**	**¥7,536**	**¥3,423**
Other securities with carrying values not exceeding acquisition costs	**129**	**156**	**(27)**
Total	**¥11,088**	**¥7,692**	**¥3,396**

	Millions of yen		
			2021
	Carrying value	Acquisition cost	Unrealized gain (loss)
Other securities with carrying values exceeding acquisition costs	¥11,772	¥7,645	¥4,127
Other securities with carrying values not exceeding acquisition costs	144	200	(56)
Total	¥11,916	¥7,845	¥4,071

	Thousands of U.S. dollars		
			2022
	Carrying value	Acquisition cost	Unrealized gain (loss)
Other securities with carrying values exceeding acquisition costs	**$89,526**	**$61,566**	**$27,960**
Other securities with carrying values not exceeding acquisition costs	**1,056**	**1,276**	**(220)**
Total	**$90,582**	**$62,842**	**$27,740**

Unlisted stocks which do not have market prices are not included in the above tables because there are no quoted market prices.

Carrying values of securities without fair value as of March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Unlisted stocks	**¥91**	¥128	**$747**

Other securities sold during the consolidated fiscal year

	Millions of yen		
			2022
	Sale amount	Total gain on sales	Total loss on sales
Other securities	**¥1,144**	**¥1,033**	**¥ 1**
Debentures	**—**	**—**	**—**
Others	**—**	**—**	**—**
Total	**¥1,144**	**¥1,033**	**¥ 1**

	Millions of yen		
			2021
	Sale amount	Total gain on sales	Total loss on sales
Other securities	¥507	¥333	¥—
Debentures	—	—	—
Others	—	—	—
Total	¥507	¥333	¥—

	Thousands of U.S. dollars		
			2022
	Sale amount	Total gain on sales	Total loss on sales
Other securities	**$9,343**	**$8,436**	**$ 6**
Debentures	**—**	**—**	**—**
Others	**—**	**—**	**—**
Total	**$9,343**	**$8,436**	**$ 6**

9. Accumulated depreciation

The accumulated depreciation of property, plant and equipment as of March 31, 2022 and 2021 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Property, plant and equipment	**¥87,397**	¥85,567	**$713,968**

10. Short-term borrowings and long-term debt

Short-term borrowings and long-term debt at March 31, 2022 and 2021 are as follow:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Current portion of long-term debt	**¥ 5,100**	¥ 5,125	**$ 41,663**
Current portion of bonds	**1,450**	1,525	**11,845**
Current portion of lease obligations	**331**	464	**2,708**
Long-term debt	**32,999**	31,440	**269,578**
	¥39,880	¥38,554	**$325,794**

Long-term debt as of March 31, 2022 and 2021 are as follow:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Long-term loans from banks and other financial institutions	**¥33,375**	¥30,200	**$272,649**
0.55% bonds due June 30, 2021	**—**	25	**—**
0.49% bonds due September 30, 2022	**50**	150	**408**
0.23% bonds due June 30, 2023	**125**	225	**1,021**
0.14% bonds due March 31, 2023	**150**	300	**1,225**
0.14% bonds due June 30, 2023	**225**	375	**1,838**
0.051% bonds due March 29, 2024	**400**	600	**3,268**
0.059% bonds due June 28, 2024	**500**	700	**4,085**
0.25% bonds due June 28, 2024	**225**	325	**1,838**
0.330% bonds due June 30, 2025	**325**	425	**2,655**
0.072% bonds due March 31, 2025	**600**	800	**4,902**
0.082% bonds due June 30, 2025	**700**	900	**5,719**
0.370% bonds due June 24, 2028	**2,000**	2,000	**16,339**
Lease obligations	**1,205**	1,529	**9,847**
	39,880	38,554	**325,794**
Less: Current portion	**(6,881)**	(7,114)	**(56,216)**
	¥32,999	¥31,440	**$269,578**

The approximate weighted average interest rate of long-term loans from banks as of March 31, 2022 is 0.6%.

The aggregate annual maturity of long-term debt outstanding as of March 31, 2022 during the succeeding five-year period (except within one year) is as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2024	¥5,895	$48,161
2025	5,735	46,854
2026	5,060	41,339
2027	4,085	33,371

11. Retirement plans and severance indemnities

The Company and its consolidated domestic subsidiaries have a funded pension program to cover the employees' retirement benefits. The amount of such retirement benefits is determined by reference to the latest rate of pay, length of service and conditions under which retirement occurs.

Certain overseas subsidiaries provide defined contribution pension plans or defined benefit plans.

The changes in the retirement benefit obligation during the years ended March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Balance at the beginning of the year	**¥27,701**	¥28,808	**$226,296**
Service cost	**1,297**	1,470	**10,591**
Interest cost	**97**	91	**795**
Actuarial gain or loss	**(499)**	(483)	**(4,075)**
Retirement benefit paid	**(759)**	(2,145)	**(6,200)**
Other	**29**	(40)	**239**
Balance at the end of the year	**¥27,866**	¥27,701	**$227,646**

Certain subsidiaries provide in the retirement benefit obligation of simple method.

The changes in plan assets during the years ended March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Balance at the beginning of the year	**¥14,940**	¥14,026	**$122,051**
Expected return on plan assets	**43**	43	**350**
Actuarial gain or loss	**129**	936	**1,056**
Contributions by the Company	**888**	1,121	**7,253**
Retirement benefits paid	**(326)**	(1,208)	**(2,666)**
Other	**12**	22	**97**
Balance at the end of the year	**¥15,686**	¥14,940	**$128,141**

Certain subsidiaries provide simple method.

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2022 and 2021 for the Company's and consolidated subsidiaries' defined benefit plans.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Funded retirement benefit obligation	**¥15,585**	¥15,347	**$127,321**
Plan assets as fair value	**(15,686)**	(14,940)	**(128,141)**
	(101)	407	**(820)**
Unfunded retirement benefit obligation	**12,281**	12,354	**100,325**
Net liability for retirement benefits in the balance sheet	**12,180**	12,761	**99,505**
Liability for retirement benefits	**12,217**	12,761	**99,804**
Asset for retirement benefits	**(37)**	—	**(299)**
Net liability for retirement benefits in the balance sheet	**¥12,180**	¥12,761	**$ 99,505**

The components of retirement benefit expense for the years ended March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Service cost	**¥1,297**	¥1,470	**$10,591**
Interest cost	**97**	91	**795**
Expected return on plan assets	**(43)**	(43)	**(350)**
Amortization of actuarial difference	**207**	353	**1,693**
Amortization of prior service cost	**8**	8	**62**
Other	**2**	(23)	**17**
Retirement benefit expense	**¥1,568**	¥1,856	**$12,808**

The components of retirement benefits liability adjustments (before tax effect), included in other comprehensive income (loss) for the years ended March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Actuarial difference	**¥825**	¥1,770	**$6,743**
Prior service cost	**8**	8	**62**
Total	**¥833**	¥1,778	**$6,805**

The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Unrecognized prior service cost	**¥ 63**	¥ 71	**$ 516**
Unrecognized actuarial difference	**(582)**	243	**(4,754)**
Total	**¥(519)**	¥314	**$(4,238)**

The fair value of plan assets, by major categories, as a percentage of total plan assets as of March 31, 2022 and 2021 are as follows:

	2022	2021
Bonds	**77%**	64%
Stocks	**11%**	21%
Cash on hand and in banks	**5%**	6%
Other	**7%**	9%
Total	**100%**	100%

The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in accounting for the above plans were as follows:

	2022	2021
Discount rates	**0.2%-0.3%**	0.2%-0.3%
Expected rates of return on plan assets	**0.2%-0.3%**	0.2%-0.3%
Expected future salary increases rates	**2.2%-4.9%**	2.4%-4.6%

The Company and certain consolidated subsidiaries' contributions for defined contribution plans are as of March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Defined contribution plans	**¥159**	¥161	**$1,301**

12. Investments in unconsolidated subsidiaries and affiliates

Investments in unconsolidated subsidiaries and affiliates as of March 31, 2022 and 2021 are as follow:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Investments in securities (Stocks)	**¥3,628**	¥3,326	**$29,641**
Other (Investments in capital)	**34**	103	**280**

13. Contingent liabilities

The Companies are contingently liable for guarantees of housing loans of employees as of March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Housing loans of employees	**¥10**	¥19	**$82**

14. Tax Effect Accounting

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in a statutory rate of approximately 30.6% for the years ended March 31, 2022. Note is omitted because it's a net loss before taxes for the years ended March 31, 2021. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The reconciliation between the effective tax rates reflected in the consolidated statement of income and the effective statutory tax rate for the years ended March 31, 2022 is as follows:

	2022
Statutory tax rate	**30.6%**
(Reconciliation items)	
Non-deductible items such as entertainment	**0.2**
Non-taxable items such as dividend received	**(3.5)**
Change in valuation allowance	**(12.9)**
Dividend received from consolidated subsidiaries	**3.8**
Different tax rate applied to overseas consolidated subsidiaries	**(3.0)**
Others	**(1.7)**
Effective tax rate	**13.5%**

The reconciliation for the year ended March 31, 2021 is omitted since loss before income taxes was recorded.

The significant components of deferred tax assets and liabilities as of March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred tax assets:			
Liability for retirement benefits	**¥3,529**	¥ 3,684	**$28,827**
Provision for product warranties	**487**	581	**3,977**
Depreciation and amortization	**1,081**	1,013	**8,832**
Provision for bonuses	**294**	236	**2,399**
Allowance for doubtful accounts	**17**	15	**140**
Loss on valuation of inventories	**340**	369	**2,781**
Impairment loss	**331**	469	**2,702**
Loss on valuation of shares of subsidiaries and associates	**502**	481	**4,103**
Asaka Office transfer expenses	**—**	427	**—**
Loss carried forward for tax purposes	**1,393**	1,924	**11,384**
Other	**1,340**	911	**10,943**
Subtotal of deferred tax assets	**9,314**	10,110	**76,088**
Valuation allowance for net operating loss carryforwards (Note 2)	**(1,128)**	(1,913)	**(9,219)**
Valuation allowance for deductible temporary differences (Note 1)	**(6,055)**	(6,155)	**(49,461)**
Less valuation allowance	**(7,183)**	(8,068)	**(58,680)**
Total of deferred tax assets	**2,131**	2,042	**17,408**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	**(999)**	(1,215)	**(8,163)**
Asset retirement obligations	**(191)**	(1)	**(1,561)**
Other	**(572)**	(897)	**(4,667)**
Total of deferred tax liabilities	**(1,762)**	(2,114)	**(14,391)**
Net deferred tax assets	**¥ 369**	¥ (72)	**$ 3,017**

Notes: 1. The movement in valuation allowances is mainly due to the deferred tax assets recorded by the domestic consolidated subsidiary being fully applied to valuation allowance in the current period.

2. Deferred tax assets (before offsetting deferred tax liabilities) as of March 31, 2022 recognized by the Company amounted to¥1,386 million ($11,322 thousand), consisting of ¥6,758 million ($55,207 thousand) of total deferred tax assets related to deductible temporary differences and tax loss carryforwards, less ¥5,372 million ($43,885 thousand) of valuation allowance.

3. A breakdown of net operating loss carryforwards and valuation allowance by expire dates as of March 31, 2022 is as follows;

Millions of yen

March 31, 2022	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
Net operating loss carryforwards (a)	**¥255**	**¥218**	**¥465**	**¥21**	**¥ 1**	**¥434**	**¥1,393**
Valuation allowance	**4**	**211**	**462**	**20**	**—**	**432**	**1,128**
Deferred tax asset	**251**	**7**	**3**	**1**	**1**	**2**	**265**

Thousands of U.S. dollars

March 31, 2022	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
Net operating loss carryforwards (a)	**$2,080**	**$1,785**	**$3,798**	**$169**	**$11**	**$3,541**	**$11,384**
Valuation allowance	**28**	**1,725**	**3,770**	**165**	**—**	**3,531**	**9,219**
Deferred tax asset	**2,052**	**60**	**28**	**4**	**11**	**10**	**2,165**

(a) The amount is determined by multiplying the corresponding net operating loss carryforwards by the effective statutory tax rate.

15. Major items in selling, general and administrative expenses

Major items in selling, general and administrative expenses for the years ended March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Freight and transportation	**¥2,541**	¥2,131	**$20,759**
Employees' salaries and wages	**3,003**	2,707	**24,534**
Provision for bonuses	**167**	115	**1,368**
Net pension expenses related to retirement benefits	**376**	465	**3,068**
Research and development expenses	**2,032**	2,390	**16,603**

16. Research and development expenses

Research and development expenses charged to income for the years ended March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Research and development expenses	**¥4,088**	¥4,964	**$33,397**

17. Gain on sales of non-current assets

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Land	**¥65**	¥—	**$529**
Buildings	**—**	3	**—**
Total	**¥65**	¥ 3	**$529**

18. Loss on sales of non-current assets

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Land	**¥—**	¥353	**$—**
Buildings and Structures, etc.	**—**	16	**—**
Total	**¥—**	¥369	**$—**

19. Impairment loss

For the year ended March 31, 2022, no impairment loss was recognized. For the year ended March 31, 2021, the Company recognized impairment loss on the following asset groups.

(Summary of assets group which recognized impairment loss)

For the year ended March 31, 2021

Use	Type of assets	Location	Millions of yen
Idle assets	Buildings, etc.	Hanno-shi Saitama-ken	¥1,253
Idle assets	Land, etc.	Yurihonzyou-shi Akita-ken	¥229
Idle assets	Land, Buildings, etc.	Hidaka-shi Saitama-ken	¥104

(Recognition of impairment loss)

For the year ended March 31, 2021, the carrying amount of idle assets is reduced to the recoverable amount, due to a decline in the fair value. As a result, the Company recognizes impairment loss. The details of impairment loss are as follows;

For the year ended March 31, 2021

Type of assets	Millions of yen
Building	¥1,233
Land	304
Structure	49
Total	¥1,586

(Assets grouping)

The assets grouping is based on the management accounting classification, taking into account the cash flow interaction from the similarity of manufacturing processes.

(Calculation of recoverable amount)

For the years ended March 31, 2021, the recoverable amount of the idle assets is measured at the net sales value primarily calculated in accordance with *"Japanese Real Estate Appraisal Standards"* and adjusted by "assessed value of fixed assets under property tax".

20. Loss related to COVID-19

For the year ended March 31, 2022
No current report

For the year ended March 31, 2021
Loss related to COVID-19 refers to fixed costs (personnel costs, depreciation costs, etc.) incurred during the factory shutdown period as a result of the lockdown of Asian countries due to the effects of the COVID-19.

21. Comprehensive income

Reclassifications adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Unrealized holding gain (loss) on available-for-sale securities			
Amount arising during the year	**¥(1,750)**	¥2,980	**$(14,296)**
Reclassification adjustments to profit or loss	**1,033**	27	**8,436**
Amount before income tax effect	**(717)**	3,007	**(5,860)**
Income tax effect	**216**	(901)	**1,766**
Total	**(501)**	2,106	**(4,094)**
Foreign currency translation adjustment			
Amount arising during the year	**1,663**	(996)	**13,590**
Retirement benefits liability adjustments			
Amount arising during the year	**618**	1,417	**5,050**
Reclassification adjustments to profit or loss	**215**	361	**1,755**
Amount before income tax effect	**833**	1,778	**6,805**
Income tax effect	**(234)**	(566)	**(1,909)**
Total	**599**	1,212	**4,896**
Share of other comprehensive income of affiliates accounted for using equity method			
Amount arising during the year	**144**	77	**1,175**
Reclassification adjustments to profit or loss	**—**	—	**—**
Amount before income tax effect	**144**	77	**1,175**
Income tax effect	**(0)**	(0)	**(1)**
Total	**144**	77	**1,174**
Total other comprehensive income	**¥ 1,905**	¥2,399	**$ 15,566**

22. Derivatives and hedging activities

Outstanding forward currency exchange contracts at March 31, 2022 and 2021 are follows, except for transactions accounted for using hedge accounting.

			Millions of yen
At March 31, 2022	Notional amount	Fair value	Unrealized gain (loss)
Forward currency exchange contracts:			
Sell			
Thai Baht	**¥1,236**	**¥(70)**	**¥(70)**
Indonesia Rupiah	**—**	**—**	**—**
Vietnamese Dong	**—**	**—**	**—**

			Millions of yen
At March 31, 2021	Notional amount	Fair value	Unrealized gain (loss)
Forward currency exchange contracts:			
Sell			
Thai Baht	¥1,006	¥(13)	¥(13)
Indonesia Rupiah	86	(2)	(2)
Vietnamese Dong	—	—	—

			Thousands of U.S. dollars
At March 31, 2022	Notional amount	Fair value	Unrealized gain (loss)
Forward currency exchange contracts:			
Sell			
Thai Baht	**$10,099**	**$(575)**	**$(575)**
Indonesia Rupiah	**—**	**—**	**—**
Vietnamese Dong	**—**	**—**	**—**

(Calculation of fair value)
Forward currency exchange contracts
The estimated fair value of these forward currency exchange contracts is determined using forward foreign exchange rate at March 31, 2022 and 2021.
Interest rate swap contracts accounted for using hedge accounting at March 31, 2022 and 2021 are as follows:

			Millions of yen
At March 31, 2022	Notional amount	Maturing after one year	Fair value
Interest rate swap contracts:			
Receive floating and pay fixed: (Note)			
Long-term loans payable	**¥5,450**	**¥3,400**	**¥—**

			Millions of yen
At March 31, 2021	Notional amount	Maturing after one year	Fair value
Interest rate swap contracts:			
Receive floating and pay fixed: (Note)			
Long-term loans payable	¥7,425	¥4,850	¥—

At March 31, 2022	Notional amount	Maturing after one year	Fair value
	Thousands of U.S. dollars		
Interest rate swap contracts:			
Receive floating and pay fixed: (Note)			
Long-term loans payable	**$44,523**	**$27,776**	**$—**

Note: Interest rate swap contracts which qualify for hedge accounting and meet specific matching criteria are not re-measured at market value and the fair value of such interest rate swap contracts are included in that of the long-term loans payable.

23. Leases

(Finance lease transactions which do not transfer ownership of the assets)

The leased tangible assets are principally research and development equipment (machinery), and the leased intangible asset is software.

Depreciation method of leased assets is calculated as disclosed in Note 2 (5).

24. Revenue recognition

(1) Information about breakdown of revenue from contracts with customers

Millions of yen

For the year ended March 31, 2022	Reportable segment				
	Device business	Car Electronics business	Total	Other (Note)	Total
Location of customers					
Japan	**¥20,743**	**¥ 8,458**	**¥29,201**	**¥8,643**	**¥37,844**
Thailand	**456**	**8,448**	**8,904**	**—**	**8,904**
Indonesia	**55**	**11,322**	**11,377**	**—**	**11,377**
Vietnam	**66**	**7,038**	**7,104**	**—**	**7,104**
India	**56**	**7,775**	**7,831**	**—**	**7,831**
China	**8,189**	**1,128**	**9,317**	**31**	**9,348**
Other Asia	**5,257**	**6**	**5,263**	**—**	**5,263**
Other area	**1,560**	**2,897**	**4,457**	**40**	**4,497**
Revenue from contracts with customers	**¥36,382**	**¥47,072**	**¥83,454**	**¥8,714**	**¥92,168**
Other revenue	**—**	**—**	**—**	**—**	**—**
Sales to external customers	**¥36,382**	**¥47,072**	**¥83,454**	**¥8,714**	**¥92,168**

Thousands of U.S. dollars

For the year ended March 31, 2022	Reportable segment				
	Device business	Car Electronics business	Total	Other (Note)	Total
Location of customers					
Japan	**$169,458**	**$ 69,092**	**$238,550**	**$70,606**	**$309,156**
Thailand	**3,721**	**69,017**	**72,738**	**—**	**72,738**
Indonesia	**448**	**92,490**	**92,938**	**—**	**92,938**
Vietnam	**535**	**57,496**	**58,031**	**—**	**58,031**
India	**457**	**63,519**	**63,976**	**—**	**63,976**
China	**66,900**	**9,217**	**76,117**	**251**	**76,368**
Other Asia	**42,945**	**49**	**42,994**		**42,994**
Other area	**12,746**	**23,667**	**36,413**	**332**	**36,745**
Revenue from contracts with customers	**$297,210**	**$384,547**	**$681,757**	**$71,189**	**$752,946**
Other revenue	**—**	**—**	**—**	**—**	**—**
Sales to external customers	**$297,210**	**$384,547**	**$681,757**	**$71,189**	**$752,946**

Notes: 1. “Other” refers to business segment which does not belong to any other segment and includes energy system business, solenoid business, etc.

2. Basic information to understand revenue from contracts with customers is as stated in “2. Summary of significant accounting policies (10) Accounting for significant revenue and expenses”.

3. A reconciliation of satisfaction of performance obligations based on contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue arising from contracts with customers existing at March 31, 2022 expected to be recognized in the following fiscal years.

a. Balance of contract liabilities

Contract liabilities of the Companies are omitted since the balance is immaterial and significant changes have not been incurred. In addition, there is no significant amount of revenue recognized during the fiscal year ended March 31, 2022 from performance obligations satisfied (fully or partially) in the past periods.

b. Transaction price allocated to remaining performance obligations

The transaction price allocated to remaining performance obligations of the Companies is omitted applying practical expedient since there is no material contract whose contract term expected initially is exceeding one year. In addition, there is no material amount excluded from the transaction price in the amount of consideration arising from contracts with customers.

25. Segment information

(1) Reportable segment overview

The Companies' reportable operating segments are components of an entity for which separate financial information is available, and they are evaluated regularly by the board of directors in determining the allocation of management resources and in assessing performance.

The Companies formulate comprehensive domestic and overseas strategies for the products that its business divisions provide.

The Companies' business is organized into two reportable segments—Device business and Car Electronics business which form the base of its business divisions.

The Device business manufactures diodes, thyristors, MOSFET, high-withstand voltage power ICs and power modules. The Car Electronics business mainly manufactures electronics components for motorcycles and automobiles, along with general purpose inverters.

The classification of the reportable segment has been changed from the fiscal year ended March 31, 2022. Accordingly, the reportable segments previously consisted of three segments, that is, Device business, Car electronics business and Energy Systems business, but they were changed to two segments, that is, Device business and Car Electronics business, and Energy Systems business has been included in Other since the accounting materiality decreased in terms of the amount.

Segment information for the fiscal year ended March 31, 2021 is stated based on the classification method after the change.

(2) Method of calculating sales, income (loss), identifiable assets/liabilities and other items by reportable segment

The accounting method for calculating sales, income (loss), identifiable assets / liabilities and other items by reportable segment is based on the same method applied to consolidated financial statements. Income by reportable segment is based on operating income. In addition, inter-segment sales and transfers are primarily based on market prices or manufacturing costs. As disclosed in "Accounting changes," the Company applied the Revenue Recognition Standard, etc. from the beginning of the fiscal year ended March 31, 2022, and changed the accounting method for revenue recognition. Accordingly, the Company also changed the method for calculating segment profit or loss for operating segments. As a result, compared with the previous method, net sales of Device business, Car Electronics business and Other decreased by ¥26 million ($214 thousand), ¥9 million ($76 thousand) and ¥936 million ($7,645 thousand), respectively. There was no impact on segment profit.

(3) Net sales and income or loss and assets by reportable segment

Millions of yen

For the year ended March 31, 2022	Reportable segment: Device business	Reportable segment: Car Electronics business	Reportable segment: Total	Other (Note 1)	Total	Adjustments and Eliminations (Note 2)	Consolidated (Note 3)
Sales							
Outside customers	**¥36,382**	**¥47,072**	**¥83,454**	**¥8,714**	**¥92,168**	**¥ —**	**¥92,168**
Inter-segment	**5,890**	**3**	**5,893**	**—**	**5,893**	**(5,893)**	**—**
Total	**42,272**	**47,075**	**89,347**	**8,714**	**98,061**	**(5,893)**	**92,168**
Segment income	**5,039**	**3,709**	**8,748**	**696**	**9,444**	**(3,882)**	**5,562**
Segment assets	**42,937**	**42,426**	**85,363**	**8,110**	**93,473**	**41,568**	**135,041**
Depreciation and amortization	**3,101**	**1,989**	**5,090**	**214**	**5,304**	**245**	**5,549**
Increase in property, plant and equipment and intangible assets	**2,180**	**2,740**	**4,920**	**230**	**5,150**	**147**	**5,297**

Thousands of U.S. dollars

For the year ended March 31, 2022	Reportable segment: Device business	Reportable segment: Car Electronics business	Reportable segment: Total	Other (Note 1)	Total	Adjustments and Eliminations (Note 2)	Consolidated (Note 3)
Outside customers	**$297,210**	**$384,547**	**$681,757**	**$71,189**	**$752,946**	**$ —**	**$752,946**
Inter-segment	**48,116**	**21**	**48,137**	**—**	**48,137**	**(48,137)**	**—**
Total	**345,326**	**384,568**	**729,894**	**71,189**	**801,083**	**(48,137)**	**752,946**
Segment income	**41,161**	**30,301**	**71,462**	**5,687**	**77,149**	**(31,710)**	**45,439**
Segment assets	**350,767**	**346,585**	**697,352**	**66,252**	**763,604**	**339,584**	**1,103,188**
Depreciation and amortization	**25,332**	**16,249**	**41,581**	**1,749**	**43,330**	**1,998**	**45,328**
Increase in property, plant and equipment and intangible assets	**17,807**	**22,388**	**40,195**	**1,879**	**42,074**	**1,200**	**43,274**

Notes: 1. The "Other" category refers to business activities not included in the reportable segments, such as Energy Systems business and Solenoid business.
2. Details of "Adjustments and eliminations" are below:
(1) Segment loss totaling ¥3,881 million ($31,710 thousand) posted under "Adjustments and eliminations" includes "Corporate expenses" that have not been allocated to the reportable segment. "Corporate expenses" are primarily general and administrative expenses that cannot be attributed to any reportable segments.
(2) Segment assets totaling ¥41,568 million ($339,585 thousand) posted under "Adjustments and eliminations" comprise corporate assets of ¥41,248 million ($336,969 thousand) not allocated to the reportable segments and other adjustments of ¥320 million ($2,615 thousand).
(3) Depreciation and amortization totaling ¥244 million ($1,997 thousand) posted under "Adjustments and eliminations" mainly comprises corporate expenses not attributable to the reportable segments.
(4) The increases in property, plant and equipment and intangible assets totaling ¥146 million ($1,200 thousand) posted under "Adjustments and eliminations" mainly comprises corporate assets not attributable to the reportable segments.
3. Segment income (loss) is adjusted to operating income stated on the Consolidated Statement of Income and Comprehensive Income for the year ended March 31, 2022

Millions of yen

For the year ended March 31, 2021	Device business	Car Electronics business	Total	Other (Note 1)	Total	Adjustments and Eliminations (Note 2)	Consolidated (Note 3)
Sales							
Outside customers	¥29,214	¥41,630	¥70,834	¥9,594	¥80,437	¥ —	¥80,437
Inter-segment	5,066	2	5,068	—	5,068	(5,068)	—
Total	34,280	41,632	75,912	9,594	85,505	(5,068)	80,437
Segment income (loss)	85	2,195	2,280	627	2,907	(3,987)	(1,080)
Segment assets	35,102	31,377	66,478	7,146	73,624	54,183	127,807
Depreciation and amortization	2,708	1,576	4,284	169	4,453	282	4,735
Increase in property, plant and equipment and intangible assets	1,864	744	2,608	—	2,633	9,186	11,820

Notes: 1. The "Other" category includes business activities not included in the reportable segments, such as solenoid business.
2. Details of "Adjustments and eliminations" are below:
(1) Segment loss totaling ¥3,987 million posted under "Adjustments and eliminations" includes "Corporate expenses" that have not been allocated to the reportable segment. "Corporate expenses" are primarily general and administrative expenses that cannot be attributed to any reportable segments.
(2) Segment assets totaling ¥54,183 million posted under "Adjustments and eliminations" comprise corporate assets of ¥54,169 million not allocated to the reportable segments and other adjustments of ¥14 million.
(3) Depreciation and amortization totaling ¥282 million posted under "Adjustments and eliminations" mainly comprises corporate expenses not attributable to the reportable segments.
(4) The increases in property, plant and equipment and intangible assets totaling ¥9,186 million posted under "Adjustments and eliminations" mainly comprises corporate assets not attributable to the reportable segments.
3. Segment income (loss) is adjusted to operating income stated on the Consolidated Statement of Income and Comprehensive Income for the year ended March 31, 2021

(Related Information)

1. Information by finished product and service

The corresponding information is identical to data disclosed under "Segment Information." Accordingly, this information has been omitted.

2. Information by geographic segment

(1) Net sales

For the year ended March 31, 2022

Millions of yen

Japan	Indonesia	China	Thailand	India	Vietnam	Asia (other)	Other area	Total
¥37,844	**¥11,376**	**¥9,348**	**¥8,904**	**¥7,831**	**¥7,104**	**¥5,263**	**¥4,498**	**¥92,168**

For the year ended March 31, 2021

Millions of yen

Japan	Thailand	Indonesia	Vietnam	Asia (other)	Other area	Total
¥34,731	¥8,635	¥8,289	¥7,091	¥17,952	¥3,739	¥80,437

For the year ended March 31, 2022

Thousands of U.S. dollars

Japan	Indonesia	China	Thailand	India	Vietnam	Asia (other)	Other area	Total
$309,156	**$92,938**	**$76,368**	**$72,738**	**$63,976**	**$58,031**	**$42,994**	**$36,745**	**$752,946**

Note: Net sales are based on the location of customers classified according to country or region.

(2) Property, plant and equipment

As of March 31, 2022

Millions of yen

Japan	Thailand	Indonesia	Asia (other)	Other area	Total
¥26,654	**¥2,972**	**¥2,809**	**¥3,631**	**¥7**	**¥36,073**

As of March 31, 2021

Millions of yen

Japan	Thailand	Indonesia	Asia (other)	Other area	Total
¥26,929	¥3,276	¥1,420	¥4,456	¥10	¥36,091

As of March 31, 2022

Thousands of U.S. dollars

Japan	Thailand	Indonesia	Asia (other)	Other area	Total
$217,742	**$24,276**	**$22,947**	**$29,666**	**$60**	**$294,691**

(3) Information by major customer

For the years ended March 31, 2022 and 2021, the major customer that accounted for 10% or more of total net sales recorded in the Consolidated Statements of Income and Comprehensive Income is as follows.

For the year ended March 31, 2022

Millions of yen

Major Customer	Net Sales	Segment
PT Astra Honda Motor	**¥9,876**	Car Electronics business

For the year ended March 31, 2022

Thousands of U.S. dollars

Major Customer	Net Sales	Segment
PT Astra Honda Motor	**$80,677**	Car Electronics business

(Information of impairment loss on property, plant and equipment by reportable segment)

For the year ended March 31, 2022

No current report

For the year ended March 31, 2021

Millions of yen

	Device business	Car Electronics business	Other	Adjustments and Eliminations	Total
Impairment loss	¥229	¥—	¥104	¥1,253	¥1,586

(Information of amortization and balance of goodwill by reportable segment)

For the year ended March 31, 2022

No current report

For the year ended March 31, 2021

No current report

26. Consolidated statements of changes in net assets

(1) Categories and numbers of stock issued

For the year ended March 31, 2022

Thousands of shares

	Number of shares at beginning of the year	Increase in numbers of shares	Decrease in numbers of shares	Number of shares at end of the year
(Shares issued)				
Common stock	**10,339**	**—**	**—**	**10,339**
Total	**10,339**	**—**	**—**	**10,339**

For the year ended March 31, 2021

Thousands of shares

	Number of shares at beginning of the year	Increase in numbers of shares	Decrease in numbers of shares	Number of shares at end of the year
(Shares issued)				
Common stock	10,339	—	—	10,339
Total	10,339	—	—	10,339

Note: The decrease in the number of shares is due to the consolidation of shares.

(2) Categories and numbers of treasury stock

For the year ended March 31, 2022

Thousands of shares

	Number of shares at beginning of the year	Increase in numbers of shares	Decrease in numbers of shares	Number of shares at end of the year
(Shares of treasury stock)				
Common stock	**33**	**0**	**2**	**31**
Total	**33**	**0**	**2**	**31**

Note: The increase in the number of shares is due to purchase of fractional shares.
The decrease in the number of share is due to disposal of treasury stock with restricted stock compensation.

For the year ended March 31, 2021

Thousands of shares

	Number of shares at beginning of the year	Increase in numbers of shares	Decrease in numbers of shares	Number of shares at end of the year
(Shares of treasury stock)				
Common stock	37	0	4	33
Total	37	0	4	33

Note: The increase in the number of shares is due to purchase of fractional shares.
The decrease in the number of share is due to disposal of treasury stock with restricted stock compensation.

(3) Dividends

(A) Dividends paid for the year ended March 31, 2022

No current report

(B) Dividends paid for the year ended March 31, 2021

Resolution	Share class	Cash dividends paid	Cash dividends per share	Year ended	Dividend effective date
Ordinary general meeting of shareholders on June 26, 2020	Common stock	¥643 million	¥62.50	March 31, 2020	June 29, 2020

(C) Dividends with the cut-off date in the year ended March 31, 2021 and the effective date in the year ending March 31, 2022

No current report

(D) Dividends with the cut-off date in the year ended March 31, 2022 and the effective date in the year ended March 31, 2023

Resolution	Share class	Cash dividends paid	Cash dividends per share	Year ended	Dividend effective date
Ordinary general meeting of shareholders on June 29, 2022	Common stock	¥1,031 million ($8,420 thousands)	¥100.00 ($0.82)	March 31, 2022	June 30, 2022

27. Profit attributable to owners of parent per share

The calculation of profit attributable to owners of parent per share for the years ended March 31, 2022 and 2021 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Profit (loss) attributable to owners of parent	**¥ 5,903**	¥ (5,562)	**¥48,221**
Amounts not attributable to common stock	**—**	—	**—**
Profit (loss) attributable to owners of parent to common stock	**5,903**	(5,562)	**48,221**
Weighted average number of ordinary shares (thousands)	**10,307**	10,305	**—**

Diluted profit attributable to owners of parent per share was not calculated herein since the Company had no dilutive securities, such as convertible bonds or warrants.

28. Financial covenants clauses

For the year ended March 31,2022
Some of the loan agreements (including syndicated loans) have the following main financial covenants clauses of the loans at the end of the consolidated fiscal year.
(¥1,000 million out of short-term loans payable, ¥16,500 million out of long-term loans payable)

① After the fiscal year ended March 31, 2021, the amount of net assets on the consolidated balance sheet on the last day of each fiscal year and the last day of the second quarter should keep at least 50% of the amount of net assets on the consolidated balance sheet as of the end of the fiscal year ended March 31, 2020.

② After the fiscal year ended March 31, 2022, the ordinary income and loss* should not be a loss for two consecutive fiscal years of starting with the fiscal year ending in each fiscal year.

③ In the consolidated income statement and consolidated balance sheet of the fiscal year ended March 2022, the standard value of the following formula shall be maintained in a state where it does not exceed zero.
Standard value = Interest-bearing debt -(Working capital)-
Normal working capital-Cash and cash equivalents

* Ordinary income or loss is calculated by subtracting extraordinary income or loss pursuant to Japanese GAAP from income before income taxes.

For the year ended March 31,2021
Some of the loan agreements (including syndicated loans) have the following main financial covenants clauses of the loans at the end of the consolidated fiscal year.
(¥500 million out of short-term loans payable, ¥12,500 million out of long-term loans payable)

① After the fiscal year ending March 31, 2021, the amount of net assets on the consolidated balance sheet on the last day of each fiscal year and the last day of the second quarter should keep at least 50% of the amount of net assets on the consolidated balance sheet as of the end of the fiscal year ended March 31, 2020.

② After the fiscal year ended March 31, 2022, the ordinary income and loss* should not be a loss for two consecutive fiscal years of starting with the fiscal year ending in each fiscal year.

③ In the consolidated income statement and consolidated balance sheet of the fiscal year ending March 2022, the standard value of the following formula shall be maintained in a state where it does not exceed zero.
Standard value = Interest-bearing debt -(Working capital)-
Normal working capital-Cash and cash equivalents

* Ordinary income or loss is calculated by subtracting extraordinary income or loss pursuant to Japanese GAAP from income before income taxes.

29. Transactions with related party

Significant transactions of the Company with related party for the fiscal year ended March 31, 2022 were as follows:

Attribute	Name	The contents of a business operation or an occupation	Ownership ratio (Parent company ownership ratio) of voting rihhets (%)	Relationship	Nature of Transaction	Trading amount	Account	Balance at the end of the fiscal year
Affiliates	Napino Auto & Electronics Ltd.	Car Electronics business	(Parent company ownership ratio) 22.57	Sales of our products, etc.	Sales of our products, etc.	¥379 million ($3,098 thousand)	Notes and accounts receivable-trade	¥93 million ($757 thousand)

Note: Transaction conditions and policy for determining transaction conditions, etc.
The terms and conditions of the transaction are decided through discussions between the two parties.

Significant transactions of the Company with related party for the fiscal year ended March 31, 2021 were as follows:

Attribute	Name	The contents of a business operation or an occupation	Ownership ratio (Parent company ownership ratio) of voting rihhets (%)	Relationship	Nature of Transaction	Trading amount	Account	Balance at the end of the fiscal year
Affiliates	Napino Auto & Electronics Ltd.	Car Electronics business	(Parent company ownership ratio) 22.57	Sales of our products, etc.	Sales of our products, etc.	¥556 million	Notes and accounts receivable-trade	¥305 million

Note: Transaction conditions and policy for determining transaction conditions, etc.
The terms and conditions of the transaction are decided through discussions between the two parties.

Independent Auditor's Report

The Board of Directors
Shindengen Electric Manufacturing Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Shindengen Electric Manufacturing Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2022, and the consolidated statements of comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

<table>
<tr><td colspan="2">Recoverability of deferred tax assets recognized by Shindengen Electric Manufacturing Co., Ltd. (the Company)</td></tr>
<tr><th>Description of Key Audit Matter</th><th>Auditor's Response</th></tr>
<tr><td>As stated in the Notes (Significant Accounting Estimates), (Tax Effect Accounting), deferred tax assets (before offsetting deferred tax liabilities) as of the end of the current fiscal year amounted to 2,130 million yen. Of this amount, deferred tax assets (before offsetting deferred tax liabilities) recognized by the Company amounted to 1,386 million yen, consisting of 6,758 million yen of total deferred tax assets related to deductible temporary differences and tax loss carryforwards, less 5,372 million yen of valuation allowance.

The Company recognizes deferred tax assets related to deductible temporary differences and tax loss carryforwards that are deemed to have the effect of reducing future tax burden, based on estimates of taxable income projected from future business plan.

Estimates of taxable income are based on the business plan for the following fiscal year approved by the Board of Directors. Sales volume and raw material prices, which are the key assumptions underlying the business plan, are estimated based on historical demand trends, market forecasts, market prices, and other factors.

The above key assumptions are affected by the environment surrounding the company, such as fluctuations in customer demand and raw materials supply and demand, therefore they are subject to uncertainty and require judgment by management.

Based on the above, recoverability of deferred tax assets recognized by the Company is particularly important in our audit of the consolidated financial statements for the current fiscal year, we have determined that this matter is Key Audit Matters.</td><td>We performed the following audit procedures primarily to assess recoverability of deferred tax assets recognized by the Company.

• We assessed the consistency of management's estimates of taxable income with the business plan approved by the Board of Directors.

• We assessed the effectiveness of management's estimation process by comparing the business plan with subsequent actual results in prior periods.

• We assessed management's assessment of the uncertainty of the business plan estimates by comparing sales volume, a key assumption underlying the business plan, with available external data on market forecasts, customer order data, and analyzed trends based on past results.

• We assessed management's assessment of the uncertainty of the business plan estimates by comparing raw material prices, a key assumption of the business plan, with available external data on market prices and analyzed trends based on past results.</td></tr>
</table>

Other Information

The other information comprises the information included in the Annual Report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. the Audit and Supervisory Board Member and the Audit and Supervisory Board responsible for overseeing the Group's reporting process of the other information.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Audit and Supervisory Board Member and the Audit and Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Board Member and the Audit and Supervisory Board are responsible for overseeing 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. 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, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not 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 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 in accordance with accounting principles generally accepted in Japan.
- 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 and Supervisory Board Member and the Audit and Supervisory Board 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 and Supervisory Board Member and the Audit and Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Board Member and the Audit and Supervisory Board, 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.

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.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan
September 30,2022

/S/Yasuhito Tateishi

Yasuhito Tateishi
Designated Engagement Partner
Certified Public Accountant

/S/Yukiyasu Yamakawa

Yukiyasu Yamakawa
Designated Engagement Partner
Certified Public Accountant